

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

Peoples Natural Gas Company LLC

Docket No. R-2023-3044549

Volume 9

Direct Testimony

**PREPARED DIRECT TESTIMONY
OF MICHAEL HUWAR**

Introduction

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Michael Huwar. My business address is Peoples Natural Gas Company LLC,
3 375 North Shore Drive, Suite 600, Pittsburgh, Pennsylvania 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by Peoples Natural Gas Company LLC ("Peoples Natural Gas," "Peoples,"
7 or the "Company") as President. I am also the President of Peoples Natural Gas' direct
8 parent, PNG Companies LLC ("PNG"). On January 1, 2023, Peoples Natural Gas was
9 merged with People Gas Company LLC and two divisions were formed.

10

11 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

12 **A.** I hold an undergraduate degree from the University of Pittsburgh, and completed a
13 leadership development program at the University of Pennsylvania's Wharton School.
14 Currently, I am the corporate officer responsible for Peoples Natural Gas and its various
15 departments including but not limited to Operations, Construction, Pipeline Safety and
16 Compliance, Damage Prevention, Sales, Customer Service and Community Relations.
17 Prior to my time at Peoples, I held various positions with Columbia Gas of Pennsylvania,
18 Inc. and its parent company, NiSource Inc. from 1986 through 2021, including President
19 and Chief Operating Officer of Columbia Gas of Pennsylvania, Inc. While at
20 Columbia/NiSource I also served as Vice President and General Operations Manager for
21 Columbia Gas of Virginia, Inc., Vice President of Sales, Vice President of Products and

1 Services, and Director of Large Customer Relations. From 2015 through 2017, I served
2 as Vice President of Marketing for Columbia Midstream, a subsidiary of Columbia Pipeline
3 Group and TransCanada/TC Energy.

4
5 **Q. WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES WITH PEOPLES?**

6 **A.** As President, I have the overall responsibility of leading the business and establishing the
7 strategic plan for Peoples Natural Gas. My principle role is setting and executing on
8 Peoples' strategic goals, which prioritize the operation and maintenance of a safe and
9 reliable natural gas distribution system from which we serve our customers and
10 communities.

11 Safety and reliability are the top priorities at Peoples and as such, I oversee the
12 modernization of Peoples' infrastructure to maintain the overall safety and integrity of our
13 natural gas delivery system. From that system, we meet the natural gas distribution needs
14 of our customers in 18 counties in Southwest Pennsylvania. While we improve our
15 infrastructure, Peoples is committed to providing top tier customer service. I also serve as
16 Peoples' chief spokesperson and representative on important energy issues being debated
17 and deliberated on both the federal and state levels.

18
19 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN ANY REGULATORY**
20 **PROCEEDING?**

21 **A.** Yes. Most recently, I submitted testimony in Peoples Gas Company LLC and Peoples
22 Natural Gas Company LLC's Joint Application for Merger at Docket Nos. A-2021-
23 3029831 and A-2021-3029833, which was approved by the Pennsylvania Public Utility

1 Commission (“Commission”) on August 25, 2022. While at Columbia, I submitted
2 testimony in support of Columbia Gas of Pennsylvania, Inc.’s base rate proceedings before
3 the Commission at Docket Nos. R-2018-2647577 and R-2020-3018835.

4
5 **Q. WHY DID THE COMPANY FILE THIS RATE CASE?**

6 A. Peoples committed to file a base rate proceeding by no later than December 31, 2023 as
7 part of a Joint Settlement in the Company’s Tax Repair Election Petition in Docket No. P-
8 2020-3021191 before the Commission in 2021. Prior to this filing, Peoples Natural Gas
9 Division filed its last base rate proceeding in 2019 and Peoples Gas Division filed its last
10 base rate proceeding in 2013¹. By the time proposed new rates would become effective in
11 this filing, it will have been nearly five years since the Company’s last rate increase.

12
13 **Q. WHAT IS THE PRIMARY DRIVER FOR THIS FILING?**

14 A. The primary drivers for this case are the Company’s ongoing infrastructure modernization
15 programs which are supported by significant ongoing capital investments. These capital
16 investments involve the replacement of aging infrastructure that will enhance the overall
17 safety, reliability and integrity of the Company’s natural gas distribution system.
18 Therefore, the Company is requesting a base rate increase to recover the revenue
19 requirement associated with the capital invested through the test year and continued
20 investment in modernizing its infrastructure through the fully projected future test year.

¹ For more information regarding the two Divisions and Merger information for Peoples Natural Gas Company LLC’s Peoples Natural Gas Division and Peoples Gas Division, see the Testimony of Andrew Wachter, pages 3-4.

1 Approval of the Company’s request is necessary for Peoples to continue to provide
2 safe and reliable natural gas service at a reasonable price to its customers while providing
3 the Company with a reasonable opportunity to recover its costs and earn a fair rate of return
4 on its capital investments in this proceeding. The Company is seeing overall increases in
5 its costs to do business, including rising interest rates and post-pandemic pressures related
6 to labor and availability of materials. As such, approval of the Company’s request herein
7 will demonstrate to its investors that the Commission continues to support the Company’s
8 need for natural gas infrastructure modernization and investment, as well as the need for
9 reasonable and predictable earnings to continue to operate its business.

10
11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

12 **A.** First, I will introduce Peoples’ witnesses in this case, as well as the subject matters
13 presented by each witness. Next, I will discuss the various priorities in this filing, including
14 but not limited to the unification of the retail tariffs of the two divisions of Peoples (Peoples
15 Gas Division and Peoples Natural Gas Division) into one combined retail tariff under
16 Peoples Natural Gas Company LLC. I will also highlight some of the Company’s
17 operational performance and safety results, including the progress the Company has made
18 with its infrastructure modernization program. In addition, I will discuss Peoples’ customer
19 service metrics and how the Company has been improving its customer experience.
20 Additionally, I will briefly summarize some of the Company’s requests in this proceeding,
21 including a weather normalization adjustment mechanism and a new rate proposal to attract
22 large industrial customers to the Company’s distribution system.

1 Ed Palombo, Vice President of Reliability, will describe the Company’s gas supply
2 plan, the Company’s gathering approach, and the Company’s safety performance. (Peoples
3 Statement No. 4)

4 Paul Becker, Vice President of Construction and Engineering, will discuss the
5 Company’s capital pipeline work programs. (Peoples Statement No. 5)

6 Christine Saball, Vice President of Taxation will sponsor and support the
7 Company’s tax calculations for ratemaking purposes and the tax-related information
8 provided by Peoples in response to the Commission’s rate filing regulations. More
9 specifically, Ms. Saball will explain the Company’s Net Operating Loss carryforward, the
10 Consolidated Tax Adjustment, how the Company is reflecting the effects of Tax Repairs
11 in this proceeding, the impact of the Gas Safe Harbor rules issued in 2023 and how the
12 reduction to the Corporate Net Income tax rate impacts the Company’s revenue
13 requirement in this matter. (Peoples Statement No. 6)

14 Luke Ravenstahl, Vice President Sales and Marketing, will sponsor and support the
15 Company’s negotiated contracts with competitive customers, Microgrid and Combined
16 Heat and Power facilities, and outline the Company’s requests to expand the use and
17 availability of natural gas. (Peoples Statement No. 7)

18 Joyce Mitole, Controller, will sponsor the accounting filing requirements and
19 explain how the accounting records of Peoples are maintained under industry standards.
20 (Peoples Statement No. 8)

21 Rita Black, Director of Customer Service Programs, will sponsor and explain the
22 Company’s universal service programs and the implementation of said programs. (Peoples
23 Statement No. 9)

1 Rudolph Hanechak, Financial Analysis and Budget Manager, will sponsor and
2 support the Company's taxes other than income calculations. (Peoples Statement No. 10)

3 Dawn Folks, Senior Rates Analyst, will present the calculation of the Company's
4 rate base. In addition, Ms. Folks will discuss the Company's tariff changes and the
5 proposal to consolidate the Company's two tariff divisions (Peoples Gas Division and
6 Peoples Natural Gas Division) into one retail tariff under Peoples Natural Gas Company
7 LLC. (Peoples Statement No. 11)

8 Krista Snyder, Rates Analyst, will present the calculation of the Company's cash
9 working capital requirements. (Peoples Statement No. 12)

10 Paul Moul, Managing Consultant, P. Moul & Associates, will present an
11 independent assessment of the fair rate of return that Peoples should be authorized to earn
12 on its investment in providing gas delivery service to customers. (Peoples Statement No.
13 13)

14 John Spanos, President, Gannett Fleming, Inc., will sponsor a depreciation study
15 that determined Peoples' annual depreciation accrual rates. (Peoples Statement No. 14)

16 Ralph Zarumba, Black & Veatch Management Consulting, LLC, will sponsor the
17 cost of service allocation studies prepared by his firm and he will explain how Peoples'
18 rates were designed to produce the revenue requirement described in Peoples' witness
19 Andrew Wachter's testimony. Mr. Zarumba will also discuss the Company's WNA
20 proposal and its request to a new rate for industrial customers. (Peoples Statement No. 15)

21

1 **Unification of Tariffs**

2 **Q. PLEASE DESCRIBE THE COMPANY’S CURRENT STRUCTURE AND WHAT**
3 **HAS OCCURRED SINCE ITS LAST BASE RATE PROCEEDING.**

4 **A.** Over the last few years, the Company has made great strides to merge its two Pennsylvania
5 gas utilities, Peoples Gas Company LLC and Peoples Natural Gas Company LLC, into one
6 entity, Peoples Natural Gas Company LLC. Today, the entities are legally merged, but
7 remain as two divisions before the Commission– Peoples Gas Division and Peoples Natural
8 Gas Division – with two separate tariffs on file. Moreover, the two divisions have separate
9 base rates and accounting books and records.

10
11 **Q. WHAT STEPS HAS THE COMPANY TAKEN TO UNIFY THE PEOPLES GAS**
12 **AND PEOPLES NATURAL GAS DIVISIONS’ OPERATIONS?**

13 **A.** The Company has taken a variety of steps to unify the operations of its divisions. In
14 particular, the organizational structures of the two divisions have been restructured to avoid
15 duplicative positions, the unions have been merged, and the vehicles, tools, and equipment
16 have been standardized across the divisions. In addition, the Company has re-aligned the
17 locations of offices across the combined service territory to better serve the customers and
18 avoid duplicative offices. The Company has gone to great efforts to create a single
19 operation that provides the most valuable services to its customers in the most efficient
20 means possible.

21 Additionally, the Company, in this proceeding, is requesting all of the necessary
22 regulatory approvals from the Commission to fully merge its two divisions.

1 **Q. HAS THE COMMISSION APPROVED THE JOINT APPLICATION FOR**
2 **MERGER OF THE PEOPLES GAS DIVISION AND PEOPLES NATURAL GAS**
3 **DIVISION INTO ONE ENTITY?**

4 A. Yes, the Commission approved the Joint Application for merger of the Peoples Gas
5 Division and Peoples Natural Gas Division on August 25, 2022 in Docket Nos. A-2021-
6 3029831 and A-2021-3029833.

7
8 **Q. HAS THE COMMISSION APPROVED THE CONSOLIDATION OF THE**
9 **PEOPLES GAS DIVISION AND PEOPLES NATURAL GAS DIVISION**
10 **PURCHASED GAS COST RATES?**

11 A. Yes, the Commission approved the consolidation of the Peoples Gas Division and Peoples
12 Natural Gas Division Purchased Gas Cost Rates in the 2022 1307(f) proceeding at Docket
13 Nos. R-2023-3037928, *et al.*

14
15 **Q. WHAT IS PEOPLES PROPOSING IN THIS PROCEEDING WITH RESPECT TO**
16 **THE PEOPLES GAS AND PEOPLES NATURAL GAS DIVISIONS' BASE RATES,**
17 **TARIFFS AND ACCOUNTING?**

18 A. The Company is requesting consolidation of the base rates and accounting of the Peoples
19 Gas and Peoples Natural Gas Divisions together into one unified company and the
20 elimination of any requirement to maintain separate divisions. In addition, the Company
21 is proposing one new retail tariff, Peoples Natural Gas Tariff Gas No. 48 to serve all retail
22 customers. Peoples Natural Gas' Tariff Gas- PA PUC No. 47 and Peoples Gas Tariff- PA
23 PUC No. 8 would be canceled and superseded by this new retail tariff, Peoples Natural Gas

1 Tariff Gas No. 48. The Peoples Natural Gas Division’s Supplier Tariff S-3 will be canceled
2 and superseded by a new PA PUC Tariff No. S-4 and will cover supplier issues for both
3 the Peoples Natural Gas and Peoples Gas Divisions. Dawn Folks’ testimony (Peoples
4 Statement No. 11) discusses this in more detail. At a high level, the merging of the tariffs
5 will involve the merging of certain rates and fees that may be effective for one division but
6 not yet another. For example, in this proceeding, the Company proposes to apply its
7 gathering fees across both divisions. Further, the Company proposes to spread the capacity
8 gas costs incurred by the Company on Equitran’s Allegheny Valley Connector system
9 across both divisions, as well.

10
11 **Q. WHAT ARE THE BENEFITS OF COMBINING THE PEOPLES AND PEOPLES**
12 **NATURAL GAS DIVISIONS’ RATES AND TARIFFS?**

13 A. As described above, the Company has made efforts to combine the operations procedures
14 of the two divisions, as well as the purchased gas cost rates. The final step to complete the
15 acquisition will be in combining the tariffs and rates of the Peoples Gas and Peoples Natural
16 Gas Divisions. By combining the rates and tariffs, the Company will ensure that standards,
17 procedures and customer charges are uniform across its service territory. This will present
18 the Company to customers as one company and avoid customer confusion concerning rates
19 and services. Duplicative regulatory filings for the Peoples Gas and Peoples Natural Gas
20 Divisions will be eliminated. In addition, the new rates will reflect more accurate costs to
21 customers of the unified company, instead of separate rates for each division. Additionally,
22 the merger affords the Company with operational flexibility related to the procurement of
23 natural gas. As previously described the Company operates and holds itself out as a single

1 business to the people and businesses it serves. This will simplify that even further for
2 customers' benefit.

3 **Case Priorities**

4 **Q. WHAT ARE PEOPLES' TOP PRIORITIES?**

5 **A.** At Peoples, our mission is to sustain life and improve economic prosperity by safely and
6 reliably delivering natural gas to our customers and communities. The Company delivers
7 on this mission while striving to achieve the operational excellence necessary to provide
8 safe and reliable natural gas delivery service to its customers. We are fully engaged in the
9 Southwestern Pennsylvania community. I am personally actively engaged in the
10 Southwestern Pennsylvania community through various organizations and events. In 2022,
11 I was the Chair of the Heart Association Walk in downtown Pittsburgh's North Shore and
12 in 2023, I was Chair of the Leukemia and Lymphoma Association's Light The Night Walk
13 in North Shore. Additionally, I am an active board member for the Marcellus Shale
14 Coalition and the Allegheny Conference on Economic Development. I am also Co-Chair
15 of Pittsburgh Works Together – a Pittsburgh based business and labor coalition. Many of
16 our executives and employees are likewise highly involved in the community and such
17 participation is strongly encouraged by Peoples. We work hard to support our customers,
18 our employees and to help the communities we serve grow and prosper. We achieve our
19 mission with a focus on safety. We strive to keep our customers, the communities we serve
20 and our employees safe every day. In order to keep our system safe, the Company is
21 investing and will continue to invest in upgrading and modernizing the infrastructure from
22 which we serve our customers.

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Q. ON WHAT DOES THE COMBINED DISTRIBUTION LTIP FOCUS?

A. Peoples’ Second Combined Distribution LTIP maintains its commitment to replace all at-risk pipelines over an approximately 20-year period. The current LTIP focuses primarily on removing bare steel and cast/wrought iron from the Company’s system. Typically, the highest risk pipes are mainly located in urban areas, which have the highest concentration of customers being served. These pipe replacement projects are much more costly per mile than the rural pipe replacement projects due to the significant paving and restoration work associated with the urban projects. In addition, and of growing importance to all of us, our LTIP focuses on the mitigation and elimination of methane impacts on the quality of air. The Company is committed to reducing its overall emissions by 60% from its 2019 baseline, by 2034. The LTIP work is one of the major ways the Company will meet its emissions reduction goals.

Q. WILL THE COMPANY CONTINUE TO INVEST IN THE MODERNIZATION OF ITS INFRASTRUCTURE AND WHY?

A. Yes, Peoples is committed to continue its investment in infrastructure modernization for many years to come. Through its capital pipeline work, the Company will systematically replace older and more vulnerable sections of its pipeline made of leak-prone materials in order to reduce its overall scope 1 greenhouse gas emissions. Moreover, the Company’s infrastructure modernization programs allow the Company to maintain the reliability and integrity of its natural gas system for the safety of its customers and the environment.

1 Witness Paul Becker further details the Company's work and spend on pipeline
2 modernization.

4 **Weather Normalization Adjustment**

5 **Q. PLEASE BRIEFLY EXPLAIN THE COMPANY'S WNA PROPOSAL.**

6 A. In this proceeding, the Company is requesting a Weather Normalization Adjustment
7 ("WNA") mechanism. With this mechanism, the Company will adjust the customer
8 delivery charges based on normal historic weather patterns. For example, if the weather a
9 customer experiences is colder than normal weather, through a WNA mechanism, that
10 customer would receive a credit on their bill. Alternatively, if the weather a customer
11 experiences is warmer than normal, then that customer would receive an additional charge
12 on their bill. A WNA mechanism provides customers with more predictable winter bills
13 and in turn stabilizes Company revenues for that same period of time. For more information
14 about the Company's WNA proposal and the mechanics of the mechanism, please see the
15 testimonies of Ralph Zarumba and Carol Scanlon.

16
17 **Q. WHAT ARE THE BENEFITS OF A WNA MECHANISM?**

18 A. A WNA mechanism has benefits for both the customer and the Company. The Company
19 is able to bring in steady, predictable revenue while in turn, the customer is afforded stable
20 distribution charges during typically high usage winter months. A WNA mechanism
21 reduces some of the volatility associated with weather on a customer's bill.

22
23 **Q. DOES ANYONE ELSE USE A WNA MECHANISM?**

1 A. Yes. There are four other Pennsylvania gas utilities with WNA mechanisms – PGW,
2 Columbia, National Fuel and UGI. Additionally, there are WNA mechanisms approved
3 or proposed in 40 states in the United States. For more information about our proposed
4 WNA mechanism please see the testimonies of Carol Scanlon and Ralph Zarumba.

5
6 **Q. WHY SHOULD THE COMMISSION APPROVE THE COMPANY’S WNA**
7 **MECHANISM?**

8 A. The Commission should approve the Company’s WNA mechanism as it benefits both the
9 customer and the Company to reflect normal weather for distribution charges on a monthly
10 billed basis. Additionally, as the Company is engaged in modernizing its infrastructure, it
11 is important to keep utility revenues as stable as possible in order to attract the capital
12 necessary to fund its modernization programs.

13
14 **Customer Service**

15 **Q. PLEASE EXPLAIN THE COMPANY’S GOALS WITH RESPECT TO**
16 **CUSTOMER SERVICE.**

17 A. One of our primary goals has been to focus on and continually improve our customer
18 service, and I am happy to be able to testify that we have been successful in this area.
19 Peoples has objective targets for measuring customer service including certain call center
20 metric targets and metrics related to customer complaints and the Company’s response to
21 such complaints. Overall, the Company as a whole has embraced the principle that people
22 who care about what they are doing will provide a more efficient and higher quality of
23 service to customers. Our employees are proud to work for the Company and they

1 recognize the importance of their services to the region where they live. They see
2 themselves as neighbors helping to make their neighbors' lives better, which is a long-term
3 core value for our Company in the communities we serve.

4
5 **Q. WHAT HAS BEEN PEOPLES' PERFORMANCE REGARDING CUSTOMER**
6 **SERVICE?**

7 **A.** Since Peoples Natural Gas Company LLC's last base rate proceeding in 2019, Peoples has
8 made great strides to improve customer service goals and our success is reflected in the
9 Annual Customer Service Performance Report² published by the Commission. Some of the
10 highlights from the 2022 report are as follows:

- 11 • **Highest Service Level at 85%.** (Goal was 82%.)
- 12 • **Lowest Abandon Rate at 3%.** (Regulatory goal was 2%. The average for all gas
- 13 companies combined was just under 9% for reference.)
- 14 • **2nd Highest IVR Score at 78%** (Average for all companies was 78%)
- 15 • **Highest Rep Satisfaction at 94%** (Average for all companies was 92%)
- 16 • **Highest Rep Courtesy at 97%** (Average for all companies was 95%)
- 17 • **2nd Highest Rep Knowledge at 93%** (Average for all companies was 92%)
- 18 • **Highest Overall Satisfaction at 91%** (Average for all companies was 88%)
- 19

20 **Q. CAN YOU PROVIDE EXAMPLES OF PEOPLES PROVIDING QUALITY**
21 **CUSTOMER SERVICE?**

22 **A.** Yes, as demonstrated in the PUC's Annual Utility Consumer Report and Evaluation for
23 2022³ Peoples provided excellent service. The report provides information on each utility's
24 performance in handling complaints. The three main areas covered in the report are:
25 Consumer Complaints, Payment Arrangement Requests ("PAR") and Compliance with

² <https://www.puc.pa.gov/media/2566/2022-customer-service-performance-report-final-092623.pdf>

³ <https://www.puc.pa.gov/media/2606/2022-ucare-final-version.pdf>

1 Commission regulations. As shown in the table below, Peoples’ Consumer Complaint Rate
 2 for both divisions was lower than the Pennsylvania NGDC average.

	Consumer Complaint Rate	Justified Consumer Complaint Rate	Percent of Justified Consumer Complaints
Peoples	0.58	0.02	3.8%
NGDC Average	0.86	0.12	13.7%

3
 4 Further, Peoples responds promptly to consumer complaints received by the PUC as
 5 demonstrated by the following table:

**2019-22 Average Response Time to BCS
 Residential Consumer Complaints
 Major Natural Gas Distribution Companies**

Utility	Number of Days			
	2019	2020	2021	2022
Columbia	6.9	9.6	10.3	8.2
NFG	12.9	11.2	13.6	16.9
Peoples+	3.6	3.4	4.8	4.6
Peoples-Equitable+	3.8	n/a	n/a	n/a
PGW	14.8	10.5	21.2	19.8
UGI Gas++	11.3	8.8	7.6	10.7
UGI North++	11.9	n/a	n/a	n/a
Average	11.2	8.4	13.0	14.2

+ Due to the Peoples Natural Gas merger, effective Jan. 1, 2020, the Peoples data includes Peoples-Equitable.

++ Due to the UGI Gas merger, effective Jan. 1, 2020, the UGI Gas data includes UGI Central and UGI North.

6
 7 Peoples also treats customers fairly with respect to payment arrangement requests
 8 (PAR), having the lowest justified PAR rate of its NGDC Peers. The following table
 9 shows that Peoples’ PAR Rate, Justified PAR Rate and Percent of Justified PARs are
 10 significantly less than the average NGDC rates:

**2022 Residential Payment Arrangement Request (PAR) Rates,
Justified PAR Rates, and Percent of Justified PARs
Major Natural Gas Distribution Companies**

Utility	PAR Rate	Justified PAR Rate	Percent of Justified PARs
Columbia	1.35	0.04	3.1%
NFG	1.79	0.07	3.7%
Peoples	1.71	0.03*	1.5%*
PGW	8.21	1.43*	17.5%*
UGI Gas	5.49	0.14*	2.5%*
Average	3.71	0.34	8.9%

* Based on a probability sample of complaints

1
2
3 Finally, Peoples’ infraction rates remain very low in the Commonwealth and the
4 Company is tied with Columbia Gas of Pennsylvania for the lowest rate in 2022 as shown
5 below:

**Commission Infraction Rates*
Major Natural Gas Distribution Companies**

Utility	2019	2020	2021	2022
Columbia	0.00	0.00	0.03	0.02
NFG	0.07	0.06	0.16	0.10
Peoples+	0.01	0.01	0.06	0.02
Peoples-Equitable+	0.03	n/a	n/a	n/a
PGW	0.18	0.28	0.47	0.83
UGI Gas++	0.14	0.04	0.13	0.18
UGI North++	0.25	n/a	n/a	n/a

* The infraction rate is the number of informally verified infractions per 1,000 residential customers. Dividing per 1,000 customers normalizes the data for comparison purposes. The infraction rate is not a percentage.

+ Due to the Peoples Natural Gas merger, effective Jan. 1, 2020, the Peoples data includes Peoples-Equitable.

++ Due to the UGI Gas merger, effective Jan. 1, 2020, the UGI Gas data includes UGI Central and UGI North.

Operations and Safety Performance

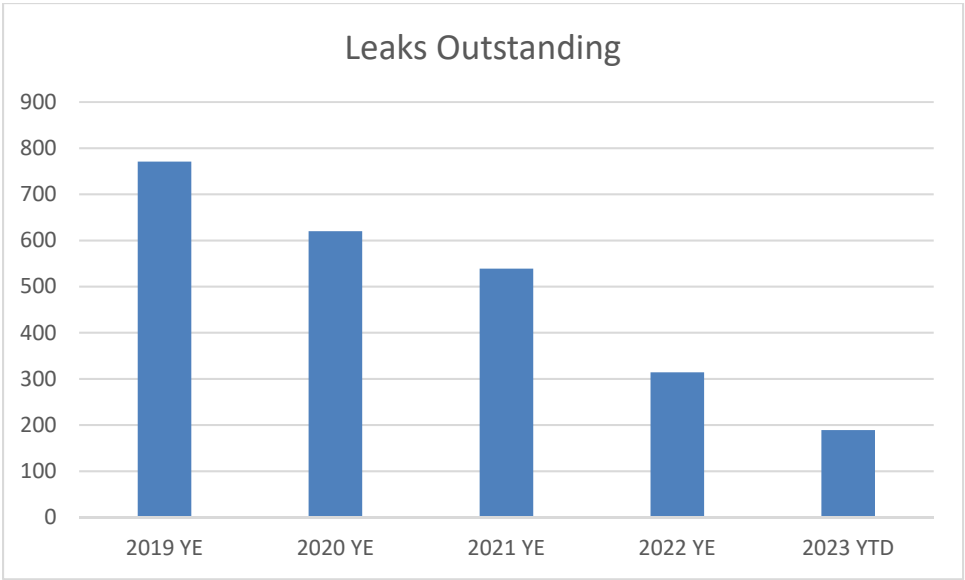
6
7
8 **Q. PLEASE EXPLAIN THE COMPANY’S GOALS WITH RESPECT TO**
9 **OPERATIONS AND SAFETY?**

1 A. As previously mentioned, safety is the Company’s top priority. As such, the safe operation
2 of our system is what our Company focuses on every day. Some of the ways the Company
3 measures its operational safety performance include outstanding leaks, emergency
4 response and pipeline safety compliance. As demonstrated below, the Company is working
5 hard to achieve its operations and safety performance.

6

7 **Q. CAN YOU PROVIDE EXAMPLES OF PEOPLES’ OPERATIONAL AND**
8 **SAFETY PERFORMANCE?**

9 A. Yes. As demonstrated by the following table, the Peoples team has worked hard and
10 continues to work hard to reduce the outstanding leaks on its system. Since 2019, the
11 Company has reduced its outstanding leaks (Grade 1 and 2) from more than 700 in 2019
12 to less than 200 as of November, 2023.



13

14

1 Regarding Emergency Response times, the Company has successfully reduced its results
 2 with respect to “average minutes to respond” and also met its goals for “% response within
 3 60 minutes.” The following table demonstrates 2020-2022 results for both categories:

AVERAGE RESPONSE TIME TO POTENTIAL GAS EMERGENCIES

	2022	2021	2020
Average minutes to respond	24.2	24.3	25.0
% Response within 60 minutes	98.6	98.7	98.3

4
 5 Lastly, the Company has achieved success with respect to gas safety compliance. In 2023,
 6 the Commission has conducted 160 audits of field operations and associated records,
 7 finding no violations, fines or citations. In 2023, the Pipeline Safety Division of the
 8 Commission’s Bureau of Investigation and Enforcement did issue three letters of potential
 9 Non-Compliance (NC letters) to the Company that recommended minor revisions to
 10 procedures and policies to enhance the pipeline safety performance. The Company is
 11 working with the Pipeline Safety Division to incorporate its suggestions into the
 12 Company’s standard operating procedures. The following table demonstrates the number
 13 of NC letters and reportable incidents the Company had since 2019:

	2019 YE	2020 YE	2021 YE	2022 YE	2023 YTD
NC Letters	3	5	9	3	2
Reportable Incidents	2	2	2	3	1

NC Letters Reportable Incidents

14
 15 For more information on the Company’s operations and safety programs, please see the
 16 testimony of Company witness Edward Palombo.

1 **Economic Development**

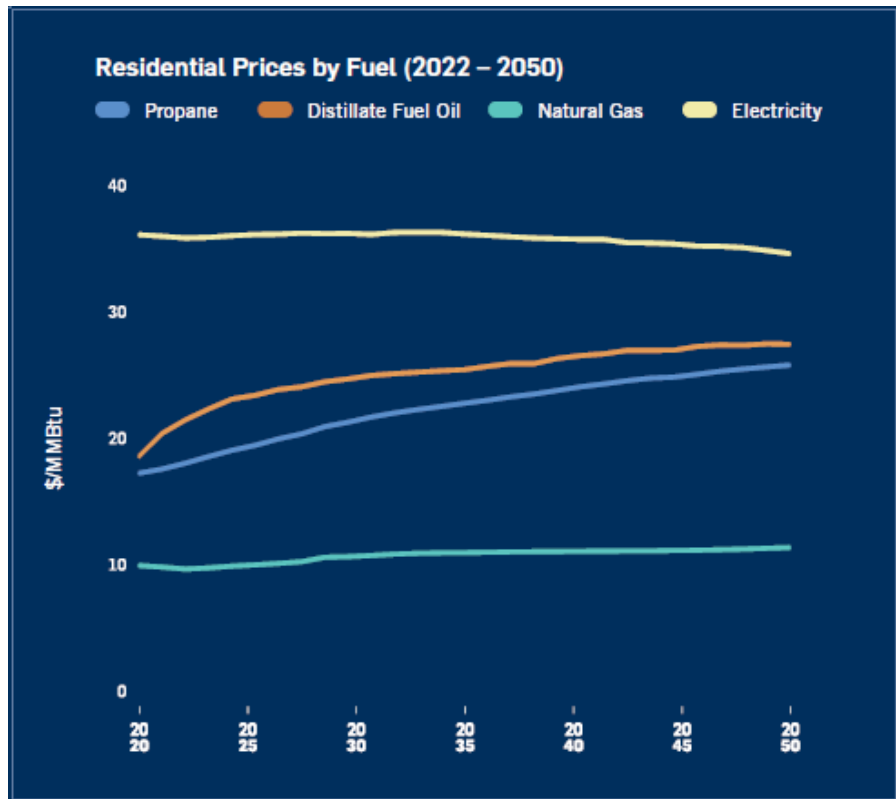
2 **Q. EARLIER YOU TESTIFIED THAT PEOPLES WILL REMAIN FOCUSED ON**
3 **DRIVING ECONOMIC DEVELOPMENT AND JOB CREATION IN WESTERN**
4 **PENNSYLVANIA. WHY IS THIS IMPORTANT TO PEOPLES?**

5 **A.** Peoples serves more than 700,000 customers and over two million people in Southwestern
6 Pennsylvania. Each customer represents at least one individual, but most represent more
7 than that – perhaps a family or a business with employees. Peoples will only continue to
8 be successful if its service to customers remains safe and reliable. I believe that Peoples
9 can help make this happen with our focus on modernizing infrastructure. To complete our
10 modernization work, we need people. Our work is creating jobs at Peoples with businesses
11 that help us serve our customers and run our Company. Further, Peoples is committed to
12 not only creating jobs but helping to sustain the jobs and retain the key talent employed in
13 those positions.

14 Despite the challenges the Company faced during the COVID-19 pandemic with
15 regard to recruiting and retaining talent, the Company managed to mitigate turnover and
16 create additional jobs through its pipeline capital work programs. Our LTIIP alone has
17 created significant employment opportunities beyond any project in the Company’s long
18 history. For example, in 2023, the Company’s LTIIP program required 70 different
19 pipeline crews to complete its work. Our work creates jobs for both internal positions as
20 well as positions outside the company for people employed by contractors engaged to help
21 execute the Company’s program. The vast majority of these jobs are good paying union
22 positions including positions in the building trades in the region.

1 price which provides them with an affordable energy solution. Further, lower gas costs
2 have helped to maintain affordable rates for our customers at the same time that we have
3 been increasing modernization efforts to provide a safer and more reliable system for our
4 customers.

5 We continue to educate our customers and the businesses we serve on seeing the
6 economic value in using natural gas for their energy needs. Natural gas is more affordable
7 than other home energy sources. For example, according to the American Gas Association
8 (“AGA”)⁴, for residential customers, natural gas will cost *significantly* less than other fuels
9 for many years to come (emphasis added). The table below demonstrates that natural gas
10 will be a cost-effective choice for consumers through 2050:



⁴ <https://playbook.aga.org/share/residential-prices>

1 Moreover, in August of 2023, the Department of Energy published analysis which shows
2 the affordability of natural gas – with natural gas being two to three times more affordable
3 than other energy sources for the same amount of energy delivered⁵.

4 As such, Peoples is committed to boosting economic development in this region by
5 job creation, job retention and by way of providing a cost-effective, geographically
6 available essential resource – natural gas – to Southwestern Pennsylvania consumers.

8 **Community**

9 **Q. PLEASE EXPLAIN THE PEOPLES COMPANIES' COMMITMENT TO THE**
10 **COMMUNITIES THEY SERVE.**

11 **A.** Community involvement is not only one of the Peoples Companies' stated core values, it
12 is how we have become recognized in the communities we serve as a true community
13 leader. In a time when governmental support is becoming more challenging at both the
14 federal and state levels, the need for social services in our region continues to grow. The
15 Peoples Companies make financial commitments to organizations that serve our service
16 territory communities - both large organizations and small. Some examples of
17 organizations we support are the Greater Pittsburgh Food Bank, United Way,
18 Leukemia/Lymphoma Society, Dollar Energy Fund, March of Dimes, Salvation Army and
19 Greater Pittsburgh Literacy Council.

20 One of the key values our employees have embraced is the need to support the
21 communities we serve. I am proud to say that we have a very active Volunteer Activities
22 Committee and many of our employees volunteer on the boards of community

⁵ <https://www.govinfo.gov/content/pkg/FR-2023-08-28/pdf/2023-18532.pdf>

1 organizations. A large number of Peoples' corporate donations are made to organizations
2 in which our employees are actively involved or actively support.

3 This includes giving time and money to help those in need. We offer ongoing
4 volunteer events such as collecting and packing food in partnership with local food banks,
5 restoring and protecting urban forests with Tree Pittsburgh, mentoring youths through Big
6 Brothers Big Sisters and providing winter outwear for children with the Salvation Army's
7 Project Bundle Up. This is helping our customers to see us differently, as something other
8 than a company who sends them a bill every month for their utility services, and at the
9 same time building a pride in the employee ranks that we have not seen before.

12 Management Effectiveness

13 **Q. DO YOU BELIEVE THAT PEOPLES' ACTIVITIES THAT YOU HAVE**
14 **DISCUSSED IN THIS TESTIMONY SHOULD HAVE ANY IMPACT ON THE**
15 **RESULT OF THIS RATE CASE?**

16 **A.** Yes, I do. We all know that in deciding these cases, the presiding Administrative Law
17 Judge and then the Commission consider many conflicting positions and, with respect to
18 the authorized return on common equity, often end up with a range of returns recommended
19 by various experts from which an authorized return is selected. Peoples' success in many
20 of the areas I have discussed in this testimony - improving its customer service and
21 accelerating pipeline replacements, bringing jobs to its service territory, and demonstrating
22 that Peoples is a valuable corporate citizen – should lead the decision makers to authorize
23 a 0.25% addition to the determination of the return on common equity proposed by Mr.

1 Moul to bring it to the high end of the range of returns being considered. Peoples has
2 become a critically valuable business to the region and to the state. Its impact has made a
3 positive difference in the lives of people and the prosperity of its customers in many ways.
4 We believe our importance will continue to grow into the future.

5
6 **Q. TO WHAT DO YOU ATTRIBUTE THE SUCCESS THAT PEOPLES HAS**
7 **ACHIEVED?**

8 **A.** To attain these results, Peoples' employees have shown great skill, innovation and
9 dedication, but they would not be able to do their jobs as successfully as they have if
10 Peoples does not have access to capital to improve Peoples' facilities and service. I am
11 confident that I can continue to lead and motivate Peoples' employees to improve Peoples.
12 A results-based return on capital will encourage continued financial support for that
13 improvement.

14 Our investors have the ability and the interest to fund the necessary additional
15 equity needed to modernize our critical natural gas infrastructure. The outcome of this rate
16 case will send a clear message to our investors and, just as importantly, to the investment
17 community in general on how this Commonwealth views critical infrastructure investment
18 and service to customers. It is critically important at this time to provide a positive message
19 to that important stakeholder group that Pennsylvania is a good place to invest.

20
21 **Conclusion**

22 **Q. WILL PEOPLES' PRIORITIES CHANGE IN THE FUTURE?**

1 A. Yes and no. Peoples will not change its core values of Safety, Reliability, Integrity, Respect
2 and Operational Excellence. Peoples will continue to prioritize employee and public
3 safety, customer service, community involvement, economic development, and conducting
4 its business in the correct way. These priorities will remain unchanged. How we provide
5 our services may change regularly with advances in technology, innovation as well as
6 changes in our customer expectations and their needs. Within this framework, our primary
7 focus will continue to be on providing safe and reliable service while maintaining high
8 quality customer service and making improvements to our infrastructure through pipeline
9 replacement and modernization.

10

11 **Q. WHY IS A RATE INCREASE NECESSARY FOR PEOPLES AT THIS TIME?**

12 A. Peoples filed this base rate proceeding to satisfy a settlement commitment as part of a
13 settlement in its tax repairs election proceeding. Specifically, Peoples was required to file
14 this base rate proceeding by the end of 2023. Additionally, this was also filed as Peoples’
15 continuing investment in its infrastructure is driving the need for an increase in base rates.
16 Peoples is experiencing higher costs resulting from increases in both its plant in service
17 and expenses related to the operating and maintenance of its system. Without a base rate
18 increase, Peoples’ revenues will no longer be adequate to cover its costs to provide service
19 and to offer an opportunity to earn a fair rate of return on Peoples’ investment.

20

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes, it does. I reserve the right to submit supplemental testimony as additional issues arise
23 during the course of this proceeding. Thank you.

**PREPARED DIRECT TESTIMONY OF
ANDREW P. WACHTER**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Andrew P. Wachter, and my business address is 375 North Shore Drive,
3 Pittsburgh, Pennsylvania 15212.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed as Director, Finance and Regulation for PNG Companies LLC (“PNG”). I
7 provide services to Peoples Natural Gas Company LLC (“Peoples” or the “Company”) and
8 its two divisions: the Peoples Natural Gas Division (“PNGD”) and the Peoples Gas
9 Company Division (“PGD”). As Director, Finance and Regulation, I oversee the Rates
10 and Regulatory department and the Financial, Planning and Analysis department at Peoples
11 and its affiliates.

12
13 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND
14 EMPLOYMENT EXPERIENCE.**

15 **A.** I graduated from Duquesne University in 2000 with a Bachelor of Science Degree in
16 Accounting. I also obtained a Masters in Business Administration from Duquesne
17 University in 2001. After graduation, I was employed as an Auditor with Deloitte and
18 Touche LLP. In September 2004, I joined T. W. Phillips Gas and Oil Co., the predecessor
19 to Peoples Gas Company LLC (“Peoples Gas”) as the Assistant Controller and was
20 ultimately promoted to the Vice President of Finance and Rates. In June 2012, I assumed
21 the position of Manager, Rates and Regulatory as the result of a post-acquisition
22 reorganization. After that I held multiple roles until I was named Director, Finance in

1 February 2016. In 2018, I assumed regulatory responsibilities in addition to my financial
2 responsibilities and my title was changed to Director, Finance and Regulation. I am a
3 Certified Public Accountant, having obtained my certificate in Pennsylvania in 2004.

4
5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
6 **PUBLIC UTILITY COMMISSION (THE “COMMISSION”)?**

7 **A.** Yes. I have submitted Testimony in various base rate cases, purchased gas cost cases and
8 other proceedings on behalf of Peoples and Peoples Gas Division and its predecessor
9 companies. I have also testified for Peoples Gas WV LLC before the West Virginia Public
10 Service Commission.

11
12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 **A.** The purpose of my testimony is to explain the overall rate case organization and identify
14 Peoples’ overall revenue requirement for non-gas costs. I will also discuss the following
15 items:

- 16 • The recent merger of the Peoples Gas Company into the Peoples Natural Gas Company;
- 17 • Identify and explain Peoples’ operating and maintenance expenses for the test years
18 relevant to this proceeding and, where helpful, the individual components of those
19 expenses;
- 20 • The Company’s proposal for a Weather Normalization Mechanism;
- 21 • The Company’s proposals related to the Rider TCJA – TCJA Temporary Surcharge
22 on PGD; and
- 23 • The Company’s proposals related to Tax Repairs;

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Q. WHAT WAS THE EFFECT OF THE PROPOSED MERGER ON BASE RATES?

A. With the exception of changes described herein, the base tariff rates of Peoples Natural Gas and of Peoples Gas in effect at the time the Proposed Merger remained in effect following the Merger. Following the Merger, the base rates of Peoples Natural Gas and Peoples Gas were maintained separately with separate accounting for each Division. The only changes to rates made in conjunction with the Merger and the Application were to merge each of the Purchased Gas Cost (“PGC”) rates and the Merchant Function (“MFC”) and Gas Procurement (“GPC”) charges of Peoples Natural Gas and Peoples Gas, effective October 1, 2022. Upon closing, the existing tariff of Peoples Gas was adopted as the tariff of the Peoples Gas Division of Peoples Natural Gas. As part of this proceeding we are recommending a complete merger of the rates of Peoples Natural Gas and the Peoples Gas Divisions and the creation of a unified tariff. Please refer to Statement No. 15 - the Direct Testimony of Ralph Zarumba for further discussion on the merger of rates and Statement No. 11 – the Direct Testimony of Dawn Folks for further discussion on the tariff unification.

Q. WHAT WAS THE EFFECT OF THE PROPOSED MERGER ON GAS COST RATES?

A. In the Merger, the Commission approved the merger of the PGC rates of Peoples Natural Gas and Peoples Gas so that, effective October 1, 2022, Peoples Natural Gas and Peoples Gas, with the exception of Peoples Natural’s Allegheny Valley Connector (“AVC”) capacity charge. As a result, all customers of Peoples are charged the same PGC rate components, balancing charges and retainage rates to their respective customers, other than

1 the AVC charge. Effective October 1, 2022, gas supplies under gas purchase agreements
2 were purchased for the combined use and benefit of customers of the Peoples Natural Gas
3 Divisions, as were pipeline services under interstate pipeline service agreements. In short,
4 for both 1307(f) ratemaking and gas supply acquisition purposes, the two Divisions were
5 treated as one. Beginning in April of 2023 Peoples Natural Gas and Peoples Gas began
6 making a single annual 1307(f) filing, that included the gas procurement plans and
7 purchased gas costs for the combined Peoples Natural Gas and Peoples Gas Divisions. As
8 part of this proceeding we are recommending that the AVC capacity charge be applied to
9 customers of both the Peoples Natural Gas and the Peoples Gas Divisions. Please refer to
10 Statement No. 3 - the Direct Testimony of Carol Scanlon for further discussion on AVC.

11
12 **RATE CASE ORGANIZATION**

13 **Q. HOW HAS PEOPLES ORGANIZED THIS RATE CASE?**

14 **A.** Consistent with the last Peoples Natural Gas Company case, we have organized the filing
15 by topics, instead of the previous numerical method. The below table summarizes how the
16 information is structured in this case by exhibit. Within each exhibit, there are schedules
17 and attachments to further organize the information. While the filing requirements are still
18 listed in each response, the Company's witnesses will be referring to the filing
19 requirements by their corresponding exhibit and schedule numbers. Where applicable,
20 information is provided for the HTY, FTY and FPPTY in one response.

Exhibit 1	Balance Sheet
Exhibit 2	Income Statement
Exhibit 3	Revenues
Exhibit 4	O&M Expenses
Exhibit 5	Depreciation Study

Exhibit 6	Taxes other than Income Taxes
Exhibit 7	Income Taxes
Exhibit 8	Rate Base
Exhibit 9	Depreciation
Exhibit 10	Sales
Exhibit 11	Cost of Service
Exhibit 12	Gas Planning
Exhibit 13	General
Exhibit 14	Tariffs
Exhibit 15	System
Exhibit 16	Capitalization
Exhibit 17	COS Standard Data Requests
Exhibit 18	ROR Standard Data Requests
Exhibit 19	RR Standard Data Requests
Exhibit 20	Testimony

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An index of all information provided can be found in Exhibit 13, Schedule 1.

Q. HOW IS THE INFORMATION FOR THE PEOPLES NATURAL GAS AND PEOPLES GAS DIVISIONS PRESENTED IN THIS CASE?

A. Where applicable, Peoples has provided information for each requirement on both a divisional and combined basis. To avoid duplicative responses for certain filing requirements, the Company has provided a combined answer for both divisions on questions where the answer would be identical for each Division.

Please note that the Divisions themselves are referred to in various ways. For example, the Peoples Natural Division may be referred to as Peoples Natural, PNG or PNGD and the Peoples Gas Division may be referred to as Peoples Gas, PG, or PGD.

1 OVERALL REVENUE REQUIREMENT

2 **Q. WHAT IS THE ADDITIONAL PROPOSED NON-GAS COST RECOVERY IN**
3 **THIS PROCEEDING?**

4 **A.** Approximately \$156 million of additional revenues are required in order for Peoples to
5 recover its non-gas costs. This is the additional non-gas cost revenue requirement above
6 our current non-gas revenues.

7
8 **Q. WHAT DO YOU MEAN BY THE TERM NON-GAS COST REVENUE**
9 **REQUIREMENT?**

10 **A.** Peoples' non-gas costs are the costs incurred to provide public utility service, other than
11 the cost of natural gas that is normally recovered in the Commission's 1307(f) proceedings.

12
13 **Q. HOW WAS THAT AMOUNT DETERMINED?**

14 **A.** The Company's non-gas revenue requirement is the sum of the individual cost components
15 introduced and supported by the other witnesses in this proceeding and me. These
16 individual components include: (1) operation and maintenance expenses, which I explain
17 below; (2) depreciation and amortization expense and negative salvage expense to which
18 witness John Spanos has testified (**Peoples Statement No. 14**); (3) taxes other than income
19 taxes supported by witness Rudolph Hanechak (**Peoples Statement No. 10**); (4) a return
20 allowance which is the product of an overall rate of return of 11.75%, to which witness
21 Paul R. Moul has testified (**Peoples Statement No. 13**), rate base supported by witness
22 Dawn Folks (**Peoples Statement No. 11**); and (5) federal and state income taxes to which
23 witness Christine Saball has testified (**Peoples Statement No. 6**).

1 **Q. CAN YOU SUMMARIZE THE REVENUE REQUIREMENT?**

2 **A.** Yes. Below is a table which summarizes the major components of our non-gas revenue
3 requirement necessary to recover our FPFTY expenses and a fair return on plant investment
4 at the end of the FPFTY as compared to our revenue at present rates.

<u>Revenue Requirement</u>	
Equity Return	\$ 270,179,758
Interest Expense	84,085,080
Depreciation	134,219,598
Expenses and TOTI	242,363,973
Gas Costs	317,688,615
Income Taxes	(59,295,392)
Revenue Requirement	<u>\$ 989,241,631</u>
Revenue at Current Rates	<u>833,215,508</u>
Requested Rate Increase	\$ 156,026,122

5

6

7 **Q. WHAT EXHIBIT PROVIDES THE REVENUE REQUIREMENT?**

8 **A.** Exhibit 2, Schedule 4 (53.53.III.A.17) provides the income statement for both divisions
9 and combined for each period in the case (HTY, FTY and FPFTY) at present and proposed
10 rates (pages 2-4). Further, page 5 of this exhibit provides a calculation of proforma interest
11 expense, page 6 provides rate of return on rate base including the derivation of the gross
12 revenue conversion factors and page 7 provides the derivation of the adjustments to
13 proposed rates necessary to derive projected rates for the combined Company. This results
14 an overall increase in revenues of \$156,026,122.

15

16

O&M EXPENSE

17 **Q. ARE YOU SPONSORING ANY EXHIBITS AS PART OF YOUR TESTIMONY?**

1 A. Yes, I am sponsoring the main O&M claim schedule, **Peoples Exhibit 4, Schedule 1** (“Ex.
2 4, Sch. 1”), along with the filing requirements and standard data requests identified in
3 Appendix A to this testimony.

4
5 **Q. WHAT ARE PEOPLES’ TOTAL FPFTY OPERATING AND MAINTENANCE**
6 **EXPENSES AT PROPOSED RATES?**

7 A. Operating and Maintenance expenses at proposed rates for the FPFTY is \$227,010,806 on
8 a combined basis¹, as shown in the income statement presented at **Exhibit 2, Schedule 4**
9 (filing requirement 53.53 III.A.17). This includes \$223,598,704 of expense at present rates
10 which is presented **Ex. 4, Sch. 1** and \$3,412,102 of additional uncollectible expense as
11 derived at **Exhibit 2, Schedule 4**.

12
13 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH YOU DETERMINED THE**
14 **FPFTY OPERATING AND MAINTENANCE EXPENSES.**

15 A. I started with the “per books” operating and maintenance expenses of \$192,351,147 for the
16 HTY as shown on **Ex. 4, Sch. 1 Page 2**, and I made HTY, FTY and FPFTY adjustments
17 to determine the “normal” level of operating and maintenance expenses of \$203,964,225
18 for the HTY, of \$207,039,623 for the FTY and of \$223,598,704 for the FPFTY. These
19 adjustments were made after reviewing Peoples’ actual expenses and obtaining additional
20 information from department heads.

21
22 **Q. WHAT IS THE HTY ADJUSTMENT FOR LABOR ON PAGE 5 OF EX. 4, SCH. 1?**

¹ The combined results of Peoples Natural Gas – Peoples Natural Gas Division and Peoples Gas Division will be referred to throughout this testimony as the Company is proposing to combine these rates in this proceeding.

1 A. The HTY Labor adjustment is \$7,422,979. This was determined by starting with the Full
2 Time Equivalent (“FTEs”) complement on board at August 31, 2023 and annualizing the
3 labor costs associated with those FTEs at our current wage rates (Lines 1-3) net of
4 capitalization (Line 4) to derive an adjustment to the HTY (Line 5).

5

6 **Q. DO THE NORMALIZED LABOR COSTS REFLECT THE IMPACTS OF THE**
7 **SERVICE AGREEMENT BETWEEN PEOPLES AND PNG AND OTHER SUCH**
8 **AGREEMENTS?**

9 A. Yes, the normalized labor costs reflect the impacts of the Service Agreement between
10 Peoples and PNG as well as the Second Amended Operational Service Agreement by and
11 among Peoples and various affiliates both approved by the Commission in 2018. Under
12 these agreements administrative employees are hired at PNG and perform work for PNG’s
13 various affiliates. In addition, operational employees in Pennsylvania are hired at Peoples
14 Natural and perform work for other affiliates (primarily Peoples Gas Division). The
15 impacts of these agreements can be seen primarily in the Labor and Benefits expenses.

16

17 **Q. IN LIGHT OF THE SERVICE AGREEMENT BETWEEN PEOPLES AND PNG**
18 **AS WELL AS THE SECOND AMENDED OPERATIONAL SERVICE**
19 **AGREEMENT DISCUSSED ABOVE HOW ARE YOU GOING TO ADDRESS**
20 **NUMBER OF EMPLOYEES?**

21 A. Pursuant to these agreements, employees are hired at PNG or Peoples and perform work
22 for affiliates as well as for the Company. Thus, I will provide the actual number of
23 employees expected to be hired across the companies as well as the FTE anticipated to be

1 charged to Peoples. To be clear, the costs claimed in this proceeding include only costs
2 expected to be incurred by Peoples and do not include any costs for its affiliates.

3
4 **Q. WHAT ARE THE FTY ADJUSTMENTS FOR LABOR ON PAGE 5 OF EX. 4, SCH.**
5 **1?**

6 **A.** The adjustments for the FTY (Lines 7-13) were derived by starting with the annualized
7 HTY labor of \$62,604,088 on a combined basis and making three types of adjustments.
8 First, we added anticipated merit increases for the FTY period (Columns 4-6) based upon
9 recent history. Second, we added in expected union job progression and anticipated normal
10 salaried promotion increases (Columns 7-9). Third, we adjusted for routine/normal
11 vacancies as of the end of the HTY as well as added the salaries related to incremental FTE
12 additions expected in the FTY.

13
14 **Q. PLEASE EXPLAIN YOUR TREATMENT OF ROUTINE OR NORMAL**
15 **POSITION VACANCIES.**

16 **A.** Routine and/or normal position vacancies which occur as a result of terminations or
17 retirements were assumed to be filled by employees with equivalent pay or by temporary
18 employees while the positions are being filled. The associated amounts are included in
19 FTY Adjustments (Columns 10-12). These amounts are net of a vacancy credit.

20
21 **Q. PLEASE EXPLAIN THE VACANCY CREDIT ADJUSTMENTS INCLUDED IN**
22 **THE FTY and FPFTY.**

23 **A.** Although the Company is seeking to fill all positions that are currently open, a certain level
24 of vacancies is expected during the FTY the FPFTY. The Company estimates that 29 FTEs

1 and 8 FTEs will be vacant on average during the FTY and FPFTY, respectively. The
2 Company has experienced higher average vacancies since COVID but expects to be at pre-
3 COVID average vacancy levels by September 30, 2025, the end of the FPFTY.

4
5 **Q. WHAT ARE THE FPFTY ADJUSTMENTS FOR LABOR ON PAGE 5 OF EX. 4,**
6 **SCH. 1?**

7 **A.** The adjustments for the FPFTY (Lines 14-19) were derived by starting with the annualized
8 FTY labor of \$64,552,792 on a combined basis and making three types of adjustments.
9 First, we added anticipated merit increases for the FPFTY period (Columns 4-6) based
10 upon recent history. Second, we added in expected union job progression and anticipated
11 normal salaried promotion increases (Columns 7-9). Third, we adjusted for the filled
12 vacant positions expected in the FPFTY and added the salaries related to these positions.

13
14 **Q. CAN YOU EXPLAIN THE EMPLOYEES ADDED BEYOND FILLING EXISTING**
15 **VACANCIES IN THE FTY AND FPFTY?**

16 **A.** The Company did not add any such positions.

17
18 **Q. WHAT IS THE TOTAL FTE COMPLEMENT INCLUDED IN YOUR FPFTY**
19 **LABOR EXPENSES?**

20 **A.** The Company's projected FTE complement is based on the organization proposed by the
21 department heads. This level increases the FTE equivalent staffing level for Peoples to
22 1,465, our FPFTY FTE count in this proceeding.

1 **Q. EXPLAIN THE O&M LABOR PERCENTAGE UTILIZED ON THE LABOR**
2 **SCHEDULES.**

3 A. We developed the O&M labor percentage based upon payroll information during the period
4 from September 1, 2022 through August 31, 2023 and an evaluation of the new labor added
5 and the type of work they will perform.

6
7 **Q. IS THE ALLOCATION OF LABOR COSTS BETWEEN THE PEOPLES**
8 **NATURAL GAS AND PEOPLES GAS DIVISIONS CONSISTENT WITH THE**
9 **PREVIOUSLY MENTIONED AGREEMENTS?**

10 A. Yes. The labor costs in this case reflect the impacts of the Service Agreement between
11 Peoples and PNG as well as the Second Amended Operational Service Agreement by and
12 among Peoples and various affiliates.

13
14 **Q. WHAT IS THE BASIS FOR THE SHORT-TERM INCENTIVE PROGRAM**
15 **(“STI”) AND INCENTIVE COMPENSATION CLAIM ON PAGE 6 OF EX. 4, SCH.**
16 **1?**

17 A. First the Company normalized and annualized the per books incentive compensation to the
18 amounts based upon the complement of FTEs on board as of the end of the HTY (Lines 1-
19 5). Then the Company made an adjustment to the FTY (Line 11) and the FPFTY (Line 17)
20 to reflect the incentive compensation based upon the FTEs and their associated
21 compensation projected in the FTY and the FPFTY. Lines 7 and 13 include the incentive
22 compensation related to FTEs projected to be added in the FTY and FPFTY, respectively.

23

1 **Q. WHY IS IT IMPORTANT FOR PEOPLES TO RECOVER THE EXPENSE**
2 **RELATED TO INCENTIVE COMPENSATION?**

3 **A.** To retain talent, Peoples must offer benefits comparable to other companies. Offering
4 Incentive Compensation is one way for Peoples to retain talent by offering market-based
5 incentives to Company employees. The Company has undertaken research to ensure that
6 it offers market-based compensation and incentive programs. Eliminating or reducing
7 these programs would have a significant impact on the Company's ability to attract and
8 retain competent employees.

9

10 **Q. WHAT IS THE BASIS OF THE FPFTY PENSION CLAIM ON PAGE 10 OF EX. 4,**
11 **SCH. 1?**

12 **A.** Peoples' FPFTY pension expense is based on the FTEs' pension costs determined on a
13 contribution basis. The Company used a two-year average of contributions made in 2022
14 and 2023 to derive the claim amount. Peoples intends to make contributions consistent
15 with recent contributions.

16

17 **Q. WHAT IS THE BASIS FOR YOUR FTY EXPENSE FOR POST RETIREMENT**
18 **BENEFITS OTHER THAN PENSIONS ("PBOPS") ON PAGE 11 OF EX. 4, SCH.**
19 **1?**

20 **A.** Peoples has been accounting for PBOPs on the same basis that these costs are recovered in
21 rates. That is, on an accrual basis consistent with FAS 106 and the prior Commission order
22 at both the Peoples Natural Division and the Peoples Gas Division. Peoples has complied
23 with that order and deposited the amounts into dedicated trust accounts in response to the
24 Commission's Opinion and Order at Docket No R-00943111. Line 2 reflects the recovery

1 of a prior period net undercollection of PBOP costs as compared to the amounts set in the
2 above referenced proceedings amortized over two years. The HTY adjusted expense is
3 reflected on Line 3 of this schedule.

4 Under our existing benefits programs, the total FPFTY PBOP expense is
5 \$2,414,041 (Line 9) which includes the projections provided by the Company's actuary as
6 well as the previously discussed amortization amount.

7
8 **Q. ARE YOU PROPOSING ANY CHANGES TO THE RECOVERY OF THESE**
9 **COSTS IN THIS PROCEEDING?**

10 A. No. Consistent with prior cases, the Company is proposing to track actual PBOP costs and
11 amortize the cumulative difference between actual and projected costs in the Company's
12 next base rate proceeding. The amount to be tracked is \$779,921 as calculated on Line 10
13 on page 11 of **Ex. 4, Sch. 1**. The tracking will exclude the amortization of prior period
14 amounts. This treatment is consistent with the past ratemaking treatment of these costs by
15 both divisions. The Company anticipates that differences between the rate allowance and
16 actual accruals be tracked and amortized over a period to be determined in the Company's
17 next base rate proceeding.

18
19 **Q. WHAT APPROACH DID YOU USE TO DETERMINE PEOPLES' BENEFITS**
20 **EXPENSES ON PAGE 12 OF EX. 4, SCH. 1?**

21 A. Overall, these benefits include Medical, Dental, Vision, Life Insurance, Long Term
22 Disability Insurance, 401(k) plans and other such programs. The FPFTY benefits expenses
23 reflect the HTY benefits expenses adjusted to include the costs of the benefits for vacant
24 positions filled and annualized for changes in costs relative to the anticipated results from

1 future open seasons. Medical and other benefits were increased based upon information
 2 provided by our third-party benefits consultants. 401(k) benefits were increased consistent
 3 with merit increases utilized to develop the labor claim. The combined benefits expense
 4 claim for the FPFTY is \$20,985,623.

5
 6 **Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO OUTSIDE SERVICES-**
 7 **CONTRACTED ON PAGE 13 OF EX. 4, SCH. 1?**

8 **A.** I adjusted the HTY costs to remove non-recurring charges in the HTY, if applicable, and
 9 then adjusted for future increases in determining the FTY and FPFTY expense. Below is
 10 a summary of the adjustments included in the FTY and FPFTY:

	PNG	PG	DESCRIPTION
BRIDGE WORK	\$675,000	\$75,000	Required atmospheric remediation for exposed pipe on bridges. This work is required for compliance and integrity of the bridge lines. The work will include inspection of the lines on the bridges and subsequent remediation. Remediation will include replacing hangers and pipe supports, wrapping and/or painting the pipe, and general maintenance.
PRESSURE TESTS	810,000	90,000	These are part of the prescriptive pipeline integrity management program. Pressure testing of sections is required on three lines.
ADDITIONAL PIG RUN COSTS	450,000	50,000	Internal line inspection "ILI" of Transmission Pipelines as mandated by Federal Code; PHMSA, Subpart O of 49 CFR part 192, which prescribes requirements for managing pipeline integrity in HCAs and requires that operators perform pipeline assessments.
ADDITIONAL PIPELINE MAINTENANCE/CORROSION	285,371	31,708	Ground Bed and Rectifier needs due to age and condition. These units typically have a 25-30 year working lifespan. We typically have 320 at any given time, due to differing decades of installation, depleting, etc. They get replaced and updated to maintain the requirements of CFR 192.465 (A) (B) 1 & 2.

	PNG	PG	DESCRIPTION
ADDITIONAL RIGHT OF WAY MAINT.	110,206	15,608	Process of cutting or trimming vegetation within the right of way of gas lines. The ROW must be clear for the overall operation and maintenance of our gas lines to allow for any ongoing maintenance/inspection activities
TOTAL	\$2,330,577	\$262,316	

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Further, I increased both the FTY and FPFTY by 3.75% which represents the recent 5-year annualized increase in these costs.

Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO OUTSIDE SERVICES-IT ON PAGE 14 OF EX. 4, SCH. 1?

A. I added an adjustment for \$1,117,550 in the FTY and \$67,600 in the FPFTY for a total of \$1,185,150 for various maintenance contracts on new software systems. Further, I increased both the FTY and FPFTY by 2.39% which represents the recent 5-year annualized increase in these costs.

Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO OUTSIDE SERVICES-A&G ON PAGE 15 OF EX. 4, SCH. 1?

A. I adjusted the HTY costs to remove non-recurring charges, if applicable, in the HTY and then increased it by 7.0% which represents the recent 5-year annualized increase in these costs in determining the FTY and FPFTY expense (Lines 3 and 7).

Q. HOW DID YOU DETERMINE THE COSTS OF RENT FOR THE FTY AND FPFTY ON PAGE 16 OF EX. 4, SCH. 1?

1 A. Our General Office Rent for the FTY and FPFTY are based on the terms and conditions of
2 the lease for our main office and call center operations in downtown Pittsburgh as well as
3 our Etna and Grove City field office facilities. The adjustment on Line 2 represents the
4 annualization of rent expense according to the terms of the leases compared to the HTY
5 expense amount.

6
7 **Q. HOW WERE PEOPLES' INSURANCE COSTS DETERMINED ON PAGE 17 OF**
8 **EX. 4, SCH. 1?**

9 A. I have adjusted the HTY Corporate Insurance Premium by annualizing the most recent
10 premium invoices. Furthermore, I increased the cost thereafter by 13.1% which represents
11 the average total premium increase experienced from the 2023 invoice as compared to the
12 2022 premiums and the premium increase experienced from the 2022 invoice as compared
13 to the 2021 premiums. The Company further affirmed the reasonableness of this increase
14 with our third-party insurance brokers. They shared with us the following feedback about
15 upcoming rates:

16 *Industry data for forecasts beyond this horizon is scarce, as market dynamics can*
17 *shift dramatically. This is illustrated in various lines of coverage:*

- 18 • *Excess Liability:*
 - 19 ○ *Historically stable, with occasional modest increases.*
 - 20 ○ *However, from 2018 to 2020, the market experienced a seismic shift due to nuclear*
21 *verdicts, resulting in carriers reducing their capacity. They transitioned from*
22 *providing \$25 million layers to \$10 million or \$15 million while maintaining*
23 *similar pricing to the prior \$25 million, causing significant cost increases for*
24 *policyholders.*
- 25
26 • *D&O:*
 - 27 ○ *Leading up to the COVID-19 pandemic, the public D&O market witnessed a surge*
28 *in securities litigation and claim payouts. This trend was further amplified by the*
29 *increasing number of SPACs, contributing to higher premiums.*
 - 30 ○ *Similar to the Excess Liability market, D&O coverage experienced a substantial*
31 *decrease in available capacity, with \$25 million chunks becoming scarce.*

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- **Cyber:**
 - *The cyber insurance market underwent a radical transformation due to the rising incidence of ransomware attacks and inadequate protection by businesses. This led to triple-digit rate increases, reduced capacity, and, in extreme cases, some insureds being left without coverage.*
 - *While the rate increases were not as dramatic, the cyber market evolved due to the heightened requirements set by insurance companies. Businesses invested significant time and resources in enhancing their cybersecurity, resulting in a notable decline in claims activity and a stabilization of this previously volatile market.*

- **Property:**
 - *Currently, the property insurance market is facing a challenging phase, often referred to as a "hard market." The industry collectively hopes for this to be a cyclical pattern but currently sees no end to issues, particularly those related to weather, which are driving claims.*

The examples provided emphasize how rapidly insurance markets can change. Predicting market conditions 3-5 years ahead remains a challenging task, as evidenced by the persistence of nuclear verdicts and extreme weather-related claims. The volatility in the insurance market is likely to continue as long as these trends persist.

Q. WHAT IS THE BASIS FOR THE INJURIES AND DAMAGES EXPENSE ON PAGE 18 OF EX. 4, SCH. 1?

A. I have reviewed the history of Peoples’ Injuries and Damages expenses and have included an average of the past three years’ expenses. Further, I increased it by a Consumer Price Index inflation rate to adjust the FTY and FPFTY.

Q. DISCUSS THE TRAVEL EXPENSES ON PAGE 19 OF EX. 4, SCH. 1?

A. I adjusted the HTY costs to remove non-recurring charges, if applicable, in the HTY and then increased it by 4.40% which represents the recent 5-year annualized increase in these costs in determining the FTY and FPFTY expense (Lines 5 and 9).

1 **Q. WERE COMPANY MEMBERSHIPS ADJUSTED ON PAGE 20 OF EX. 4, SCH. 1?**

2 **A.** Yes. The O&M Expense related to Company Memberships has been adjusted for expected
3 increases.

4
5 **Q. WERE LICENSES AND PERMITS ADJUSTED ON PAGE 21 OF EX. 4, SCH. 1?**

6 **A.** I adjusted the HTY costs to remove non-recurring charges, if applicable, in the HTY and
7 then increased it by 3.62% which represents the recent 5-year annualized increase in these
8 costs in determining the FTY and FPFTY expense (Lines 5 and 9).

9
10 **Q. PLEASE EXPLAIN THE ADJUSTMENTS TO UTILITIES AND FUEL USED IN**
11 **COMPANY OPERATIONS ON PAGE 22 OF EX. 4, SCH. 1?**

12 **A.** Since the expense of gas used in company operations is recovered through the 1307(f)
13 proceeding, it has been removed from the O&M expense in this proceeding on Line 2 of
14 this schedule. The remaining level of costs in this category represent other utility costs,
15 like electric, that are not recovered through the 1307(f) proceeding. The remaining costs
16 in this category were increased for the FTY and FPFTY based upon recent increases in this
17 category.

18
19 **Q. WHAT ARE PEOPLES' FPFTY ADVERTISING EXPENSES ON PAGE 23 OF EX.**
20 **4, SCH. 1?**

21 **A.** Peoples advertising expenses total \$1,423,934 for the FPFTY. This amount was adjusted
22 to only include expenses which satisfy at least one of the criteria set forth in Section 1316(a)
23 of the Public Utility Code.

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Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO FLEET MAINTENANCE AND FUEL AS WELL AS MATERIALS & SUPPLIES ON PAGES 24, AND 23, RESPECTIVELY OF EX. 4, SCH. 1?

A. I adjusted these categories for expected increases based upon historical experience in determining the FTY and FPFTY expense.

Q. WERE MATERIALS AND SUPPLIES ADJUSTED ON PAGE 25 OF EX. 4, SCH. 1?

A. I adjusted the HTY costs to remove non-recurring charges, if applicable, in the HTY and then increased it by 2.94% which represents the recent 5-year annualized increase in these costs in determining the FTY and FPFTY expense (Lines 3 and 6). Additional incremental adjustments were added for the expected increase in average cost per fault, higher number of faults expected and the higher cost of anodes.

Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO OTHER O&M EXPENSE ON PAGE 24 OF EX. 4, SCH. 1?

A. I added an adjustment on Line 3 to remove the cost of operating the building at 225 N. Main Street in Butler, Pennsylvania. The Company received approval to sell this building at Docket No. A-2022-3034038 and the sale was consummated on October 26, 2023. As such, it was appropriate to remove the HTY costs from the claim in this proceeding.

Further, I added an adjustment on Line 10 for the services provided to us from Essential Utilities via PNG Companies, the parent company of PNG and PG. This represents the normalized costs of such items. Essential provides various administrative services to both

1 divisions such as Human Resources, Information Technology, Finance, Accounting and
2 many other such services.

3
4 **Q. PLEASE DESCRIBE PEOPLES' ADJUSTMENT FOR DEBT ISSUANCE COSTS**
5 **ON PAGE 27 OF EX. 4, SCH. 12?**

6 **A.** PNG Companies recently refinanced the revolving credit facility for debt borrowed for less
7 than one-year which is used to help finance capital expenditures and to fund working
8 capital, particularly in the summer months when revenues are low. The claim in this case
9 represents Peoples' share of such debt issuance costs. I have included one year's worth of
10 that amortization amounting to \$404,371 in our O&M expenses as shown on this page.

11
12 **Q. PLEASE DESCRIBE THE COMPANY'S CLAIM FOR THIRD PARTY**
13 **PAYMENT PROCESSING FEES IN THE COST OF SERVICE.**

14 **A.** Currently, both Peoples Natural Gas Division and Peoples Gas Division customers can
15 make payment through various channels such as mail, web and automated telephone
16 ("IVR"). The costs associated with third party payment processing for certain web, IVR
17 and walk-in payments including credit card payments at the Peoples Natural Gas Division
18 are borne by customers via base rates. However, for the Peoples Gas Division such
19 payments are currently borne by the individual customers making such payments.

20 The Company is proposing to pay all costs associated with customer payments
21 directly to its service providers and recover such costs from all customers via base rates
22 rather than a customer-paid transaction cost. If approved, all customers of both divisions
23 will be able to select the payment channel of their choice without consideration of
24 additional convenience or transaction fees subject to certain limitations.

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Q. PLEASE DESCRIBE HOW CUSTOMERS BENEFIT FROM THIS PROPOSAL.

A. Overall, this will improve the Customer Experience at the Peoples Gas Division and align it with the Peoples Natural Gas Division and thus improve customer satisfaction. Customers have frequently voiced dissatisfaction with having to pay transaction fees for making payments. Additional benefits include:

- Elimination of the convenience fee to customers for electronic payment through our third-party processor for credit card, debit card and ACH transactions;
- Elimination of transaction fees for bill payment at authorized walk-in locations;
- Encourage customer use of authorized agents, thus avoiding delays in processing payments made through unauthorized agents;
- Increased customer satisfaction by allowing customers to pay via the channel of their choice – free of charge; and,
- Encourages payment, especially from those who have limited means.

Q. DO MANY NON-UTILITY INDUSTRIES CHARGE CUSTOMERS PER TRANSACTION FOR PROCESSING PAYMENTS?

A. No. It is my observation that very few industries outside of utilities and government charge a per transaction fee for payment processing.

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO PAYMENT PROCESSING FEES MADE ON PAGE 28 OF EX. 4, SCH. 1.

A. There were three types of adjustments made to this schedule. The first adjustment of \$124,419 was made on Line 2 to reflect the cost of extending such payments to the Peoples

1 Gas Division customers as discussed above. The support of this amount is shown on Lines
2 12 through 20 on this same schedule and is self-explanatory. The second adjustment was
3 to reflect the cost of additional adoption of this payment channel based upon the percentage
4 increase for the twelve-months ended (TME) August 31, 2023 as compared to the TME
5 August 31, 2022 (7.82%). Both the FTY was adjusted on Lines 5 and 9. The third
6 adjustment was made on Line 10 and reflects a 10% increase in costs the Company expects
7 to incur on such costs upon the expiration of the existing contract in February of 2025.
8

9 **Q. PLEASE SUMMARIZE YOUR PAYMENT PROCESSING FEE PROPOSAL.**

10 A. The Company proposes to waive all transaction fees associated with the payment of
11 residential customers' bills and include these costs in the cost of service for the Peoples
12 Gas Division customers in order to align with the Peoples Natural Gas Division customers.
13

14 **Q. IF APPROVED, WHEN WOULD THE PROPOSAL GO INTO EFFECT?**

15 A. Since the proposal would require IT changes for both Peoples and the third-party payment
16 processing company, Peoples will endeavor to implement these changes as soon as possible
17 after approval.
18

19 **Q. PLEASE EXPLAIN ANY CLAIM FOR LOBBYING EXPENSE IN THIS
20 PROCEEDING.**

21 A. Peoples is not making a claim for expenses related to lobbying in this case.
22

23 **Q. PLEASE EXPLAIN THE CALCULATION OF RATE CASE EXPENSES ON PAGE
24 29 OF EX. 4, SCH. 1.**

1 A. I have used the projected costs for outside services of \$2,062,000 related to this proceeding
2 and normalized them over two years.

3

4 **Q. WHY DID YOU SELECT TWO YEARS FOR THE NORMALIZATION OF**
5 **THESE COSTS?**

6 A. Peoples filed rate cases in 2010, 2012 and 2019. The reason seven years elapsed between
7 the 2012 case and the 2019 case was a result of the stay out period committed to in the
8 Company acquisition of the Equitable Gas Company. Further, the main reason for the time
9 that has elapsed between the 2019 case and this case was the result of the Company
10 receiving Accounting and Regulatory approval regarding its treatment of the tax repair
11 election in Docket No. P-2020-3021191. Specifically, the Company changed its tax
12 accounting method to define its unit of property under the IRS's tangible property
13 regulations, which allowed the Company to prospectively deduct, as an operating expense
14 on its income tax returns, the costs of certain asset improvements that otherwise would be
15 capitalized and depreciated for tax purposes. See the testimony of Christine Saball for
16 further discussion. Peoples projects two years to be the approximate length of time between
17 the filing of this proceeding and the filing of Peoples' next base rate proceeding given the
18 Company's LTIP commitments for infrastructure replacement. For example, the
19 Company is projected to have capital expenditures of over \$1 billion for the combined FTY
20 and FPFTY and expects this to continue beyond the FPFTY.

21

22 **Q. HOW DID YOU DEVELOP PEOPLES' EXPENSES FOR WRITE-OFF OF**
23 **UNCOLLECTIBLE ACCOUNTS ON PAGE 30 OF EX. 4, SCH. 2?**

1 A. The uncollectible write-off amount is based on the relationship between write-offs and
2 revenues. I have used a normalized three-year average of write-offs as the basis for my
3 adjustment. However, I note that based upon the analysis discussed below the normalized
4 residential write-off rate I used of 2.2% is consistently close to one to seven years average
5 depicted in the chart below. This schedule depicts the development of each customer class'
6 uncollectible expense by using a percentage of write-offs to revenues for each test year.
7 These averages were applied to both pro-forma revenue at present rate levels and proposed
8 revenue levels to determine normal uncollectible write-off amounts.

9

10 **Q. PLEASE DESCRIBE THE NORMALIZATION ADJUSTMENT TO WRITE-OFFS**
11 **THAT YOU CALCULATED FOR RESIDENTIAL UNCOLLECTIBLE**
12 **ACCOUNTS EXPENSE.**

13 A. I made two main normalization adjustments to the three-year average of write-offs. First, I
14 added \$5,000,000 to the 2020 write-offs as the Company provided a credit to customers in
15 this amount as a result of the settlement of the proceeding at Docket No. P-2020-3021191.
16 Specifically, the credit was "The credit would equate to a maximum of 70% of the past due
17 balance on an eligible customer's bill since March 2020."² It is reasonable to conclude that
18 write-offs were avoided as a result of this customer credit.

19 Second, I normalized the LIHEAP grants for the period utilizing an average of the
20 annual grants received in 2017, 2018, 2019 and 2022. During 2021 and 2022 the
21 Company's customers received abnormally high grants due to increased Federal funding
22 resulting from the COVID pandemic. The impact on bad debt was calculated by taking

² Paragraph 17g of on page 6 the ALJ's Recommending Decision at Docket No. P-2020-3021191.

75% of normalized Crisis grants (grants given to low income customers who are also at risk for termination) and 25% of the normalized LIHEAP Cash grants (given to low income customers without risk of termination).

The result of this normalization is depicted in the chart shown below:

Original RS Writeoffs	7-Year	6-Year	5-Year	4-Year	3-Year	2-Year	1-Year
Cumulative Revenue	\$ 3,937,650,863	\$ 3,395,047,246	\$ 2,795,006,481	\$ 2,213,252,745	\$ 1,705,289,721	\$ 1,151,256,907	\$ 408,201,175
Cumulative Adj. Writeoffs	\$ 76,992,581	\$ 65,506,137	\$ 52,202,020	\$ 36,978,889	\$ 32,500,999	\$ 23,345,054	\$ 13,405,732
Unadjusted Averages	1.96%	1.93%	1.87%	1.67%	1.91%	2.03%	3.28%
Adjusted Write-Offs							
Annual Writeoffs	\$ 11,486,444	\$ 13,304,116	\$ 15,223,131	\$ 4,477,891	\$ 9,155,944	\$ 9,939,323	\$ 13,405,732
\$5M Repair Tax Credit				5,000,000			
LIHEAP Grants Normalized	(65,826)	111,766	(29,296)	(426,293)	2,170,163	2,430,063	409,649
Adjusted Writeoffs	\$ 11,420,619	\$ 13,415,882	\$ 15,193,835	\$ 9,051,598	\$ 11,326,107	\$ 12,369,385	\$ 13,815,381
					used in Rate Case		
Revised Writeoffs	7-Years	6-Years	5-Years	4-Years	3-Years	2-Years	1-Years
Cumulative Revenue	\$ 3,937,650,863	\$ 3,395,047,246	\$ 2,795,006,481	\$ 2,213,252,745	\$ 1,705,289,721	\$ 1,151,256,907	\$ 408,201,175
Cumulative Adj. Writeoffs	\$ 86,592,807	\$ 75,172,188	\$ 61,756,306	\$ 46,562,471	\$ 37,510,873	\$ 26,184,766	\$ 13,815,381
Adjusted Averages	2.20%	2.21%	2.21%	2.10%	2.20%	2.27%	3.38%
Difference	0.24%	0.28%	0.34%	0.43%	0.29%	0.25%	0.10%

Q. WAS A NORMALIZATION ADJUSTMENT NECESSARY FOR COMMERCIAL AND INDUSTRIAL WRITE-OFF RATIOS.

A. No. The normalization adjustments mentioned above are unnecessary for the Commercial and Customer calculations as the adjustments were unique items only impacting residential customers.

Q. HOW WAS THE UNIVERSAL SERVICE PROGRAM (“USP”) RIDER ADJUSTMENT DETERMINED ON PAGE 31 OF EX. 4, SCH. 1?

A. In order to normalize USP O&M both the O&M and revenue associated with these programs were removed from the claim. This adjustment has no impact on base rates. The Company is not proposing any other changes to the costs of these programs within this case. See the Testimony of Rita Black for further discussion of these programs.

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Q. HOW WAS THE INTEREST EXPENSE ON CUSTOMER DEPOSITS DERIVED ON PAGE 32 OF EX. 4, SCH. 1?

A. Peoples used a twelve-month average of customer deposits which represents the customer deposit amount utilized as a deduction to rate base. This average was then multiplied by the current interest rate of 7%, per Chapter 14 of the Public Utility code, to determine the interest on customer deposits at current rates. No adjustment is needed for the FTY or the FPFTY as the Company has not projected a change to the balance of customer deposits.

PEOPLES GAS DIVISION RIDER TCJA –
TCJA TEMPORARY SURCHARGE (“TCJA RIDER”)

Q. WHAT IS THE PURPOSE AND BACKGROUND OF THE TCJA RIDER?

A. The purpose of this rider is to refund all impacts of the TCJA on PGD from the effective date of TCJA on January 1, 2018 through the present. The Opinion and Order issued on June 16, 2022 at Docket No. P-2022-3031235 provides the background:

On March 15, 2018, the Commission issued a Temporary Rates Order at Docket No. M-2018-2641242, directing Peoples Gas and other public utilities to file their current base rates and riders as temporary rates, pursuant to Section 1310(d) of the Pennsylvania Public Utility Code (Code).

The Commission issued an Order on May 17, 2018, at Docket No. R-2018-3000502 (Peoples Gas Compliance Order), which indicated that a negative surcharge of 2.6676%³ be applied to customer bills. The Peoples

³ Peoples Gas determined that this calculation did not fully reflect the tax reductions intended by the Commission and did not correctly calculate the negative surcharge. In accordance with the procedure set forth in the Peoples Gas Compliance Order, Peoples Gas then filed on June 4, 2018, a Petition for Reconsideration to allow Commission staff to review and address the newly discovered computation errors. The Petition for Reconsideration stated a corrected negative surcharge of -6.6820%, which was approved by the Commission by Reconsideration Order entered on June 14, 2018. The Petition for Reconsideration did not request modification and the

1 *Gas Compliance Order provided that the TCJA temporary surcharge will*
2 *be effective July 1, 2018 on a prospective basis. However, the Commission*
3 *also recognized that the tax savings from TCJA commenced on January*
4 *1, 2018. In lieu of addressing this portion of the tax savings in the May*
5 *17, 2018 Order, the Commission directed Peoples Gas to establish a*
6 *“deferred regulatory liability” account to record on its books the tax*
7 *savings associated with the TCJA for the January 1, 2018, through June*
8 *30, 2018, time period (the “Stub Period”). The Peoples Gas Compliance*
9 *Order also directed that: the account shall accrue interest at the*
10 *residential mortgage lending rate specified by the Secretary of Banking*
11 *in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101,*
12 *et seq.); the rate treatment of this amount plus accrued interest shall be*
13 *addressed in Peoples Gas’ next base rate case; in that future proceeding,*
14 *Peoples Gas and parties can address the appropriate negative surcharge,*
15 *amortization or other disposition of this deferred regulatory liability,*
16 *including any legal issues; and if Peoples Gas did not file, within three*
17 *(3) years of May 17, 2018 (i.e., by May 17, 2021), a Section 1308(d), 66*
18 *Pa. C.S. § 1308(d), general base rate case, the Company was directed to*
19 *file a petition proposing how to distribute the funds in the deferred*
20 *regulatory liability account related to the Stub Period.*

21
22 *On May 17, 2021, Peoples Gas filed a Petition to Establish a Mechanism*
23 *to Distribute the Tax Savings Associated with Tax Cuts and Jobs Act of*
24 *2017 for the Period between January 1, 2018, and June 30, 2018 (TCJA*
25 *Petition) at Docket No. P-2021-302598. On November 18, 2021, the*
26 *Commission approved Peoples Gas’s TCJA Petition. However, the*
27 *Commission determined that Peoples Gas did not include tax savings*
28 *associated with the Company’s EADIT for the Stub Period, and that the*
29 *Commission had approved the distribution of TCJA-related tax savings*
30 *for the period prior to July 1, 2018, which included the flowback of*
31 *EADIT, for other utilities. The Commission also stated that the*
32 *“Commission’s intent to flow back taxes to customers on a current basis*
33 *is clear.... Thus, it is clear that the Commission intended for all tax*
34 *savings to be flowed back to customers on a timely basis.” As such, the*
35 *Commission required Peoples Gas to file a Petition within 60 days of the*
36 *TCJA Order to distribute the tax savings associated with its EADIT⁴.*

Reconsideration Order did not modify any of the procedures approved in the Peoples Gas Compliance Order related to the establishment of the deferred regulatory liability account and the distribution of funds in that account.

⁴ The company sought and was granted a 45-day extension, making the Petition due on or before March 3, 2022.

1 As a result of the June 16, 2022 Order at Docket No. P-2022-3031235, the
2 Company filed a petition on March 3, 2022. This petition was approved and a compliance
3 filing was made on June 21, 2022.

4
5 **Q. ARE THERE ANY FURTHER ADJUSTMENTS NECESSARY?**

6 **A.** The TCJA Rider calculations have addressed and will address the impact of the TCJA
7 through the effective date of rates in this proceeding. The only matter left is to roll the
8 impact of TCJA into base rates.

9
10 **Q. HOW TO PROPOSE TO ROLL THE TCJA IMPACT INTO BASE RATES?**

11 **A.** I recommend the following:

- 12 • The prospective impact of the TCJA for PGD be reflected in the development of
13 rates in the case. This is being handled as such in the development of the income
14 tax claim in Exhibit No. 7;
- 15 • Upon the effective date of rates in this proceeding, the TCJA Rider will continue to
16 only apply to the former customers of PGD and the rate will be changed to only
17 reflect the over/under collection recovery and remove the prospective impact of the
18 TCJA as this will be rolled into base rates. The rate will be to recover any over or
19 under collection amount over a twelve-month period. The Company reserved the
20 right to adjust the rate through this twelve-month period in order to minimize the
21 amount of over or under collection at the end of the period; and
- 22 • Further, any over or under collection amounts remaining at the end of the period
23 shall be flowed through to Customers in the Company's next 1307(f) gas cost
24 proceeding.

1 **Q. DOES THE PEOPLES NATURAL GAS DIVISION HAVE A SIMILAR RIDER?**

2 A. It previously did but the rate no longer applies as all matters related to the TCJA were
3 resolved in the prior base rate case at Docket No. R-2018-3006818.

4
5 **Q. HOW HAS RIDER TCJA BEEN REFLECTED IN EXHIBIT 3, WHICH DETAILS
6 THE CALCULATION OF REVENUES AT PRESENT AND PROPOSED RATES?**

7 A. Rider TCJA, as billed, is reflected in the historical test period revenues. Since the proposed
8 revenues have been designed to recover income tax expense at the 21% federal income tax
9 rate, revenue derived from Rider TCJA is eliminated when calculating revenue at proposed
10 rates except for the portion related to the over/under collection of prior TCJA Rider credits.

11

12 **Q. DOES THIS PROPOSAL REQUIRE ANY TARIFF CHANGES.**

13 A. Yes. The Company's proposed treatment would result in revision to the previously approved
14 Tax Repair Surcharge Rider included in both the PNGD and PGD tariffs to account for the
15 aforementioned adjustments. Refer to Exhibit No. 14 for a red-line of such tariff changes.

16

17 **TAX REPAIR SURCREDIT**

18 **Q. PLEASE EXPLAIN THE TAX REPAIR SURCREDIT CURRENTLY IN PLACE
19 AT PNG?**

20 A. Pursuant to Docket No. P-2020-3021191, effective August 1, 2021, a surcredit was put into
21 effect on the Peoples Natural Gas Division. The purpose of this surcredit is to refund, over
22 a five-year period, the entire tax benefit of a catch-up tax deduction resulting from the
23 Company's defining its unit of property under the Internal Revenue Service's ("IRS")
24 Treasury Regulations 1.263(a)-3 and 1.162-4. This catch-up deduction or "look back"

1 represents the difference between federal and state income tax depreciation claimed versus
2 the repair deductions that would have been claimed for the tax years ended December 31,
3 2012 through March 15, 2020.

4
5 **Q. DOES THE PEOPLES GAS DIVISION CURRENTLY HAVE SUCH A RIDER?**

6 **A.** No. Although this tax methodology was approved in the Merger, the resolution of the Catch
7 Up deduction was deferred to this base rate case proceeding.

8
9 **Q. WHAT HAS CHANGED SINCE THE SURCREDIT WAS PUT INTO EFFECT?**

10 **A.** In addition to PG's adoption of the deduction effective January 1, 2023, the Pennsylvania
11 and Corporate Net Income ("CNI") tax rate changes, the IRS issued Natural Gas industry
12 Safe Harbor rules for this deduction and the Company is applying this Unit of Property
13 methodology to mandatory relocations.

14
15 **Q. PLEASE FURTHER EXPLAIN PG ADOPTION OF TAX REPAIRS.**

16 **A.** As a result of the Merger, PG adopted the tax methodologies of PNG including its definition
17 of a Unit of Property for income tax purposes. However, the treatment of the Catch-Up
18 deduction by PG was deferred to this proceeding. This was described in the Merger and
19 specifically the ALJs decision had the following paragraph:

20 *35. No refund of the anticipated catch-up benefits associated*
21 *with Peoples Gas' adoption of Peoples Natural Gas' tax*
22 *methodologies will be made in this proceeding. The Company*
23 *will defer any retroactive ("catch up") benefits and will*
24 *address such retrospective catch-up tax benefits achieved*
25 *between the implementation of the tax change and the next*
26 *base rate proceeding in the next base rate case proceeding.*
27 *Regarding the prospective impact, Peoples Natural Gas*
28 *(which will include the Peoples Gas assets) will account for*
29 *the prospective impact utilizing flow-through accounting*

1 The impact of this is that the Company needs to be made whole for the over-refund
2 of the benefit via the surcredit resulting from the reduced Pennsylvania CNI tax rate.

3
4 **Q. PLEASE FURTHER EXPLAIN THE SAFE HARBOR RULES.**

5 **A.** The gas industry many years ago sought specific IRS guidance in the form of an industry
6 issue resolution request. This was similar to the IRS guidance the electric industry sought
7 and received around 2010. In 2023, the IRS finally issued gas industry specific guidance
8 regarding the tangible property regulations that defined the unit of property for transmission
9 and distribution property. Tax filers that previously had a method change filed for the
10 tangible property regulations are provided with a “safe harbor” to quantify the impacts of the
11 new regulations to its previous method without penalty. The end result is the Company
12 having to quantify the difference in methods in the 481(a) adjustment and on a going forward
13 basis, applying this guidance to future tax repair deductions.

14
15 **Q. PLEASE FURTHER EXPLAIN MANDATORY RELOCATIONS.**

16 **A.** Mandatory relocations are a type of project that the Company has determined is eligible for
17 treatment as a tax repair deduction. This determination was a change in tax accounting
18 method, hence a separate 481(a) catch up deduction was calculated in this instance.

19
20 **Q. ARE THERE ANY OTHER CONSIDERATIONS THAT SHOULD BE FACTORED**
21 **INTO THIS?**

22 **A.** The Company has contracted a consulting firm with expertise in the very prescriptive
23 methods required by the IRS to perform the examination of its records and determine the
24 impacts of this guidance on a retroactive and going forward basis. That work is ongoing as

1 of the date of filing this case. Pursuant to IRS regulations, the Company has until it files its
2 2023 tax return (in October 2024), to quantify the impacts of the new IRS guidance. The
3 Company will net the costs associated with implementing this change in method with the
4 benefits to be given to customers.

5
6 **Q. WHAT ARE YOU PROPOSING IN THIS PROCEEDING?**

7 **A.** Regarding the current and ongoing benefit, the Company has reflected in its claim for income
8 tax expense the expected repairs deduction to be realized by applying the new IRS
9 regulations, what I refer to as the “current repair deduction”.

10 As far as the catch-up adjustment impacts, given the fact that the examination and
11 analysis of the Company records going back to 2012 is ongoing and the Company was
12 required to file this case by December 2023 pursuant to Docket No. P-2020-3021191, the
13 Company is proposing that the impacts of the following adjustments be recognized in a
14 revised Tax Repair Surcharge Rider to be filed 90 days following the effective date of new
15 rates in this proceeding, the adjustments listed as follows:

- 16 1.) Adjustment to reflect the reduced tax benefits as a result of the reduction in the
17 State CNI rate;
- 18 2.) Adjustment to reflect the impacts of the new IRS regulations “Natural Gas Safe
19 Harbor” – IRS Rev. Proc. 2023-15 to the “Catch-Up” adjustment amounts
20 quantified in Docket No. P-2020-3021191;
- 21 3.) Adjustment to include the 481(a) adjustment for PG;
- 22 4.) Adjustment to include the 481(a) adjustment for Mandatory Relocations; and

1 5.) Extend the amortization period from 5 years to 10 years including the amortized
2 portion of the previous sur-credit authorized in Docket No. P-2020-3021191,
3 including the aforementioned adjustments.
4

5 **Q. DOES THIS PROPOSAL REQUIRE ANY TARIFF CHANGES.**

6 **A.** Yes. The Company's proposed treatment would result in a revision to the previously
7 approved Tax Repair Surcharge Rider, including to account for the aforementioned
8 adjustments. The Tax Repair surcharge will apply to all customers of the combined company.
9 Refer to Exhibit No. 14 for a red-line of such tariff changes.
10

11 **Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADDRESS REGARDING**
12 **REPAIRS?**

13 **A.** Yes. I would like to discuss the "Collar" proposal related to repairs.
14

15 **Q. HAS THE COLLAR BEEN ADDRESSED IN ANY OTHER PROCEEDING?**

16 **A.** Yes. In Docket No. P-2020-3021191, the Company was instructed to propose a collar for
17 current repairs deductions similar to the one that was approved for our affiliate companies
18 Aqua Pennsylvania, Inc. & Aqua Pennsylvania Wastewater, Inc., in Docket Nos. R-2018-
19 3003558/3003561 & R-2021-3027385/3027386.
20

21 **Q. WHAT ARE YOU PROPOSING AS THE COLLAR?**

22 **A.** The Company's proposal is substantially similar to that of our affiliates. We are proposing
23 in this case that the level of tax repair benefits claimed in the calculation of income tax
24 expense (see Exhibit 7) have a collar applied on the higher and lower end in the amount of

1 \$10 million before the requirement to defer those impacts for future base rate case treatment
2 is implemented. The effective date of this should be the first day of the first calendar year
3 after the effective date of new rates in this proceeding which is January 1, 2025. Said another
4 way, as an example, if the final tax repair benefit in this proceeding was set at \$300 million,
5 the requirement to defer the financial impacts of the actual deduction would not be triggered
6 unless the tax benefit realized on the tax return were greater than \$310 million or less than
7 \$290 million. The differences between our proposal in this case, to that of our affiliate is 1.)
8 the size of the collar and 2.) FIN 48 – Uncertain tax position is not applicable to gas as we
9 have not recorded an uncertain tax position and we have industry specific guidance now.

10

11 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

12 **A.** Yes, it does.

Appendix A

Reference	FR/SDR#
Ex. 1, Sch. 4	53.53.II.A.18
Ex. 1, Sch. 18	53.53.III.A.13
Ex. 2, Sch. 3	53.53.II.A.22
Ex. 2, Sch. 4	53.53.III.A.17
Ex. 2, Sch. 9	53.53.III.E.21
Ex. 4, Sch. 1	53.53.III.E.17
Ex. 4, Sch. 2	53.53.III.A.20
Ex. 4, Sch. 3	53.53.III.A.21
Ex. 4, Sch. 4	53.53.III.A.25
Ex. 4, Sch. 5	53.53.III.A.29
Ex. 4, Sch. 6	53.53.III.A.33
Ex. 4, Sch. 7	53.53.III.A.22
Ex. 4, Sch. 8	53.53.III.A.23
Ex. 4, Sch. 9	53.53.III.A.24
Ex. 4, Sch. 10	53.53.III.A.27
Ex. 4, Sch. 11	53.53.III.A.28
Ex. 4, Sch. 12	53.53.III.A.31
Ex. 4, Sch. 13	53.53.III.A.32
Ex. 4, Sch. 14	53.53.III.A.30
Ex. 4, Sch. 15	53.53.III.A.34
Ex. 4, Sch. 16	53.53.III.A.35
Ex. 4, Sch. 17	53.53.III.A.36
Ex. 4, Sch. 18	53.53.III.A.37
Ex. 4, Sch. 20	53.53.III.E.29
Ex. 4, Sch. 21	53.53.III.E.33
Ex. 4, Sch. 22	53.53.III.E.34
Ex. 13, Sch. 1	53.53.III.A.39
Ex. 13, Sch. 2	53.52(a)(6)
Ex. 13, Sch. 3	53.53.II.A.13
Ex. 13, Sch. 4	53.53.III.A.40
Ex. 13, Sch. 5	53.53.III.A.44
Ex. 13, Sch. 6	53.53.III.A.46
Ex. 13, Sch. 8	53.53.III.A.41
Ex. 13, Sch. 9	53.53.III.A.19
Ex. 13, Sch. 12	53.52(a)(11)
Ex. 13, Sch. 13	53.52(b)(1)
Ex. 13, Sch. 14	53.52(a)(5)
Ex. 13, Sch. 15	53.52(a)(10)
Ex. 13, Sch. 16	53.52(a)(7)

Reference	FR/SDR#
Ex. 13, Sch. 17	53.52(a)(8)
Ex. 13, Sch. 18	53.52(a)(9)
Ex. 15, Sch. 4	53.53.II.A.24
Ex. 16, Sch. 14	53.53.II.A.16
Ex. 16, Sch. 15	53.53.II.A.17
Ex. 17, COS 1	COS 1
Ex. 18, ROR 1	ROR 1
Ex. 18, ROR 8	ROR 8
Ex. 18, ROR 13	ROR 13
Ex. 18, ROR 14	ROR 14
Ex. 18, ROR 16	ROR 16
Ex. 18, ROR 22	ROR 22
Ex. 18, ROR 23	ROR 23
Ex. 19, RR 15	RR 15
Ex. 19, RR 19	RR 19
Ex. 19, RR 20	RR 20
Ex. 19, RR 21	RR 21
Ex. 19, RR 22	RR 22
Ex. 19, RR 26	RR 26
Ex. 19, RR 27	RR 27
Ex. 19, RR 28	RR 28
Ex. 19, RR 29	RR.29
Ex. 19, RR 30	RR.30
Ex. 19, RR 31	RR.31
Ex. 19, RR 32	RR 32
Ex. 19, RR 33	RR 33
Ex. 19, RR 34	RR 34
Ex. 19, RR 35	RR 35
Ex. 19, RR 37	RR 37
Ex. 19, RR 40	RR 40
Ex. 19, RR 43	RR 43
Ex. 19, RR 44	RR 44
Ex. 19, RR 46	RR 46
Ex. 19, RR 47	RR 47
Ex. 19, RR 50	RR 50
Ex. 19, RR 51	RR 51
Ex. 19, RR 52	RR 52
Ex. 19, RR 53	RR 53
Ex. 19, RR 54	RR 54

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
v. : Docket No. R-2023-3044549
 :
PEOPLES NATURAL GAS COMPANY LLC :

**PREPARED DIRECT TESTIMONY OF
CAROL A. SCANLON,
MANAGER, RATES
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: December 29, 2023
DATE ADMITTED: _____

Peoples Statement No. 3

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 **A.** My name is Carol A. Scanlon. My business address is 375 North Shore Drive,
3 Pittsburgh, PA 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by PNG Companies LLC (“PNG Companies” or “PNG”) as Rates
7 Manager. Effective January 1, 2023 the Peoples Natural Gas Company LLC and
8 Peoples Gas Company LLC were merged. As such, Peoples Natural Gas Company
9 LLC (“Company”) currently includes – Peoples Natural Gas Division (“PNGD” or
10 “Peoples Natural Gas Division”) and Peoples Gas Division (“PGD” or “Peoples
11 Gas Division”). When referring to both divisions herein, they may be referred to
12 as the Peoples Divisions, Peoples Natural Gas, the Company or Peoples. In my
13 position as Rates Manager, I provide rates and regulatory services for both PNGD
14 and PGD.

15

16 **Q. PLEASE DESCRIBE BRIEFLY YOUR EDUCATIONAL BACKGROUND
17 AND WORK EXPERIENCE.**

18 **A.** I graduated from the University of Pittsburgh in 1994 with a Bachelor of Science
19 Degree in Business Administration with a concentration in Finance, and from
20 Robert Morris University in 2001 with a Master’s Degree in Business
21 Administration. My career began with the former Equitable Gas Company
22 (“EGC”) in 2004, where I was employed in various positions of increasing
23 responsibility. I started with EGC as a Senior Financial Analyst supporting the

1 Collections and Compliance areas of the business. In March 2006, I transitioned to
2 the role of Supervisor of Collections and Analysis. I was in that role until August
3 of 2007, when I was promoted to the Manager of Account Maintenance, during
4 which time I directed the activities of the Audit and Back Office departments. In
5 May 2009, I was promoted to Manager of Commercial and Residential Analysis.
6 In June 2010, I was promoted to the Manager of Rates. I continued in that role until
7 December 17, 2013, at which time EGC was acquired by PNG Companies and
8 merged into Peoples Natural Gas. At that time, I transitioned to Peoples Natural
9 Gas as a Rate Consultant. In August 2017, I was promoted to Manager of
10 Transportation and Revenue. In this role, I managed revenue reporting and the team
11 responsible for all interactions with the Natural Gas Suppliers (“NGSs”). In 2018,
12 I transferred to PNG Companies. In April of the same year, I moved back to the
13 Regulatory team as the Rates Manager.

14

15 **Q. WHAT ARE YOUR RESPONSIBILITIES FOR PURPOSES OF THIS**
16 **PROCEEDING?**

17 **A.** I will provide an overview of the historical test year revenues presented in this case.
18 I will explain the forecasting methods used to develop customer count and usage
19 data for the future and fully projected future test years. I will describe how those
20 forecasted counts and volumes were priced to determine total revenues. I will
21 explain the use of competitive pricing in the Company’s business model and the
22 inclusion of negotiated rates in the pricing of the revenue claim. I will also describe
23 adjustments made to normalize and annualize the revenues presented.

1 In addition, I will explain implementation aspects of the proposed weather
2 normalization adjustment mechanism, describe the AVC rate blending proposal,
3 and support the strategy to combine the universal service riders.

4
5 **Q. PLEASE LIST THE EXHIBITS AND FILING REQUIREMENTS THAT**
6 **YOU ARE SPONSORING AS A WITNESS.**

7 **A.** Please refer to Appendix A to this testimony for a complete list of the filing
8 requirements for which I am the responsible witness.

9

10 **REVENUES (EXHIBIT NO. 3)**

11

12 **Q. PLEASE BRIEFLY DESCRIBE THE TEST YEAR REVENUES AS**
13 **PRESENTED IN PEOPLES' FILING.**

14 **A.** The schedules set forth in my testimony are presented separately for PNGD and PGD,
15 but the exhibits follow the same numbering for each entity. Refer to the schedule
16 “Volume and Revenue Summary at Current Rates,” Exhibit 3, Schedule 15,
17 Attachment C, page 1. Column 1 reflects the per books revenue for the year prior to
18 the historic test year and column 2 reflects the per books revenue for the Historic Test
19 Year (“HTY”) of August 31, 2023 by FERC account. Columns 3-9 display the
20 amounts of per books revenue related to gas cost, universal service rider, Gas
21 Procurement Charge (“GPC”), Merchant Function Charge (“MFC”), Supplier
22 Choice Rider (“SCR”), DSIC, Tax Repairs Surcredit rider (“TRS”) for PNGD, and
23 the Tax Cuts and Jobs Act rider (“TCJA” for PGD). The calculation of the gas cost

1 revenue for the HTY provided in Exhibit 3, Schedule 15, Attachment M and the
2 calculation of the rider revenues for the HTY is provided in Exhibit 3, Schedule 15,
3 Attachment N. Column 10 displays the unbilled and cycle 22 adjustment amount,
4 which is presented in Exhibit 3, Schedule 15, Attachment K. This amount is being
5 excluded because it is not pertinent to calculate the annualized revenues. Column 11
6 presents a weather adjustment to normalize the revenues for weather. The weather
7 adjustment calculation is shown in Exhibit 3, Schedule 15, Attachment H, page 1.
8 Column 12 reflects an adjustment to price the test year bills and volumes to the most
9 current base rates. Column 13 is the annualized delivery service and customer charge
10 revenue at current rates as calculated in Exhibit 3, Schedule 15, Attachment D, pages
11 1-6.

12 Refer next to Exhibit 3, Schedule 15, Attachment C, page 2. This schedule
13 summarizes the annualized total revenue at present rates as shown in Exhibit 3,
14 Schedule 15, Attachment D, pages 1-6. The present rates used in the schedule are
15 those in effect as of October 1, 2023, with the exception of the Gas Cost Adjustment
16 (“GCA”) rate component. The GCA rate component is excluded because Peoples
17 accelerated the refund of the over collections of gas cost commodity costs
18 experienced during the 2022/2023 winter by decreasing the GCA charge to
19 customers for the period of October 1, 2023 through December 31, 2023. This was
20 approved by the Commission in Peoples 2023 -1307(f) annual gas cost proceeding at
21 Docket No. R-2023-3037928. As a result, the GCA rate in effect from October 1,
22 2023 through December 31, 2023 is a credit of (\$3.7904) per Mcf. Since the amount
23 is not typical, Peoples excluded GCA from the gas cost rate displayed in the Exhibit

1 3 schedules so that gas cost rate is not skewed by it and remains in line with the actual
2 cost of gas. The annualized universal service rider revenues in column (3) of Exhibit
3 3, Schedule 15, Attachment C, page 2, are reduced by the Customer Assistance
4 Program (“CAP”) Credit amount shown in Exhibit 3, Schedule 15, Attachment D,
5 page 1, line no. 29.

6

7 **Q. PLEASE EXPLAIN THE DEVELOPMENT OF YOUR ADJUSTMENT TO**
8 **NORMALIZE REVENUES FOR THE EFFECTS OF THE HISTORICAL**
9 **TEST YEAR WEATHER.**

10 **A.** Exhibit 3, Schedule 15, Attachment H, page 1 summarizes the adjustment made to
11 normalize the historical test year revenues for the effects of weather. This adjustment
12 was calculated by determining the use per customer (“UPC”) for each class of
13 customer and multiplying the historical customer counts by this amount. I will
14 discuss the calculation of UPC by class further in my testimony. Peoples is using
15 5,341 heating degree days (“HDDs”) to forecast normal weather. This is derived by
16 averaging a 20-year average with a 65-year regression for the periods ending
17 December 31, 2022 as obtained from the National Oceanographic Atmospheric
18 Association (“NOAA”). At Statement No. 15, Ralph Zarumba supports the use of a
19 regression model, and specifically the use of a 65-year regression model for this case.
20 The Company believes the 65-year regression model provides a reasonable basis for
21 weather normalization. However, Peoples is proposing to use the average of the 65-
22 year regression model result with the average of the 20-year average due to the
23 concept of gradualism. The 65-year regression model produces a result of 5,240

1 HDDs. In Peoples Natural Gas Division’s last base rate case in 2018, the HDDs
2 employed in the forecasting model were 5,416. Although the methodology proposed
3 by Ralph Zarumba is reasonable, in order to transition from the prior methodology to
4 this new methodology we are utilizing an average of the 20-year average and the new
5 methodology. which results in the use of 5,341 HDDs. The HTY billed throughput
6 is deducted from the normalized volume to calculate the adjustment amount in Mcf.
7 The Mcf adjustment amount is multiplied by the current delivery rate to determine
8 the dollar amount of the adjustment.

9

10 **Q. PLEASE FURTHER DESCRIBE THE DEVELOPMENT OF THE UPC PER**
11 **CUSTOMER CLASS.**

12 **A.** A UPC factor was developed for each class of customer to both normalize the
13 historical test year and forecast the future test year (“FTY”) and fully projected future
14 test year (“FPFTY”) volumes. Different methods were used to determine the UPC
15 for each class of customer. Residential and commercial SGS and MGS customers
16 traditionally are heat sensitive and require a model that includes a weather variable.
17 By comparison, commercial LGS and all industrial customers are not predominantly
18 impacted by weather, so using historical usage patterns for this class of customer is
19 more indicative of future usage.

20

21 **Q. LET’S START WITH HEAT SENSITIVE CUSTOMER CLASSES. PLEASE**
22 **ELABORATE ON THE MODEL USED TO DEVELOP THE RESIDENTIAL**
23 **AND COMMERCIAL SGS AND MGS UPC.**

1 **A.** The Company employed a forecasting model that uses historical actual data to
2 calculate a non-heat sensitive base load factor and a seasonal, heating degree day
3 factor. This is the method that was used to calculate the UPC for all residential
4 customers and small and medium commercial customers. Each of the calculated
5 UPCs was then reduced by 0.50% to account for customer conservation measures.
6 Small commercial customers are defined as commercial customers using between 0
7 – 999 Mcf annually. Medium commercial customers are defined as commercial
8 customers using between 1,000 – 24,999 Mcf annually.

9

10 **Q. HOW IS THE NON-HEAT SENSITIVE BASE LOAD DEVELOPED FOR**
11 **THE RESIDENTIAL AND SMALL AND MEDIUM SIZE COMMERCIAL**
12 **CUSTOMERS?**

13 **A.** The non-heat sensitive base load is developed by reviewing actual volumes for the
14 months of July and August, both of which have a low number of heating degree days,
15 to establish a non-heat sensitive base load. This base load volume is divided by the
16 number of customers and number of days in the month to arrive at a daily customer
17 base load figure.

18

19 **Q. HOW IS THE HEATING DEGREE DAY FACTOR DEVELOPED?**

20 **A.** The first step is to remove the non-heat sensitive usage as identified above. This
21 isolates the usage impacted by weather. Next, we identify the actual HDDs related to
22 the historical data we are using. Finally, we take total heat load, divided by the total
23 heating degree days for the period, then divided by the number of customers, to arrive

1 at a heating degree day factor.

2

3 **Q. HOW WAS THE UPC FOR LARGE COMMERCIAL CUSTOMERS**
4 **DEVELOPED?**

5 **A.** Large commercial customers, defined as commercial customers using 25,000 Mcf or
6 greater annually, often have usage patterns that behave more similarly to industrial
7 customers than to heat sensitive customers. As a result, development of the large
8 commercial customer's UPC is included in the next section with industrial customers.

9

10 **Q. HOW WAS THE FORECAST FOR LARGE COMMERCIAL CUSTOMERS**
11 **AND ALL INDUSTRIAL CUSTOMERS DEVELOPED?**

12 **A.** The large commercial and all of the industrial volume projections were prepared
13 using the actual, HTY history of volumes. The Company believes this is the best
14 indicator of future usage trends for this group of customers. We then utilized the
15 input of our sales representatives to incorporate significant known changes in usage
16 patterns.

17

18 **Q. PLEASE EXPLAIN HOW THE NUMBER OF BILLS ARE ANNUALIZED.**

19 **A.** Refer to Exhibit 3, Schedule 15, Attachment F, pages 1-2. The net change in
20 customers for growth and attrition, as presented in column (2), is determined by the
21 net overall change in average number of customers over the last five years. The
22 Company compared the average number of customers for the twelve months ending
23 8/31/2023 to the average number of customers for the twelve months ending

1 8/31/2018. The change in the average number of customers is then divided by the
2 number of years between the two time frames to arrive at an annual change in
3 customers number. The details of this analysis are presented in Exhibit 3, Schedule
4 15, Attachment H, page 2.

5 Depicted in column 3 of Exhibit 3, Schedule 15, Attachment F, pages 1-2 is the
6 change of customers between classes. The purpose of this column is to align the
7 customers with the correct rate category, as compared to the HTY data. For example,
8 customers may switch back and forth between sales and transportation service. Also,
9 as a result of the annual consumption review process, customers may move to another
10 annual usage tier within the same category.

11

12 **Q. PLEASE EXPLAIN HOW THE NUMBER OF BILLS ARE FORECASTED**
13 **FOR THE FTY AND FPFTY.**

14 **A.** The average annual change in number of customers, as determined to annualize the
15 bills and described above, is forecasted for the FTY and FPFTY as shown in Exhibit
16 3, Schedule 15, Attachment F, pages 3-6.

17

18 **Q. PLEASE DESCRIBE EXHIBIT 3, SCHEDULE 15, ATTACHMENT G.**

19 **A.** Exhibit 3, Schedule 15, Attachment G summarizes the adjustments to weather
20 normalize volumes and to annualize and forecast customer counts for each of the
21 pertinent time frames; HTY, FTY, FPFTY. The adjustments to annualize volumes
22 for net customer growth and attrition and customer reclasses used in Attachment G
23 are summarized in Exhibit 3, Schedule 15, Attachment I.

1 **Q. PLEASE DESCRIBE EXHIBIT 3, SCHEDULE 15, ATTACHMENT D.**

2 **A.** Exhibit 3, Schedule 15, Attachment D incorporates the summary information
3 provided in Exhibit 3, Schedule 15, Attachments F & G in the first two columns of
4 each page. These volumes and customer counts are then priced out at current rates to
5 calculate the revenue at current rates shown in column 4. This exercise is repeated
6 for each of the pertinent time frames; Adjusted HTY (pages 1-6), FTY (pages 7-12),
7 FPFTY (pages 13-18).

8

9 **Q. YOU HAVE DESCRIBED THE PROCESS FOR PREPARING THE**
10 **CUSTOMER COUNTS AND USAGE FORECASTED FOR EACH CLASS.**
11 **PLEASE EXPLAIN HOW THESE COUNTS AND VOLUMES WERE**
12 **PRICED IN EXHIBIT 3, SCHEDULE 15, ATTACHMENT D.**

13 **A.** The retail sales customers are priced at current tariff rates effective October 1, 2023
14 (excluding the atypical GCA discussed earlier). The transportation service is priced
15 in two parts: customers subject to full tariff rates are priced at the current tariff
16 rates effective October 1, 2023, and competitive customers that have negotiated
17 rates are priced individually at their negotiated delivery rate. The negotiated
18 delivery rate line item displayed in Exhibit 3, Schedule 15, Attachment D is the
19 weighted average negotiated delivery rate for the group of competitive customers
20 specific to each rate class.

21

22 **Q. YOU MENTION NEGOTIATED DELIVERY RATES FOR COMPETITIVE**
23 **CUSTOMERS. WHAT MAKES A CUSTOMER “COMPETITIVE”?**

1 A. The Company's service territory is a productive market for competition in several
2 ways, including competition among Natural Gas Distribution Companies (NGDC),
3 the ability for customers to bypass the system, and for customers to choose between
4 natural gas and alternate fuels. Some of our commercial customers and most
5 industrial customers have more than one service option available to them. These
6 customers support important operational needs of the Company's system and also
7 offset the cost of service for other customers. In order to ensure we maintain these
8 accounts, it is necessary to flex our maximum delivery rates to remain competitive.
9 Competitive customers are further discussed by Luke Ravenstahl at Statement No.
10 7.

11
12 **Q. PLEASE DESCRIBE EXHIBIT 3, SCHEDULE 15, ATTACHMENT C,
13 PAGES 3 - 6.**

14 A. Exhibit 3, Schedule 15, Attachment C, pages 3-6 are comparable to the schedules
15 presented in the same attachment on pages 1 and 2 and discussed on page 3, lines
16 7-23, and page 4, lines 1-11 in my testimony. Attachment C, page 3 starts with the
17 pro forma revenue for the future test year as presented in Exhibit 3, Schedule 15,
18 Attachment D, pages 7-12, and walks through the future test year gas costs and
19 rider revenues to arrive at the annualized base revenue for the future test year at
20 current rates. Attachment C, page 4 summarizes the annualized total revenue at
21 present rates as shown in Exhibit 3, Schedule 15, Attachment D, pages 7-12.
22 Annualized universal service rider revenues (column (3) of Attachment C) are
23 reduced by annualized CAP expenses and net to zero. As a result, in Exhibit 3,

1 Schedule 15, Attachment C, universal service rider revenues are excluded from the
2 schedule for the FTY and FPFTY periods, as also presented in Exhibit 3, Schedule
3 15, Attachment D, pages 7-18.

4
5 **Q. PLEASE EXPLAIN THE PROPOSED REVENUES.**

6 **A.** Exhibit 3, Schedule 15, Attachment O shows the allocation of proposed annual
7 revenues by rate schedule based upon the class revenue requirements presented by
8 witness Ralph Zarumba at Statement No. 15. Next, refer to Exhibit 3, Schedule 15,
9 Attachment E. Exhibit 3, Schedule 15, Attachment E is similar to Exhibit 3,
10 Schedule 15, Attachment D in that it incorporates the summary information
11 provided in Exhibit 3, Schedule 15, Attachments F & G in the first two columns of
12 each page. However, the volumes and customer counts are then priced out at
13 proposed rates to calculate the revenue at proposed rates shown in column 4. This
14 exercise is repeated for each of the pertinent time frames; Adjusted HTY (pages 1-
15 6), FTY (pages 7-12), FPFTY (pages 13-18). Schedules that summarize the
16 comparison of current rates to proposed rates for each of the relevant time periods
17 are shown in Exhibit 3, Schedule 15, Attachment A.

18

19 **OTHER OPERATING REVENUES**

20

21 **Q. PLEASE DESCRIBE, BY CATEGORY, THE OTHER OPERATING**
22 **REVENUES INCLUDED IN THE HISTORIC, FUTURE, AND FULLY**
23 **PROJECTED FUTURE TEST YEARS.**

1 A. As displayed in Exhibit 3, Schedule 15, Attachment A, Line Nos. 19-27, seven
2 accounts are presented as Other Operating Revenues. Account 487 is Forfeited
3 Discounts which represents late payment charges applied to delinquent customer
4 accounts. Account 483 presents sales for resale. This account contains the sales side
5 of gas to third party suppliers. Account 488 is Miscellaneous Service Revenues
6 which includes revenues from connection fees and service fees. Revenues from
7 Transportation of Gas through Gathering Facilities is shown in Account 489.1 for
8 Peoples Natural Gas Division. Account 493 provides revenue from rental of gas
9 property. Account 495 includes several different items such as pooling and billing
10 fees, off-system sales revenue, and other non-distribution revenues. Account 496 is
11 Provision for Rate Refunds. This account is relative to the Tax Cuts and Jobs Act
12 of 2018.

13

14 **Q. LET’S BEGIN WITH THE FIRST ACCOUNT 483 - SALES FOR RESALE.**
15 **DID YOU MAKE ANY ADJUSTMENTS TO THIS ACCOUNT?**

16 A. As shown in Exhibit 3, Schedule 15, Attachment C, page 1 sales for resale are
17 removed from the booked revenue as a normalization adjustment. Refer to Exhibit
18 3, Schedule 15, Attachment J . As mentioned, the entries in this account are for the
19 sales side of gas to third party suppliers, but these sales are offset by the expense to
20 suppliers, netting to zero. As a result, there is nothing forecasted for this account
21 in any of the future periods.

22

23 **Q. NEXT, ACCOUNT 487 - FORFEITED DISCOUNTS. DID YOU MAKE**

1 **ANY ADJUSTMENTS TO THIS ACCOUNT?**

2 **A.** Yes. The forfeited discounts are projected as a percentage of gross revenues. Refer
3 to Exhibit 3, Schedule 15, Attachment L, page 1. This schedule shows the actual
4 forfeited discounts as a percentage of gross revenues for the HTY is 0.69%. The
5 gross revenues projected for each of the pertinent time frames are then multiplied
6 by 0.69% to forecast the forfeited discounts amount for each period.

7

8 **Q. DID YOU MAKE ANY ADJUSTMENTS TO ACCOUNT 488 –**
9 **MISCELLANEOUS SERVICE REVENUES?**

10 **A.** No. The historic revenues for these fees were used to forecast the future test year
11 and fully projected future test year revenues.

12

13 **Q. DID YOU MAKE ANY ADJUSTMENTS TO ACCOUNT 489.1 RELATED**
14 **TO REVENUES FROM THE TRANSPORTATION OF GAS THROUGH**
15 **GATHERING FACILITIES?**

16 **A.** Yes. The Company has experienced declining revenues due to declining production
17 during recent years. As a result, Peoples reflected a decline in the forecasted
18 revenues based upon 18 months of historical production data ending May 31, 2023.

19

20 **Q. DID YOU MAKE ANY ADJUSTMENTS TO ACCOUNT 493 – REVENUE**
21 **FROM RENTAL OF GAS PROPERTY?**

22 **A.** No. The historic revenues for these fees were used to forecast the future test year
23 and fully projected future test year revenues.

1

2 **Q. DID YOU MAKE ANY ADJUSTMENTS TO ACCOUNT 495 – OTHER GAS**
3 **REVENUES?**

4 **A.** No. The historic revenues for these fees were used to forecast the future test year
5 and fully projected future test year revenues.

6

7 **Q. FINALLY, DID YOU MAKE ANY ADJUSTMENTS TO ACCOUNT 496 –**
8 **PROVISION FOR RATE REFUNDS.**

9 **A.** No.

10

11 **WEATHER NORMALIZATION ADJUSTMENT (“WNA”)**

12

13 **Q. IS THE COMPANY PROPOSING ANY NEW RATE MECHANISMS?**

14 **A.** Yes. Peoples is proposing a weather normalization adjustment (“WNA”)
15 mechanism in this proceeding.

16

17 **Q. PLEASE DESCRIBE WHAT A WNA MECHANISM IS.**

18 **A.** In general, a WNA mechanism adjusts customers’ bills to better reflect normalized
19 weather conditions. If weather is colder than normal, customers receive a credit
20 from the utility on their bill which offsets, to some degree, the higher distribution
21 charges based on usage. If weather is warmer than normal, customers receive an
22 additional charge from the utility on their bill which is offset, to some degree, by
23 lower distribution charges based on usage.

1

2 **Q. WHY IS PEOPLES PROPOSING A WNA MECHANISM?**

3 **A.** Ralph Zarumba discusses the rationale and support for instituting a WNA
4 mechanism at Statement No. 15. However, I will examine aspects of
5 implementation of the WNA mechanism for Peoples.

6

7 **Q. DESCRIBE THE WNA CALCULATION.**

8 **A.** Exhibit CAS-1 presents the formulas and proposed calculation for the WNA
9 mechanism. Additionally, the appropriate tariff pages to implement the proposed
10 WNA mechanism are presented in Dawn Folk's testimony at Statement No. 11.
11 Turning to Exhibit CAS-1, a WNA factor is developed by dividing the normal
12 number of HDD's by the number of actual HDDs. Peoples is proposing that the
13 normal number of HDDs used in the WNA calculation will be based upon the
14 HDDs utilized to develop the revenue requirement in this proceeding (discussed
15 above), and thus would remain the same until a future base rate case proceeding.
16 The next step in the WNA calculation is to determine the baseload amount and heat
17 sensitive amount of the customer's actual monthly consumption. The baseload
18 amount is determined by averaging the actual daily consumption for July and
19 August. Next, the customer's actual consumption for the month is reduced by the
20 baseload amount. The result is the heat sensitive consumption for the month. The
21 heat sensitive consumption is then multiplied by the WNA factor developed above
22 and added to the baseload amount to calculate a weather normalized consumption
23 amount. The difference between the weather normalized consumption amount and

1 the customer's actual total monthly consumption is the weather normalized
2 adjusted Mcf amount. This amount is multiplied by the distribution rate charge to
3 arrive at the weather normalized adjustment dollar amount that will be included on
4 the customer bill.

5

6 **Q. WHICH CUSTOMERS WILL WNA APPLY TO?**

7 **A.** The Company is proposing that WNA apply to residential including CAP,
8 commercial SGS and commercial MGS customers. Consistent with the revenue
9 forecasting methodology, these customer classes are predominantly weather
10 sensitive.

11

12 **Q. WHICH MONTHS WILL WNA APPLY?**

13 **A.** The Company is proposing that WNA is applicable on a service rendered basis
14 during the heating season months, specifically October 1st through May 31st.

15

16 **Q. HOW WILL WNA BE REFLECTED ON THE CUSTOMER'S BILL?**

17 **A.** Peoples will calculate the WNA on an individual customer basis using the actual
18 HDDs and expected HDDs pertaining to the days in the specific customer's billing
19 cycle. The WNA adjustment amount for that billing cycle will roll up with the
20 distribution charge component on the customer's bill and will be included in the
21 total charges displayed as the delivery line item on the bill. Since the WNA
22 mechanism effectively normalizes the distribution revenues recovered from the
23 customer, this will aid the customer in seeing charges on their bill that are more

1 aligned with the weather most recently experienced. I would also note that WNA
2 amounts will be subject to STAS, DSIC, TRS, and TCJA riders.

3

4 **Q. HOW WILL WNA IMPACT CAP CUSTOMERS?**

5 **A.** The WNA program will not impact the amount a CAP customer is expected to pay
6 but rather only impact the “full tariff” charges that costs of the program will be
7 calculated on. Peoples CAP program is a percentage of income program, where
8 CAP customers pay the lower of a percentage of their income or their budget
9 amount. WNA will not change the payment amount requested of CAP customers.
10 WNA will be calculated on a CAP customer’s bill, the same as it would for a non-
11 CAP residential customer. However, if the amount of the CAP customer’s actual
12 usage bill at “full tariff” rates is greater than the CAP customer’s asked to pay
13 amount, the difference is called a CAP Credit. CAP credits are recovered through
14 the Company’s Universal Service Program rider that is applicable to Residential
15 non-CAP customers. In this circumstance, the WNA dollars charged to customers
16 enrolled in CAP can be part of the CAP Credit amount that is recovered through
17 the Universal Service rider.

18

19 **Q. HOW WILL WNA IMPACT BUDGET BILLING CUSTOMERS?**

20 **A.** The WNA program will not impact the monthly amount a budget customer is
21 expected to pay, meaning the WNA adjustment will not be added to or reduced
22 from the otherwise applicable monthly budget amount. The WNA will be factored
23 into the customer’s annual budget reconciliation, which occurs on or near the

1 annual anniversary date of when the customer enrolled in budget billing. This
2 results in matching the WNA charge with the benefit of a lower gas bill resulting
3 from warmer than normal weather or matches the WNA credit with the higher gas
4 bill resulting from colder than normal weather.

5

6 **Q. WILL WNA REQUIRE ADDITIONAL FILINGS?**

7 **A.** Peoples will file weather normalization information with the Commission annually
8 on or before September 1st for the 12-month period ending June of that same year.

9 The filing will contain the following information on the WNA mechanism:

- 10 • monthly WNA billed revenue; and
- 11 • monthly actual and normal HDD data.

12

13 **Q. HOW DOES PEOPLES NATURAL GAS'S PROPOSED WNA ALIGN**
14 **WITH THE STATEMENTS OF POLICY AS OUTLINED BY THE**
15 **COMMISSION IN THE ALTERNATIVE RATEMAKING AT DOCKET**
16 **NO. M-2015-2518883?**

17 **A.** The Company's evaluation of each consideration from the aforementioned
18 Statement of Policy is listed below along with the relevant effect the WNA has on
19 the same.

20 **1. *Please explain how the ratemaking mechanism and rate design align***
21 ***revenues with cost causation principles as to both fixed and variable costs.***

22

23 Peoples' proposed WNA is designed to recover distribution
24 revenues needed to satisfy the cost-of-service requirement
25 determined in this proceeding, while lessening the variance between
26 actual and projected distribution revenues due to weather. Peoples
27 recovers a significant portion of fixed costs through volumetric

1 rates. These fixed costs do not vary with the amount of gas delivered
2 to customers and are composed of fixed operation and maintenance
3 (“O&M”) expenses, administrative and general expenses,
4 depreciation, certain taxes, a portion of working capital
5 requirements, and return on investment. These costs also do not vary
6 due to changes in temperature. Thus, a WNA mechanism will better
7 align distribution revenues with cost causation principles;
8 appropriately accounting for variation in usage due to weather.
9

10 **2. Please explain how the ratemaking mechanism and rate design impact**
11 **the fixed utility’s capacity utilization.**

12
13 Peoples’ WNA proposal does not impact capacity utilization.

14 **3. Please explain whether the ratemaking mechanism and rate design reflect**
15 **the level of demand associated with the customer’s anticipated**
16 **consumption levels.**

17
18 Customer specific usage factors corresponding to the customer’s
19 individual demand are continually updated by the Company and
20 reflect the level of demand associated with said customer’s expected
21 consumption levels.

22 **4. How the ratemaking mechanism and rate design limit or eliminate**
23 **interclass and intraclass cost shifting.**

24
25 Because Peoples Natural Gas’s proposed WNA mechanism applies
26 to rates which are based upon the specific revenue allocation and
27 rate design ultimately approved by the Commission, the WNA
28 mechanism will reduce the potential for interclass or intraclass cost
29 shifting related to usage variances brought on by weather from the
30 same weather assumptions incorporated into establishing the
31 Company’s rates.

32 **5. Please explain how the WNA limits or eliminates disincentives for the**
33 **promotion of efficiency programs.**

34
35 Peoples’ proposed WNA only addresses variations due to weather
36 and does not affect customers’ ability to pursue energy efficiency
37 measures. Further Peoples will continue to promote the use of
38 energy efficiency measures to its customers.

39 **6. Please explain how the WNA impacts customer incentives to employ**
40 **efficiency measures and distributed energy resources.**

41
42 Peoples’ customers will continue to be incentivized to use and
43 employ energy efficiency measures and distributed energy resources

1 because a reduction in the customer’s ultimate usage will still reduce
2 their overall bill.

3 **7. Please explain how the WNA impacts low-income customers and supports**
4 **consumer assistance programs.**

5
6 As proposed, under Peoples WNA mechanism, customers enrolled
7 in CAP will see lower bill variability for distribution costs during
8 colder than normal billing cycles. Relatedly, customers who are
9 currently enrolled to pay their bills based off of a percentage of their
10 household income will see little to no affect to their bills under the
11 WNA mechanism.

12 **8. Please explain how the WNA impacts customer rate stability principles.**

13 As proposed, Peoples’ WNA mechanism would provide customers
14 with more stable bills on an annual basis and, during the cold
15 weather heating months, the WNA will directly reduce bill volatility
16 through the WNA adjustment should weather be abnormally warm
17 or cold.

18 **9. Please explain how the weather impacts utility revenue under the WNA.**

19 Peoples’ proposed WNA adjusts a customer’s bill due to variations
20 from normal weather and will be in effect during the heating season
21 months (October through May). Further it only applies to certain of
22 the Company’s customer classes (Residential including CAP,
23 Commercial SGS, and Commercial MGS) and it does not guarantee
24 that Peoples will recover 100% of its authorized distribution
25 revenues, however, does reduce the amount of weather-related
26 variation in customer bills and the Company’s utility distribution
27 revenue.

28 **10. Please explain how the WNA impacts the frequency of rate case filings**
29 **and affects regulatory lag.**

30
31 The WNA will not impact the Company’s rate case frequency or
32 have an effect on regulatory lag.

33 **11. Please explain if the WNA interacts with other revenue sources, such as**
34 **Section 1307 automatic adjustment surcharges 66 Pa. C.S § 1307**
35 **(relating to sliding scale of rates; adjustments), riders such as 66 Pa. C.S.**
36 **§ 2804 (relating to standards for restructuring of electric industry) or**
37 **system improvement charges66 Pa. C.S. § 1353 (relating to distribution**
38 **system improvement charge).**

39

1 Peoples' proposed WNA only applies to distribution related charges
2 recovering the base distribution revenue requirement from
3 customers subject to the WNA during October through May of each
4 year. WNA amounts will be subject to STAS, DSIC, TRS, and
5 TCJA riders.

6 **12. *Please explain whether the WNA includes appropriate consumer***
7 ***protections.***

8
9 Peoples' proposed WNA mechanism will adjust bills to reflect the
10 revenues that would be recovered under normal weather. Peoples
11 will not recover additional distribution revenues due to colder
12 weather that result in relatively higher usage by customers subject
13 to the WNA.

14 **13. *Please explain whether the WNA is understandable to customers.***

15 Peoples' WNA is not new within the NGDC landscape. Several
16 other NGDCs in Pennsylvania have implemented WNA
17 mechanisms. Peoples' proposed WNA is similar to that of those
18 other Pennsylvania NGDCs and, further, Peoples will develop and
19 employ consumer education and customer service training should
20 the WNA mechanism be approved, as well as provide notice of the
21 WNA to its customers pursuant to the Commission's alternative
22 ratemaking notice requirements.

23 **14. *Please explain how the WNA will support improvements in utility***
24 ***reliability.***

25 Peoples' cost-of-service is inclusive of investments and costs to
26 continue to enhance the safety and reliability of Peoples' system.
27 Indeed, the WNA will stabilize the recovery of these costs, thereby
28 assisting the Company to continue to pursue improvements to its
29 system.

30

31 **ALLEGHENY VALLEY CONNECTOR ("AVC") CAPACITY**

32

33 **Q. PLEASE DESCRIBE AVC CAPACITY, INCLUDING HOW AVC COSTS**
34 **ARE CALCULATED AND RECOVERED.**

35 **A.** The AVC facilities consist of transmission and storage facilities that are used to
36 provide service to customers. The AVC facilities were historically owned by the

1 Peoples Natural Gas Division and AVC costs were recovered in base rates from
2 both sales and transportation customers in accordance with the cost allocation
3 approved in Peoples then most recent base rate case. The AVC facilities were
4 transferred to EQT Corporation (“EQT”) as part of Peoples acquisition of the
5 Equitable Gas as distribution system in December 2013. When that happened, the
6 AVC costs were removed from base rates and included in purchased gas costs as a
7 stand-alone capacity charge. In other words, the AVC costs were not rolled into
8 Peoples traditional capacity charges for recovery. To date, AVC costs are recovered
9 via a separate surcharge applicable to all Peoples Natural Gas customers.
10 Additionally, AVC capacity is not included in the Price to Compare (“PTC”)
11 because it is charged to all of Peoples Natural Gas’ customers and therefore
12 shopping customers would not shed this cost if choosing to purchase commodity
13 through a third-party supplier.

14

15 **Q. ARE YOU PROPOSING TO BLEND THE AVC RATES IN THIS**
16 **PROCEEDING?**

17 **A.** Yes. Although capacity is a gas cost and typically reviewed in the context of a
18 1307(f) proceeding, Peoples is proposing the blending of the AVC rate in this rate
19 case proceeding because it is applicable to all customer classes. Peoples proposal
20 is to charge the stand alone AVC capacity charge to all Peoples Natural Gas
21 Division and Peoples Gas Division customers. As indicated in the application to
22 merge Peoples Natural Gas Company LLC and Peoples Gas Company LLC at
23 Docket Nos. A-2021-3029831 and A-2021-3029833 filed on December 21, 2021,

1 how and whether the AVC surcharge should be applied to former Peoples Gas
2 customers presents complex issues that should be addressed in a base rate
3 proceeding.

4
5 **Q. WHY IS PEOPLES PROPOSING AVC CHARGES FOR PEOPLES GAS**
6 **DIVISION CUSTOMERS?**

7 **A.** The Company combined gas costs for Peoples Natural Gas Division and Peoples
8 Gas Division effective October 1, 2022. Since that time, with the exception of AVC,
9 both divisions have the same PGC rate components, balancing charges and
10 retainage rates. In this proceeding, Peoples is proposing the combining of base rates
11 and tariffs as the next step in the process of merging these separate divisions into
12 one company. The blending of the AVC rate is necessary to bring the divisions
13 together on the same footing.

14 Additionally, since the combining of the gas costs, Peoples Gas Division
15 customers receive the benefit of the AVC capacity. Specifically, Peoples is able to
16 “move” the capacity, including AVC, across both legacy systems. This is of
17 particular note when considering Peoples’ transportation program. Third-party
18 suppliers are able to bring gas to Peoples system at any of the interconnection
19 points, no matter where the end use customer is receiving the gas. In this fashion,
20 the capacity can be used in the same way by either of the divisions and is not
21 contingent on which of the legacy distribution systems the customer is served from.

22
23 **Q. HAVE YOU PREPARED AN ANALYSIS OF THIS PROPOSAL?**

1 A. Yes. Refer to Exhibit CAS-2. Peoples is not proposing any changes to the AVC
2 capacity dollars to be recovered in this proceeding. Peoples is also not proposing
3 any change to the allocation of the costs to the customer classes as defined in the
4 current Peoples Natural Gas Company LLC - Peoples Natural Gas Division tariff
5 and shown below.

Rate Class	Allocation
Residential	66.25%
SGS	11.94%
MGS	12.99%
LGS	8.82%

6

7 Peoples is only proposing recovery from all Peoples Natural Gas Division and
8 Peoples Gas Division customers. Exhibit CAS-2 displays the AVC revenues
9 included in the gas cost rate displayed in Exhibit No. 3, Schedule 15, Attachment
10 D for the HTY on the left-hand side of the exhibit. The revenues are based upon
11 the AVC rate as of October 1, 2023. On the right-hand side of the exhibit, Peoples
12 utilized the same existing AVC revenue at current rates, but presents the recovery
13 of the revenue from both Peoples Natural Gas Division and Peoples Gas Division
14 customers. As evidenced in the combined totals at the bottom of the page, the
15 Company's AVC proposal is revenue neutral.

16

17 **Q. IS THE PROPOSED BLENDED AVC RATE WHAT WILL GO INTO**
18 **EFFECT AT THE CONCLUSION OF THIS CASE?**

19 A. Generally, yes, but not exactly. In the 2024-1307(f) gas cost proceeding, Peoples
20 will propose the same calculation methodology for AVC, but with updated
21 projections of the AVC capacity costs, revisions to the forecasted volumes for both

1 Divisions, and including any adjustments, if necessary, to account for volumes
2 from negotiated rate customers that are not subject to the AVC capacity charge for
3 competitive reasons.

4
5 **Q. DOES CHARGING AVC CAPACITY COSTS TO PGD CUSTOMERS**
6 **HELP MITIGATE RATE DIFFERENCES BETWEEN THE TWO**
7 **DIVISIONS?**

8 **A.** Yes. PGD rates are currently higher than PNGD rates. Allocating some of the AVC
9 costs to PGD customers will reduce the overall rate increase for PNGD customers.

10

11 **COMBINING OF UNIVERSAL SERVICE RIDERS**

12

13 **Q. ARE YOU PROPOSING TO COMBINE UNIVERSAL SERVICE**
14 **PROGRAM RIDERS IN THIS PROCEEDING?**

15 **A.** Yes. In conjunction with combining the tariffs and rates for Peoples Natural Gas
16 Division and Peoples Gas Division, the Company is also proposing to combine
17 Rider Universal Service for Peoples Natural Gas Division with Rider USP –
18 Universal Service Program for Peoples Gas Division into one collective Universal
19 Service rider.

20

21 **Q. PLEASE DESCRIBE WHAT COMBINING THE UNIVERSAL SERVICE**
22 **RIDERS ENTAILS.**

23 **A.** The first step is to align the presentation of the riders for ratemaking purposes.

1 Exhibit CAS-3 displays the rate calculation for Peoples Gas Division in Peoples
2 Natural Gas Division filing format. As a validation point, the rate effective July 1,
3 2023 as calculated in the legacy Peoples Gas Division format equals the rate
4 calculated in Exhibit CAS-3 using the Peoples Natural Gas Division template. As
5 a validation point, the July 1st Universal Service filings are also included in Exhibit
6 CAS-3, starting on page 6 of 14. Upon approval of combining the riders in this
7 proceeding, Peoples will add the expense components together for PNG & PG
8 shown in Line Nos. 1 through 9 on page 1 of Exhibit CAS-3, and then divide this
9 by the sum of the projected residential non-CAP throughput on Line No. 10, to
10 arrive at a combined C-factor rate. The same calculation methodology will then be
11 applied to the reconciliation adjustment dollars shown in Line No. 12 to arrive at
12 the E-factor rate. The C-factor rate component and the E-factor rate component will
13 be summed to determine the total combined Universal Service rider rate to go into
14 effect for both divisions.

15

16 **Q. REFERRING TO EXHIBIT CAS-3, WOULD THE COMBINED**
17 **UNIVERSAL SERVICE RIDER RATE GOING INTO EFFECT UPON**
18 **APPROVAL OF RATES IN THIS PROCEEDING BE \$0.1475 PER MCF?**

19 **A.** No. Exhibit CAS-3 is presented to illustrate the approach the Company is proposing
20 to combine the universal service rider rates upon approval in this proceeding. The
21 rate of \$0.1475 is calculated using the universal service filings effective July 1,
22 2023. However, there are subsequent universal service filings submitted to the
23 Commission on a quarterly basis. Most recently, October 1, 2023 and an upcoming

1 filing January 1, 2024. Peoples’ proposal to combine the universal service riders
2 will be consistent with the approach shown in Exhibit CAS-3, but will reflect
3 figures based upon the most recent universal service filing filed with the
4 Commission at the commencement of new rates in this proceeding. From that point
5 forward, the Company is proposing to calculate the combined universal service
6 rider using the current Peoples Natural Gas Division calculation methodology, for
7 both PNG and PG.

8

9 **Q. YOU MENTION USING THE CURRENT PEOPLES NATURAL GAS**
10 **DIVISION CALCULATION METHODOLOGY FOR THE UNIVERSAL**
11 **SERVICE RIDER GOING FORWARD. WILL THAT INVOLVE**
12 **CHANGES FOR THE PEOPLES GAS DIVISION?**

13 **A.** Yes. This will involve a few changes for the current Peoples Division calculation
14 methodology. First, is the timing and methodology of the bad debt offset
15 calculation. Presently, Peoples Gas Division determines the bad debt offset amount
16 on an annual basis. Using this Peoples Natural Gas Division methodology, this will
17 change to quarterly. Secondly, Peoples Gas Division’s bad debt offset calculation
18 uses the average number of customers during the period of October – September to
19 subtract from the CAP Participation threshold amount of 1,500 participants. This
20 would change to using the actual number of customers to subtract from the CAP
21 Participation threshold amount. Next, Peoples Gas Division currently projects
22 customer payments and billed revenue by each tier level of the CAP program. This
23 would change to being projected in the aggregate. Lastly, consistent with the

1 existing Peoples Natural Gas Division universal service rider, interest will not be
2 applicable.

3

4 **Q. PLEASE DESCRIBE HOW THE BAD DEBT OFFSET AND CAP**
5 **PARTICIPATION LEVELS WILL BE COMBINED.**

6 **A.** The Company proposes to reflect a bad debt offset amount of 4.70% in the first
7 universal service update filing (after the initial compliance filing described above)
8 upon approval in this case. This percentage is determined by dividing the gross
9 write-offs in dollars for confirmed low-income customers by the annual residential
10 revenues for confirmed low-income customers as reported in the Commission's
11 Universal Service Programs and Collections Performance 2022 Report. The
12 calculation is presented in Exhibit CAS-4.

13 In relation to the CAP participation level, Peoples proposes the threshold
14 amount to trigger the bad debt offset is CAP enrollment in excess of 33,800
15 customers. This figure is derived by adding the current threshold amount of 32,300
16 customer on Peoples Natural Gas Division and 1,500 on Peoples Gas Division.

17

18 **Q. ARE THERE ANY OTHER ASPECTS OF COMBINING THE UNIVERSAL**
19 **SERVICE RIDERS THAT YOU WOULD LIKE TO ADDRESS?**

20 **A.** Yes. The current timing of the reconciliation period and roll in of the reconciliation
21 amount into the rate is not the same for Peoples Natural Gas Division and Peoples
22 Gas Division. As inferred by the proposed tariff changes, the Company plans to
23 incorporate the timing set forth for the existing Peoples Gas Division, which means

1 the annual reconciliation period will be October - September of a given year. The
2 annual 1307(e) reconciliation statement will then be filed by October 31st of the
3 same year as the period end and the reconciliation adjustment will be included in
4 the rate calculation effective January 1st of the following year. To align the two
5 divisions upon approval of this filing, the Company proposes that the Peoples
6 Natural Gas Division annual reconciliation filing of January – December 2023 will
7 be filed by January 31, 2024 and included in the rate calculation effective April 1,
8 2024. The next annual filing reconciliation statement, that will be filed by October
9 31, 2024, will include both divisions. For Peoples Natural Gas Division, it will
10 include the months of January 2024 – September 2024 and for Peoples Gas
11 Division, it will include October 2023 – September 2024. The combined
12 reconciliation adjustment amount will be included in the rate calculation effective
13 January 1, 2025.

14

15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 **A.** Yes. I reserve the right to supplement my testimony as other issues arise during the
17 course of this proceeding. Thank you.

Appendix A -
Filing Requirements Sponsored by Carol Scanlon

<u>Exhibit/SDR</u>	<u>Filing Requirement</u>
Ex. 1, Sch. 22	53.52(d)(1)
Ex. 3, Sch. 1	Ex. 3, Sch. 1
Ex. 3, Sch. 2	53.52(a)(3)
Ex. 3, Sch. 3	53.52(a)(4)
Ex. 3, Sch. 4	53.52(b)(3)
Ex. 3, Sch. 5	53.52(b)(4)
Ex. 3, Sch. 6	53.52(b)(5)
Ex. 3, Sch. 7	53.52(b)(6)
Ex. 3, Sch. 8	53.53.III.E.4
Ex. 3, Sch. 9	53.53.III.E.6
Ex. 3, Sch. 10	53.53.III.E.8
Ex. 3, Sch. 11	53.53.III.E.9
Ex. 3, Sch. 12	53.53.III.E.10
Ex. 3, Sch. 13	53.53.III.E.11
Ex. 3, Sch. 14	53.53.III.E.13
Ex. 3, Sch. 15	53.53.III.E.14
Ex. 3, Sch. 16	53.53.III.E.15
Ex. 3, Sch. 17	53.53.III.E.20
Ex. 3, Sch. 18	53.53.III.E.37
Ex. 10, Sch. 1	53.53.III.E.12
Ex. 10, Sch. 2	53.53.III.E.19
Ex. 10, Sch. 4	53.53.III.E.38
Ex. 10, Sch. 5	53.53.III.E.39
Ex. 10, Sch. 6	53.53.III.E.7
Ex. 12, Sch. 8	53.53.III.E.25
Ex. 12, Sch. 9	53.53.III.E.31
Ex. 12, Sch. 13	53.53.IV.B.4
Ex. 12, Sch. 14	53.53.IV.B.13
Ex. 14, Sch. 1	53.53.IV.B.6
Ex. 14, Sch. 2	53.53.III.A.26
Ex. 17, COS 9	
Ex. 17, COS 13	
Ex. 17, COS 15	
Ex. 17, COS 18	
Ex. 17, COS 21	
Ex. 19, RR 2	
Ex. 19, RR 3	
Ex. 19, RR 4	
Ex. 19, RR 5	
Ex. 19, RR 6	
Ex. 19, RR 7	
Ex. 19, RR 8	
Ex. 19, RR 9	
Ex. 19, RR 10	
Ex. 19, RR 11	
Ex. 19, RR 12	
Ex. 19, RR 16	

WNA Calculation

WNA Formulas	
Weather Normalization Adjustment (WNA)	WNAM X Distribution Usage Charge
WNAM = Weather Normalized Adjustment MCF	WNBM-AMUM
WNBM = Weather Normalized Billing MCF	BLMM+ [(NHDDA/AHDDA)x(AMUM-BLMM)]
BLMM = Base Load Monthly MCF	Actual average daily consumption for July and August
NHDD = Normal Heating Degree Days	Per revenue requirement

Gray highlighted cells designate input fields.

WNA Calculation		
1 Normal Heating Degree Days	914	NHDD
2 Actual Heating Degree Days	956	AHDD
3 WNA Factor (Line 1 / Line 2)	0.956	NHDD/AHDD
4 Total Monthly MCF Consumption	13.5	AMUM
5 Base Load MCF Consumption	2.2	BLMM
6 Heat Sensitive MCF Consumption (Line 4 - Line 5)	11.3	
7 Weather Normalized Billing MCF (Line 5 + (Line 3 x Line 6))	13.0	WNBM
8 Weather Normalized Adjusted MCF (Line 7 - Line 4)	(0.50)	WNAM
9 Distribution Charge 1/	\$ 3.9608	
10 Weather Normalization Adjustment (Line 8 x Line 9)	\$ (1.98)	WNA

1/ Represents Peoples Natural Gas Division residential delivery rate as of Oct 1, 2023

2/ WNA is a delivery charge adjustment

3/ Calculated WNA amounts are subject to STAS, DSIC, and TRS

	Exhibit No. 3 - AVC Revenues at Current Rates					Exhibit No. 3 - AVC Revenues at Proposed Rates				
	Gas Cost Prior	Current AVC Rate	Exhibit 3 Total AVC Dollars	Exhibit 3 FPFTY Volumes for Gas Cost at Current Rates	Exhibit 3 Sch 15 Attach M Volumes x Prior Gas Cost	Proposed Blended AVC Rate	Exhibit 3 Total AVC Dollars	Gas Cost New	Exhibit 3 FPFTY Volumes	Volumes x New Gas Cost
Peoples Natural Gas Division										
Residential Sales	\$ 4.7036	\$ 0.7515	\$ 30,151,960	40,122,369	\$ 188,719,575	\$ 0.6835	\$ 27,424,802	\$ 4.6356	40,122,369	\$ 185,992,416
Residential CAP Sales	\$ 4.7036	\$ 0.7515	\$ 2,414,333	3,212,685	\$ 15,111,187	\$ 0.6835	\$ 2,195,964	\$ 4.6356	3,212,685	\$ 14,892,818
Commercial SGS Sales	\$ 4.6693	\$ 0.7172	\$ 4,716,898	6,576,824	\$ 30,709,166	\$ 0.6604	\$ 4,343,226	\$ 4.6125	6,576,824	\$ 30,335,493
Industrial SGS Sales	\$ 4.6693	\$ 0.7172	\$ 35,452	49,432	\$ 230,811	\$ 0.6604	\$ 32,644	\$ 4.6125	49,432	\$ 228,003
Commercial MGS Sales	\$ 4.4064	\$ 0.4543	\$ 1,410,135	3,103,973	\$ 13,677,347	\$ 0.4156	\$ 1,290,149	\$ 4.3677	3,103,973	\$ 13,557,361
Industrial MGS Sales	\$ 4.4064	\$ 0.4543	\$ 54,018	118,903	\$ 523,934	\$ 0.4156	\$ 49,421	\$ 4.3677	118,903	\$ 519,337
Commercial LGS Sales	\$ 4.2071	\$ 0.2550	\$ 42,635	167,194	\$ 703,403	\$ 0.2047	\$ 34,227	\$ 4.1568	167,194	\$ 694,996
Industrial LGS Sales	\$ 4.2071	\$ 0.2550	\$ 1,211	4,750	\$ 19,982	\$ 0.2047	\$ 972	\$ 4.1568	4,750	\$ 19,743
Residential Transport	\$ 1.7816	\$ 0.7515	\$ 5,315,019	7,072,546	\$ 12,600,449	\$ 0.6835	\$ 4,834,290	\$ 1.7136	7,072,546	\$ 12,119,720
Commercial SGS Transport	\$ 1.1640	\$ 0.7172	\$ 2,152,401	3,001,117	\$ 3,493,300	\$ 0.6604	\$ 1,981,888	\$ 1.1072	3,001,117	\$ 3,322,787
Industrial SGS Transport	\$ 1.1640	\$ 0.7172	\$ 18,283	25,492	\$ 29,673	\$ 0.6604	\$ 16,834	\$ 1.1072	25,492	\$ 28,224
Commercial MGS Transport	\$ 0.9011	\$ 0.4543	\$ 5,349,460	11,775,170	\$ 10,610,606	\$ 0.4156	\$ 4,894,283	\$ 0.8624	11,775,170	\$ 10,155,429
Industrial MGS Transport	\$ 0.9011	\$ 0.4543	\$ 548,700	1,207,792	\$ 1,088,341	\$ 0.4156	\$ 502,012	\$ 0.8624	1,207,792	\$ 1,041,653
Commercial LGS Transport	\$ 0.3715	\$ 0.2550	\$ 1,728,835	6,779,746	\$ 2,518,676	\$ 0.2047	\$ 1,387,895	\$ 0.3212	6,779,746	\$ 2,177,736
Industrial LGS Transport	\$ 0.3715	\$ 0.2550	\$ 7,812,739	30,638,193	\$ 11,382,089	\$ 0.2047	\$ 6,272,005	\$ 0.3212	30,638,193	\$ 9,841,355
Total PNG Division			\$ 61,752,079	113,856,187	\$ 291,418,538		\$ 55,260,613		113,856,187	\$ 284,927,072
Check					\$ -					
Peoples Gas Division										
Residential Sales	\$ 3.9521	\$ -	\$ -	4,740,915	\$ 18,736,569	\$ 0.6835	\$ 3,240,552	\$ 4.6356	4,740,915	\$ 21,977,121
Residential CAP Sales	\$ 3.9521	\$ -	\$ -	242,455	\$ 958,205	\$ 0.6835	\$ 165,725	\$ 4.6356	242,455	\$ 1,123,930
Commercial SGS Sales	\$ 3.9521	\$ -	\$ -	705,440	\$ 2,787,968	\$ 0.6604	\$ 465,861	\$ 4.6125	705,440	\$ 3,253,829
Industrial SGS Sales	\$ 3.9521	\$ -	\$ -	-	\$ -	\$ 0.6604	\$ -	\$ 4.6125	-	\$ -
Commercial MGS Sales	\$ 3.9521	\$ -	\$ -	556,923	\$ 2,201,015	\$ 0.4156	\$ 231,482	\$ 4.3677	556,923	\$ 2,432,497
Industrial MGS Sales	\$ 3.9521	\$ -	\$ -	-	\$ -	\$ 0.4156	\$ -	\$ 4.3677	-	\$ -
Commercial LGS Sales	\$ 3.9521	\$ -	\$ -	-	\$ -	\$ 0.2047	\$ -	\$ 4.1568	-	\$ -
Industrial LGS Sales	\$ 3.9521	\$ -	\$ -	-	\$ -	\$ 0.2047	\$ -	\$ 4.1568	-	\$ -
Residential Transport	\$ 1.0301	\$ -	\$ -	29,230	\$ 30,109	\$ 0.6835	\$ 19,979	\$ 1.7136	29,230	\$ 50,089
Commercial SGS Transport	\$ 0.4468	\$ -	\$ -	124,491	\$ 55,622	\$ 0.6604	\$ 82,211	\$ 1.1072	124,491	\$ 137,834
Industrial SGS Transport	\$ 0.4468	\$ -	\$ -	560	\$ 250	\$ 0.6604	\$ 370	\$ 1.1072	560	\$ 620
Commercial MGS Transport	\$ 0.4468	\$ -	\$ -	862,735	\$ 385,470	\$ 0.4156	\$ 358,591	\$ 0.8624	862,735	\$ 744,061
Industrial MGS Transport	\$ 0.4468	\$ -	\$ -	87,512	\$ 39,100	\$ 0.4156	\$ 36,374	\$ 0.8624	87,512	\$ 75,474
Commercial LGS Transport	\$ 0.1165	\$ -	\$ -	613,149	\$ 71,432	\$ 0.2047	\$ 125,519	\$ 0.3212	613,149	\$ 196,951
Industrial LGS Transport	\$ 0.1165	\$ -	\$ -	8,620,901	\$ 1,004,335	\$ 0.2047	\$ 1,764,802	\$ 0.3212	8,620,901	\$ 2,769,137
Total PG Division			-	16,584,310	\$ 26,270,077		\$ 6,491,466		16,584,310	\$ 32,761,543
					\$ -					
COMBINED			\$ 61,752,079	130,440,497	\$ 317,688,615		\$ 61,752,079		130,440,497	\$ 317,688,615

Peoples Natural Gas Company LLC
Universal Service Rider Combining

Exhibit CAS-3

Rider Rates Effective July 1, 2023

Line No.		PNG	PG	COMBINED
	<u>CAP</u>			
1	CAP Credit (Shortfall or deficiency)	\$ 2,568,519	\$ 820,539	\$ 3,389,058
2	Arrearage Forgiveness	\$ 3,376,435	\$ 322,539	\$ 3,698,973
3	CAP Administration - Third Party Administrator	\$ 1,222,607	\$ 119,000	\$ 1,341,607
4	Total CAP Expenses	\$ 7,167,561	\$ 1,262,078	\$ 8,429,639
	<u>Other Universal Services</u>			
5	LIURP	\$ 3,216,438	\$ 528,500	\$ 3,744,937
6	Emergency Line Repair	\$ 900,407	\$ 67,531	\$ 967,938
7	Billing System Modifications to Support LIHEAP State Plan	\$ -	\$ -	\$ -
8	Total Other Universal Services	\$ 4,116,845	\$ 596,031	\$ 4,712,875
9	Total Projected Universal Service Program Costs (Line No. 8 + Line No. 4)	\$ 11,284,405	\$ 1,858,109	\$ 13,142,514
10	Residential Non-CAP Throughput	47,052,173	4,825,163	51,877,336
11	Proposed Rider Universal Surcharge per Mcf (Line No. 9 / Line No. 10)	\$ 0.2398	\$ 0.3851	\$ 0.2533
12	Reconciliation Adjustment Dollars	\$ (4,345,257)	\$ (1,142,783)	\$ (5,488,040)
13	Proposed Reconciliation Adjustment Amount per Mcf (Line No. 12 / Line No. 10)	\$ (0.0923)	\$ (0.2368)	\$ (0.1058)
14	Total Proposed Rider Universal Service Surcharge per Mcf (Line No. 11 + Line No. 13)	\$ 0.1475	\$ 0.1482	\$ 0.1475

Includes E-CAP Customers

Peoples Natural Gas Company LLC
Universal Service Rider Combining

Exhibit CAS-3

Calculation of CAP Credits and Arrearage Forgiveness

		PNG	PG
CAP Credit Calculation			
1 Active CAP Accounts (including E-CAP) + Projected Enrollments		32,506	3008
2 CAP enrollment level as established		32,300	
3 Current Average CAP Payment		72	60
4 Average CAP Usage		112	98
Average Bill Calculation			
5 Monthly Service Charge		\$ 14.2330	14.4524
6 Usage charge per MCF		\$ 6.9012	8.5104
7 Average Annual Bill	(Line 5 * 12) + (Line 4 * Line 6)	\$ 941	\$ 998
8 Annual average CAP Payments per customer	(Line 3 * 12)	\$ 862	\$ 725
9 Annual average CAP Credit per customer	(Line 7 - Line 8)	\$ 79	\$ 273
10 Projected CAP credit (shortfall)	(Line 2 * Line 9)	\$ 2,552,866	\$ 820,539
Incremental Enrollments			
11 Incremental enrollment above established level (Including E-CAP customers)	(Line 1 - Line 2)	206	
12 Projected Cap Credit for incremental enrollments	(Line 9 * Line 11)	\$ 16,281	\$ -
	(3.86% * Line 12)		
13 Bad Debt Offset for Incremental enrollments	(7.14% * Line 12)	\$ 628	\$ -
14 Net Projected CAP Credit (shortfall) for Incremental Enrollments	(Line 12 - Line 13)	\$ 15,653	\$ -
Total CAP Credits			
15 Total Projected CAP Credits	(Line 10 + Line 14)	\$ 2,568,519	\$ 820,539
Arrearage Forgiveness			
Enrollments to Established level			
16 Enrollments up to established level		32,300	3,008
17 Average Arrearage Forgiveness per cust.		\$ 104	107
18 Total Projected Annual Arrearage Forgiveness	(Line 16 * Line 17)	\$ 3,355,858	\$ 322,539
Incremental Enrollments			
19 Projected Incremental Enrollment above established level (Including E-CAP cust)	(Line 11)	206	
20 Average Arrearage Forgiveness per cust.	(Line 17)	\$ 104	\$ 107
21 Total Projected Annual Arrearage Forgiveness	(Line 19 * Line 20)	\$ 21,403	\$ -
22 Bad Debt Offset for Incremental Enrollments	(3.86% * Line 21)	\$ 826	\$ -
23 Net Annual Arrearage Forgiveness for Incremental Enrollments	(Line 21 - Line 22)	\$ 20,577	\$ -
24 Total Projected Annual Arrearage Forgiveness	(Line 18 + Line 23)	\$ 3,376,435	\$ 322,539

^{1/} Per Docket No. M-2018-3003177, monthly CAP Plus charges eliminated and no longer included in the total monthly CAP payment.

^{2/} Projected Arrearage Forgiveness is based upon average forgiveness per customer over the June 2022-May 2023 period.

Peoples Natural Gas Company LLC
Universal Service Rider Combining

Exhibit CAS-3

Universal Service Programs and Administrative Costs

	PNG	PG
	<u>Annual Cost</u>	<u>Annual Cost</u>
<u>CAP Administration</u>		
1 Third Party Administrator	\$ 1,222,607	\$ 119,000
<u>Other Universal Services</u>		
2 Low Income Usage Reduction Program (LIURP)	\$ 3,216,438	\$ 528,500
3 Emergency Line Repair	\$ 900,407	\$ 67,531
4 Billing System Modifications to Support LIHEAP State Plan	\$ - ^{1/}	\$ -
5 Total Program Costs -- Other Universal Services	(Lines 2 through 4) \$ 4,116,845	\$ 596,031
6 Total Administrative & Program Costs	(Line 1 + Line 5) \$ 5,339,452	\$ 715,031

^{1/} Billing System Modifications to Support the LIHEAP State Plan were approved through Peoples' base rate proceeding at Docket No. R-2012-2285985.

Peoples Natural Gas Company LLC
Universal Service Rider Combining

Exhibit CAS-3

Annual Reconciliation of CAP Costs to CAP Recoveries

	PNG	PG
	<u>Reconciliation Rate Adjustment</u>	
Prior Period Over/ (Under) Collection	\$ (3,350,375)	\$ (86,703)
Actual Total CAP Costs	\$ 25,646,759	\$ 1,648,195
Interest	\$ -	\$ (120,495)
Less:		
<u>Cost Offsets for Customers</u>	\$ (20,825)	\$ 45,075
Audit Adjustment	\$ (59,077) ^{1/}	\$ -
Total CAP Recoveries	<u>\$ 33,262,489</u>	\$ 2,712,111
Over / (Under) Recoveries	\$ 4,345,257	\$ 1,142,783
Residential throughput (Mcf)	<u>47,052,173</u>	<u>4,825,163</u>
Reconciliation Rate Adjustment	<u>\$ (0.0923)</u>	<u>\$ (0.2368)</u>

^{1/}- Per current audit for PNG Universal Service Rider, an adjustment made to refund customers due to prior miscalculation

Calculation of Credit Offset

		PG			PNG
Line No.	Month	Total Rate Discount & Arrearage Forgiveness		Month	Total Rate Discount & Arrearage Forgiveness
1	Oct-21	\$	45,716	Jan 22	\$ 2,588,247
2	Nov-21		61,188	Feb	\$ 3,955,789
3	Dec-21		121,847	Mar	\$ 3,101,349
4	Jan-22		181,982	Apr	\$ 2,301,871
5	Feb-22		313,622	May	\$ 1,036,798
6	Mar-22		246,473	Jun	\$ 438,632
7	Apr-22		180,345	Jul	\$ 347,147
8	May-22		84,656	Aug	\$ 439,746
9	Jun-22		41,142	Sep	\$ 341,916
10	Jul-22		31,875	Oct	\$ 786,815
11	Aug-22		38,238	Nov	\$ 1,402,619
12	Sep-22		28,484	Dec	\$ 3,557,853
		\$	<u>1,375,568</u>		\$ <u>20,298,782</u>
13	Avg # of Customers Oct. 2021-Sept. 2022		<u>2,772</u>	Avg # of Customers Jan22-Dec 22	<u>337,817</u>
14	Average Cost Per Customer	\$	496	Average Cost Per Customer	\$ 60
15	Average # of Customers in Excess of 1,500		1,272	Average # of Customers in Excess of 32,300	305,517
16	Total Annual Cost of Excess Customers	\$	631,303	Total Annual Cost of Excess Customers	\$ 18,357,938
17	Credit %		7.14%	Credit %	3.86%
18	Credit Amount	\$	45,075	Credit Amount	\$ 708,616

**Peoples Natural Gas Company LLC - Peoples Natural Gas Division
Rider Universal Service Costs
Effective 7/1/2023**

CAP

CAP Credit (Shortfall or deficiency)	Page 2	\$	2,568,519	^{1/}
Arrearage Forgiveness	Page 2	\$	3,376,435	^{1/}
CAP Administration - Third Party Administrator	Page 3	\$	1,222,607	
Total CAP Expenses		\$	7,167,561	

Other Universal Services

LIURP	Page 3	\$	3,216,438
Emergency Line Repair	Page 3	\$	900,407
Billing System Modifications to Support LIHEAP State Plan	Page 3	\$	-
Total Other Universal Services		\$	4,116,845

Total Projected Universal Service Program Costs \$ **11,284,405**

Residential Non-CAP Throughput 47,052,173

Proposed Rider Universal Surcharge per Mcf \$ 0.2398

Plus: Reconciliation Adjustment Page 4 \$ (0.0923)

Total Proposed Rider Universal Service Surcharge per Mcf	\$ 0.1475
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^{1/} Includes E-CAP Customers

**Peoples Natural Gas Company LLC - Peoples Natural Gas Division
Rider Universal Service Costs
Calculation of CAP Credits and Arrearage Forgiveness**

CAP Credit Calculation

1 Active CAP Accounts (including E-CAP) + Projected Enrollments		32,506
2 CAP enrollment to 32,300 level as established @ Docket R-2018-3006818		32,300
3 Current Average CAP Payment		72 ^{1/}
4 Average CAP Usage		112

Average Bill Calculation

5 Monthly Service Charge		\$ 14.2330
6 Usage charge per MCF		\$ 6.9012
7 Average Annual Bill	(Line 5 * 12) + (Line 4 * Line 6)	\$ 941
8 Annual average CAP Payments per customer	(Line 3 * 12)	\$ 862
9 Annual average CAP Credit per customer	(Line 7 - Line 8)	\$ 79
10 Projected CAP credit (shortfall)	(Line 2 * Line 9)	\$ 2,552,866

Incremental Enrollments

11 Incremental enrollment above 32,300 (Including E-CAP customers)	(Line 1- Line 2)	206
12 Projected Cap Credit for incremental enrollments	(Line 9 * Line 11)	\$ 16,281
13 Bad Debt Offset for Incremental enrollments (3.86%)	(3.86% * Line 12)	\$ 628
14 Net Projected CAP Credit (shortfall) for Incremental Enrollments	(Line 12 - Line 13)	\$ 15,653

Total CAP Credits

15 Total Projected CAP Credits	(Line 10 + Line 14)	\$ 2,568,519
---------------------------------------	---------------------	---------------------

Arrearage Forgiveness

Enrollments to 32,330 level

16 Enrollments up to 32,330 level		32,300
17 Average Arrearage Forgiveness per cust.		\$ 104
18 Total Projected Annual Arrearage Forgiveness	(Line 16 * Line 17)	\$ 3,355,858 ^{2/}

Incremental Enrollments

19 Projected Incremental Enrollment above 32,330 (Including E-CAP customers)	(Line 11)	206
20 Average Arrearage Forgiveness per cust.	(Line 17)	\$ 104
21 Total Projected Annual Arrearage Forgiveness	(Line 19 * Line 20)	\$ 21,403
22 Bad Debt Offset for Incremental Enrollments	(3.86% * Line 21)	\$ 826
23 Net Annual Arrearage Forgiveness for Incremental Enrollments	(Line 21 - Line 22)	\$ 20,577 ^{2/}
24 Total Projected Annual Arrearage Forgiveness	(Line 18 + Line 23)	\$ 3,376,435

^{1/} Per Docket No. M-2018-3003177, monthly CAP Plus charges eliminated and no longer included in the total monthly CAP payment.

^{2/} Projected Arrearage Forgiveness is based upon average forgiveness per customer over the December 2021-November 2022 period.

**Peoples Natural Gas Company LLC - Peoples Natural Gas Division
Rider Universal Service Costs
Universal Service Programs and Administrative Costs**

	<u>Annual Cost</u>
<u>CAP Administration</u>	
1 Third Party Administrator	\$ 1,222,607
<u>Other Universal Services</u>	
2 Low Income Usage Reduction Program (LIURP)	\$ 3,216,438
3 Emergency Line Repair	\$ 900,407
4 Billing System Modifications to Support LIHEAP State Plan	\$ - ^{1/}
5 Total Program Costs -- Other Universal Services (Lines 2 through 4)	<u>\$ 4,116,845</u>
6 Total Administrative & Program Costs (Line 1 + Line 5)	\$ 5,339,452

^{1/} Billing System Modifications to Support the LIHEAP State Plan were approved through Peoples' base rate proceeding at Docket No. R-2012-2285985.

Peoples Natural Gas Company LLC - Peoples Natural Gas Division

Rider Universal Service - Annual Reconciliation and Rate Adjustment
Effective 4/1/2023

Annual Reconciliation of CAP Costs to CAP Recoveries

	<u>Reconciliation Rate Adjustment</u>	
Prior Period Over/ (Under) Collection	\$	(3,350,375)
Actual Total CAP Costs	\$	25,646,759
Less:		
<u>Cost Offsets for Customers</u>	\$	(20,825)
Audit Adjustment	\$	(59,077) ^{1/}
Total CAP Recoveries	\$	<u>33,262,489</u>
Over / (Under) Recoveries	\$	4,345,257
Residential throughput (Mcf)		<u>47,052,173</u>
Reconciliation Rate Adjustment	\$	<u><u>(0.0923)</u></u>

Peoples Natural Gas Company LLC - Peoples Gas Division

Derivation of Rider USP Surcharge Rate
Effective July 1, 2023

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>Current CAP Customers</u>	
1	Enrolled Customers page 2 of 5	2,208
2	Consumption page 2 of 5	98
3	Revenues Billed page 2 of 5	\$ 2,203,857
4	Customer Payments page 3 of 5	<u>\$ (1,608,918)</u>
5	CAP Credits for Current Customers	<u>\$ 594,939</u>
	<u>Projected CAP Customers</u>	
6	Estimated Enrollment page 2 of 5	800
7	Average Consumption page 2 of 5	98
8	Revenues Billed page 2 of 5	\$ 797,597
9	Customer Payments page 3 of 5	<u>\$ (571,998)</u>
10	CAP Credits for Additional Enrollment	<u>\$ 225,600</u>
	<u>Rate Derivation:</u>	
11	Total Estimated CAP Credits	\$ 820,539
12	Estimated Pre-Program Arrearages	\$ 322,539
13	Estimated Low Income Usage Reduction Program (LIURP)	\$ 528,500
14	Estimated External Administrative costs related to Universal Service Programs	\$ 119,000
15	Annual Reconciliation of Rider USP Surcharge page 5 of 5	\$ (1,142,783)
16	Estimated Emergency Furnace Repair	<u>\$ 67,531</u>
17	Total Costs to be Recovered	<u>\$ 715,325</u>
18	Rate Determinants (Projected non EHF RS Volume) (a)	<u>4,825,163</u>
19	Rider USP Rate per Mcf - Effective 7/1/2023	<u>\$ 0.1482</u>

Notes:

(a) Based on the volumes reflected in Peoples Gas' 2021 1307(f) proceeding.

Peoples Natural Gas Company LLC - Peoples Gas Division

Calculation of Estimated Revenues Billed at Full Tariff
Effective July 1, 2023

Line No.	Description	Amount				Total	
		Tier 1	Tier 2	Tier 3	Tier 4		
1	CURRENT CUSTOMERS						
2	Currently Enrolled EHF Customers	528	815	679	186	2,208	
3	Customer Charge						
4	Monthly Customer Charge	\$ 14.4524	\$ 14.4524	\$ 14.4524	\$ 14.4524		
5	Annual Customer Charge	Line 2 * Line 4 * 12	\$ 91,570	\$ 141,344	\$ 117,758	\$ 32,258	\$ 382,930
6	Commodity Charge						
7	Demand Charge Rate	1.0310	\$ 1.0310	\$ 1.0310	\$ 1.0310		
8	Volumetric Delivery Rate	6.7743	\$ 6.7743	\$ 6.7743	\$ 6.7743		
9	Commodity Gas Supply Rate	0.7262	\$ 0.7262	\$ 0.7262	\$ 0.7262		
10	Gas Cost Adjustment	0.3936	\$ 0.3936	\$ 0.3936	\$ 0.3936		
11	STAS	0.0043	\$ 0.0043	\$ 0.0043	\$ 0.0043		
12	RIDER GPC	0.0865	\$ 0.0865	\$ 0.0865	\$ 0.0865		
13	RIDER MFC	0.0526	\$ 0.0526	\$ 0.0526	\$ 0.0526		
14	RIDER TCJA	(0.5581)	\$ (0.5581)	\$ (0.5581)	\$ (0.5581)		
15	Total Rate	\$ 8.5104	\$ 8.5104	\$ 8.5104	\$ 8.5104		
16	Average Volumes - Mcf	97	96	97	101		
17	Annual Commodity Costs	Line 2 * Line 15 * Line 16	\$ 437,110	\$ 665,091	\$ 559,572	\$ 159,154	\$ 1,820,928
18	Total Revenue Billed for Enrolled Customers	Line 5 + Line 17	\$ 528,680	\$ 806,435	\$ 677,330	\$ 191,412	\$ 2,203,857
19	PROJECTED ENROLLMENT						
20	Projected Annual Enrollment	200	304	256	40	800	
21	Customer Charge						
22	Monthly Customer Charge	Line 4	\$ 14.4524	\$ 14.4524	\$ 14.4524	\$ 14.4524	
23	Annual Customer Charge	Line 20 * Line 22 * 12	\$ 34,686	\$ 52,722	\$ 44,398	\$ 6,937	\$ 138,743
24	Commodity Charge						
25	Total Billed Rate	Line 15	\$ 8.5104	\$ 8.5104	\$ 8.5104	\$ 8.5104	
26	Average Normalized Volumes - Mcf	Line 16	97	96	97	101	
27	Annual Commodity Costs	Line 20 * Line 25 * Line 26	\$ 165,572	\$ 248,083	\$ 210,973	\$ 34,227	\$ 658,855
28	Total Revenue for Projected Enrollment	Line 23 + Line 27	\$ 200,258	\$ 300,805	\$ 255,370	\$ 41,164	\$ 797,597

Peoples Natural Gas Company LLC - Peoples Gas Division

Calculation of Expected Customer Payments
Effective July 1, 2023

Line No.	Description	Amount					
		Tier 1	Tier 2	Tier 3	Tier 4	Total	
1	CURRENT CUSTOMERS						
2	Enrolled EHF Customers	page 2 of 5	528	815	679	186	2,208
3	Average Required Monthly Payment		\$ 33	\$ 58	\$ 77	\$ 90	
4	Annual Required Monthly Payment (a)	Line 2 * Line 3 * 12	\$ 210,859	\$ 571,428	\$ 624,867	\$ 201,764	\$ 1,608,918
5	PROJECTED ENROLLMENT						
6	Projected Enrollment	page 2 of 5	200	304	256	40	800
7	Average Required Monthly Payment	Line 3	\$ 33	\$ 58	\$ 77	\$ 90	
8	Annual Required Monthly Payment	Line 6 * Line 7 * 12	\$ 79,871	\$ 213,146	\$ 235,591	\$ 43,390	\$ 571,998

Notes:

(a) Per Docket No. M-2018-3003177, monthly CAP Plus charges eliminated and is no longer included in the total monthly CAP payment.

Peoples Natural Gas Company LLC - Peoples Gas Division

**Rider USP - Annual Reconciliation
Effective January 1, 2023**

Annual Reconciliation of CAP Costs to CAP Recoveries

Prior Period Over/ (Under) Collection	\$	(86,703)
Actual Total CAP Costs	\$	1,648,195
Interest Oct 2021 - Sept 2022	\$	(120,495)
Less:		
<hr/>		
Cost Offsets	\$	45,075
Total CAP Recoveries	\$	2,712,111
Over / (Under) Recoveries	\$	1,142,783

Peoples Natural Gas Company LLC - Peoples Gas Division

Calculation of Credit Offset
Effective January 1, 2023

Line No.	Month	Total Rate Discount & Arrearage Forgiveness
1	Oct-21	\$ 45,716
2	Nov-21	61,188
3	Dec-21	121,847
4	Jan-22	181,982
5	Feb-22	313,622
6	Mar-22	246,473
7	Apr-22	180,345
8	May-22	84,656
9	Jun-22	41,142
10	Jul-22	31,875
11	Aug-22	38,238
12	Sep-22	28,484
		<u>\$ 1,375,568</u>
13	Avg # of Customers Oct. 2021 through Sept. 2022	<u>2,772</u>
14	Average Cost Per Customer	\$ 496
15	Average # of Customers in Excess of 1,500	1,272
16	Total Annual Cost of Excess Customers	\$ 631,303
17	Credit %	7.14%
18	Credit Amount	\$ 45,075

Derivation of CAP Bad Debt Offset for CAP Credits and Arrearage Forgiveness

Annual Residential Revenue_Confirmed Low Income ^{1/} **2022**
Peoples \$ 116,734,701

Gross Write-Offs in Dollars_Confirmed Low Income ^{1/}
Peoples \$ 5,489,071

4.70%

^{1/} As reported in the Commission's Universal Service Programs and Collections Performance 2022 Report.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
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 v. : Docket No. R-2023-3044549
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 PEOPLES NATURAL GAS COMPANY LLC :
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**PREPARED DIRECT TESTIMONY OF
EDWARD A. PALOMBO,
VICE PRESIDENT, RELIABILITY
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: December 29, 2023
DATE ADMITTED: _____

Peoples Statement No. 4

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**PREPARED DIRECT TESTIMONY OF
EDWARD A. PALOMBO**

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Edward A. Palombo. My business address is 375 North Shore Drive,
Pittsburgh, Pennsylvania 15212.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Peoples Natural Gas Company LLC (“Peoples” or “Company”) as Vice
President, Reliability.

**Q. PLEASE STATE BRIEFLY YOUR EDUCATIONAL BACKGROUND AND
EMPLOYMENT EXPERIENCE.**

A. I graduated from The Pennsylvania State University in August 1983 with a Bachelor of
Science Degree in Petroleum and Natural Gas Engineering. After graduation, I was hired
as a Project Engineer for Washington Gas Light Corporation. I progressed to leadership
roles in the Distribution, Planning, and Design department, until January 1987 when I left
to join Peoples Natural Gas, and have been employed since. During this time, I’ve held
several leadership positions in the Operations departments, with responsibilities in PA,
WV, OH, and KY. Currently I am Vice President, Reliability and am responsible for
directing the activities for Gas Supply & Transportation Services, Local Production
Acquisition, Gas Control, System Planning, Pipeline Safety & Compliance, Employee
Safety, Technical Training, and GIS.

1 **Q. PLEASE LIST THE FILING REQUIREMENTS THAT YOU ARE SPONSORING**
2 **AS WITNESS.**

3 A. Please refer to Appendix A for a complete list of the filing requirements for which I am the
4 responsible witness.

5
6 **Q. WHAT ARE YOUR RESPONSIBILITIES FOR PURPOSES OF THIS**
7 **PROCEEDING?**

8 A. My responsibilities which I will describe in separate sections of my testimony are:

- 9 1. Safety Programs
- 10 2. Peak Day and Annual Gas Supply Plan
- 11 3. Local Production - Gathering and Cost Recovery

12

13 **SAFETY PROGRAMS**

14

15 **Q. PLEASE DESCRIBE SOME OF THE COMMITMENTS PEOPLES HAS MADE**
16 **TO THE SAFE OPERATION OF ITS PIPELINE SYSTEM.**

17 A. Peoples is strongly committed to safety, and has established a comprehensive safety
18 program that strives to protect employees, its customers, the public, and property. All levels
19 of management and employees are responsible and accountable for safety, and expected to
20 continuously work together to foster and promote a healthy safety culture. This culture is
21 integral to making safety a priority by incorporating the following into all Company
22 activities: Management commitment at all levels of the organization; Employee
23 engagement and accountability; Recognizing, controlling, and eliminating work place

1 hazards and unsafe behaviors; and Safety training and education. No employee will be
2 required to perform a task or job that they consider unsafe. Peoples complies with all
3 applicable safety and health requirements, and maintains occupational safety and health
4 standards that equal or exceed best practices.

5 The Company demonstrates its commitment to safety by including a Safety
6 component in its employee incentive compensation goals. In addition, all Operations
7 Department employees also have a pipeline compliance component included in their
8 performance expectations and incentive compensation goals.

9 Additionally, the Company engages our Compliance Process Managers, Safety
10 Department, and the entire Operations leadership team on a regular basis by conducting
11 weekly safety conference calls where injuries, accidents, operating guidelines (Job
12 Procedures and Standard Operating Procedures or “SOPs”), line hit damages, and near miss
13 safety incidents are reviewed and discussed. Further, we have implemented procedures for
14 ongoing safety observations of work activities by supervisors and rapid dissemination of
15 injury details to the all field leadership and union personnel. We also work closely with
16 our union to solve all safety-related issues and to communicate and advance safety
17 initiatives throughout the organization. A component of this is management’s and
18 employees’ commitment to operational and safety training at our Training Center where
19 employees obtain hands-on experience through controlled simulations of emergency
20 events and other real-life situations that enhance their safety awareness and hone their
21 emergency response capability. We have also perfected our compliance work tracking
22 system. This system schedules our prescribed, routine maintenance, compliance check
23 work and provides for information system tracking of our planning and progress.

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Q. PLEASE DESCRIBE THE COMPANY’S EMPLOYEE SAFETY PROGRAM.

A. Peoples’ Employee Safety Program is multi-dimensional and includes numerous activities focused on accident prevention and compliance with applicable safety regulations. Safety is supported through active participation by operations leadership, a strong union management partnership, and engagement with industry organizations.

The three cornerstones of Peoples’ Employee Safety Program are:

- Training and Education - where technical skills, emergency response, and specialized safety training is provided to employees, contractors, and external partners.
- Awareness and Communication – where weekly and monthly safety meetings, pre-job briefings, safety alerts, and intranet website resources are used to inform and refresh safety messaging.
- Investigations, Observations, and Safety Analysis – where safety incidents and risks are thoroughly investigated, discussed, trended, and mitigated.

In recognition of the success of the Company’s safety program and performance for 2022, the Energy Association of Pennsylvania awarded Peoples the 2023 Safety Achievement Award, the 2023 Safety Improvement Award, the 2023 Safety Sustainability Award, and the 2023 Motor Vehicle Fleet Safety Achievement Award.

Q. EARLIER YOU MENTIONED THE COMPANY’S TRAINING PROGRAM, COULD YOU DESCRIBE IT IN MORE DETAIL?

1 A. Peoples operates an in-house training facility in McKeesport, PA that provides multi-week
2 introductory training for new hires, training for employees entering new job classifications,
3 initial and refresher operator qualification (“OQ”) training on covered tasks performed by
4 each field classification for both employees and contractors, and supplemental training for
5 field personnel. By providing training internally, as opposed to using a 3rd party vendor,
6 Peoples is able to ensure training captures Company-specific processes and procedures,
7 and this allows us to provide direct oversight of rigorous testing methods.

8 In addition to providing training to employees and contractors, the training team
9 also conducts community outreach sessions for audiences beyond those affiliated with
10 Peoples. These sessions include:

- 11 • First Responder Training: Emergency training for local volunteer fire departments
- 12 • Natural Gas Construction Heat Installation Training
- 13 • Natural gas utility and pipeline field skills training: This program is to prepare a
14 new potential workforce for a career in the gas and pipeline industry.

15
16 **Q. ARE THERE OTHER NOTEWORTHY SAFETY RELATED INITIATIVES THAT**
17 **YOU WOULD LIKE TO DISCUSS?**

18 A. Yes. Peoples has a well-established Corporate Safety Committee known as the CARE
19 (Combined Accident Reduction Effort) Committee. This committee is comprised of senior
20 leaders from Operations, Safety, and Bargaining Unit personnel whose sole purpose is to
21 provide a cooperative forum for discussions on all safety-related issues and concerns. The
22 main goal is to promote and support a strong safety culture, and to assure a safe and healthy
23 work environment for all employees. Operations management meets monthly with the

1 Salaried and Bargaining Unit CARE Coordinators to discuss safety matters that arise
2 locally at their respective operating locations. The CARE Steering Committee meets
3 quarterly to review and discuss more systemic issues that arise from the local shop
4 discussions, and also Company-wide safety issues to evaluate and implement potential
5 overall corrective actions.

6
7 **Q. PLEASE PROVIDE AN UPDATE ON THE COMPANY'S SAFETY**
8 **MANAGEMENT SYSTEM INITIATIVE.**

9 A. Peoples continues to expand and build upon the Pipeline Safety Management System
10 ("PSMS") first initiated in 2018. Safety Management Systems have proven to be successful
11 in many industries (aviation, nuclear, petrochemical to name a few), and are being widely
12 adopted and implemented within the natural gas industry. As a result of the Merrimac, MA
13 incident, many organizations, such as the American Gas Association (AGA), the US
14 Pipeline and Hazardous Materials Safety Administration (PHMSA), as well as state
15 regulators, have strongly recommended gas operators implement a safety management
16 program related to pipeline operations. In 2020, Peoples completed a gap analysis on the
17 API recommended practices to help develop the framework of the PSMS program. A
18 Program Manager was hired in 2020 to lead the implementation of the overall program,
19 communicate the elements of the program with all operations employees, and develop the
20 staff and resources for the program. Two QA/QC Specialists were hired in 2021 to conduct
21 field audits of employees and contractors to ensure adherence to appropriate SOPs and Job
22 Procedures when completing tasks and jobs. Three external consulting QA/QC Specialists
23 were added in 2022 to bring the team to the current staffing of six.

1 The PSMS team has been currently focused on three primary functional areas of
2 the operations: plastic fusions on pipeline replacement projects; working in and around live
3 gaseous environments, and preventing/mitigating damages to meters and facilities. The
4 PSMS team collects and compiles information from the field audits, analyzes the results
5 for trends, and makes recommendations to the PSMS Steering Committee for revisions or
6 additions to SOPs, Job Procedures, Training materials, etc. that may enhance pipeline
7 safety and reliability.

8
9 **Q. PLEASE DESCRIBE WHAT THE COMPANY HAS DONE AND PLANS TO DO**
10 **GOING FORWARD TO MANAGE THE RISKS ASSOCIATED WITH LEAKAGE.**

11 A. Peoples has an extensive leak management and repair program with SOP's that are
12 designed to ensure safe and reliable delivery of natural gas to our customers. Peoples has
13 implemented enhanced operating procedures regarding leak mitigation to further ensure
14 safety across its system, that also helps reduce emissions and improve the environment.
15 These enhancements include adoption of: 1) the Gas Piping Technology Committee
16 ("GPTC") Leak Classification and Action Criteria for Grade 1, 2, and 3 leaks; 2) newer
17 operating procedures designed to identify and replace shorter sections of leak prone
18 pipelines instead of repairing those sections; 3) procedures on the handling of Grade 1 leaks
19 (potentially most hazardous leaks) which require that Grade 1 leaks only be vented as a last
20 resort, Peoples' Operations Management personnel being directly involved and consulted
21 in Grade 1 leak situations, and vented Grade 1 leaks being monitored on a daily basis during
22 frost/frozen ground conditions; and 4) a Leak Detection and Reduction ("LDAR") program
23 that focuses on accelerated leak surveys on certain systems; reducing leaks on gathering

1 pipes, and utilizing newer technologies for identifying potential leaks. Another effective
2 leak mitigation measure is the accelerated replacement of older higher-risk bare steel
3 pipelines under our Long Term Infrastructure Improvement Plan (“LTIIP”), that is
4 described in more detail in the testimony of Paul Becker, VP Engineering & Construction.
5 As a result of these enhanced leak management efforts, Peoples has experienced a 60%
6 reduction from 2019 to 2022 in outstanding unrepaired leaks at year end.

7
8 **PEAK DAY AND ANNUAL GAS SUPPLY PLAN**

9
10 **Q. AS THE WITNESS SUPPORTING THE ANNUAL AND PEAK REQUIREMENTS**
11 **AND SUPPLY VOLUME PROJECTIONS USED IN THIS FILING, PLEASE**
12 **GENERALLY DESCRIBE HOW PEOPLES FORMULATES ITS ANNUAL GAS**
13 **SUPPLY PLAN.**

14 **A.** Each year, Peoples Natural Gas projects its total system requirements and available sources
15 of supply. On the requirements side of the analysis, Peoples develops throughput
16 projections by various requirements categories including usage by class of customer. The
17 Company then adds monthly projections for company use and lost and unaccounted for gas
18 to arrive at total projected system requirements on a monthly basis.

19 Certain operational considerations play a role in the requirements analysis. For
20 example, there are portions of Peoples Natural Gas’ service territory that are not physically
21 interconnected with the main portion of Peoples’ facilities, particularly in the Grove City
22 area. Similarly, there are portions of Peoples Gas’ service territory that require support
23 from specific interstate pipeline delivery points at times of high demand, most notably the

1 Punxsutawney area. As a result, Peoples analyzes alternative options in those areas to
2 maintain adequate supplies to maintain reliable service.

3 On the supply side of the analysis, Peoples pursues a least-cost reliable-service
4 strategy through a combination of local and interstate assets and supplies. Local assets
5 include an on-system storage facility and the gathering system, which allows Peoples to
6 enhance the delivery of gas supplies produced locally in western Pennsylvania. The
7 Company's interstate assets are comprised of a portfolio of transportation and storage
8 services with six interstate pipelines that provides Peoples with access to a variety of supply
9 source locations. Using this gas supply portfolio, Peoples uses an economic dispatch
10 approach that also takes into account reliability, operational requirements, and contractual
11 obligations. Under that approach, Peoples reviews the cost of its various sources of supply
12 and plans to use those that are least costly. The Company starts by base loading local
13 supplies; that is, using local gas first. From there the Company then turns to the existing
14 pipeline supply assets and existing gas supply agreements. These include the firm
15 transportation and storage service agreements with interstate pipelines and the long-term
16 firm gas supply commodity agreement with EQT Energy.

17
18 **Q. HOW DOES PEOPLES TYPICALLY DETERMINE ITS CUSTOMERS'**
19 **REQUIREMENTS AND ASSOCIATED GAS SUPPLIES ON A DESIGN PEAK**
20 **DAY?**

21 A. Peoples uses a forecasting model that employs a number of variables including but not
22 limited to temperature, and historical consumption levels. The values accorded the
23 temperature and wind speed variables are minus 9 degrees Fahrenheit and 15.8 miles per

1 hour respectively. The values assigned to consumption levels and the other variables
2 change over time. Using send-out data for the four years ended May 2022 the Company
3 calculated total system peak day design requirements of 1,468.8 MMcf per day.

4
5 **Q. WILL THE COMPANY SUPPLY THE ENTIRETY OF THE 1,468.8 MMCF FOR**
6 **ITS CUSTOMERS?**

7 A. No. Peoples Natural Gas will supply 1,170.6 MMcf of the Company’s customers’ design day
8 requirements of 1,468.8 MMcf. The supply of 1,170.6 MMcf per day includes the following
9 components:

- 10 • Projected local gas volumes of 13.8 MMcf. This volume is based on a projection of the
11 amount of local gas under contract to Peoples Natural Gas and available on a design day;
- 12 • The on-system storage design day supply of 55.3 MMcf reflects the expected volume of
13 supplies available from the Company’s on-system storage fields; and
- 14 • Interstate delivered gas of 1101.5 MMcf projected to be received from Equitrans, EGTS,
15 Tennessee Gas Pipeline Company, LLC (“Tennessee”), TETCO, TCO and NFG.

16
17 **Q. WHY DOESN’T PEOPLES NATURAL GAS HAVE TO BE PREPARED TO**
18 **SUPPLY ALL OF ITS CUSTOMERS’ DESIGN DAY REQUIREMENTS?**

19 A. Many of Peoples Natural Gas’s customers, generally also its largest customers, that purchase
20 their supplies from NGSs – customers whom the Company refers to as Non-Priority 1 or NP-
21 1 – are responsible for acquiring their own design day assets at a level sufficient to deliver
22 their average daily usage during that month. The Company expects those customers to deliver
23 to the system 298.4 MMcf on a design day during the 1307(f)-2023 projected period.

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Q. HOW DO THE DESIGN DAY REQUIREMENTS OF PEOPLES NATURAL GAS’S SMALLER CUSTOMERS WHO PURCHASE THEIR SUPPLIES FROM NGSs FIT INTO PEOPLES NATURAL GAS’S SUPPLY PORTFOLIO?

A. When a substantial alternative supply market for those smaller Priority 1 (“P-1”), or essential human needs, customers first began to develop on Peoples Natural Gas’s system in 1997, Peoples Natural Gas addressed the design day requirements of those customers under a program of mandatory capacity assignment. Peoples Natural Gas’s tariff requires that the P-1 customers acquire their design day capacity requirements from Peoples Natural Gas by means of mandatory assignment of capacity and that the P-1 customers must pay the costs of that assigned capacity through the capacity charge. The P-1 NGSs are expected to utilize the assigned capacity to deliver to the system sufficient supplies to meet the projected total usage for their P-1 customers on a design day during the 1307(f)-2023 projected period.

Q. IN ADDITION TO ITS CUSTOMERS’ DESIGN DAY CAPACITY AND SUPPLY REQUIREMENTS, WHAT OTHER CUSTOMER REQUIREMENTS MUST PEOPLES NATURAL GAS’S GAS SUPPLY PORTFOLIO SATISFY?

A. Peoples Natural Gas must also satisfy the day-to-day supply requirements of Peoples Natural Gas’s customers who purchase supplies from Peoples Natural Gas, the day-to-day balancing requirements of NP-1 transportation customers, and the requirements for gas that either will be used in Peoples Natural Gas’s operations (i.e., company-use gas) or that will be “lost or unaccounted for” because of various reasons.

1 **Q. DOES PEOPLES NATURAL GAS USE ITS ANNUAL CONSUMPTION**
2 **PROJECTIONS FOR THOSE CUSTOMERS WHO LIKELY WILL BUY THEIR**
3 **SUPPLIES FROM NGSs FOR ANY PURPOSE IN THIS PROCEEDING?**

4 A. Yes. Although those customers' capacity requirements are measured strictly by the demands
5 that they will place on Peoples Natural Gas's system on a design peak day, Peoples Natural
6 Gas recovers the costs of meeting those requirements through each Mcf that Peoples Natural
7 Gas delivers to those customers throughout the year. In the case of P-1 customers, Peoples
8 Natural Gas recovers the costs through a capacity charge per Mcf consumed. In the case of
9 NP-1 customers, the recovery is through a balancing charge per Mcf consumed.

10

11 **Q. HOW DO THE DESIGN DAY SUPPLY ASSETS COMPARE TO THE PROJECTED**
12 **DESIGN DAY REQUIREMENTS?**

13 A. As shown on **Peoples Natural Gas Exhibit No. 1**, the Company is projecting that its design
14 day supply assets will be within 0.2 MMcf of its design day requirements.

15

16 **Q. PLEASE DESCRIBE HOW LOCAL GAS PURCHASES FROM CONVENTIONAL**
17 **WELLS ARE USED TO SATISFY SYSTEM GAS SUPPLY NEEDS.**

18 A. Peoples and natural gas suppliers operating on our system use natural gas produced from
19 local shallow wells as a base load supply to meet customer's usage requirements.
20 However, since 2012, local gas produced and delivered from conventional wells into the
21 Company's system has declined year-over-year. In 2017, Peoples received supplies from
22 conventional wells totaling approximately 39.0 BCF. In 2022, a total of approximately
23 29.5 Bcf of conventional production was delivered into the Peoples' systems. Over this

1 six-year period, this represents a total decline of 9.5 Bcf, or 24%. A reversal of this ongoing
2 decline is not expected. The conventional production volume level for the 11 months ended
3 November 30, 2023 is 25.9 Bcf.

4
5 **Q. DOES PEOPLES HAVE A POLICY REGARDING ADDITIONAL MARCELLUS**
6 **SHALE WELL PRODUCTION?**

7 A. Peoples' current role in the development of Marcellus Shale has been to provide producers
8 of unconventional gas with similar access to both on-system and off-system markets as
9 provided to conventional producers. Peoples has been able to accept Marcellus Shale
10 production into its systems on a case by case basis, using the same analysis for Marcellus
11 Shale production tap requests that it uses for conventional production tap requests. The
12 analysis includes (i) the location and quantity of gas supply, (ii) the unused pipeline
13 capacity at the proposed injection point, (iii) the anticipated gas quality and the investment
14 required to resolve gas quality issues, and (iv) the impact of the production on existing base
15 load supplies from local and interstate alternatives.

16 Peoples' market fundamentally benefits from having access to additional direct
17 feed local Marcellus Shale production. It provides a replacement supply for declining
18 conventional production volumes. Also, local gas supplies, including gas produced into the
19 Peoples' system from both conventional and Marcellus wells, represent a lower cost supply
20 than interstate delivered gas. Peoples plans to remain involved in finding opportunities to
21 utilize Marcellus Shale gas produced in Peoples' service territory, and that activity will
22 continue to benefit Peoples' market.

1 **LOCAL PRODUCTION - GATHERING AND COST RECOVERY**

2

3 **Q. PLEASE DESCRIBE GENERALLY THE TRADITIONAL GATHERING PIPELINE**

4 **SYSTEM.**

5 A. Both the Peoples Natural Gas Division (“PNGD”) and Peoples Gas Division (“PGD”) have

6 distribution systems that serve customers in and near the natural gas production regions of

7 Pennsylvania. In fact, it was natural gas from the western Pennsylvania gas fields that

8 originally served the customers of both Divisions.

9 Gathering systems are pipeline facilities that have the primary purpose of moving

10 conventionally produced gas from production fields to transmission and distribution

11 facilities for delivery to end use customers. In contrast, distribution pipelines generally are

12 a system of mains and service lines that primarily function to deliver natural gas to individual

13 homes and businesses. However, in some instances, customers and small distribution

14 systems are connected directly to gathering systems in rural areas where it is not economic

15 to extend pipelines from the major distribution centers because of the low density of

16 potential customers.

17 In addition to gathering pipelines, gathering systems also typically include

18 compression facilities and equipment to monitor and treat the gas. Gathering compressors are

19 used to increase the flow of local production by raising the gathering pipeline pressure to the

20 pressure of the pipeline that the gathering pipeline feeds into, typically a transmission pipeline

21 or higher pressure gathering or distribution pipeline. Gas monitoring and treatment is another

22 part of a gathering system. Peoples requires producers to remove water and other

23 contaminants from the gas delivered to the gathering system. In some cases, the gas is further

1 treated by Peoples at compressor stations where dehydration facilities are installed to remove
2 water prior to delivering gas to transmission or distribution systems.

3 There are also situations where Peoples receives locally produced gas directly into its
4 distribution and transmission systems. This production can be from both conventional and
5 unconventional sources. Although PGD does not have a Gathering System per its Books and
6 Records, it does have systems that serve a similar purpose to the PNGD Gathering system.

7
8 **Q. DO GAS PRODUCERS BENEFIT FROM GATHERING SYSTEMS?**

9 A. Yes. Producers benefit from gathering lines because, in most cases, it is their only means
10 to get their gas production to a market. The gas produced into the gathering systems
11 originates from conventional wells. Generally, gathering systems cannot be used to receive
12 and deliver higher pressure gas produced from unconventional sources such as Marcellus
13 Shale.

14
15 **Q. DO CUSTOMERS BENEFIT FROM LOCAL PRODUCTION AND GATHERING
16 SYSTEMS?**

17 A. Yes. Customers receive a notable cost savings benefit from local production delivered into
18 the Peoples' systems. Production directly feeding utility pipelines avoids costly interstate
19 pipeline charges, which include fixed reservation charges for interstate pipeline reservation
20 space, usage charges to cover variable interstate pipeline costs and retainage to cover gas loss
21 and gas used in interstate pipeline operations.

1 **Q. HAS THE COMPANY PREPARED A COMPARISON OF THE COST PER MCF**
2 **OF DELIVERING GAS THROUGH INTERSTATE PIPELINES TO THE COST**
3 **OF DELIVERING GAS THROUGH THE COMPANY’S GATHERING SYSTEM?**

4 A. Yes. Peoples Natural Gas Exhibit No. EAP-1 provides this comparison for the projected
5 twelve months ended September 30, 2025 (Fully Projected Future Test Year - “FPFTY”).
6 It shows that gas produced into and delivered through the gathering systems is notably less
7 costly than gas procured on and delivered from Peoples’ interstate pipeline suppliers. The
8 total average cost of gas delivered via the gathering system for the FPFTY is estimated at
9 \$3.08 per Mcf. The total average cost of gas delivered via the interstate systems for the
10 FPFTY is estimated at \$3.48 per Mcf. This results in an estimated cost savings of \$0.40
11 per Mcf for the local gas purchased by Peoples’ for our on-system customers alone.
12 Customers that purchase local gas supplies from third party marketers can reasonably be
13 expected to receive a similar cost per Mcf savings benefit. As noted in Peoples Natural
14 Gas Exhibit No. EAP-1, this analysis reflects the various costs incurred by Peoples’
15 ratepayers for the FPFTY which include: the projected average commodity cost of gas
16 delivered to the Peoples’ system; Peoples’ costs to own and operate the gathering systems
17 (including gathering UFG); and interstate pipeline costs for capacity, retainage, and
18 delivery. Mr. Zarumba calculated and presented testimony in support of the projected non-
19 gas costs incurred by Peoples to own and operate the PNG gathering system.

20
21 **Q. DOES INTERSTATE PIPELINE GAS AND LOCAL GAS SERVE THE SAME**
22 **PURPOSES?**

1 A. While both supply sources provide the gas supply needed by the customer, pipeline gas is
2 much more flexible in that it is provided to the Company at significantly higher pressure
3 which is required in peak periods of usage and for injection into storage. The amount of
4 pipeline gas entering the Company’s system can also more easily be adjusted up or down
5 to meet the daily gas consumption swings due to weather. In addition, pipeline gas
6 generally meets higher quality standards relating to containing impurities and water and
7 creates fewer operational problems.

8
9 **Q. HOW SHOULD THE BASE RATE COSTS OF THE GATHERING SYSTEM BE**
10 **RECOVERED?**

11 A. Gathering system costs are incurred to provide a market for supplies produced by local
12 wells and to provide cost effective gas supplies to customers. In my opinion, it is
13 appropriate for both producers and customers to share in paying these costs.

14
15 **Q. WHAT FACTORS SHOULD BE CONSIDERED IN ALLOCATING THESE**
16 **COSTS BETWEEN CUSTOMERS AND LOCAL SUPPLIERS?**

17 A. As I have noted previously, customers benefit from obtaining local gas at a cost lower than
18 interstate pipeline gas. The gathering system lowers the amount of interstate pipeline
19 capacity that is required to serve customers and lowers pipeline demand costs recovered
20 from all sales and transportation customers. In addition, customers served directly from
21 the gathering system receive their service from gathering pipelines and not distribution
22 pipelines. Finally, some of Peoples’ distribution areas are served only by local gas from
23 the gathering systems.

1 Producers derive substantial benefit from the gathering facilities as it is their source
2 to a market. In addition, Peoples operates its gathering and distribution systems to facilitate
3 the introduction of lower pressure gas from conventional wells into its system.

4 While it is difficult to specifically quantify these benefits between producers and
5 customers, it is clear that both producers and customers benefit from the gathering systems.
6

7 **Q. ARE THERE ANY UNIQUE OPERATIONAL ISSUES AND/OR COSTS**
8 **ASSOCIATED WITH GATHERING SYSTEMS?**

9 A. Gathering systems present operational challenges uncommon to distribution. Since the
10 facilities typically are in rural areas, and consist of many measurement delivery points,
11 potential leaks are not as readily detectable. This can contribute to potential higher lost and
12 unaccounted for gas than on distribution systems, as well as higher methane emissions.
13 Peoples has attempted to mitigate this by operating and maintaining gathering assets under
14 the same guidelines as distribution assets. While not required by federal codes, Peoples
15 conducts leak surveys on the gathering pipelines at intervals similar to distribution
16 pipelines, and schedules gathering line leak repairs accordingly.

17 A pending issue related to gathering facilities has surfaced under the requirements
18 within the 2022 Inflation Reduction Act (IRA) waste methane fees. Natural gas distribution
19 assets are exempt from the methane fees, however gathering pipelines may be subject to
20 the fees under the “Gathering and Boosting” industry segment. The IRA details the
21 implementation of a waste methane fee based upon the ratio between the emissions and gas
22 sales as represented by a methane intensity. If the calculated methane intensity exceeds the
23 threshold established in the IRA, a waste methane fee is applied to the emissions above the

1 threshold. The method to calculate the methane intensity has not been finalized and is still
2 in the proposed rule-making process, and the associated proposed methane fee schedule (in
3 \$/Metric Ton Methane) is \$900 for 2024, \$1,200 for 2025, and \$1,500 for 2026. Peoples
4 continues to evaluate and analyze the potential impact of the waste methane fee, and
5 estimates the annual costs to be \$1.1-1.8 million, depending on the final methodology for
6 calculating the fee. These incremental fees are included in the total cost of service for
7 gathering and claimed within Taxes Other than Income in Exhibit No. 6

8
9 **Q. HOW DOES PEOPLES PROPOSE TO RECOVER THE COSTS OF THE**
10 **GATHERING SYSTEMS?**

11 A. There is a practical limit to how much of the gathering system costs can be recovered from
12 producers. The projected average market price that producers will receive for their gas
13 purchased by Peoples for system supply is \$2.22/Dth for the projected twelve months
14 ended September 30, 2025 (FPFTY). These prices are low by historical standards and it is
15 likely that this has contributed to the reduction of production from conventional wells since
16 2012.

17 PNGD currently charges amounts to producers for gathering system costs through
18 its existing Rate Schedule AGS and PGD does not currently charge any gathering fee to
19 producers. The Company proposes to institute a uniform gathering service rate for all
20 conventional gas production produced into both divisions. The proposal is set forth in the
21 tariff rate schedule – Appalachian Gathering Service -- that is provided in Exhibit No. 14.

22

1 **Q. PLEASE EXPLAIN THESE EXISTING GATHERING PROGRAMS AND THE**
2 **ASSESSMENT OF CHARGES TO PRODUCERS.**

3 A. The current structure for assessing gathering related charges on the Peoples Natural Gas
4 and Peoples Gas differ.

5 At the Peoples Natural Gas Division a gathering tariff service and fee structure was
6 approved by the Commission and put in place during the Peoples Natural Gas Division
7 2019 Rate Case. That service, which currently exists today, is provided under Rate AGS
8 – Appalachian Gathering Service. Under Rate AGS any conventional natural gas producers
9 desiring to produce gas into and transport gas on the distribution or gathering systems are
10 subject to a gathering rate and a gas retainage charge. It is not a voluntary program. All
11 producers transporting conventional local production onto the Company’s system are
12 subject to gathering rates (\$0.26 for conventional production) and a retainage charge of
13 2.3%. Gathering rates and retainage charges for unconventional production such as that
14 from horizontally drilled Marcellus and Utica shale gas are determined through
15 negotiation. For the HTY 12-month period ending August 31, 2023, Peoples Natural Gas
16 recovered just under \$7 million in gathering rate revenues.

17 The Peoples Gas Division currently has Rate GS – Gathering Service tariff service.
18 Under Rate GS, producers are not charged a gathering fee for utilizing Peoples Gas’
19 system. However, they are charged a retainage fee of 3.4% that was established during a
20 prior 1307(f) case.

21

1 **Q. PLEASE EXPLAIN THE COMPANY’S PROPOSAL TO INSTITUTE A**
2 **UNIFORM GATHERING RATE FOR CONVENTIONAL GAS PRODUCTION**
3 **ACROSS THE DIVISIONS.**

4 A. Before I describe the mechanics of the gathering pricing proposal I would like to point out
5 that our gathering rate proposal is designed to bring together the existing and differing
6 programs of Peoples Natural Gas and Peoples Gas and set a producer paid gathering fee
7 structure that attempts to establish a reasonable and ongoing producer revenue contribution
8 (to offset the customers’ share of gathering costs) that also does not create an economic
9 disincentive for conventional gas producers to continue to produce low cost gas supplies
10 into the Peoples’ systems. All conventional gas producers will be required to pay the same
11 uniform gathering fee for any gas produced into and transported on the distribution or
12 gathering systems. All unconventional gas producers, including but not limited to,
13 horizontally drilled Marcellus and Utica shale gas and landfill gas, shall be negotiated and
14 agreed to with the producer. As set forth and described in the proposed, combined tariff at
15 Exhibit No. 14, a gathering rate will continue to be assessed to any party desiring to
16 transport gas through the gathering system, as well as deliver locally produced gas directly
17 into the Company’s distribution or transmission systems on PNGD. The Company also
18 proposes to apply this gathering rate on PGD.

19 Lastly, I’d like to point out that this proposal addresses the recovery of gathering
20 related non-gas costs and does not address the assessment of gas retainage charges to
21 producers. Peoples plans to continue to assess the gas retainage rates currently charged to
22 producers but plans to make a proposal to have a uniform retainage rate across the two
23 divisions in its next 1307(f) purchased gas cost proceeding to be filed on April 1, 2024.

1 **Q. WHY IS IT APPROPRIATE FOR THE GATHERING FEE TO APPLY TO THE**
2 **PEOPLES GAS DIVISION?**

3 A. While the PG system does not have gathering pipelines as defined by federal DOT code or
4 by the FERC Chart of Accounts gathering definition, it does have facilities that move local
5 production to the Company's distribution system. The pipelines and associated facilities
6 (meters, compressors, regulators) receive gas directly from local production. The gas is
7 then transported to high pressure and/or distribution pipelines for delivery to end user
8 customers. Although these facilities are non-jurisdictional, PG operates and maintains them
9 under the same procedures as distribution facilities from a pipeline safety viewpoint.

10

11 **Q. WHAT IS THE GATHERING RATE STRUCTURE APPLICABLE TO GAS**
12 **DELIVERED INTO THE GATHERING SYSTEMS OR CONVENTIONAL GAS**
13 **PRODUCED AND DELIVERED INTO THE DISTRIBUTION OR**
14 **TRANSMISSION SYSTEMS?**

15 A. The Company is proposing to utilize the current PNGD gathering rate of of \$0.26/Mcf for
16 all conventional production across both PNGD and PGD.

17

18 **Q. HOW MUCH REVENUE DOES THE COMPANY PROJECT TO RECOVER IN**
19 **THE FULLY PROJECTED FUTURE TEST YEAR?**

20 A. The annual volume projection of conventional production on PNGD and PGD that will be
21 subject to the gathering fee for the FPFTY is 30.1 Bcf. This volume projection was based
22 on recent actual production levels adjusted to reflect current production decline trends. The

1 resulting revenues to be paid for by conventional well producers for the FPFTY is projected
2 to be \$7.8 million.

3
4 **Q. YOU MENTIONED EARLIER IN YOUR TESTIMONY THAT PEOPLES ALSO**
5 **RECEIVES UNCONVENTIONAL SUPPLIES INTO ITS SYSTEMS. ARE THERE**
6 **GATHERING FEES ASSESSED TO PRODUCERS BY PEOPLES FOR**
7 **UNCONVENTIONAL SUPPLIES AND IF SO WHAT ARE THE EXPECTED**
8 **ANNUAL REVENUES?**

9 A. Yes. As set forth in the existing tariff rate schedule – Appalachian Gathering Service
10 (Peoples Natural Gas Exhibit No. 14), Peoples charges a rate for gathering natural gas
11 produced from unconventional sources that is determined through negotiation. It's
12 important that this rate be negotiable because Peoples needs to compete with midstream
13 and interstate pipelines to acquire this gas supply. Marcellus producers generally have
14 multiple options to get their gas to market. Based on the negotiated rate currently charged
15 to existing unconventional producers and the associated expected annual volumes
16 produced from unconventional sources for the FPFTY, Peoples projects to generate \$1.55
17 million in annual gathering fees from unconventional gas producers for the FPFTY period.

18
19 **Q. BASED UPON THE COMPANY'S FPFTY PROJECTION OF RECOVERIES**
20 **UNDER THE GATHERING CHARGES TO CONVENTIONAL AND**
21 **UNCONVENTIONAL PRODUCERS HOW MUCH OF THE GATHERING COSTS**
22 **WILL BE RECOVERED?**

1 A. The Company projects that it will recover \$9.4 million, a \$2.4M or 34% increase over the
2 existing revenue of \$7.0M at present rates.

3
4 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE REMAINDER OF**
5 **THE GATHERING COSTS THAT ARE NOT PROJECTED TO BE RECOVERED**
6 **FROM PRODUCERS?**

7 A. We have directed Mr. Zarumba to allocate the remaining costs to the various customer
8 classes. He uses a volumetric allocation factor to assign gathering plant and associated
9 expenses to customer classes based on the percentage of annual gas volumes in each class
10 supplied by Pennsylvania gas producers. This is consistent with the methodology used in
11 the Company's last base rate proceeding.

12
13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes. I reserve the right to supplement my testimony as other issues arise during the course
15 of this proceeding. Thank you.

APPENDIX A

Exhibit

Filing Requirement

Ex. 10, Sch. 3	53.53.III.E.22
Ex. 12, Sch. 1	53.53.III.E.5
Ex. 12, Sch. 2	53.53.III.E.18
Ex. 12, Sch. 3	53.53.III.E.23
Ex. 12, Sch. 4	53.53.III.E.24
Ex. 12, Sch. 5	53.53.III.E.26
Ex. 12, Sch. 6	53.53.III.E.30
Ex. 12, Sch. 7	53.53.III.E.36
Ex. 12, Sch. 10	53.53.IV.B.11
Ex. 12, Sch. 11	53.53.I.C.1
Ex. 12, Sch. 12	53.53.III.E.28
Ex. 12, Sch. 15	53.53.III.E.3
Ex. 12, Sch. 16	53.53.IV.B.14
Ex. 13, Sch. 7	53.53.III.E.27
Ex. 15, Sch. 2	53.53.I.C.2
Ex. 15, Sch. 3	53.53.IV.B.8
Ex. 17, COS-10	COS 10
Ex. 17, COS-11	COS 11
Ex. 17, COS-12	COS 12
Ex. 17, COS-14	COS 14
Ex. 17, COS-16	COS 16
Ex. 17, COS-17	COS 17

Cost Comparison - Local Gas Purchased and Delivered via Gathering vs. Interstate Supplied Deliveries (Peoples Natural Gas and Peoples Gas Combined)

		Local Gas via Gathering		Interstate Gas*	
Index - EGTS Appalachian Index Cost per Dth 1/	\$	2.22	/ Dth		
Commodity Cost 2/	\$	2.3088	/ Mcf	\$ 2.3088	/ Mcf
Gathering UFG (A) or Interstate Retainage (B)	7.33% \$	0.1692	/ Mcf	A 1.50% \$ 0.0346	/ Mcf B
Producer Contribution - Gathering Retainage 3/	-2.47% \$	(0.0570)	/ Mcf		
Delivery Cost to City-Gate	\$	-		\$ 0.1027	/ Mcf
Gathering System Cost (A) or Interstate Capacity (B)	\$	0.9200	/ Mcf	A \$ 1.0301	/ Mcf B
Producer Contribution - Gathering Fee 4/	\$	(0.2600)	/ Mcf	\$ -	
Total Delivered Cost	\$	3.0810	/ Mcf	\$ 3.4762	/ Mcf
				\$ 0.3952	Local Gas Discount

* Based on weighted average cost of all existing Peoples Natural Gas interstate FT and storage contracts.

1/ EGTS Appalachian Index Price as estimated for the FPFTY - October 2024 through September 2025 as of 12/11/2023

2/ Commodity Cost for Local Purchases is 100% EGTS App Index and interstate supplies are converted from Dth to Mcf at 1.04 system average Btu.

3/ Gathering retainage level recovered from producers on the PNG & PG system.

4/ Gathering Fee is the producer paid fee under Peoples' proposed Appalachian Gathering Service rate schedule for the FPFTY - Oct. 2024 - Sept. 2025.

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. My name is Paul Becker. My business address is 375 North Shore Drive, Pittsburgh, PA
3 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Peoples Natural Gas Company LLC (“Peoples” or the “Company”) as
7 the Vice President, Construction and Engineering.

8

9 **Q. PLEASE STATE BRIEFLY YOUR EDUCATIONAL BACKGROUND AND**
10 **EMPLOYMENT EXPERIENCE.**

11 A. I have worked in the gas energy industry for almost four decades and now work as Vice
12 President, Construction & Engineering at Peoples, a position I have held since 2017. I am
13 responsible for the design and construction of natural gas facilities, specifically relating to
14 transmission, storage, gathering and distribution. I received my Bachelor of Science in
15 engineering from the University of Pittsburgh and a Master of Business Administration
16 from Duquesne University. I am a registered professional engineer in Pennsylvania and a
17 member of the American Society of Civil Engineers, the Energy Association of
18 Pennsylvania, and the American Gas Association.

19

20 **Q. WHAT ARE YOUR RESPONSIBILITIES FOR PURPOSES OF THIS**
21 **PROCEEDING?**

22 A. I will describe the Company’s four major pipeline capital programs which make up the
23 majority of the Company’s overall capital budget. Moreover, I will provide an update as

1 to the progress the Company has made with respect to its pipeline capital programs and
2 why the Company should continue to invest these programs.

3
4 **PIPELINE CAPITAL WORK PLAN**

5
6 **Q. PLEASE GENERALLY DESCRIBE WHAT THE COMPANY MEANS BY**
7 **PIPELINE CAPITAL WORK.**

8 A. The Company is engaged in various programs to modernize its infrastructure (pipelines
9 and related facilities) to maintain the safety and integrity of its natural gas distribution
10 system. As part of its modernization efforts, the Company performs the replacement,
11 improvement and retirement of its pipelines (and related facilities) on a daily basis. The
12 Company's most significant modernization program in terms of cost and mileage is its
13 Long-Term Infrastructure Improvement Plan (LTIIP). For example, the Company
14 anticipates that since its last base rate case (PNG case) through the end of the Fully
15 Projected Future Test Year presented in this filing, it will spend nearly \$2 Billion to replace
16 more than 1,000 miles of its aging infrastructure. In addition to its LTIIP, the Company has
17 three other pipeline programs.

18
19 **Q. PLEASE GENERALLY DESCRIBE THE COMPANY'S FOUR MAJOR CAPITAL**
20 **PIPELINE WORK PROGRAMS.**

21 A. The four programs include the Company's Long-Term Infrastructure Improvement Plan
22 ("LTIIP"), the Gathering Pipeline Replacement Program ("GP"), the Goodwin Tombaugh
23 Program ("GT") and the Mainline Extension Program or MLX.

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(1) The Company’s LTIIIP is a multiyear program targeting primarily the replacement of distribution and transmission bare steel and cast/wrought iron pipelines. The Company’s current five-year LTIIIP was approved by the Commission on January 14, 2021 and is in effect through 2025¹. The five-year program targets replacement of a total of 871 miles of pipeline. The as-filed anticipated total costs of the current LTIIIP program for the years 2021-2025 are approximately \$1.6 Billion.

(2) The GP Replacement Program is an annual program primarily targeting the replacement and/or abandonment of bare steel gathering pipelines. The GP program targets approximately 25 miles of gathering pipeline for abandonment or replacement at an estimated cost of \$5-\$7M annually.

(3) The GT Program is a program specifically targeting the replacement and conversion of an aging legacy gathering system. The replacement of the GT system was a settlement requirement stemming from the 2020 acquisition of Peoples by Essential Utilities, Inc.² The settlement requires the Company to replace over 300 miles of the GT pipeline over a seven-year time frame for an estimated total cost of \$120 Million. Under the acquisition settlement, as the GT plant is completed and placed in service, the plant is transferred to Peoples Natural Gas, regulated under the Commission’s jurisdiction and classified as distribution pipeline and operated for safety purposes following all provisions

¹ Docket Nos. P-2020-3021942 and P-2020-3022053
² Docket Nos. A-2018-3006061, A-2018-3006062 and A-2018-3006063

1 under 49 C.F.R. § 192 for distribution pipeline. See Settlement §A³. Consistent with the
2 Settlement, as PNG has replaced GT plant, the new plant has been transferred to PNG and
3 included in distribution plant.

4
5 (4) The Mainline Extension Program (“MLX”) is an annual program encompassing
6 the construction of mainlines, meters, and services associated with new customers coming
7 onto the Company’s system. Typically, the MLX program adds about 30-40 miles of
8 distribution pipeline (and associated meters and services) for an estimated cost of \$20-
9 30M, annually.

10
11 **Q. PLEASE SUMMARIZE THE COMPANY’S PIPELINE CAPITAL WORK**
12 **ACCOMPLISHMENTS/INVESTMENTS.**

13 **A. LTIIP** – As of October 2023, approximately 485 miles or 56% of the projected 871 total
14 miles in the Company’s current LTIIP have been replaced at a cost of \$918M or 63% of
15 the estimated program costs for mains and services of \$1.5 Billion. The following table
16 provides a summary of the Company’s current LTIIP results from 2021 through October
17 2023:

³ *Id.*

Current LTIIIP 2021-2025									
Mains and Services Only			as of Oct 2023						
LTIIIP		Miles				Dollars, Millions			
LTIIIP Program year	Year	Plan miles	actual miles	actual PTD miles	% actual to plan each year	Planned costs	actual costs	% actual to plan each year	
1	2021	159	165	165	103%	\$242	\$247	102%	
2	2022	159	163	327	102%	\$239	\$326	137%	
3	2023	181	158	485	87%	\$328	\$344	105%	
4	2024	186				\$329			
5	2025	186				\$329			
Total		871		485	56%	\$1,467	\$918	63%	

GP –From 2019 through October of 2023, the Company has replaced or abandoned more than 200 miles of its bare steel gathering pipeline for a total cost of approximately \$25 Million. The following table summarizes the Company’s GP Program results from 2019 through October 2023:

as of Oct 2023						
GP	Miles			Dollars, Millions		
Year	pipe replaced	pipe abandoned	total	capital	cumulative capital	
2019	17.5	15.2	32.7	\$ 7.4	\$ 7.4	
2020	12.1	39.0	51.1	\$ 4.2	\$ 11.6	
2021	11.9	56.0	67.9	\$ 3.6	\$ 15.2	
2022	11.2	36.3	47.5	\$ 5.3	\$ 20.5	
2023	8.6	16.0	24.6	\$ 4.7	\$ 25.2	
total	61.3	162.5	223.8	\$ 25.2		

GT - As of October, 2023, the Company has replaced or abandoned 151 miles or 49% of the targeted GT pipe in the Company’s system for a cost of \$37.7 M or 31% of the original \$120M estimate. The Company is meeting its mileage commitment and carrying out the

1 terms of the referenced settlement. Please see the table below for the Company’s progress
 2 on its GT Program since 2020:

as of Oct 2023					
GT		Miles		Dollars, Millions	
program year	year	PTD	% complete	PTD	% complete
1	2020	26.2	8%	\$2.8	2%
2	2021	69.2	22%	\$13.0	11%
3	2022	103.0	33%	\$26.4	22%
4	2023	150.8	49%	\$37.7	31%

3
 4 To date there have been no adverse impacts to existing GT customers (switched
 5 223 customers to the new pipe). Throughout the process, the Company has been evaluating
 6 ways to achieve efficiencies and minimize costs. The Company’s design team identified
 7 93 miles (30%) of pipeline that can be abandoned (to date 73 of those miles have been
 8 abandoned). Also, the design team identified 84 miles (27%) that can be moved from rights
 9 of way to along the road, thereby minimizing environmental impacts and positioning the
 10 new distribution pipe to serve future loads.

11
 12 MLX - Since 2020, the Company has installed approximately 131 miles of mainline pipe
 13 for a total cost of approximately \$97 Million. Such mainline extensions vary from a short
 14 section for a single customer to miles long segments to and in subdivisions serving tens or
 15 hundreds of customers. The Company’s Tariff Rule 4 addresses the Company’s extension
 16 of its facilities and is consistent with the Commission’s regulations. The Company adheres
 17 to these tariff provisions when analyzing potential mainline extension projects. The
 18 following table summarizes the Company’s progress on its MLX program since 2020:

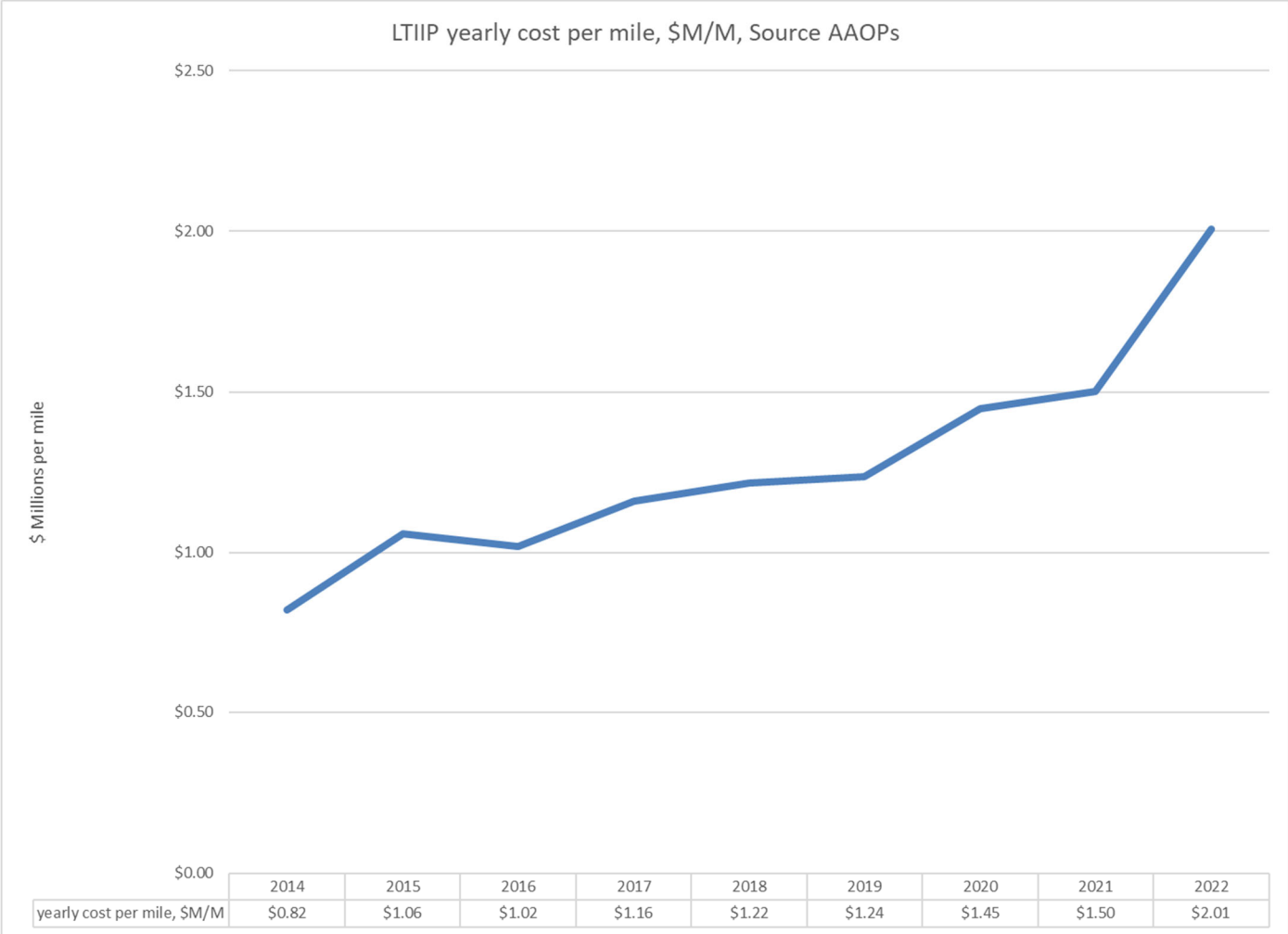
as of Oct 2023				
MLX	Miles		Dollars, Millions	
Year	pipe installed	cumulative total	capital	cumulative capital
2020	35.0	35.0	\$ 21.6	\$ 21.6
2021	24.0	59.0	\$ 20.7	\$ 42.3
2022	42.0	101.0	\$ 28.4	\$ 70.7
2023	30.1	131.1	\$ 26.8	\$ 97.5
total	131.1		\$ 97.5	

1

2

3 **Q. HAS THE COVID-19 PANDEMIC IMPACTED THE COMPANY’S CAPITAL**
 4 **WORK PLANS?**

5 A. In general, the Company is enduring a tighter labor market and higher inflation costs which
 6 have increased the Company’s average cost per mile for its capital programs significantly
 7 more than historical levels. From 2016-2019 the average cost per mile for the Company’s
 8 LTIP grew at an average annual compound growth rate of approximately 4% per year.
 9 From 2020-2022 the average cost per mile grew at an average annual compound growth
 10 rate of approximately 17% per year.



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These macroeconomic forces (labor market, inflation, etc.) have directly translated into increased investment costs for the Company to meet its LTIIP commitments. Currently, the LTIIP remains on track from a mileage point of view and the Company continues to evaluate and consider the need to file a petition for a major modification of the current LTIIP as the Company is currently exceeding the 20% or more variation in cost. The following table shows that the program is currently exceeding the 20% cost threshold which will require a petition for the major modification of the Company’s LTIIP.

<u>•Filed LTIP Commitment</u>		<u>Miles</u>	<u>•LTIP Actual/Forecast:</u>		<u>Miles</u>	<u>Variance</u>
2021	\$ 258.1	159	2021	\$ 262.0	167	1.51%
2022	\$ 256.2	159	2022	\$ 340.4	159	32.86%
2023	\$ 346.6	181	2023	\$ 417.7	181	20.52%
2024	\$ 347.3	186	2024	\$ 451.9	186	30.12%
2025	\$ 347.5	186	2025	\$ 468.5	186	34.82%
	\$ 1,555.7	871		\$ 1,940.5	879	24.73% Cumulative

1

2

3 **Q. WHAT ARE THE PROJECTED FTY AND FPFTY AMOUNTS FOR THE**
4 **COMPANY’S PIPELINE CAPITAL WORK PROGRAMS IN THIS FILING?**

5 **A.** The Peoples’ estimated Pipeline Capital Work Plan (including LTIP, GP, GT and MLX)
6 spend for the FTY and FPFTY is \$484.1 million and \$581.4 million, respectively. Peoples
7 estimates that it will spend over \$900 million in LTIP spending alone over the FTY and
8 FPFTY.

9 **Q. WHY SHOULD THE COMPANY BE ALLOWED TO CONTINUE ITS CAPITAL**
10 **WORK AS EXPLAINED IN THIS TESTIMONY?**

11 **A.** Through its capital work programs, the Company is able to modernize its infrastructure
12 from which it ultimately serves homes and businesses in its service territory. By replacing
13 its aging infrastructure and installing state of the art infrastructure, the Company is able to
14 ensure the safe and reliable delivery of natural gas service to its customers. Moreover,
15 upgrading older pipelines helps to protect the environment by reducing methane emissions
16 associated with leak prone, older pipelines. The Company should be able to continue its
17 capital program spending at the estimated levels identified in its FTY and FPFTY to meet
18 its infrastructure investment commitments and for the continued safe and reliable

1 distribution of natural gas. For more information on the benefits of our capital programs,
2 please see the testimony of Company witness, Michael Huwar.

3

4 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

5 **A.** Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

PEOPLES NATURAL GAS COMPANY LLC

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Docket No. R-2023-3044549

**PREPARED DIRECT TESTIMONY OF
CHRISTINE SABALL
VICE PRESIDENT, TAX
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: December 29, 2023

Peoples Natural Gas Statement No. 6

DATE ADMITTED: _____

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Christine Saball, and my business address is 762 West Lancaster Avenue, Bryn
3 Mawr, Pennsylvania 19010.

4
5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am employed as Vice President, Tax for Essential Utilities, Inc. (“Essential”), the parent
7 company of Peoples Natural Gas Company LLC (“Peoples” or the “Company”).

8
9 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL**
10 **BACKGROUND.**

11 A. I graduated from Boston University’s Questrom School of Business in 1999 with a
12 Bachelor of Science degree in Business Administration, with a concentration in
13 Accounting. I am a Certified Public Accountant (“CPA”) in the Commonwealth of
14 Pennsylvania. I have held various positions in public accounting at regional firms in New
15 England and obtained my CPA license in 2003. I began my career in the utility industry in
16 October 2003, when I joined National Grid as a Senior Tax Analyst. At National Grid, I
17 had the opportunity to support the ratemaking process by reviewing the utility’s accrual for
18 income tax liability, calculating its year end provision to actual federal and state liability
19 calculations, and analyzing the flow through and normalized deferred tax accounts. Prior
20 to joining Essential in May 2019, I was employed by Connecticut Water Company
21 (“Connecticut Water”) for ten years. I started as a Tax Manager in the Finance Department
22 and held that position for five years, and then was promoted to the position of Tax Director
23 and held that position for five years. During my employment with Connecticut Water, my

1 responsibilities included preparing tax schedules for regulatory filings and related activities
2 for Connecticut Water and its affiliate Maine Water Company. In addition, I prepared
3 workpapers and exhibits, and provided testimony in support of regulatory filings.

4
5 **Q. WHAT ARE YOUR DUTIES AS VICE PRESIDENT OF TAXES?**

6 A. My primary responsibilities include oversight of the Company's income tax functions with
7 responsibility for tax aspects of acquisitions, planning, risk management, financial
8 reporting and compliance. I oversee and manage accounting for income taxes under ASC
9 740 and ASC 980, and federal and state tax compliance filings for all subsidiaries. I assist
10 in regulatory filings including base rate cases for the regulated businesses. In addition, I
11 perform tax research, and provide budget information and guidance on tax matters.

12
13 **Q. HAVE YOU BEEN A WITNESS IN MATTERS PREVIOUSLY BEFORE THE**
14 **COMMISSION?**

15 A. Yes, I was a witness for Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc.
16 in their consolidated base rate proceeding before the Pennsylvania Public Utility
17 Commission ("PUC" or "Commission") at Docket Nos. R-2021-3027385 and R-2021-
18 3027386. I have also served as a witness before the West Virginia Public Service
19 Commission for Peoples Gas WV, LLC in Case No. 19-1229-G-P.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. First, I will explain the calculation of the Company’s federal and state income tax expense
3 claims in this case and the tax balances included in rate base Second, I will explain the
4 Company’s need for a mechanism related to the realization of its Pennsylvania State Net
5 Operating Loss carryforward. Third, I will address the Consolidated Tax Adjustment.
6 Fourth, I will describe how the Company is reflecting the effects of its tax treatment of
7 repairs pursuant to the terms of the Joint Petition for Settlement and Approval of Tax
8 Repairs Sur-credit, which was approved by the Commission in Docket No. P-2020-
9 3021191, including how the Company proposes to reflect the effects of its tax treatment of
10 repairs under Revenue Procedure 2023-15 (the “Gas Safe Harbor”), which was recently
11 issued by the Internal Revenue Service (“IRS”) on April 14, 2023. Fifth, I will describe
12 how the reduction in the Pennsylvania Corporate Net Income (“CNI”) tax rate affects the
13 development of the Company’s revenue requirement in this case.

14

15 **Q. ARE YOU SPONSORING ANY EXHIBITS AS PART OF YOUR TESTIMONY?**

16 A. Yes, I am sponsoring **Exhibit 7** (Income Taxes) along with the filing requirements and
17 standard data requests identified in Appendix A to this testimony as well the accumulated
18 deferred tax components of Rate Base included in Exhibit 8.

19

20 **Q. WERE YOU INVOLVED IN THE PREPARATION OF THE TAX-RELATED**
21 **INFORMATION SUBMITTED IN THIS PROCEEDING?**

22 A. Yes. I participated in the preparation and review of the information along with members of
23 the Company’s tax department.

1 **Q. WHAT SCHEDULE SETS FORTH THE COMPANY’S CALCULATION OF ITS**
2 **INCOME TAX EXPENSE?**

3 A. **Exhibit 7** includes all filing requirements related to income taxes. Specifically, **Exhibit 7,**
4 **Schedule 8** sets forth the calculation of income tax expense.

5
6 **Q. PLEASE EXPLAIN HOW THESE SCHEDULES WERE PREPARED IN LIGHT**
7 **OF THE SEPARATE DIVISIONS.**

8 A. All the tax schedules were prepared individually for the Peoples Natural Gas (“PNG
9 division”) and Peoples Gas Divisions (“PG division”), as well as on a combined basis.

10

11 THE COMPANY’S CALCULATION OF FEDERAL AND STATE INCOME TAX

12 **Q. PLEASE EXPLAIN THE BASIS FOR THE FEDERAL AND STATE INCOME**
13 **TAX COMPUTATIONS SET FORTH IN EXHIBIT 7, SCHEDULE 8.**

14 A. Schedule 8 of Exhibits No. 7 contain four income tax expense computations: one for the
15 historic test year at base rates then in effect (which are the same as current base rates), one
16 for the future test year at current base rates, one for the FPFTY at current base rates and one
17 for the FPFTY at the rates proposed by the Company. All four of the computations employ
18 the same methodology but, since it is the level of income tax expense applicable to the
19 FPFTY at proposed rates that is of greatest relevance in this case, I will describe that
20 computation (columns G and I). First, the schedule shows the computation of current state
21 and federal income tax expense – that is, the income tax that would be paid with respect to
22 operations during the year assuming the projected levels of income and expense are
23 achieved. The second part is the computation of deferred federal and state tax expense. The

1 two components, when combined, equal the Company's total income tax expense to be
2 recovered in proposed base rates.

3
4 **Q. PLEASE DESCRIBE THE CALCULATION OF CURRENT INCOME TAX**
5 **EXPENSE.**

6 A. I will describe the calculation of income tax expense for the combined entities fully
7 forecasted test year at proposed rates, noting that each of the other tax expense calculations
8 operates in essentially the same fashion. The purpose of this calculation is to derive income
9 tax expense attributable to the Company's regulated gas operations. The calculation starts
10 on line 1 with Operating Income before Taxes and Interest ("OIBTI"). The calculation of
11 current income tax expense begins with pre-tax income (operating income before income
12 taxes and before interest expense). OIBTI, derived from **Exhibit 2, Schedule 4**, reflects
13 the items of income and expense for the provision of natural gas service. There are
14 adjustments made to OIBIT that are the same for both federal and state income tax
15 purposes. These are interest expense, meals and entertainment, tax repairs, Sec 263A
16 capitalized interest, contributions in aid of construction, cost of removal, UNICAP 263A
17 inventory and book depreciation.

18 Interest expense (line 2) is not reflected in pre-tax income but is deductible for both federal
19 and state income tax purposes. Consequently, an adjustment must be made. The interest
20 deduction, calculated at **Exhibit 2, Schedule 4**, is the product of multiplying Peoples
21 weighted overall cost of debt by its regulated rate base for the same period. This calculation
22 "synchronizes" the tax deduction with the rate base supported by the underlying debt and
23 is consistent with the approach used in previous rate proceedings. Meals & entertainment

1 expense (line 4) is a permanent difference addback. Under federal tax law, most of the
2 Company's meals and entertainment expenditures that are expensed for book purposes are
3 not deductible for tax purposes. Thus, an adjustment is necessary to increase taxable
4 income.

5 The tax repair deduction (line 7) is the deduction that the Company projects it will
6 claim during the test year for both federal and state income tax purposes. Tax repairs book
7 depreciation (line 8) is comprised of the book depreciation reversal on the 481(a) deduction
8 taken in 2020 for the repair method change, as well as the book depreciation reversal on
9 the current and on-going deductions taken since the tax accounting method change. The
10 nature of the tax repair deduction is described later in my testimony.

11 Other property differences flow through (line 9) is comprised of an addback for the
12 reversal of like kind exchange benefits that are now reversing through book depreciation
13 over the life of the property.

14 Sec 263A interest (line 12) is an addback for the differences in the methodology for
15 capitalizing construction period interest under the IRS rules.

16 Contributions in aid of construction (line 13) is an addback for customer payments
17 towards the construction of facilities that are not income for book purposes but are taxable
18 to the Company. Assets depreciated for book purposes have a cost basis net of CIAC,
19 whereas for tax purposes, the basis is not reduced for CIAC. In subsequent years, this basis
20 difference yields a tax depreciation deduction which is greater than the deduction for book
21 purposes.

1 Cost of removal (line 14) is a deduction for tax purposes when incurred. Under
2 Pennsylvania regulatory accounting principles, these costs are amortized over the five-year
3 period subsequent to the year in which the cost is incurred.

4 Property basis differences, other (line 15) is an adjustment for the differences in
5 book and tax depreciation on equipment and vehicles required to be capitalized when assets
6 are self-constructed.

7 UNICAP 263A inventory (line 16) is a deduction for the differences in overhead
8 costs capitalized to inventory for tax purposes under the IRS rules. These differences
9 reverse as gas is withdrawn from storage.

10 Book depreciation is added back to both the federal and state computation (line 11)
11 and tax depreciation is then deducted for both state and federal income tax purposes (line
12 11).

13
14 **Q. WHAT DEPRECIABLE LIVES AND DEPRECIATION METHODS DOES THE**
15 **COMPANY USE FOR FEDERAL INCOME TAX PURPOSES?**

16 A. The Company uses the following depreciable lives and depreciation methods for tax
17 purposes:

18 Utility Property Vintages

19 1969 and prior 50 years (1) Straight-Line

20 1970 50 years (1) Double Declining Balance Switching to Straight-Line

21 1971 to 1980 40 years (2) Double Declining Balance Switching to Straight-Line

22 1981 to 1986 15 years Accelerated Cost Recovery System (ACRS)

1 1987 to June, 1996 20 years Modified Accelerated Cost Recovery System
2 (MACRS)

3 June, 1996 and subsequent 25 years Straight-Line

4 Tax Exempt Financed Property 50 years Straight-Line

5 Buildings

6 1970 and prior 45 years (1) Straight-Line

7 1971 to 1980 45 years (2) Straight-Line

8 1981 to 1984 (portion) 15 years ACRS

9 1984 (portion) to 1985 18 years ACRS

10 1986 19 years ACRS

11 1987 and subsequent 31 1/2 years Straight-Line

12 Office Equipment

13 1970 and prior 10 years (1) Straight-Line

14 1971 to 1980 8 years (2) Double Declining Balance

15 1981 to 1986 5 years ACRS

16 1987 and subsequent 7 years MACRS

17 Qualified Technological Equipment

18 1987 and subsequent 5 years MACRS

19 (1) Guideline Lives

20 (2) Lives under Asset Depreciation Range (ADR)

21

22 **Q. WHY DO THE FEDERAL AND STATE TAX DEPRECIATION AMOUNTS**
23 **DIFFER FROM ONE ANOTHER?**

1 A. Under Pennsylvania law, the method of depreciation for state income tax does not always
2 conform to the method utilized for federal income tax. The difference between the two
3 methods results in an adjustment to derive state taxable income. This is reflected in the PA
4 depreciation adjustment (line 20).

5
6 **Q. IS THERE ANOTHER ADJUSTMENT NECESSARY TO DERIVE STATE**
7 **TAXABLE INCOME?**

8 A. Yes. In past years, the Peoples Natural Gas and Peoples Gas Division’s regulated
9 operations have produced tax net operating losses (“NOLs”) for Pennsylvania income tax
10 purposes. As of September 30, 2025, the Company projects that it will have a state net
11 operating loss carryforward (“NOLC”) of over \$2 billion. Under Pennsylvania law, this
12 NOLC can offset state taxable income, subject to both taxable income and time limitations.
13 Pennsylvania law limits the NOLC offset to a percentage of the state taxable income
14 produced. This limit was 35% in 2018 and 2019 and increased to 40% in 2020 and
15 thereafter. There is no utilization of these NOLCs reflected in the FPFTY due to the level
16 of tax deductions. The state NOLC is increasing into the FPFTY.

17
18 **Q. ARE THERE ANY OTHER ADJUSTMENTS?**

19 A. Just one. Since state income taxes are deductible for federal purposes, once the current state
20 income tax liability is computed (column I, lines 24 & 25) by multiplying state taxable
21 income (column I, line 23) by the state income tax rate, that amount is deducted to derive
22 federal taxable income. Federal taxable income is then multiplied by the 21% federal
23 income tax rate.

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Q. WHAT IS THE TOTAL CURRENT INCOME TAX PROVISION?

A. Total current federal income tax expense for the FPFTY at proposed rates is projected to be \$0 for both current federal and state income tax expense in the FPFTY. As previously stated, the level of current and projected tax deductions results in net operating losses for both federal and state taxable income. When a company is in a net operating loss there are no current taxes payable.

Q. PLEASE EXPLAIN THE DEFERRED INCOME TAX COMPONENT OF THE COMPANY’S TOTAL INCOME TAX EXPENSE.

A. Pennsylvania regulatory policy is, generally, to charge customers a level of tax expense equal to the taxes the utility expects to pay currently. This is referred to as “flow through” tax accounting. However, there are exceptions to this policy – particularly as it relates to the Federal tax benefits of accelerated depreciation (which is subject to the tax normalization rules). Further, in the Company’s case, because of the settlement of the Petition for Accounting and Regulatory Approvals and Approval of Related Tariff Surcredits Associated with Tax Repair Election Docket No. P-2020-3021191 (the “TRS”) for the Peoples Natural Gas division, there is also an exception for the Section 481(a) adjustment relating to the tax repairs change in accounting method, which I discuss later in this testimony. As to the Section 481(a) adjustment (the so-called “catch-up” adjustment), the Company agreed to amortize the tax effect of that deduction in the manner set forth in the settlement of the TRS, as I explain later in my testimony. As to accelerated depreciation related to property subject to the normalization requirement, the Company records deferred

1 taxes. The provision of deferred income taxes is the accounting and ratemaking mechanism
2 that implements the normalization requirement the Internal Revenue Code imposes as a
3 condition for using the liberalized depreciation methodologies allowed for income tax
4 purposes. The normalization requirement does not permit the tax benefit of tax depreciation
5 in excess of book depreciation to be flowed through to customers as a tax deduction in the
6 year(s) those deductions occur. Instead, the tax effects of those amounts are recorded as
7 deferred taxes. These taxes are deferred, not eliminated; the taxes that are deferred will be
8 paid to the government later in the life of the depreciable asset when the relationship
9 between book and tax depreciation reverses. To recognize the fact that deferred taxes are a
10 source of capital to the Company that does not have an attendant capital cost, accumulated
11 deferred income taxes are deducted from rate base for ratemaking purposes. The
12 Company's deferred tax expense in this case also includes the flow-through of excess
13 accumulated deferred income taxes ("ADIT"), as described later in my testimony.

14
15 **Q. PLEASE EXPLAIN THE PROVISION OF DEFERRED INCOME TAX EXPENSE**
16 **FOR ACCELERATED DEPRECIATION.**

17 A. As I introduced earlier, deferred income tax expense arises from the normalization
18 requirement imposed by the Internal Revenue Code and reflects the difference between tax
19 depreciation and book depreciation for post-1969 utility property. Tax depreciation is
20 calculated by multiplying the tax basis of assets by the applicable depreciation rates used
21 for income tax purposes. The applicable depreciation rates are a function of the depreciable
22 lives and depreciation methods that I previously described for each relevant vintage of the
23 Company's property. Because depreciable lives and methods differ based on the year plant

1 was placed in service, the difference between tax and book depreciation and the associated
2 tax effect differs depending on the vintage year of the property involved. For assets
3 acquired prior to 1970, there are no deferred taxes because this property was not subject to
4 a normalization requirement. In total, the difference between tax depreciation and book
5 depreciation (Exhibit No. 7, Schedule 8, Attachment 2, line 3) when multiplied by the 21%
6 federal income tax rate is \$7,140,430 for the HTY.

7
8 **Q. DOES THE COMPANY RECORD DEFERRED STATE INCOME TAX EXPENSE**
9 **RELATED TO ITS USE OF ACCELERATED DEPRECIATION?**

10 A. No, on property related differences it does not. The federal tax normalization rules only
11 apply to the federal income tax. The only deferred state income taxes recorded are for the
12 temporary differences related to UNICAP 263A Inventory and Line Pack Gas. These
13 differences are treated as normalized for state income taxes and the related state deferred
14 taxes are included in rate base because the underlying assets giving rise to the temporary
15 differences are included in rate base.

16
17 **Q. PLEASE EXPLAIN THE EFFECT OF PROVIDING THE FINANCIAL**
18 **STATEMENT TAX BENEFIT OF THE CATCH-UP ADJUSTMENT TO**
19 **CUSTOMERS, ON THE COMPANY'S DEFERRED INCOME TAX EXPENSE.**

20 A. The tax benefit derived from the catch-up adjustment calculated when the Company
21 changed its accounting method for its PNG division, is providing a rate reduction to
22 customers through a sur-credit on customer bills. The sur-credit is being provided over a
23 five-year period which is in accordance with the terms of the TRS for the PNG division.

1 Due to the differences in depreciation methods under Pennsylvania state law, as discussed
2 earlier in my testimony, the Company had a higher tax basis for state purposes to which
3 the Section 481(a) calculation was applied. The state 481(a) adjustment included in the sur-
4 credit calculation is \$407.2M, while the Federal deduction is \$390.9M. The total benefit
5 that will be provided to customers over the five-year period was calculated based on the
6 respective basis and rate, which is the Pennsylvania basis at the Pennsylvania rate net of
7 Federal benefit or 7.89%; and the Federal basis at the Federal rate of 21%. As the sur-credit
8 is provided, the Regulatory Liability that accounts for the benefit to be returned, amortizes
9 to and reduces the Company's deferred income tax expense. This reduction is \$22,847,694
10 as reflected in column A, on line 39 of Exhibit 7, Schedule 8, for the HTY. The level of a
11 is amortization included in the FPFTY is \$20,947,437. Please refer to the Direct Testimony
12 of Witness Andrew Wachter for further discussion of returning the tax benefit to customers
13 of the Section 481(a) amortization in rates. I will discuss the tax implications later in my
14 testimony.

15
16 **Q. PLEASE EXPLAIN THE IMPACT OF THE EXCESS ADIT ON THE**
17 **COMPANY'S DEFERRED INCOME TAX EXPENSE.**

18 A. The Company's deferred tax expense is reduced by the flow-back to customers of a portion
19 of the excess ADIT resulting from the reduction in federal tax rate from 35% to 21%
20 resulting from the Tax Cuts and Jobs Act of 2017 ("TCJA") tax rate reduction. As proposed
21 and accepted in the Company's prior rate filing, Docket No. R-2018-3006818, the flow-
22 back of ADIT resulting from accelerated depreciation ("protected ADIT") is computed

1 using the Average Rate Assumption Method (“ARAM”) and is \$1,757,485, as shown in
2 column A, on line 37, of Schedule 8 of Exhibit No. 7 for the HTY.

3
4 **Q. HOW ARE NOLCS REFLECTED IN DERIVING TAX EXPENSE?**

5 A. The federal NOLC is estimated to increase to over \$1.1 billion by the FPFTY. Similar to
6 the state NOLC this is due to the increasing level of tax deductions greater than book
7 income. The creation and utilization of federal NOLs does not impact the overall federal
8 income tax expense because deferral of the benefits of the federal NOL are recorded to
9 deferred income tax expense. State NOLCs utilized offset 40% of the current year taxable
10 income. The creation and utilization of the state NOLs either decrease the overall state
11 income tax expense (in the event of state NOLC utilization) or increase the overall state
12 income tax expense (in the event of state NOLC creation) because the tax consequences of
13 the creation and utilization of the state NOLC are not reflected in deferred income tax
14 expense. This flow through tax accounting is consistent with Pennsylvania regulatory
15 policy and the Company’s treatment of not recording deferred state income tax expense on
16 property related differences.

17
18 **Q. WHAT IS THE COMPANY’S TOTAL PROJECTED DEFERRED INCOME TAX**
19 **EXPENSE?**

20 A. The total amount of these various components constitutes the Company’s anticipated
21 federal deferred tax expense of (\$59,276,678) for the FPFTY at proposed rates as set forth
22 on Schedule 8 of Exhibit Nos. 7. The corresponding state amount is (\$18,714).

1 **Q. WHAT IS THE COMPANY'S TOTAL PROJECTED INCOME TAX EXPENSE?**

2 A. The Company projects total federal income tax expense of (\$59,276,678), and state income
3 tax expense of (\$18,714). The reason for the large negative total federal income tax expense
4 (benefit) is that the federal tax benefit of the tax repairs deduction is being flowed through
5 to customers in this case. I will explain the consequences of this treatment later in my
6 testimony.

7

8 THE COMPANY'S CALCULATION OF TAX BALANCES IN RATE BASE

9 **Q. HOW IS THE ADIT SET FORTH IN THE COMPANY'S RATE BASE**
10 **CALCULATION DERIVED?**

11 A. The ADIT for the rate base calculation, as shown on Schedule 8, Attachment 2 of Exhibit
12 8, is calculated by including the normalized deferred taxes and the unamortized excess
13 ADIT related to the 35% to 21% tax rate reduction resulting from the tax law changes made
14 in 2017 under the TCJA at the end of the FPFTY. This amount is \$47,366,959 for the
15 combined divisions (Schedule 8, Attachment 2 of Exhibit 7 lines 31-38 and lines 47-48).

16

17 **Q. WHY IS THE ADIT REFLECTED AS AN INCREASE TO RATE BASE IN THIS**
18 **CASE?**

19 A. Typically, ADIT in rate base is a large deferred tax liability due to the property related
20 book vs tax differences that are normalized for federal income taxes resulting in a decrease
21 to rate base, however, as a result of using different depreciable lives and methods to
22 depreciate property for tax purposes as well as taking tax repairs deductions, the Company
23 has experienced net taxable losses and projects net taxable losses in the FTY and FPFTY.

1 The result is that the Company booked and will continue to book deferred federal income
2 taxes in those years for which the Company has not received any cash for the losses. The
3 Company cannot reflect an increase in deferred taxes for tax depreciation deductions that
4 have not been realized. To do so would violate the principles of the Normalization
5 requirements under the Internal Revenue Code. Past IRS rulings addressing this issue have
6 made it clear that companies cannot reduce rate base for benefits that have not been
7 realized. Therefore, included as an increase to rate base is a deferred tax asset in the amount
8 of \$246,494,052 (line 38) which represents the remaining balance of un-utilized federal net
9 operating loss. As a consequence of the flow through treatment of the tax repairs deduction,
10 the federal deferred tax liability for the amount owed to the IRS for the future reversal of
11 the tax repairs deduction through book depreciation expense is adjusted out of rate base
12 (line 44) since customers are receiving the tax benefit through cost of service. Had the tax
13 benefit of the tax repairs deduction not been flowed through in cost of service, the deferred
14 tax liability would be included in rate base resulting in a significant reduction to rate base.
15 This results in a net increase to rate base for ADIT as shown on lines 59 and 60 of Schedule
16 8, Attachment 2 of Exhibit 7. I discuss the inclusion of state deferred taxes later in my
17 testimony.

18
19 **Q. HOW ARE EXCESS DEFERRED TAXES REFLECTED IN RATE BASE?**

20 A. The property related ADIT on lines 31-35 are at the 21% statutory rate, then the excess
21 ADIT resulting from the TCJA rate reduction is recorded in the regulatory liability for
22 excess ADIT (line 61) in the amount of (\$90,495,350) and included as a reduction to rate
23 base. This balance represents the remaining amount, after tax gross-up, due to customers

1 for the collection of taxes from customers at higher federal rates for book vs tax differences
2 that will reverse at the current 21% rate in the future. The regulatory liability balance
3 includes the gross-up for taxes, therefore, also included in rate base are the associated
4 deferred tax assets that represent the tax gross-up of the regulatory liability on lines 39 and
5 51.

6
7 **Q. ARE THERE ANY OTHER ADJUSTMENTS TO ADIT INCLUDED IN RATE**
8 **BASE?**

9 A. Yes, there is. On Exhibit 7, Schedule 8, Attachment 5, the Company has calculated a
10 projected test period normalization adjustment. Whenever there are estimated changes in
11 the deferred taxes that occur in a future rate period, the Normalization requirements of the
12 Internal Revenue Code require that the deferred taxes be reflected on a pro rata basis as
13 provided under Reg. Section 1.167(I)-1(h)(6)(ii). A future test period is defined as that
14 portion of the test period after the effective date of the rate order. Under the pro rata basis,
15 the change in the deferred taxes is determined by multiplying the change by a fraction of
16 the number of days remaining in the period at the time such change is to be accrued over
17 the total number of days in the future period. Applying this calculation results in an increase
18 to deferred taxes (decrease to rate base) of \$18,247,276 as shown on Exhibit 7, Schedule
19 8, Attachment 5, line 20.

20 Also, on Exhibit 7, Schedule 8, Attachment 2, the Company has included the deferred tax
21 asset for the PA rate change (line 55) in the amount of \$65,863,679 with offsets in the
22 federal impact of the PA rate change and Regulatory Liability PA rate change (lines 43 &
23 65).

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Q. WHY IS THERE A DEFERRED TAX ASSET FOR THE STATE NOLC REFLECTED IN RATE BASE IN THIS CASE?

A. On line 50 there is a deferred tax asset for the State NOLC generated based on the level of regulated operations and tax deductions through the FPFTY. This does not include the historical tax repairs (481(a) tax repairs and tax repairs deductions prior to the HTY). The State NOL ADIT is shown as an increase to rate base, however the Regulatory Liability-State NOLC flow through (line 64) and the tax gross-ups on the Regulatory Liability-State NOLC flow through (lines 41 and 53) have also been included and when all combined net to zero because the State NOLC creation did not result in any deferred tax expense being reflected in rates through cost of service. The zero rate base increase for the State NOLC ADIT is a consequence of the zero current state tax expense in cost of service due to the flow through of the State NOLC generated.

There is another deferred tax asset for the State NOLC on line 49. This amount represents the State NOLC generated by the 481(a) tax repairs deduction and is thus referred to as State NOL Historical Tax Repairs. It is included in rate base because the Regulatory Liability for the 481(a) Tax Repairs has been included as a reduction to rate base on line 66. Since the Regulatory Liability is grossed-up for taxes, the deferred taxes representing the tax gross-up (lines 42 and 54) have also been included in rate base. Even though the Company has not been able to monetize the State NOLC created by the 481(a) tax repairs deduction, Peoples Natural Gas division has been providing the tax benefits to customers through the TRS at the tax rate before phase down of 9.99%. The state tax rate phase down and the carryforward limitations on the State NOLC present a risk that the Company is

1 likely to provide tax benefits to customers that more likely than not will never be monetized
2 through future state income tax deductions. This results in the need for protections that the
3 Company can recover amounts over refunded to customers if the calculation of income tax
4 expense in this rate case is approved and a valuation allowance on the State NOLC is
5 required, as I will discuss in the next section of my testimony.

6
7 STATE NOLC AND VALUATION ALLOWANCE

8 **Q. WHAT IS A VALUATION ALLOWANCE?**

9 A. Under ASC 740, companies must value deferred tax assets, including net operating loss
10 carryforwards, at the amount to be realized. A valuation allowance is a reserve that is used
11 to offset the amount of a deferred tax asset, such as the deferred tax asset on a net operating
12 loss, that could not be monetized due to insufficient taxable income or other limitations.
13 The amount of the allowance is based on that portion of the tax asset for which it is more
14 likely than not that a tax benefit will not be realized by the reporting entity.

15
16 **Q. HOW IS A VALUATION ALLOWANCE DETERMINED?**

17 A. The Company projects its taxable income for future periods. The projections include
18 estimates of capital spending, revenues, depreciation expense, operating expenses and
19 other items impacting income before taxes and taxable income. The Company then
20 estimates the amount of net operating loss carryforward that will be utilized, if any, in each
21 future period. Based on this analysis, the Company projects that the state NOLC may not
22 be fully utilized by the end of the state's 20-year NOL carryforward limitation. In the case
23 of Pennsylvania, this is largely affected by the 40% taxable income limitation on the

1 utilization of the PA NOLC each year as well as the carryforward period limitation.

2
3 **Q. IN THE EVENT THE STATE NOLC CANNOT BE FULLY UTILIZED WHAT**
4 **IMPACTS DOES THAT HAVE?**

5 A. As discussed earlier in my testimony, the Company has been refunding to customers the
6 tax benefit of the deduction for the tax repairs catch up adjustment through the TRS even
7 though the Company has not yet been able to monetize the tax benefits (i.e. the Company
8 has not been paying state income taxes nor has it been able to reduce the amount of cash it
9 has to pay for state taxes). A substantial portion of the state NOLC was generated by the
10 catch-up adjustment being refunded to customers by means of the TRS. The result could
11 be that the Company has refunded to customers more than it will eventually recognize in
12 actual state tax benefits.

13
14 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE AMOUNTS**
15 **REFUNDED TO CUSTOMERS THAT ARE NOT REALIZED DUE TO THE**
16 **STATE NOLC LIMITATIONS?**

17 A. In the event the Company has returned to customers state tax benefits that it cannot
18 monetize, the Company is requesting approval of protections that the Company will be able
19 to recover these amounts from customers. The Company is proposing the following: To
20 the extent that the benefit of the Company's state NOLC is affected by: (i) any disallowance
21 due to the 40% taxable income and the 20 year carryforward limitation; (ii) any subsequent
22 disallowance by a future IRS audit; (iii) any changes in tax rate; or (iv) any change in rules
23 or guidance that require a change to the originating amount of the NOL, the Company is

1 requesting permission to defer those impacts for future recovery from customers.

2
3 THE IMPACT OF THE CONSOLIDATED TAX ADJUSTMENT (“CTA”)

4
5 **Q. HAS THE COMPANY CALCULATED A CONSOLIDATED TAX ADJUSTMENT**
6 **(“CTA”)?**

7 A. Yes, but not for the purpose of flowing through as a ratemaking deduction to federal income
8 tax expense. In 2016, Act 40 was passed which eliminated the consolidated tax savings
9 adjustment. With the passage of Act 40, a utility’s tax expense for regulatory purposes is
10 calculated on a stand-alone basis and is not subsidized by its affiliates. Act 40 has been
11 codified as Section 1301.1 of the Public Utility Code. Section 1301.1 (a) clearly and
12 unambiguously states:

13 *“If an expense or investment is not allowed to be included in a public utility's rates, the*
14 *related income tax deductions and credits, including tax losses of the public utility's*
15 *parent or affiliated companies, shall not be included in the computation of income tax*
16 *expense to reduce rates. The deferred income taxes used to determine the rate base of*
17 *a public utility for ratemaking purposes shall be based solely on the tax deductions and*
18 *credits received by the public utility and shall not include any deductions or credits*
19 *generated by the expenses or investments of a public utility's parent or any affiliated*
20 *entity.”*

21 Section 1301.1(b) requires a public utility seeking to change rates to demonstrate that it
22 uses at least 50 percent of what would have been a consolidated tax expense adjustment
23 under the law prior to Act 40 for reliability or infrastructure related capital investment and

1 the other 50 percent may be used for general corporate purposes. Included at **Exhibit 7,**
2 **Schedule 3** is the calculation of such an adjustment using the modified effective tax rate
3 methodology traditionally used by the Commission prior to the enactment of Act 40.
4 **Exhibit 7, Schedule 3** calculated the former consolidated tax adjustment to be \$0 for both
5 divisions combined. For the fully projected future test year, pipe replacement spending
6 under the Long-Term Infrastructure Improvement Program (“LTIIIP”) program will be
7 \$508 million. Section 1301.1(b) requires that \$36.7 million (50% of \$73 million
8 consolidated tax adjustment) to be spent on infrastructure replacement. For the fully
9 projected future test year, the Company will spend fourteen times the amount required
10 under Section 1301.1(b) on infrastructure related capital investment. Since the company
11 has and will spend far more than the 50% (369.7 million) of the former CTA on
12 replacement of its plant under the LTIIIP, the remaining 50% is available for any
13 permissible corporate purpose. Therefore, Peoples has satisfied the Section 1301.1(b)
14 requirements.

15
16 THE COMPANY’S TREATMENT OF PAST AND FUTURE REPAIRS DEDUCTIONS
17 FOR RATEMAKING PURPOSES IN THIS CASE

18 **Q. PLEASE BEGIN BY EXPLAINING WHAT QUALIFIES AS A REPAIR FOR TAX**
19 **PURPOSES.**

20 A. Work performed on an asset to keep it in its normal working condition which does not
21 materially extend its life, increase its value or change its use generally qualifies as a repair
22 for tax purposes.

23

1 **Q. WHAT IS THE USUAL TAX TREATMENT OF REPAIR COSTS?**

2 A. Expenditures for incidental repairs are deductible as incurred for tax purposes.

3

4 **Q. WHAT IS A UNIT OF PROPERTY?**

5 A. The unit of property is the asset to which the “repair” test is applied. The concept is,
6 therefore, critical for distinguishing between repairs (which are currently deductible) and
7 capital costs (which are depreciated). A simple illustration will make this clear. Take the
8 changing of a truck's spark plugs. If each spark plug is defined as a separate unit of
9 property, then the changing of 6 spark plugs represents the retirement of 6 units of property
10 and the installation of 6 new units of property. Because the removal of a unit of property
11 does not, by definition, keep that unit in its normal operating condition, the installation of
12 a new unit of property is a capital cost and not a repair. Consequently, the installation of
13 each spark plug would be a capital addition that would be depreciated over the tax life of
14 the asset. By contrast, if the truck was defined as the unit of property, then the changing of
15 spark plugs would not constitute the installation of new units of property. Because a tune-
16 up (of which the spark plug replacements are a part) keeps the truck in its normal operating
17 condition, it would meet the definition of a repair and, as such, be fully deductible when
18 the repair occurs. Thus, the same work can produce radically different tax results depending
19 on the definition of a unit of property.

20

21 **Q. WHAT DOES THIS EXAMPLE ILLUSTRATE ABOUT UNITS OF PROPERTY?**

22 A. It demonstrates the fundamental characteristic that the larger the unit of property, the more
23 likely it is that projects associated with that asset will qualify as deductible repairs.

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Q. ARE THERE SPECIFIC RULES THAT GOVERN HOW TAXPAYERS MUST DEFINE THEIR UNITS OF PROPERTY?

A. The current Treasury Regulations provide several helpful definitions and examples. However, with respect to network assets such as gas and oil pipelines, electric lines, railroad track and water and wastewater systems, the regulations are singularly unhelpful. In this regard, they state:

(B) Unit of property for network assets. In the case of network assets, the unit of property is determined by the taxpayer's particular facts and circumstances except as otherwise provided in published guidance in the federal register or in the Internal Revenue Bulletin (see §601.601(d)(2)(ii)(b) of this chapter). For these purposes, the functional interdependence standard provided in paragraph (e)(3)(i) of this section is not determinative.

Treasury Regulations §1.263-3(e)(3)(iii)(B).

Q. HAS THE IRS ISSUED ANY PUBLISHED GUIDANCE WITH RESPECT TO NETWORK ASSETS?

A. Yes, it has for certain types of network assets in the past – and just recently this year the Gas Safe Harbor rules under Rev. Proc. 2023-15 for Gas Transmission and Distribution were published on April 14, 2023.

1 **Q. IN THE PAST WHAT UNITS OF PROPERTY DID THE COMPANY USE FOR**
2 **DETERMINING WHETHER A PARTICULAR COST WAS A REPAIR OR A**
3 **CAPITAL EXPENDITURE?**

4 A. Prior to 2020, the Company and the now-merged Peoples Gas Company used the same
5 units of property for tax purposes that they used for book purposes. That is, the Company
6 followed its books in determining what expenditures were and were not repairs for tax
7 purposes.

8
9 **Q. WHAT CAUSED THE COMPANY TO CHANGE ITS UNITS OF PROPERTY FOR**
10 **TAX PURPOSES?**

11 A. In 2006, the Internal Revenue Service ("IRS") issued proposed regulations in which, for
12 the first time, it addressed the determination of a unit of property in a systematic way. In
13 2008, it withdrew these proposed regulations and issued a revised version. While these
14 revised proposed regulations provided principles and helpful examples for many types of
15 assets, with respect to network assets they said nothing. The preamble to these proposed
16 regulations contained the following statement:

17 The IRS and Treasury Department generally think that the unit of property
18 rules for network assets should be addressed on an industry by industry
19 basis in internal revenue bulletin guidance. Industries are invited to submit
20 requests for guidance under the industry issue resolution (IIR) program after
21 these regulations are finalized.
22

23 This invitation indicated that the final determination of units of property for network assets
24 had to be negotiated for each industry group interested in pursuing a common definition
25 for that industry.
26

1 **Q. WAS THERE A TAX RULE THAT CREATES A PARTICULAR PROBLEM FOR**
2 **LINEAR UNITS OF PROPERTY?**

3 A. Yes, there was. One historical tax rule has been that the replacement of a material portion
4 of a linear unit of property is a capital expenditure — not a repair. When a taxpayer uses
5 large units of property, this requires that one must be able to draw a line that divides a
6 material replacement from a non-material replacement. The dividing line is a percentage
7 of the unit of property. Unfortunately, prior to 2023, there was no specific percentage that
8 the IRS has identified as being acceptable. It could have been 5% or 10% or 20% or some
9 other percentage. Thus, even were the units of property certain, the identification of repairs
10 remained uncertain.

11
12 **Q. PLEASE DESCRIBE THE COMPANY’S CHANGE IN ITS TREATMENT OF**
13 **REPAIRS.**

14 A. Subsequent to the Company’s last base rate case, on March 31, 2020, effective for the tax
15 year ended December 31, 2020, but prior to the issuance of the Gas Safe Harbor rules,
16 Peoples Natural Gas made an election to define its units of property under the Internal
17 Revenue Service’s (“IRS”) tangible property regulations, which allows the Company to
18 prospectively deduct, as an operating expense on its income tax returns, the costs of certain
19 asset improvements that otherwise would be capitalized and depreciated for income tax
20 purposes (the “tax repair election”). As a result of making the tax repair election, the
21 Company also is required to calculate a one-time “catch-up deduction” that involves a
22 restatement of the Company’s tax books and records to conform to what they would have
23 looked like if the new method had always been used. The effect of the catch-up deduction

1 was an additional tax deduction of approximately \$425million, which was claimed as a
2 deduction on the Peoples Natural Gas division’s 2020 Federal and State income tax returns
3 (the estimated deduction was \$380.7 million when the tariff sur-credit was filed for) and
4 the Peoples Gas division’s 2021 Federal and State income tax returns. The Company is
5 currently in a Net Operating Loss (“NOL”) position, which prevents it from currently
6 receiving the cash benefit of the catch-up deduction.

7
8 **Q. HOW WAS THE CHANGE IN ACCOUNTING METHOD RECORDED ON THE**
9 **COMPANY’S FEDERAL INCOME TAX RETURNS?**

10 A. The change had two components and thus the treatment in rates has been different for each
11 of the divisions. First, all costs incurred in 2020 for PNG and 2021 for PG that qualified as
12 repairs under the Company’s new accounting method (that is, its use of defined units of
13 property) were deducted. This enhanced deduction will continue each year into the future.
14 The second component is referred to as a “Section 481(a)” adjustment or catch-up
15 adjustment. It is a “one time” deduction. When a taxpayer changes a tax accounting
16 method, its tax books and records are essentially restated to conform to what they would
17 have looked like had the taxpayer always used its new method. The Company restated the
18 tax basis of its assets as if it had always deducted those projects that would have been
19 repairs had its new unit of property definition been in use for the 481(a) years. 15 years is
20 the furthest back the Company could go to determine the 481(a) catch-up adjustment since
21 the tax life of gas distribution assets is 15 years. The 481(a) period selected was from 2012
22 to 3/15/2020 for the Peoples Natural Gas division with the deduction being taken on the
23 2020 return and 2013 to 2020 for the Peoples Gas division with the deduction being taken

1 on the 2021 return. For each of those years they needed to go back and determine in each
2 year what projects it capitalized that would have qualified as repairs under its new unit of
3 property definition. However, since the costs of those projects had, in fact, been capitalized
4 and depreciated for tax purposes, the cumulative incremental repair amount must be
5 reduced by the tax depreciation already claimed to arrive at a net amount by which the tax
6 basis of the distribution assets will be reduced. Because reducing the tax basis will deprive
7 the utility of ever claiming a deduction for the costs reflected in this basis reduction, the
8 tax rules allow the company to claim the entire amount as a deduction in the year in which
9 the change is made. The Section 481(a) adjustment is, in reality, a "catch-up" adjustment.

10
11 **Q. HOW DOES ALL OF THIS BACKGROUND RELATE TO THE TREATMENT OF**
12 **REPAIRS IN THIS CASE?**

13 A. I will first explain the treatment of repairs for the Peoples Natural Gas division, and later
14 explain the treatment of repairs for the Peoples Gas Division. For Peoples Natural Gas the
15 treatment of the 481(a) adjustment, the ongoing current and going-forward benefits were
16 all handled in the TRS proceeding. The TRS proceeding (Docket No. P-2020-3021191)
17 was resolved by a settlement. During the pendency of the case, the Company had an
18 accounting method change on file with the IRS's National Office but the calculation of the
19 481(a) adjustment was not finalized at the time. Although the actual amount with respect
20 to the Peoples Natural Gas division, which is now known at \$390.9 million was not fixed
21 at the time the settlement was reached, the parties decided to lay out the terms and
22 conditions for any eventual change in the settlement agreement. The Joint Petition for
23 Settlement, which was approved by the Commission, stated, in pertinent part:

1 **(a) Treatment Of the Catch-Up Deduction.** Peoples Natural Gas’s proposed
2 treatment of the approximately \$380.7 Million catch-up deduction associated with
3 its tax repairs election is modified as follows. The actual amount of the catch-up
4 deduction will be based upon the amount reported on the 2020 tax return as filed:

5 (i) One hundred percent (100%) of the benefit from the approximately \$380.7
6 Million catch-up deduction will be used to provide a sur-credit to customers. The
7 sur-credit is designed to provide a rate reduction of approximately \$27.845 Million
8 per year over five years, beginning within 90 days after an Order is issued in this
9 proceeding.

10 (ii) The Rider Tax Repair Sur-credit (“Rider TRS”) will be credited to customers’
11 bills by application to both customer charges and base rate delivery charges, and
12 flexible rate customers will not be eligible for the sur-credit, as set forth in attached
13 Appendix A.

14 **(b) Treatment Of the Current and Going-Forward Benefits.** The effects of the
15 current and going forward tax deduction of Peoples Natural Gas’s tax repairs
16 election will continue to flow-through the Company’s financials until the effective
17 date of rates established in the Company’s next base rate case filing.

18 **(c) Revenue Requirement in Next Base Rate Proceeding.** Peoples Natural Gas will
19 reflect the ongoing repair benefit in the Company’s calculation of income tax
20 expense (i.e., reduced effective income tax rate) in its revenue requirement in its
21 next base rate proceeding.

22 **(d) Rate Case Filing.** Peoples Natural Gas affirmatively commits that it will file a
23 base rate proceeding no later than December 31, 2023. As part of that filing, Peoples

1 Natural Gas will propose a tracker mechanism to account for variances between the
2 estimated net tax repair benefit incorporated into the Company's revenue
3 requirement and the actual net tax repair benefit realized on the Company's tax
4 returns on a going-forward basis from the effective date of new base rates, similar
5 to the tracker mechanism adopted in the settlement of the Aqua Pennsylvania, Inc.
6 base rate case at Docket No. R-2018-3003558. A copy of that settlement term is
7 attached as Appendix B hereto for illustrative purposes. The proposed tracker
8 mechanism will require the Company to return or recoup the tax benefits associated
9 with these variances to or from customers in an expeditious manner. This filing
10 commitment is not intended to affect the rights of other parties to this Settlement to
11 oppose any proposals presented by the Company or to offer alternative proposals
12 in that rate case.

13 **I Subsequent Changes to Benefit of Catch-Up Deduction.** To the extent that the
14 benefit of the Company's catch-up deduction is affected by: (i) any subsequent
15 disallowance by a future IRS audit; (ii) any changes in tax rate; or (iii) any change
16 in rules or guidance that require a method change and, therefore, a change of
17 benefit, permission is granted to defer those impacts for future refund or recovery
18 for customers.

19
20 **Q. PLEASE DESCRIBE HOW THE COMPANY TREATED THE TAX**
21 **CONSEQUENCES OF THE ACCOUNTING METHOD CHANGE SINCE THE**
22 **ORDER WAS ENTERED APPROVING THE SETTLEMENT.**

1 A. In accordance with the terms of the settlement with respect to the Section 481(a) adjustment
2 for the Peoples Natural Gas division, the Company commenced flow-through accounting
3 beginning in calendar year 2020. In August of 2021, the Company placed sur-credits on
4 customer bills to begin providing the tax benefit of the 481(a) adjustment claimed on the
5 Company's 2020 tax return. The calculation of the sur-credit was based on the
6 \$390.9million.

7
8 **Q. IS THIS TREATMENT CONSISTENT WITH THE DICTATES OF THE ORDER?**

9 A. Yes, it is.

10

11 **Q. PLEASE EXPLAIN THE TREATMENT OF REPAIRS FOR THE PEOPLES GAS**
12 **DIVISION.**

13 A. The former Peoples Gas Company did not make the tax repair election at the same time as
14 the Peoples Natural Gas Company. Peoples Natural Gas filed an election with its 2021 tax
15 return to adopt a repair methodology consistent with that of the Peoples Natural Gas
16 Division. The Section 481(a) adjustment with respect to the Peoples Gas division assets is
17 \$34 million.

18 The treatment of the 481(a) adjustment, the ongoing current and going-forward benefits
19 for the Peoples Gas division were established in the Joint Petition for Settlement of the
20 merger of Peoples Gas into Peoples Natural Gas, as approved by the Commission Order
21 entered August 25, 2022, at Docket Nos. A-2021-3029831 and A-2021-3029833. As
22 relevant to this proceeding that settlement provided:

1 No refund of the anticipated catch-up benefits associated with Peoples Gas’
2 adoption of Peoples Natural Gas’ tax methodologies will be made in this
3 proceeding. The Company will defer any retroactive (“catch up”) benefits and will
4 address such retrospective catch-up tax benefits achieved between the
5 implementation of the tax change and the next base rate proceeding in the next base
6 rate case proceeding. Regarding the prospective impact, Peoples Natural Gas
7 (which will include the Peoples Gas assets) will account for the prospective impact
8 utilizing flow-through accounting consistent with the recent Peoples Natural Gas
9 repairs tax settlement at Docket No. P-2020-3021191.

10 Consistent with that settlement, the Company has deferred the catch-up benefits for the
11 Peoples Gas division for treatment in this case and has implemented flow-through
12 accounting subsequent to adoption of the repairs method.

13
14 **Q. DOES THE COMPANY PROPOSE TO DISCONTINUE THE TRS AND INCLUDE**
15 **THE REFUND OF THE CATCH-UP ADJUSTMENT IN THE CURRENT CASE?**

16 A. The proposed treatment of the catch-up adjustment is discussed by Witness Andrew
17 Wachter in his Direct Testimony. Pursuant to the terms of the TRS Order, the current and
18 going forward repair benefit is included in the Company’s calculation of income tax
19 expense (i.e., reduced effective income tax rate) in its revenue requirement in this base rate
20 proceeding. The repair benefit included in this case is calculated based on the new Gas
21 Safe Harbor rules.

22
23 **Q. PLEASE EXPLAIN THE NEW GAS SAFE HARBOR RULES.**

1 A. The gas safe harbor, Revenue Procedure 2023-15, is the culmination of years of
2 negotiations between the IRS and the gas industry under the Industry Issue Resolution
3 (IRR). The revenue procedure provides a safe harbor method of accounting that taxpayers
4 may use to determine whether certain expenditures to maintain, repair, replace, or improve
5 natural gas transmission and distribution property must be capitalized as improvements
6 under §263(a) of the Internal Revenue Code (Code) or as the costs of property produced
7 by the taxpayer for use in its trade or business under §263A, or are allowable as deductions
8 under §162. The revenue procedure also provides procedures for taxpayers to obtain
9 automatic consent to change their method of accounting to the safe harbor method of
10 accounting permitted by this revenue procedure. Under the safe harbor method, the unit of
11 property for linear transmission property is 10%. Linear distribution property has no
12 defined unit of property, and the safe harbor allows for projects under 4 miles to be
13 deducted as a repair. The safe harbor method defines units of property and major
14 components of non-linear transmission and distribution property.

15
16 **Q. WILL THE COMPANY CALCULATE A REVISION TO THE CATCH-UP**
17 **ADJUSTMENT PRESENTED IN THE TRS SETTLEMENT AS A RESULT OF**
18 **THE RECENTLY ISSUED GAS SAFE HARBOR RULES?**

19 A. Yes. The Company plans to calculate the differences between the tax repair deduction
20 under the previous methodology compared to what the deduction would have been under
21 the current gas safe harbor rules. Pursuant to subsection (e) of the TRS settlement, quoted
22 previously, this change in IRS guidance which affects the catch-up adjustment will be
23 provided to customers.

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Q. HAS THE COMPANY INCLUDED AN ESTIMATE OF THE TAX IMPACTS OF THE REVISION TO THE CATCH-UP IN THE CURRENT CASE?

A. No, it has not. The Company will be calculating a revision to the catch-up adjustment based on the Safe Harbor rules for gas. The revised adjustment will be finalized in 2024 and included in the Company’s 2023 tax return to be filed in October of 2024. For the proposed rate treatment of the revised catch-up adjustment resulting from the Safe Harbor rules for gas, please see the Direct Testimony of Witness Andrew Wachter.

Q. ARE THERE ANY OTHER ITEMS RELATED TO TAX REPAIRS THAT THE COMPANY WOULD LIKE TO DISCUSS?

A. Yes, there is. On October 10, 2023 the Company filed for a change in method of accounting to treat costs incurred for “mandatory relocations” as a currently deductible expense This change is limited to expenditures for the relocation of portion of mains and services pipelines for both public and private purposes, that were previously capitalized for both book and tax purposes.

Q. PLEASE EXPLAIN WHAT A MANDATORY RELOCATION IS.

A. Per the IRS rules, mandatory relocations consist of public and private relocations of pipeline that are mandated by the federal government, state government, county officials, townships, municipal road owners, turnpike commissions, developers, companies, corporations or individuals. Mandatory relocations typically occur when gas pipelines are

1 required to be relocated due to conflicts with other utility lines or construction of highways,
2 roadways, buildings and other development.

3
4 **Q. PLEASE EXPLAIN THE IMPACT OF THIS CHANGE.**

5 A. Previously the Company capitalized the expenditures for mandatory relocations for book
6 and tax purposes. The tax rules permit an automatic change in accounting for mandatory
7 relocations that are not required to be capitalized as improvements but can instead be
8 eligible for a tax repairs deduction if the tax repairs requirements are met. The result is
9 projects previously not eligible for tax repairs qualified and the Company became eligible
10 for additional repairs deduction that it had not taken previously.

11
12 **Q. HOW WAS THE CHANGE IN ACCOUNTING FOR REPAIRS ON MANDATORY**
13 **RELOCATIONS RECORDED ON THE COMPANY'S 2022 TAX RETURN?**

14 A. Similar to the repairs, deduction discussed previously, the change also had two
15 components. First, all costs incurred in 2022 that qualified as repairs under the Company's
16 new accounting method (that is, mandatory relocations eligible for repairs) were deducted.
17 This enhanced deduction will continue each year into the future. The enhanced deduction
18 is included as additional repairs deductions in this case. The second component is another
19 "Section 481(a)" adjustment or catch-up adjustment the description for which is discussed
20 previously. The amount of the "one time" or catch-up adjustment results in a \$36,461,137
21 deduction after the Company restated the tax basis of its assets as if it had always deducted
22 those projects that would have been repairs had the repairs eligible mandatory relocations
23 been in use for all prior years.

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Q. PLEASE DESCRIBE HOW THE COMPANY TREATED THE TAX CONSEQUENCES OF THE ACCOUNTING METHOD CHANGE FOR REPAIRS ON MANDATORY RELOCATIONS IN THIS CASE?

A. Due to the NOLC’s the Company is not currently able to monetize the tax benefits of the catch-up deduction for mandatory relocations. Please see the Direct Testimony of Witness Andrew Wachter for the proposed treatment of the catch-up deduction related to mandatory relocations.

STATE TAX RATE CHANGE

Q. WHAT CHANGES IN PENNSYLVANIA TAX LAW HAVE BEEN ENACTED SINCE THE FILING OF THE LAST RATE CASE?

A. House Bill 1342 was signed into law in Pennsylvania on July 8, 2022. The bill makes significant changes to the Commonwealth’s corporate net income tax laws:

- Corporate net income tax rate reduction from 9.99 to 4.99 percent over a period of years;
- Sales factor changes;
- Codification of economic nexus standards.

Q. WHEN IS THE RATE REDUCTION EFFECTIVE?

A. House Bill 1342 reduces that rate incrementally to 4.99%. These rate reductions are scheduled to occur automatically and are not contingent on state tax revenues meeting or

1 exceeding specific thresholds. The rate is first reduced to 8.99% for the 2023 tax year. The
2 rate is further reduced as follows:

3 8.49% for tax year 2024

4 7.99% for tax year 2025

5 7.49% for tax year 2026

6 6.99% for tax year 2027

7 6.49% for tax year 2028

8 5.99% for tax year 2029

9 5.49% for tax year 2030

10 4.99% for tax years beginning January 1, 2031, and thereafter

11
12 **Q. HOW HAS THE RATE REDUCTION BEEN REFLECTED IN THE INCOME**
13 **TAX CALCULATIONS IN THIS CASE?**

14 A. By the FPFTY the rate is 7.99%. Since the FPFTY consists of 3 months of 2024 and 9
15 months of 2025, the Company has used a blended rate to calculate state income tax
16 expense for the FPFTY.

17
18 **Q. HOW WILL FUTURE CHANGES TO THE STATE INCOME TAX RATE BE**
19 **REFLECTED?**

20 A. Future changes to the state income tax rate will be managed through the State Tax
21 Adjustment Surcharge, or in future base rate proceedings. Because rates in this case
22 reflect a blended tax rate, the Company's STAS effective with the effective date of rates
23 will be set to 0% for the state income tax rate. As I have previously explained, due

1 principally to ongoing repair deductions, the Company is claiming \$0 state income tax
2 expense in this case. Further, due to substantial state NOLs and expected continued high
3 levels of repair deductions, the Company does not anticipate paying any state income
4 taxes into the foreseeable future. For these reasons, the Company will not be reflecting
5 reductions to the CNI tax rate through the STAS during the period that base rates
6 established in this case remain effective. Future base rate cases will reflect the applicable
7 CNI rate in effect at the time, applied to the pro forma taxable income in those cases.

8
9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes, it does.

Peoples Natural Gas Company

Appendix A

Filing Requirements and Standard Data Requests

Sponsored by Christine Saball

Filing Requirements		Standard Data Requests		
Exhibit 7, Schedule 1	53.53.II.A.8	Revenue Requirement RR 41		
Exhibit 7, Schedule 2	53.53.II.A.9	Revenue Requirement RR 48		
Exhibit 7, Schedule 3	53.53.II.A.26	Revenue Requirement RR 49		
Exhibit 7, Schedule 4	53.53.III.A.51	Revenue Requirement RR 50		
Exhibit 7, Schedule 5	53.53.III.A.52	Revenue Requirement RR 55		
Exhibit 7, Schedule 6	53.53.III.A.53			
Exhibit 7, Schedule 7	53.53.III.A.54			
Exhibit 7, Schedule 8	53.53.III.A.55			
Exhibit 7, Schedule 9	53.53.III.A.56			
Exhibit 7, Schedule 10	53.53.III.A.57			
Exhibit 7, Schedule 11	53.53.III.A.58			
Exhibit 7, Schedule 12	53.53.III.A.59			
Exhibit 7, Schedule 13	53.53.III.A.62			
Exhibit 7, Schedule 14	53.53.III.A.63			
Exhibit 7, Schedule 15	53.53.III.A.64			
Exhibit 7, Schedule 16	53.53.III.A.60			
Exhibit 7, Schedule 17	53.53.III.A.61			
Exhibit 7, Schedule 18	53.53.III.A.65			
Exhibit 7, Schedule 19	53.53.III.A.66			
Exhibit 7, Schedule 20	53.53.III.A.67			
Exhibit 7, Schedule 21	53.53.III.A.68			
Exhibit 7, Schedule 22	53.53.III.A.69			
Exhibit 7, Schedule 23	53.53.III.A.70			
Exhibit 7, Schedule 24	53.53.III.A.71			
Exhibit 7, Schedule 25	53.53.II.A.10			

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. My name is Luke Ravenstahl. My business address is 375 North Shore Drive, Pittsburgh,
3 PA 15212.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Peoples Natural Gas Company LLC (“Peoples” or the “Company”) as
7 the Vice President of Sales and Marketing.

8
9 **Q. PLEASE STATE BRIEFLY YOUR EDUCATIONAL BACKGROUND AND**
10 **EMPLOYMENT EXPERIENCE.**

11 A. I graduated from Washington & Jefferson College in 2003 with a Bachelor of Business
12 Administration in 2003. I served for 10 years as an elected official in the City of Pittsburgh,
13 serving 7 ½ of those years as the City’s mayor. I started with Peoples in a consulting role
14 before becoming a full-time employee in 2015. During that time, I helped launch the
15 Company’s Go With Gas expansion program. In my capacity of Vice President of Sales
16 and Marketing at Peoples, I oversee traditional sales work. Recently, my role has
17 expanded, and I am also responsible for our Process Operations group which includes
18 Damage Prevention, Corrosion and Leak Survey.

19
20 **Q. PLEASE LIST THE FILING REQUIREMENTS THAT YOU ARE SPONSORING**
21 **AS A WITNESS.**

22 A. I am sponsoring Exhibit 19, RR13.

23

1 **Q. WHAT ARE YOUR RESPONSIBILITIES FOR PURPOSES OF THIS**
2 **PROCEEDING?**

3 A. My responsibilities which I will describe in separate sections of my testimony are:

4 1) Competitive customers (including actual contracts and rate discounts)

5 2) MICROGRID/CHP (assets and contracts)

6 3) Extension of facilities (150-foot rule) expansion to PG

7 4) Expansion of Natural Gas & New Rate Request

8

9

COMPETITIVE CUSTOMERS

10 **Q. WHAT MAKES A CUSTOMER COMPETITIVE?**

11 A. The Company's service territory is an active market for competition both among natural
12 gas distribution companies (NGDC) and between natural gas and alternate energy sources,
13 including private well gas, landfill gas, interstate pipeline companies, and alternative fuels
14 such as electricity or propane. Some of our commercial customers, and most industrial
15 customers, have more than one energy service option available to them. These competitive
16 customers support the operational needs of the Company's system and also offset the cost
17 of service for other non-competitive customers as for example, they generate additional
18 revenue that offsets the rates of non-competitive customers. In order to ensure we maintain
19 these accounts, it is necessary to flex our maximum delivery rates to remain competitive.

20

21 **Q. DESCRIBE THE COMPANY'S COMPETITIVE ALTERNATIVE ANALYSIS.**

22 A. As contracts are newly negotiated or renewed, the Company performs its normal assessment,
23 which includes verification of the competitive alternative and a fixed cost analysis. Every

1 competitive rate that the Company establishes is directly and exclusively tied to the cost of
2 the customer's alternative service. The Company continually seeks to maximize the revenues
3 it can receive through negotiations with current or potential customers. Doing so is in the
4 non-discounted customers' best interest because it provides additional revenues that would
5 be lost if the discounted customers left the system. It is also in the best interest of the
6 Company to maximize revenues from discounted customers to mitigate potential revenue
7 loss. Peoples must properly balance the competing demands of rate maximization against
8 revenue retention.

9 Moreover, Peoples has a legal duty to its customers to maintain just and reasonable
10 rates. One way of doing so is to maintain a reasonable customer load. If discounted
11 customers were to reduce or eliminate production at facilities on Peoples' system or to
12 switch to alternative sources of fuel, this would have a substantial negative impact on the
13 Company's non-discounted customer rates. This is because the incremental cost to serve
14 these customers is less than the discounted revenue generated as natural gas customers of
15 Peoples. That is, although the discounted customers do not pay full tariffed rates, they still
16 generate millions of dollars in annual revenue for Peoples and contribute to the Company's
17 fixed costs. However, if those competitive customers leave the Company's system, the
18 Company's non-discounted customer rates could be increased to offset the lost revenue in
19 future base rate cases. Also, customers may look to reduce their other expenses and
20 investments in an effort to maintain their current profit levels, such as by laying off existing
21 employees, not hiring prospective employees, or reducing their production and operations.
22 All of these would have negative effects on jobs and the local economy. Furthermore, we
23 strongly believe that public policy should favor the use of flexed rates that encourage

1 increased economic development due to the availability and affordability of shale gas, thus
2 utilizing more of this abundant resource in Pennsylvania to benefit the Commonwealth's
3 economy.

4
5 **Q. WHAT DID THE COMPANY AGREE TO WITH RESPECT TO COMPETITIVE**
6 **CUSTOMERS IN ITS LAST BASE RATE PROCEEDING?**

7 A. In the Company's last base rate case at Docket No. R-2018-3006818, the Company agreed
8 to the following with respect to its competitive rate discounts:

9 Customer number, effective date of the agreement, the reason(s)
10 for offering a negotiated delivery agreement, supporting work
11 papers relied upon to substantiate the negotiated agreement, and
12 an analysis which evaluates the contribution to overall fixed
13 costs provided by each customer.

14
15 In implementing this provision in circumstances where a bypass
16 of the Company's facilities is the customer's competitive option,
17 the Company will work with the customer in future negotiations
18 to develop an analysis of the likely construction cost of the
19 bypass facilities and apply that estimate in determining, through
20 negotiations, the discounted rate offered to the customer. This
21 information will be included as a part of the confidential
22 materials presented in the Company's initial filing in future base
23 rate proceedings. The Company will also provide a confidential
24 annual report to the Statutory Advocates listing all customers
25 that currently are receiving a discounted rate due to any of the
26 reasons contained herein. The confidential report will provide
27 information regarding whether the customer is being offered the
28 discounted rate due to gas-on-gas competition, potential bypass,
29 economic reasons or alternative fuel reasons. The Company
30 should include in its analysis the annual log information. In
31 future base rate proceedings, the confidential materials presented
32 as part of the Company's filing will include sworn affidavits
33 from all discount customers as to the facts and reasons for the
34 discounts as set forth in the Company supplied materials.

35
36 To the extent any new agreements have been added since the Company's base rate case at
37 Docket No. R-2018-3006818, the Company is complying with the settlement provisions
38 regardless of the reason for the discount. For any new agreement or renewed agreement

1 executed since the last case, the Company performed a new verification and analysis to
2 justify the competitive alternative and negotiated rate.

3 Notably, several discounted delivery rate customers had their competitive options
4 and their associated retainage discounts reviewed and approved or were unopposed in prior
5 1307(f) settlements. Access to the Company’s CONFIDENTIAL competitive customer
6 information is included with the initial materials presented for this base rate case filing and
7 will be made available upon execution of a Protective Agreement.

8
9 **Q. SHOULD ELECTRICITY BE CONSIDERED A COMPETITIVE**
10 **ALTERNATIVE?**

11 Yes. Electricity should be deemed a competitive alternative as it can be used to displace
12 natural gas for heating, cooking, clothes drying, and other uses. The Company evaluates
13 each existing and potential competitive customer on a case-by-case basis and completes a
14 detailed assessment prior to deeming a customer as competitively situated. Like other
15 alternate fuel sources, such as coal, steam, or propane, electricity is a competitive option
16 and customers certainly treat it as such. Therefore, the Company has revised its tariff to
17 allow for electricity to be considered a competitive alternative subject to the same cost of
18 service justification analysis and assessment as other competitive alternatives. See the
19 Company’s proposed Tariff – GAS – PA PUC No. 48, Rule 20. Service Agreement and
20 Flexible Rates.

1 **Q. PLEASE EXPLAIN THE STATUS OF THE COMPANY'S CURRENTLY**
2 **EFFECTIVE NEGOTIATED CONTRACTS AS COMPARED TO THE**
3 **COMPANY'S LAST RATE CASE.**

4 A. In the Company's last base rate proceeding (for Peoples Natural Gas Division), there were
5 42 negotiated contracts in effect for Peoples Natural Gas Division. As a result of that rate
6 case and as contract expirations come up, the Company evaluated all of its negotiated
7 contracts and has successfully negotiated some customers to full tariffed rates. As of
8 October 2023, there are 17 negotiated contracts on the Company's system (for both
9 Divisions of the Company). All of the current customers with negotiated rates have a viable
10 competitive alternative and justified cost of service analysis.

11
12 **Q. HAS THE COMPANY ENTERED INTO ANY NEW FLEX AGREEMENTS SINCE**
13 **ITS LAST RATE PROCEEDING?**

14 A. Yes, the Company will have one new flex agreement. The Company has entered into a
15 discounted delivery agreement with a new customer and that agreement is expected to
16 become effective in the first quarter of 2024.

17
18 **Q. PLEASE DISCUSS WHY THE COMPANY ENTERED INTO THIS NEW**
19 **AGREEMENT?**

20 A. This new agreement is justified as there is a competitive alternative (interstate pipeline) in
21 close proximity to the new customer. If not for the discounted rate, the customer would
22 connect to an alternative transportation service via direct bypass with an interstate pipeline.
23 The Company performed an assessment for this competitive situation, which included a

1 verification of the competitive alternative and a fixed cost analysis. The established
2 competitive rate for this new customer is directly and exclusively tied to the cost of the
3 customer's alternative service.

4 5 **SALE OF MICROGRID/CHP ASSETS**

6 **Q. PLEASE DISCUSS THE PENDING SALE OF CERTAIN NON-JURISDICTIONAL**
7 **MICROGRID/CHP ASSETS IN THE COMPANY'S SERVICE TERRITORY.**

8 A. As of October 2023, the Company entered into an agreement to sell certain non-
9 jurisdictional, district energy and microgrid notes receivable in Pittsburgh, Pennsylvania. As
10 a result of these non-jurisdictional projects, the Company was able to add three new
11 jurisdictional customers, including a customer with a negotiated delivery rate agreement and
12 also two customers paying full tariffed rates. These projects were completed with
13 shareholder not customer funds but resulted in a direct benefit to customers resulting from
14 the customer additions.

15 16 **COMBINED HEAT AND POWER ("CHP")**

17 **Q. PLEASE EXPLAIN THE COMPANY'S POSITION WITH RESPECT TO CHP.**

18 A. The Company believes that natural gas should have a major role in the development of
19 CHP technology for its customers. The Company is committed to helping its customers
20 explore the benefits of installing CHP systems to power their businesses. The Company's
21 position is in line with the spirit and purpose of the Commission's Policy Statement on
22 CHP development¹. Customers using CHP systems can benefit by improved operational

¹ See Docket No. M-2016-2530484.

1 efficiency, increased flexibility and reliability by shifting away from grid reliance and
2 reduced methane emissions.

3
4 **Q. IS THE COMPANY PROPOSING ANYTHING IN THIS PROCEEDING WITH**
5 **RESPECT TO CHP?**

6 A. The Company is proposing some revisions to its tariff section on flex rates, Section 20.
7 The Company's intention is to relax the tariff language such that a discount could be
8 provided to certain applicants/customers who wish to install new technologies such as
9 CHP. The Company feels that this tariff revision will allow owners and operators to
10 invest in new CHP technologies which would ultimately expand the use of natural gas in
11 the Company's service territory. The Company's proposed, combined tariff in this
12 proceeding, is sponsored by Company witness Dawn Folks.

13
14 **EXTENSION OF FACILITIES**

15 **Q. DOES THE COMPANY CURRENTLY OFFER ANY FOOTAGE ALLOWANCE**
16 **FOR CUSTOMERS TO CONNECT TO PEOPLES SYSTEM?**

17 A. Yes, Peoples Natural Gas currently offers customers a 150-foot main line allowance. This
18 provision is not currently included in the Peoples Gas Division tariff.

19
20 **Q. WHAT IS PEOPLES' MAIN EXTENSION TARIFF CHANGE PROPOSAL?**

21 A. The Company is proposing to extend the 150-foot main line allowance for residential
22 extensions to the customers of Peoples Gas. As with Peoples Natural Gas, for each applicant
23 that requests a main line extension, Peoples Gas would install the first 150-feet of main line

1 without charge to the customer in normal situations. At the discretion of the Company, certain
2 projects which contain abnormal underground conditions, such as crossing a stream or state
3 highway, or visible ledge or rock that will affect excavation or excessive permitting fees
4 would not be eligible for the 150-foot allotment. As more applicants join in a single project to
5 extend gas facilities the greater the length of main the Company will install without charge to
6 the applicants. For example, on a single project with four customers electing to receive natural
7 gas, the Company will install up to 150-feet of main line per customer, or 600 feet, without
8 requiring a contribution in aid of construction (“CIAC”) from the customers. For extension
9 projects greater than 150-feet per customer, the Company will run an economic model solely
10 on the line extension segment in excess of the 150-foot allotment per customer to determine
11 if the customer(s) will be required to pay a CIAC. For example, if one customer requested a
12 150-foot line extension, the Company would conduct analysis on the cost to extend facilities
13 150-feet to the customer. If a CIAC was necessary, the applicant(s) would be required to pay
14 this up front.

15
16 **EXPANSION OF NATURAL GAS AND NEW RATES**

17 **Q. PLEASE EXPLAIN THE NEW RATE FOR COMMERCIAL AND INDUSTRIAL**
18 **CUSTOMERS THE COMPANY IS PROPOSING IN THIS PROCEEDING.**

19 A. The Company is proposing to incorporate a mainline service rate (“Rate MLS”) into its
20 tariff. This rate would be available to existing or new large commercial and industrial
21 customers in the Company’s service territory. In order to qualify for Rate MLS, a customer
22 must meet certain requirements: (1) have consumption greater than 500,000 mcf on an

1 annual basis AND (2) be located within 1,000 feet of a Peoples' Transmission mainline
2 pipe OR be located within 1,000 feet of an interstate pipeline.

3

4 **Q. WHY IS THE COMPANY PROPOSING AN MLS RATE?**

5 A. Peoples is proposing this rate as it will allow qualifying customers who meet certain
6 requirements to avail themselves of a just and reasonable delivery rate directly tied to the
7 appropriate cost of service for the Company to serve that customer. Said in other words,
8 this would be a tariffed rate that is justified due to the customer's load and proximity to the
9 Company's system. The proposed rate is available on pages 61-62 of the Tariff as
10 sponsored by Witness Dawn Folks.

11

12 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

13 A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
 v. : Docket No. R-2023-3044549
 :
 :
 PEOPLES NATURAL GAS COMPANY :
 LLC :

**PREPARED DIRECT TESTIMONY OF
JOYCE MITOLE
CONTROLLER
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: December 29, 2023
DATE ADMITTED: _____

Peoples Statement No. 8

**PREPARED DIRECT TESTIMONY OF
JOYCE MITOLE**

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 **A.** My name is Joyce Mitole. My business address is 375 North Shore Drive, Suite 400,
3 Pittsburgh, PA 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by PNG Companies LLC (“PNG Companies”) as Controller. PNG
7 Companies provides various administrative functions for Peoples Natural Gas Company
8 LLC (“Peoples” or the “Company”) including Accounting.

9

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
11 **EMPLOYMENT EXPERIENCE.**

12 **A.** I received a Bachelor of Science Degree in Accounting from University of Malawi in
13 1993 and a Master of Business Administration from Carnegie Mellon University in 1997.
14 I am a Certified Public Accountant in the Commonwealth of Pennsylvania.

15

16 From 1997 to 2020, I worked in different accounting roles at Alcoa and its successor
17 companies after two consecutive company splits (Arconic and Howmet Aerospace). In
18 2021, I joined Peoples as the Controller where my responsibilities include accounting and
19 financial reporting for Peoples in addition to Fixed Asset accounting.

20

21 **Q. WHAT ARE YOUR RESPONSIBILITIES AS CONTROLLER OF PEOPLES?**

1 A. I am responsible for the overall development and execution of the Company’s policies,
2 strategies, and practices in the areas of General and Fixed Asset Accounting.

3

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

5 A. I will identify the filing requirements that I am sponsoring. Also, I will discuss how the
6 accounting records of Peoples are maintained and what industry standards are followed.
7 Additionally, I will discuss the Company’s settlement commitment in the merger of
8 Peoples Natural Gas Division and Peoples Gas Company Division and how the
9 accounting information is reported by division in this proceeding based upon the
10 settlement agreement.

11

12 **Q. WHAT FILING REQUIREMENTS ARE YOU SPONSORING?**

13 A. A list of the filing requirements that I am sponsoring is attached to my testimony as
14 Appendix A.

15

16 **Q. PLEASE DISCUSS HOW PEOPLES MAINTAINS ITS ACCOUNTING
17 RECORDS AND WHAT INDUSTRY STANDARDS IT FOLLOWS IN DOING
18 SO.**

19 A. Peoples’ accounting records are maintained using both a “Natural” chart of accounts and
20 a “FERC” chart of accounts. Transactional data is recorded, maintained and reported in
21 accordance with Generally Accepted Accounting Principles (“GAAP”). Several
22 authoritative sources are utilized including standards and interpretations issued by the
23 Financial Accounting Standards Board (“FASB”) and FASB’s Accounting Standards

1 Codification (“ASC”), and the Code of Federal Regulations (“CFR”). Additionally,
2 Pennsylvania Public Utility Commission (“Commission”) and Federal Energy Regulatory
3 Commission (“FERC”) directives and standards are reviewed to assure compliance with
4 applicable reporting requirements.

5
6 Further, Peoples’ financial statements are included in the annual report and audit
7 of its parent company PNG Companies. The report is based on audits conducted in
8 accordance with auditing standards generally accepted in the United States of America.

9
10 **Q. PLEASE DISCUSS THE SETTLEMENT COMMITMENT FROM THE**
11 **AGREEMENT TO MERGE PEOPLES NATURAL GAS COMPANY LLC AND**
12 **PEOPLES GAS COMPANY LLC DOCKETED AT NOS. A-2021-3029831, AND A-**
13 **2021-3029833.**

14
15 **A.** As specified in Settlement Paragraph 33, the Company agreed to maintain pre-merger
16 accounting records for Peoples Natural Gas Division and Peoples Gas Division and to
17 maintain separate accounting by division post-merger, at least until a plan of
18 consolidation of base rates is established for the two divisions and otherwise in
19 accordance with applicable record retention legal requirements.

20
21 In Settlement Paragraph 34, the Company was directed to utilize the same
22 allocation factors of the existing affiliated interest agreements between Peoples Natural
23 Gas Division and Peoples Gas Division to allocate costs between the Peoples Gas

1 Division and Peoples Natural Gas Division. Services provided by PNG Companies or
2 other affiliated interests were agreed to be provided pursuant to existing Commission-
3 approved affiliate interest agreements.
4

5 **Q. HAS THE COMPANY ADHERED TO THIS SETTLEMENT PROVISION?**

6 **A.** Yes, Peoples has maintained separate and sufficient accounting records for both
7 Divisions and for operations in West Virginia and Kentucky. Cost allocations between
8 the Peoples Natural Gas Division and Peoples Gas Division and affiliates have followed
9 the standards and methodologies approved at Docket No. G-2022-3036720, and
10 allocation factors have been updated each year based on the approved methodology.
11

12 **Q. HOW IS THE ACCOUNTING INFORMATION PRESENTED IN THIS CASE?**

13 **A.** In the filing requirements, Peoples has provided separate information by division and/or
14 combined, where applicable.
15

16 **Q. HOW ARE OPERATING COSTS ALLOCATED BETWEEN DIVISIONS IN
17 THIS CASE?**

18 **A.** Costs are allocated based upon the affiliated interest agreements that are provided in
19 SDR-RR-51, Attachments 1 and 2, which have been filed and approved by the
20 Commission.
21

1 **Q. WHAT IS PEOPLES PROPOSING IN THIS PROCEEDING WITH RESPECT**
2 **TO THE PEOPLES NATURAL GAS DIVISION AND PEOPLES GAS DIVISION**
3 **ACCOUNTING?**

4 **A.** The Company is proposing to consolidate the accounting of the Peoples Natural Gas
5 Division and Peoples Gas Division together into one unified company with consolidated
6 accounting records.

7
8 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

9 **A.** Yes. I reserve the right to supplement my testimony as additional issues arise during the
10 course of this proceeding.

Appendix A
Page 1 of 2

Filing Requirements Sponsored by
Joyce Mitole

<u>Exhibit/SDR</u>	<u>Filing Requirement</u>
Ex. 1, Sch. 1	53.52(c)(2)
Ex. 1, Sch. 2	53.53.III.A.1
Ex. 1, Sch. 3	53.52(c)(6)
Ex. 1, Sch. 5	53.53.II.A.23
Ex. 1, Sch. 7	53.53.III.A.2
Ex. 1, Sch. 8	53.53.III.A.3
Ex. 1, Sch. 9	53.53.III.A.4
Ex. 1, Sch. 10	53.53.III.A.5
Ex. 1, Sch. 11	53.53.III.A.6
Ex. 1, Sch. 12	53.53.III.A.7
Ex. 1, Sch. 13	53.53.III.A.8
Ex. 1, Sch. 14	53.53.III.A.9
Ex. 1, Sch. 15	53.53.III.A.10
Ex. 1, Sch. 16	53.53.III.A.11
Ex. 1, Sch. 17	53.53.III.A.12
Ex. 1, Sch. 19	53.53.III.E.1
Ex. 1, Sch. 20	53.53.III.E.2
Ex. 1, Sch. 21	53.53.III.E.32
Ex. 1, Sch. 23	53.53.II.A.20
Ex. 2, Sch. 1	53.52(b)(2)
Ex. 2, Sch. 2	53.52(c)(5)
Ex. 2, Sch. 5	53.53.III.A.18
Ex. 2, Sch. 6	53.53.III.A.42
Ex. 2, Sch. 7	53.53.III.A.43
Ex. 2, Sch. 8	53.53.III.E.16
Ex. 4, Sch 3	53.53.III.A.21
Ex. 4, Sch. 19	53.53.III.A.38
Ex. 16, Sch. 8	53.53.II.A.11
RR 1	
RR 23	
RR 24	
RR 25	
RR 38	
RR 39	
RR 41	
RR 42	

Appendix A
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COS 3
COS 4
COS 5
COS 6
COS 7
ROR 1
ROR 2
ROR 5

**PREPARED DIRECT TESTIMONY
OF RITA F. BLACK**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Rita F. Black and my business address is located at 375 North Shore Drive,
3 Pittsburgh, Pennsylvania 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Essential Utilities, Inc. as the Director of Community Assistance
7 Programs. In this role, I lead assistance programs for Peoples Natural Gas Company
8 LLC¹ (“Peoples”, “Peoples Natural Gas” or “the Company”), Aqua Pennsylvania Inc. and
9 Aqua Pennsylvania Wastewater, Inc. (collectively “Aqua PA”), as well as these
10 companies’ affiliated regulated utilities operating in other states.

11

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
13 **BACKGROUND.**

14 A. Following receipt of a Bachelor of Science Degree in Accounting from Robert Morris
15 University, I joined Peoples Natural Gas Company LLC and began a career spanning
16 more than 30 years across the areas of customer service, rates and regulatory affairs, and
17 low-income programming. From 2001 through 2014, I worked in the Rates and
18 Regulatory Affairs department of Peoples as an analyst. My responsibilities as an analyst
19 in the Rates and Regulatory Affairs department included the development and
20 administration of the Universal Service Rider and preparation of the Universal Service

¹ Peoples Natural Gas Company LLC currently has two tariffed divisions under the PUC, “Peoples Natural Gas Division” and “Peoples Gas Division”.

1 Energy and Conservation Plan (“USECP”), as well as tariff filings, testimony preparation
2 and other analytical projects. In 2014, I was promoted to Manager, Customer Relations
3 for Peoples Natural Gas and was responsible for oversight of all low-income
4 programming, including its Customer Assistance Program (“CAP”), Low Income Usage
5 Reduction Program (“LIURP”), Emergency Furnace and Houseline Repair Program
6 (“EFHRP”), Hardship Fund, and Customer Assistance, Referral and Evaluation Services
7 (“CARES”). In addition to oversight of low-income programming, I was also responsible
8 for compliance on customer related issues for Pennsylvania, West Virginia and
9 Kentucky. I was promoted to Director, Customer Relations in 2016 and was
10 subsequently promoted to Director, Community Assistance Programs in April of 2021
11 with responsibility for all regulated states under the Essential Utilities footprint, including
12 Peoples. In this role, my oversight of low-income programming has expanded to include
13 our water and wastewater entities. I retain responsibility for natural gas low-income
14 programming and compliance across our natural gas footprint.

15
16 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN ANY REGULATORY**
17 **PROCEEDING?**

18 A. Yes. I have testified in hearings conducted by the Pennsylvania Public Utility
19 Commission (“PUC” or “Commission”) on formal complaints. I have also submitted
20 direct and rebuttal testimony in base rate proceedings for Peoples Natural Gas² and Aqua
21 PA³.

22

² See Docket Nos. R-2010-2201702; R-2012-2285985.

³ See Docket Nos. R-2021-3027385, R-2021-3027386

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

2 A. In my current role, I provide leadership and guidance on low-income issues, including
3 development, design and implementation of low-income programming for Peoples. I
4 also lead our Universal Service Advisory Group (“USAG”), whose members include
5 representatives from the PA PUC Bureau of Consumer Services (“BCS”), PA PUC
6 Office of Communications, Office of Consumer Advocate (“OCA”), Pennsylvania Utility
7 Law Project (“PULP”) and other stakeholders. My testimony will provide an overview of
8 our low-income programs, including highlights of changes recently implemented through
9 the approval of our USECP to improve affordability; describe tariff language changes to
10 Rates CAP and E-CAP and Rider Universal Service; and propose a standard LIURP
11 annual usage eligibility level. I will also describe our Consumer Education and Outreach
12 Plan (“CEOP”) which was filed earlier this year..

13
14 **Q. PLEASE LIST THE EXHIBITS AND FILING REQUIREMENTS THAT YOU**
15 **ARE SPONSORING AS A WITNESS.**

16 A. Exhibits RFB-1, RFB-2 and RFB-3 are attached to my testimony.

17
18 **Q. LET’S BEGIN WITH AN OVERVIEW OF THE PROGRAMS AVAILABLE TO**
19 **LOW-INCOME CONSUMERS THAT ARE OFFERED BY PEOPLES.**

20 A. Similar to other energy utilities in the Commonwealth, Peoples provides a suite of
21 programs to support customers with limited incomes. Our approved programs are
22 detailed in our current USECP which is provided in Exhibit RFB-1. The flagship
23 program to support affordability is CAP. Peoples decreased its CAP payments in its

1 recent USECP to comply with Commission guidance on affordability. As a percentage-
2 of-income (“PIP”) CAP, payments for participants are based on monthly income as
3 shown in the box below. In all cases, participating customers will pay the lower of their
4 calculated PIP or the average bill amount for the service address.

Household Income by Federal Poverty Limit	PIP Amount
0 to 50% FPL	4%
51 to 100% FPL	5%
101 to 150% FPL	6%
151 to 200%FPL	11%

5
6 While most energy utility CAPs limit participation at 150% of the Federal Poverty Limit,
7 Peoples expanded its participation to customers with incomes from 151 to 200% FPL
8 through a Pilot CAP Expansion in 2016. This Pilot Expansion was designed to provide
9 an opportunity for customers who do not qualify for LIHEAP to receive Arrearage
10 Forgiveness benefits to eliminate arrears through participation in CAP. Late payment
11 charges are waived for all CAP participants. CAP customers receive a simplified bill that
12 highlights the benefits of CAP participation, including the amount of CAP credits
13 provided and Arrearage Forgiveness benefits applied. CAP Credit is the difference
14 between the customer’s calculated usage bill and the CAP amount.

15 In addition to CAP, Peoples supports its vulnerable customers through its
16 Hardship Fund and CARES. The Hardship Fund, administered by Dollar Energy Fund,
17 serves customers with incomes up to 200% FPL, providing a grant of up to \$500. All
18 customers receiving a Hardship Fund grant are enrolled into CAP. Those with incomes

1 between 151 and 200% FPL are required to apply for the Hardship Fund to reduce their
2 balance, if the program is open⁴, before enrolling their balance into CAP. We also
3 support our customers through CARES. CARES is a safety net. It uses a holistic
4 approach, acting as a wrap-around service, to help customers access Peoples' programs,
5 as well as external programs such as LIHEAP, and provide connections and referrals to
6 other basic needs programming and services.

7 Low-income customers with high usage may be served by Peoples' LIURP.
8 LIURP provides a heating system clean and tune along with a full energy audit to
9 determine measures that can be implemented to reduce energy usage. Such measures can
10 include air sealing and insulation. Customers with incomes up to 150% FPL and usage
11 that meets or exceeds the program guideline are eligible for services. Special needs
12 customers with incomes between 151 and 200% FPL may also be served through the
13 program.

14
15 **Q. WHAT ARE THE USAGE THRESHOLDS FOR LIURP PARTICIPATION?**

16 A. Currently, the usage guidelines for Peoples Natural Gas Division consumers is 140 MCF
17 annually and the limit is 120 MCF annually for Peoples Gas Division customers. As
18 these entities are brought together under one tariff, I propose utilizing the lower usage
19 threshold of 120 MCF annually as the eligibility limit for LIURP participation. This will
20 ensure that Peoples Gas Division customers with usage levels between 121 and 139 will
21 continue to receive services and will also open up availability to Peoples Natural Gas
22 Division customers with usage between 120 and 139 MCF annually.

⁴ Dollar Energy Fund opens October 1st each year and remains open through September 30th or until funds are exhausted.

1 **Q. PLEASE DESCRIBE THE EMERGENCY FURNACE AND HOUSELINE**
2 **REPAIR PROGRAM (“EFHRP”).**

3 A. The EFHRP is an important component of our low-income support efforts. It fills a very
4 important need, ensuring that customers without savings or resources can receive
5 assistance with an unexpected repair or replacement of their natural gas heating
6 equipment or gas lines. Homeowners, particularly seniors, often face an urgent situation
7 when their heating system stops working in the winter or a leak is detected. Those with
8 incomes up to 200% FPL qualify for assistance through our program. In addition, up to
9 25% of the annual budget can be used to serve renters.

10

11 **Q. PLEASE DESCRIBE THE TARIFF CHANGES YOU ARE PROPOSING.**

12 A. I am proposing tariff changes to three areas of the tariff: Rate CAP, Rate E-CAP and
13 Rider Universal Service. I note that these changes are reflected for both Peoples Natural
14 Gas Division and Peoples Gas Division as outlined in one combined tariff for the
15 Company. As shown in Exhibit RFB-2, tariff language in Rate CAP and Rate E-CAP is
16 provided in redline form. Rate CAP includes the removal of the section ‘Payments
17 Toward Arrearage’ to reflect the change approved in the Company’s most recent USECP
18 to eliminate the \$5 copay towards pre-program arrearages. In Rate E-CAP, in addition to
19 the change to eliminate the \$5 copay language, I am also proposing modifications to
20 better reflect the current availability of the program and to clarify recertification timing.
21 Recertification for customers in the Pilot CAP Expansion are the same as customers
22 participating in the general CAP. Recertification occurs every 2 or 3 years based on
23 income type, as reflected in the Company’s USECP.

1 I am also removing condition number 7 which states ‘Customers will
2 automatically be enrolled in CAP if: a. the customer has defaulted on a payment
3 arrangement, and b. the customer has received a LIHEAP payment within the past two
4 years. This provision refers to automatic enrollment which is not a practice of the
5 Company and is not included in the Company’s USECP. Customers receiving a LIHEAP
6 grant are able to enroll in the program without providing income documentation, but such
7 enrollment is voluntary and initiated by the customer.

8 I am also proposing two modifications to the description of recovered costs under
9 Rider Universal Service. I am removing reference to the ‘Community Partnership for
10 Weatherization’ as this program was ended several years ago, but was not removed from
11 the tariff description of recoverable program expenses. I am also removing the phrase
12 ‘and Universal Service call management’ from the section regarding third party costs for
13 the purposes of CAP administration. While our CAP administrator provides call
14 management related to CAP and pre-screens customers for participation in other
15 Universal Service programs, it does not provide full Universal Service call management.
16 Universal Service related calls are answered by Peoples’ personnel through its call center
17 and its Community Assistance Programs department.

18
19 **Q. PLEASE DESCRIBE THE CONSUMER EDUCATION AND OUTREACH PLAN**
20 **YOU NOTED IN YOUR OPENING REMARKS.**

21 A. In the approval of the Company’s USECP, Peoples was directed to develop and
22 implement an education and outreach plan that informed customers of available
23 assistance programs. The CEOP is to be filed annually with the Commission and a copy

1 of the first CEOP, filed earlier this year, is attached as Exhibit RFB-3. As reflected in the
2 CEOP, promotion of the programs includes both broad and targeted advertising through
3 various means including bill inserts, social media and media purchases, as well as high-
4 touch efforts such as attendance at local community events.

5 In an effort to continually improve our outreach and education efforts, we are
6 exploring working with third parties that can provide better data for outreach targeting
7 and provide input into our messaging

8
9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes. I reserve the right to submit supplemental testimony if additional issues arise during
11 the course of this proceeding. Thank you.

**Peoples Natural Gas Company LLC
And Peoples Gas Company LLC**

**UNIVERSAL SERVICE
AND
ENERGY CONSERVATION PLAN**

2019-2024

Amended 11/20/2023 to comply with Order of 11/9/2023

Peoples
375 North Shore Drive
Pittsburgh, PA 15212

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LIST OF ATTACHMENTS

1. Attachment A -- Independent Evaluation Performed by APPRISE
2. Attachment B -- Sample CAP Bill
3. Attachment C -- LIURP Customer Pledge and Action Plan Forms
4. Attachment D -- Energy Conservation Education
5. Attachment E -- Programs Booklet
6. Attachment F -- Consumer Education & Outreach Plan
7. Attachment G -- Needs Analysis
8. Attachment H -- Zero Income Form

UNIVERSAL SERVICE AND ENERGY CONSERVATION PLAN

Overview

The Peoples Natural Gas Company (Peoples) submitted its current Universal Service Plan on July 16, 2014¹. It was approved by Final Order on December 17, 2015. The Plan incorporated the best practices of the Peoples and Equitable Divisions of Peoples Natural Gas and included an expansion of the Customer Assistance Program under a Pilot that allowed for participation for customers with significant balances and incomes between 151 and 200% of Federal Poverty Levels. The Company further amended the plan in 2016 to include an Emergency Furnace and Line Repair Program for the Equitable Division².

The Company has an active Universal Service Advisory Group (USAG) whose members include representatives from Office of Consumer Advocate, the PA Public Utility Commission's Office of Investigation & Enforcement and Bureau of Consumer Services, Public Utility Law Project, and local community partners such as Women's Center and Shelter of Pittsburgh, Salvation Army, Allegheny County Department of Aging, United Way PA 2-1-1, Catholic Charities and others. The USAG meets quarterly in January, April, July and October. The group provides valuable input into the outreach methods and communication efforts for the Company's Universal Service programs. It also has an important role in advising the Company on appropriate budgets, eligibility and program parameters. The input of the USAG was crucial to the development of this Plan and the changes proposed are reflective of the engagement of the group. The group's goal is to ensure the programs offered by the Company increase affordability, reach the vulnerable populations who need them and are managed effectively.

This Plan no longer includes the LIURP Pilot Community Partnership program. This program was designed to provide financial support to local organizations that offered energy conservation events and or programs in the Peoples Division service territory. The annual budget was \$50,000. When the program was launched in 2011, interest from partnering organizations was high and Peoples was able to support some very valuable conservation education programs. Over time, the number of proposals for support have continued to drop and in 2017, Peoples sponsored only one project and used the remaining funds to provide energy conservation programs developed and presented by Peoples' Energy Consultants. Therefore, the Company proposed, and the USAG agreed, that these annual funds would be better spent in the LIURP weatherization program, providing more available dollars to increase random inspections as well as health and safety spending. A letter of notification was submitted to the Bureau of Consumer Services on June 26, 2018 regarding the elimination of this program and use of these funds in the LIURP weatherization program. The transfer of the \$50,000 from the Community Partnership for Weatherization Program to LIURP is reflected in the LIURP budgets provided in this Plan.

¹ Docket M-2014-2432515

² Dockets P-2016-2562220 and M-2014-2432515

Plan Submission

This Plan will be in effect during the period from January 1, 2019 through December 31, 2028 and will be implemented upon approval by the Commission.

Plan Modifications

This Plan contains budgets and descriptions of the Universal Service programs offered by Peoples Gas Company LLC (formerly Peoples TWP) which is an affiliate of Peoples Natural Gas. As a small Natural Gas Distribution Company in Pennsylvania serving 58,000 residential customers, Peoples Gas Company LLC is not required to submit a formal Plan for approval. However, because the processes and procedures of the Plan are so closely tied to that of Peoples Natural Gas, and because the third-party administrators for the programs are the same, the Company has chosen to include information on both companies' programs in this Plan.

The proposed modifications, which are highlighted below, represent the Company's efforts to continually improve the effectiveness and efficiency of its Universal Service Program offerings. Proposed changes were developed from feedback received in the Independent Evaluation of 2017 and the input of the Company's USAG.

Customer Assistance Program

- Partnership with Duquesne Light to assist customers in enrolling in CAP for both companies with one income documentation submission.
- Provision added to allow customers to re-enter CAP up to 9 months after termination or removal, maintaining the same pre-CAP amount as existed prior to their exit.
- Limit the use of LIHEAP receipts in lieu of providing income documentation for CAP enrollment to those funds received in the current (or prior if the season has recently closed) LIHEAP season. This reduces the timeframe for which LIHEAP receipts can be used to indicate eligibility from 2 years to approximately one year.
- Elimination of the CAP Plus mechanism to improve affordability.
- Elimination of the pre-CAP add-on payment of \$5 per month for those that enter the program with arrearages.

CARES/Hardship Funds

- Company will make all efforts to partner with electric companies to provide services to vulnerable customers within the residence to obtain documentation for possible programs participation and provide resources.

Low Income Usage Reduction Program (LIURP)

- Increased allowance per job to include remediation of the heating system in addition to implementing pre-determined measures and in some cases for health and safety measures that allow the Company to move forward with weatherization project that might have otherwise been prohibited.
- Provide for an increase of random inspections above 25% of annual jobs to allow for a more effective quality control of the program measures installation, new contractors

and/or of those situations in which the Company deems it appropriate to provide additional oversight to a contractor/(s).

LIURP Emergency Furnace & Line Repair Program

- Increase the annual budget for Peoples Natural Gas to \$863,750. to reflect changes in annual budgets determined in prior proceedings. Increase the annual budget for Peoples Gas Company LLC to \$61,250 to reflect changes in annual budget determined in prior other proceedings.
- Increase all annual budgets by 3% for each subsequent year to reflect increases in labor and material costs.
- Include costs of minor restoration that is necessary to ensure safety for gas line replacements that include excavation.

Plan Attachments and Coordination Efforts

A list of attachments to this Plan follows the Table of Contents.

An integral part of the Plan is the coordination of Universal Service Programs both within the Company and through external agencies. Employees receive training regarding sensitivity to those with special needs as well as program availability and eligibility. Employees of the Customer Service Center as well as Field Operations make referrals to the Customer Relations team via email or phone. In addition, area agencies are a key source of outreach efforts to customers and are supported through materials and/or presentations provided by the Company.

The steps used to identify eligible customers and methods of program coordination can be found listed in the first section, Customer Assistance Program. These steps apply to all of the Universal Service Programs in the Plan.

Organization

Universal Service Programs are managed and directed by the Customer Relations Department which is housed in the Operations organization of the Company. The organizational chart for Customer Relations is provided at the end of this section. While the programs themselves are managed exclusively in the Customer Relations department, the important work of outreach and referrals occur throughout the Company.

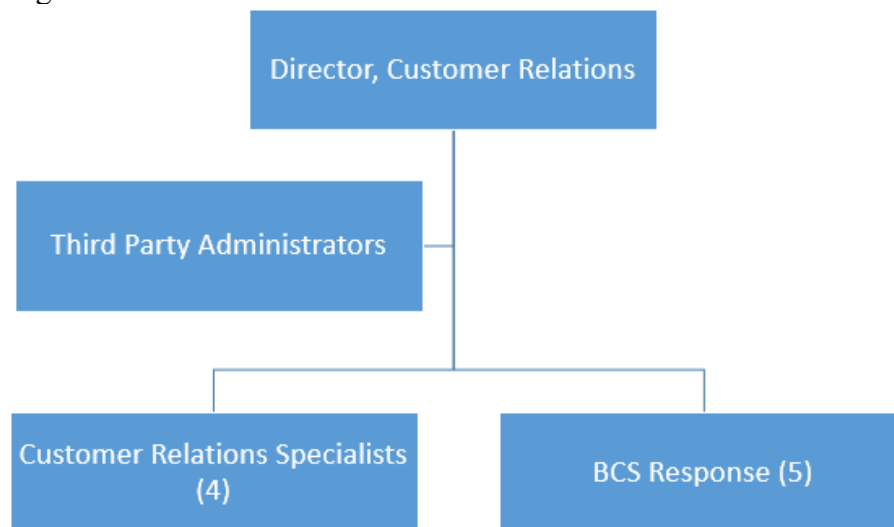
Incoming calls to the Company from low income customers are answered in the Customer Service Center, Monday through Friday from 7 a.m. to 5 p.m. Management of the Customer Service Center is provided by the Sr. Director of Customer Service. All agents receive training on the Company's Universal Service Programs in order to make appropriate referrals. Customers who appear to be eligible and in need of the Customer Assistance Program are transferred directly to Dollar Energy Fund, the Company's CAP administrator, for immediate assistance. CAP participants who need the assistance of a Dollar Energy Fund Hardship Grant

are directly transferred to Dollar Energy Fund to apply for the grant over the phone and are not required to visit an agency. Customers who are in need of other Universal Service programs such as weatherization, emergency heating assistance or CARES are referred by the Customer Service Center to the Customer Relations department for follow up.

In addition to the organization which supports the connection of customers with available assistance, customers can additionally self-refer. Through the Company's website, customers can contact the Company through the 'Peoples Helps' email line which is managed by the Customer Relations department. Customers creating an online payment arrangement through the Company's e-account portal, and who present with income less than 150% FPL are identified and their accounts are forwarded on a weekly basis to the CAP administrator for outreach for potential CAP enrollment and to offer other Universal Service programs as appropriate.

In order to ensure we reach the most vulnerable, an employee-only phone line has been implemented for the Field Operations team. Field technicians can dial directly into the Customer Relations department to make the Company aware of customers in difficult circumstances so help can be provided. Field employees also receive a stock of customer care cards that are essentially business cards with the Company's phone number and a list of programs to hand out to customers who could benefit from these programs. Customer Relations staff members additionally provide 'on call' service to Operations after normal working hours and on weekends. This service allows us to coordinate assistance for vulnerable customers, particularly if an issue arises in colder weather that affects heat to the home.

Customer support has high visibility in the Company as seen through regular presentations to the management team. Educating employees on Universal Service programs is a key focus of Peoples' Making Life Better mission.



CUSTOMER ASSISTANCE PROGRAM (CAP)

Program Description

Peoples CAP is a special payment plan for low-income, payment-troubled customers. Through CAP, low income customers pay a percentage of their income for natural gas service. The reduced payment amount is designed to improve payment compliance and reduce collection activities.

Eligible customers agree to pay 4%, 5%, 6% or 11% of their verified before-tax monthly income for natural gas service. The household income and family size determine which percentage of income the customer is to pay. Earned and unearned income of minor children is excluded in the determination of eligibility and calculation CAP payment, in compliance with the definition of household income found at 66 Pa.C.S. §1403. If the average bill for the premises is lower than the calculated percentage of income payment, the customer's CAP payment will be the average bill amount.

Eligibility for CAP is income at or below 150% FPL. Customers with incomes between 151 and 200% FPL that meet additional eligibility requirements will be eligible to participate in the Pilot CAP expansion.

Findings and Recommendations from Independent Evaluation

1. Phone and Agency Enrollment – Most customers enroll in CAP over the telephone by calling DEF. Customers appear to appreciate the convenience of the telephone enrollment and very few customers visit an agency to enroll in CAP. However, there may be additional cases where agency enrollment may provide important benefits to the customer such as quicker enrollment or more education and referrals, and should be recommended.
2. Income Verification – Peoples has reported that they are working to make it even easier for customer to provide income documentation, by creating additional mechanisms for customers to submit the information.
3. Recertification – As with enrollment, customers appear to appreciate the ability to recertify by mailing in their documentation rather than visiting an agency. However, it may be beneficial for Peoples to suggest that certain customers visit an agency to recertify to obtain a better understanding of the program, the importance of making the monthly CAP payment, and additional resources that may be available to assist them in meeting their needs.
4. CAP Bill – Peoples has designed a CAP bill that provides a clear presentation of the monthly CAP payment, the five-dollar contribution for arrearages and the CAP credit as the difference between actual usage and the CAP payment. Peoples could add information on the amount of arrearage forgiveness that will be received when they pay their bill to make this even more apparent.
5. CAP Plus – The CAP Plus adder impacts energy burden and affordability. Peoples should continue to monitor this adder and assess how increases impact affordability, especially for the lowest income customers.

6. Affordability – The CAP survey and the transactions data analysis clearly showed that the program has improved affordability for participants.
7. Bill Payment – CAP also had a positive impact on bill payment.
8. CAP Satisfaction – Customers reported that CAP was very important in helping them to meet their needs and their satisfaction was high.

Modifications Since Last Plan

Peoples implemented the suggestion provided in finding number 4 above regarding the CAP bill. A message has been added to CAP bills, directly below the CAP payment amount, to remind customers of the Arrearage Forgiveness benefit they will receive by making the payment. Please refer to Attachment B for an example of this bill message.

In response to finding number 5, Peoples engaged the regulatory focused members of its Universal Service Advisory Group to review, analyze and discuss potential CAP Plus modifications to address the affordability impact on the lowest income participants in its program. This working group analyzed data and held discussions that led to the modification of the CAP Plus mechanism that is described in this Plan.

The Company also considered the suggestion from the independent evaluation that some customers will be better served through enrolling in CAP in person. While this option has always existed at any Dollar Energy Fund agency, the Company has taken steps to increase the visibility of this option and to encourage its phone agents to offer this option to customers. There has also been a change to agency compensation, providing for agency reimbursement for the cost of completing a CAP application, regardless of whether the customer is ultimately enrolled. The Company has provided CAP training at Catholic Charities of Allegheny County so that customers can apply for CAP in person.

In order to ensure income eligibility, the Company has changed the LIHEAP eligibility provision of its CAP enrollment process to limit the use of LIHEAP in lieu of income documentation to customers who have received a LIHEAP cash or Crisis grant within the current or most recent program year. Prior to this change, customers could enroll into CAP without submitting income documentation if the Company had received LIHEAP funds in the past two years.

An online application, utilizing Dollar Energy Fund's MyApp application has been implemented, allowing customers to apply for CAP online. During the online application process, customers may submit their income electronically. The online application can be found at: <https://www.hardshiptools.org/MyApp/>. The Company plans to implement a paper application, to be completed via US mail, for customers who prefer this method. The paper application will be available in October of 2022.

Eligibility Criteria

The CAP program is available to customers who are at or below 150% of the Federal Poverty Income Level (See Attachment E - Income Guidelines). The customer must have active

residential heating service. If a customer reports zero income, a zero-income form, as shown in Attachment H, can be submitted in lieu of income documentation for enrollment in CAP.

Under a pilot expansion of CAP, customers with incomes between 151 and 200% of Federal Poverty Level, at least one broken payment arrangement and a significant arrearage may also participate. A significant arrearage is generally defined as a balance of \$800 or more, but flexibility is given in the evaluation of individual circumstances. Customers in this income group must apply for a Dollar Energy Hardship Fund Grant to be applied to their account balance prior to entering the CAP program if such funds are currently available.

Prior CAP customers who apply for service within nine months of service termination or discontinuance will continue to be considered active participants provided that they pay their CAP bill arrearage. An applicant with an outstanding balance that has not previously participated in CAP may enroll and restore service by submitting income documentation supporting their eligibility for the program and will not be required to make an arrearage payment. CAP-eligible customers who receive LIHEAP and/or Hardship Fund for restoration may enroll in CAP without submitting additional documentation and any remaining balance, following the crediting of energy assistance, will be frozen as pre-program arrearages.

Upon contact, a customer may be enrolled in CAP without providing income documentation if he/she has received a LIHEAP payment within the current or most recent LIHEAP program year. Additionally, if service is off and the customer receives approval for LIHEAP or Hardship Fund grants to restore service, no additional income documentation will be required to enroll in CAP. Peoples will accept a customer's participation in an electric or water CAP program as verification of income if the customer provides authorization for the CAP administrator to utilize income documentation submitted by the customer to enroll in another CAP program managed by the administrator (i.e. First Energy, Pennsylvania American Water) or authorizes another utility CAP program to share income information for the purposes of enrollment. Permission to use income data previously provided to Dollar Energy Fund for the purposes of enrolling in another program will only be used if the customer provides informed consent to such use. The use of this income data will be used to determine eligibility only and will not be used for any other purpose. If a customer enrolls in Duquesne Light's CAP program and provides their permission for their information to be shared, the Company will receive the customer's information from Duquesne Light and will complete enrollment on behalf of the customer. The customer may submit income for the past 30 days or 12 months, whichever is more beneficial to the household, for the determination of eligibility to participate in CAP.

The Company will follow its collections procedures for customers who fail to meet their CAP payments in a timely manner. In all cases, the Company reserves the right to delay termination based on individual, extraordinary customer circumstances. Examples of such circumstances may include mental or physical impairment and protection of vulnerable customers such as those with advanced age or victims of domestic violence.

Current CAP participants that move to a new address within the Company's service territory will be identified through a daily report. This report will be reviewed by a member of the Customer Relations team to expedite enrollment of the customer's new account into CAP to ensure benefits

are maintained. Report development and implementation of this process is expected by August 1, 2022.

Low Income Home Energy Assistance Program – LIHEAP Coordination

The LIHEAP and LIHEAP Crisis Program provide grants to eligible households to help with their utility bills. CAP participants should apply for LIHEAP and the Company provides information on how to apply for the grants. The Company mails annual reminder letter to CAP participants who have not yet received a LIHEAP grant within the program year. The LIHEAP Crisis Grant may be requested contingent upon state developed criteria and would be applied consistent with state guidelines.

Current Program Benefits

- Affordable monthly payments based on ability to pay.
- Monthly CAP credits.
- Monthly arrearage forgiveness when timely CAP payments are received.
- Exemption from late payment charges and waived security deposits for CAP eligible applicants.
- Referrals to other Universal Service programs and assistance programs

Payment Plan

Peoples utilizes a “Percent of Income Payment Plan” to establish a customer’s monthly payment. Applicants must provide proof of household income when applying for the CAP program unless they have received a LIHEAP grant within the current or prior program year (if the program recently closed). Household income and family size will place customers in a percent of income matrix. The monthly income times the 4, 5, 6 or 11 percent equals the minimum monthly payment, unless the budget amount for the premises is less, in which case the budget amount will become the CAP amount

<u>Federal Poverty Status</u>	<u>Percent of Income</u>
0 - 50%	4%
51 – 100%	5%
101 – 150%	6%
151 – 200%	11% CAP Pilot Expansion

Customers’ CAP payments are reviewed on a monthly basis, during the billing process, to ensure the customer’s CAP payment is the lowest payment for which the customer is eligible (i.e.

budget or percentage of income). If a payment change is needed, it is effective the following month. A bill message on the current bill advises the customer the CAP payment for the following month will be changing in order to alert them to review the next bill closely. In order to maintain a stable payment, absent any special circumstances such as billing adjustments, the payment will be changed no more often than once every three months.

Customers reporting 'zero income' can be enrolled or continue to participate in CAP by completing the Zero Income Form. Customers enrolled with 'zero income' will be billed the CAP minimum payment and will be required to recertify their income status in 6 months.

Payments received from the customer exceeding the current CAP payment due will be used to reduce the following month's CAP payment amount.

Program Dimensions

1. CAP Enrollment

The current number of active CAP participants, as of December 31, 2019 is provided in the table that follows. Enrollment is not limited to a predetermined level. Customers must be payment-troubled and low-income to be eligible. Income eligibility is established at or below of 200% of the federal poverty level (CAP to 150% FPL and Pilot CAP expansion 151 to 200% FPL).

Peoples Natural Gas	Peoples Gas Company LLC (formerly PTWP)	Total
30,100	2,770	32,870

2. Arrearage Forgiveness

The outstanding balance at the time of enrollment is frozen and treated as pre-program arrears. CAP customers with pre-program arrearages are eligible for Arrearage Forgiveness credits equal to 1/36th of their pre-program balance when the customer pays the required CAP payment. This program allows CAP participants to fully extinguish their pre-program balance over a three (3) year period. Arrearage Forgiveness credits are provided when the customer makes each on-time and in-full monthly CAP payment, regardless of CAP arrearages.

3. Calculation of CAP Credits

CAP credits are applied on a monthly basis when the CAP bill is issued to the customer. Per 52 § 69.262, a CAP credit is defined as the difference between the CAP customer's actual usage bill and the CAP monthly bill.

4. CAP Administration and Use of Community Based Organizations

Dollar Energy Fund administers Peoples' CAP program which includes verification of eligibility, recertification and day to day account monitoring. The agency receives customer applications via telephone and has a network of community-based organizations that are available to complete CAP applications for eligible customers. The agency offers an online CAP application which can be found at <https://www.hardshiptools.org/MyApp/> and can provide a paper application, as requested, via US mail beginning October 1, 2022.

The Company also utilizes utility partnerships and agencies such as Catholic Charities for CAP enrollment to simplify the process for customers and increase the likelihood customers will enroll in CAP programs with each of their utility providers.

5. CAP Customers who have enrolled on the basis of LIHEAP or who have certain fixed income types (pension, social security or disability) are recertified once every three years. Other income types will recertify once every two years. Customer reporting no income are required to recertify at least every (6) months. The exception to this requirement are those households whose sole income is unearned income for a child. In those cases, recertification, dependent on the type of income received by the child, will follow the recertification schedule provided for that type of income. Recertification begins with the issuance of a letter to the customer, 60 days in advance of the recertification date, requesting the customer to submit proof of income to remain active in the CAP program. A second reminder letter is mailed 30 days later. If at the end of the 60 day period, the customer has not provided the required income documentation, the customer will be dismissed from the CAP program.
6. Final Bills – Final bills are calculated as a prorated CAP amount based on the number of days in the final bill period. In addition to the current portion of the final bill, the formerly frozen pre-CAP balance becomes due.

Control Features

To limit program costs, Peoples, through its administrator, monitors CAP accounts to ensure customers are complying with the terms of the program and are receiving the proper benefits from CAP and other Universal Service Programs.

- The minimum payment for a heating account is \$25 per month.
- CAP participants who qualify for weatherization will receive priority in accordance with the criteria established for the LIURP Program.
- A CAP customer who meets the eligibility criteria for LIHEAP will be encouraged to complete an application.
- Upon enrollment in CAP, participants will be advised of the importance of energy conservation and will receive information on conservation tips and weatherization programs. Customers with a history of high energy usage and those who reach review status for exceeding \$1,000 in CAP Credits or exceeding annual usage thresholds will be

referred to the Company's weatherization program (LIURP) and any other appropriate programs. All participants will be advised that their usage will be reviewed on an ongoing basis and unjustified excess CAP usage or excess CAP credits may result in removal from the CAP Program if such usage is considered by the Company to be outside of the intentions of the CAP program.

- A daily report allows the CAP Administrator to identify CAP customers whose weather-normalized annual usage has increased by more than 25% for Peoples Natural Gas or 20% for Peoples Gas Company LLC. When a CAP customer's account appears in the report, the Company representative will take the following steps:
 - The account will be reviewed and the customer will be contacted in order to determine if the increase in gas usage is justified. Contact is made through phone and paper surveys regarding the household and housing attributes that would justify high usage. Justified usage may include: increase in household size, serious illness of a family member, or usage was beyond the household's ability to control such as poor housing stock and inefficient appliances. Special needs customers identified through this process will be referred to the CARES program in accordance with 52 PA Code, § 69.261-267.
 - Any customer with unjustified excess usage will be contacted and provided with conservation information, tips for decreasing usage, and referred to weatherization programs. Unjustified excess usage may result in the CAP customer being removed from the CAP Program. Prior to any consideration of removal, LIURP and energy education services will be offered.
- In addition to usage monitoring, Peoples monitors customers who exceed \$1,000 in CAP credits. In advance of reaching the \$1,000 threshold, customers will be notified of their current use of CAP credits and offered information about the LIURP weatherization program when they reach 50% or \$500 in CAP credits and again at 75% or \$750 in CAP credits annually. Such notification will include a description of the customer's responsibility to monitor their gas usage and advisement that the customer may be held responsible for CAP credits exceeding the \$1,000 CAP credit limit.
 - When an account exceeds the \$1,000 CAP credit threshold, the account is reviewed and the customer may be contacted in order to determine if excess CAP credits are justified. Contact is made through phone and paper surveys regarding the household and housing attributes that would justify high CAP credits. Justification may include: an increase in household size, serious illness of a family member, or usage was beyond the household's ability to control such as poor housing stock and inefficient appliances. Special needs customers identified through this process will be referred to the CARES program in accordance with 52 PA Code, §69.261-267. Customers exceeding the \$1,000 threshold due to participation in CAP at the minimum payment level are reviewed. If usage is in line with historical usage, completion of the survey is not required.

- Unjustified CAP credits in excess of \$1,000 may result in removal from participation in CAP. Prior to any consideration of removal, LIURP and energy education services will be offered.

Default, Termination Conditions and Requests for Removal

The Company monitors accounts for changes in family size or income, timely payments, appropriate usage and timely meter readings. A CAP participant's failure to comply with one or more of the following may result in the Company ending the customer's opportunity to receive service under CAP:

- Failure to allow access to or provide customer meter readings in four consecutive months.
- Failure to report changes in income or family size.
- Failure to recertify as requested and/or to meet eligibility requirements.
- Failure to make payments may result in the Company undertaking collection activities which may lead to termination of service. To avoid termination, the customer must pay CAP arrears prior to the scheduled termination date. If a CAP account is terminated, the customer must pay all missed CAP payments to restore service. If CAP is the only prior arrangement on the account, making the customer eligible for reduced restoration, the customer may pay 1/24th of arrears to restore service.
- Use of natural gas, while on the CAP Program, for recreational purposes such as, but not limited to pool heaters and gas grills is prohibited. Customers using gas for recreational purposes will be removed and can be re-enrolled upon verification that the natural gas connection to the recreational appliance has been removed.

Appeal Process

CAP applicants may appeal the denial of eligibility. If the CAP applicant is not satisfied with the Company's initial eligibility determination, the Company will follow the dispute procedures at 52 PA. Code §56.151 and 56.152. The CAP applicant may also appeal the denial of eligibility to the PUC's Bureau of Consumer Services in accordance with 52 PA Code §56.161-56.165.

Needs Assessment

Please refer to the Needs Assessment conducted in the Independent Evaluation which is provided as Attachment A and the additional Needs Assessment information developed by the Company as shown in Attachment G. Historical residential customer counts for Peoples Gas are also included in Attachment G. In the Independent Evaluation, the Needs Assessment executive summary is provided on pages xvi through xvii. The full needs assessment is provided on pages 38 through 43.

Program Budget

- The CAP Program is funded by Peoples' customers and administered by the Company. The chart below contains the projected expenditures for 2019-2024 period. Cost recovery of particular CAP components is provided through the Universal Service Riders of Peoples Natural Gas and Peoples Gas Company LLC. Recoverable costs include CAP credits, Arrearage Forgiveness, and third-party administration. The budgets provided below are based on 2019 actual participant income and using average CAP usage to calculate CAP credits, average pre-CAP balances to calculate Arrearage Forgiveness and contractual costs for CAP administration as projected on a yearly basis. The Riders have other adjustments, such as bad debt adjustments, that determine the actual amount recoverable. The Riders are subject to an annual reconciliation to actual experience. The rates used in the calculation of CAP credits are effective January 1, 2020 and therefore include the base rate increase approved for Peoples Natural Gas in late October 2019. Year end 2019 participation is used as the basis for the calculation.

	Peoples Natural Gas	Peoples Gas Company LLC (PTWP)	Total
2019			
2020	\$16,494,998	\$1,721,509	\$18,216,507
2021	\$16,528,386	\$1,724,811	\$18,253,197
2022	\$16,562,775	\$1,728,212	\$18,290,987
2023	\$16,598,196	\$1,731,715	\$18,329,911
2024	\$16,634,679	\$1,735,323	\$18,370,002

Plans to Use Community Based Organizations

Peoples' CAP program is managed by Peoples' staff and administered by Dollar Energy Fund. Dollar Energy Fund will contract with community-based organizations throughout PNG's service territory. While enrollment over the phone is preferred by most customers, the Company recognizes the need to offer in person enrollment for those who prefer and/or are more suited to this approach. Customers can apply in person at Dollar Energy Fund agencies and some Catholic Charities offices. The Company continues to look for other opportunities to expand availability of in-person CAP applications in partnership with Duquesne Light. Peoples continues to work closely with community-based organizations to provide appropriate follow up, information on education, budget counseling and referrals in conjunction with LIURP. In addition, Peoples refers eligible customers to appropriate programs and services including, but not limited to, sources of third-party funding, budget counseling, and consumer education.

Organizational Structure of Staff responsible for CAP

Peoples' CAP program is managed by the Customer Relations department and is administered by Dollar Energy Fund. The Company visits the CAP administrator on a monthly basis, reviewing

recorded calls for quality assurance, verifying CAP program control processes are completed in a timely basis and meeting with supervisory staff to review current processes including training materials for agents, correspondence used for customers and other pertinent components of CAP administration. The Company also holds a biweekly conference call with DEF management staff to share updates on program availability (i.e. LIHEAP opening/closing), discuss current trends and to gain status updates on outreach efforts. In addition, the Company will, on an annual basis, review a selection of randomly chosen accounts for income documentation verification.

Outreach and Intake Efforts for CAP

Peoples will provide outreach for CAP and other Universal Service Programs through the Customer Service Center, the Company website and other forms of media as listed below. Fliers are included with termination notices to inform customers of available programs. Bill inserts, press releases and other information are also provided to the public to encourage referrals. Community-based agencies receive information on these programs and are encouraged to make referrals as well. Meetings are held with social service agencies, elected officials and other community groups to provide current information on available programs. Information on the programs can also be found on the Company's website. Peoples will also utilize the Southwestern PA 2-1-1 for referrals and provide updated information to the Company's Universal Service Advisory Group. The CAP Administrator makes outbound calls to all customers who establish a payment arrangement through the Company's e-account which is reflective of income at or below 150% FPL.

Identification of Specific Steps to Identify and Enroll Low-Income Customers

Potentially eligible customers are identified through their income information that is documented in the Company's billing system. Customer Service Center Representatives receive training on identification of potential referrals to all Universal Service Programs. Following pre-screening for eligibility and appropriateness of CAP program for the customer's situation, the call agent refers them to the administrator for enrollment via phone or provides information to the customer about applying in person if that options is more preferable or suitable to the customer. Customers in need of CAP who appear to have challenges to traditional enrollment and require more support can be referred to the Company's CARES program for additional assistance. Information on income eligibility and program dimensions is provided in training and employee resource materials.

Integration of Programs

All customers calling Peoples' general customer service number (1-800-764-0111) or its Universal Service line (1-800-400-WARM) are screened for eligibility and appropriateness of Universal Service Programs including, but not limited to, CAP, LIURP, LIHEAP, CARES and Hardship Funds.

Field Service Personnel also make referrals to Universal Service Programs through a direct, employee only line that is answered by the Customer Relations department on an immediate basis. The Company provides Customer Service Center representatives with information and referral mechanisms for all of the Universal Service Programs and includes income guidelines and eligibility criteria.

LOW INCOME USAGE REDUCTION PROGRAM (LIURP)

Program Description

Peoples' LIURP Program is designed to help low income customers who have problems coping with high gas bills. Program goals are to make the home more energy efficient, control high usage and achieve bill reduction through energy savings.

Independent Evaluation Findings & Recommendations

1. Energy Education – Peoples has developed an extensive education program for their LIURP participants. They implemented a Pledge Form to involve the customers with the contractor and an Action Plan form that lists the actions that the customer committed to take to further reduce gas usage. Peoples contracts with energy consultants who perform random inspections and provide additional energy education to the customers about the work completed and additional actions the customers can take to save energy.
2. Energy Savings – Peoples has achieved high savings from LIURP, averaging about 20 percent of the customers' pre-treatment natural gas usage. However, given the high level of pre-treatment usage, and the investment level, Peoples should consider whether it may be possible to achieve even higher savings through targeting and the services that are provided.
3. Targeting – Peoples should consider whether they want to make additional efforts to serve the highest of the high users or the customers who are most payment troubled. They could target a subset of high-usage list for additional outreach to encourage participation.
4. Energy Efficient Measures – Peoples should assess whether they are opportunities to reduce the number of heating system replacements and increase the emphasis on air sealing and insulation.
5. Coordination – Peoples works to complete jobs that are combined with the PA Department of Community and Economic Development Weatherization Program and with electric companies. When jobs are coordinated with State Weatherization or electric companies, Peoples is typically responsible for replacing the heating appliance if replacement is necessary. They completed 17 combined jobs in 2014, 23 combined jobs in 2013, and 33 combined jobs in 2012. Peoples should continue to work with the electric companies, as planned, to try to increase coordination, thus providing improved energy efficiency through a holistic approach.

Modifications Since Last Plan

As described in the Independent Evaluation findings, the Company implemented a pledge form and an action plan form with the goal of enhancing the customer's commitment to conservation as well as the contractor's commitment to usage reduction. The pledge and action plan forms are provided as Attachment C.

Individual project budget guidelines were expanded to allow for remediation of the heating system in addition to implementing the pre-determined usage reduction measures to maximize the efficiency gained in the project. The program also provides a more generous allowance for health and safety items (those measures that do not offer a usage reduction outcome). This allows for the completion of jobs that may have otherwise required the company to forego the project and additionally benefits the overall health and safety of the household.

Participants who do not experience a reduction in pre-treatment usage (non-savers) participate in a Non-Savers Survey which attempts to identify the reasons for the current usage while additionally providing energy conservation education. Survey results are reviewed to determine if additional education and/or a home visit are recommended. Customers whose usage increases by 10 MCF or more annually post-LIURP receive a follow-up home visit where they receive additional conservation education and their appliance temperatures are checked to ensure energy efficiency. All non-savers receive a letter concerning their energy usage that contains conservation information. Non-savers are not penalized for their usage.

The Company accepts Weatherization Assistance Program (WAP) and First Energy Companies' audit forms for those jobs performed as a partnership to reduce the paperwork requirements of the contractors and further encourage coordination of services.

Peoples Natural Gas received approval for a base rate increase effective October 29, 2019. This approval included an increase of \$650,000 to the annual LIURP budget. This change is reflected in years 2020 through 2024 below.

Eligibility Criteria

As recommended by the Independent Evaluation, participation will be targeted to customer that are the highest users.

- Prioritize customer participation to the lowest income and highest arrears.
- Total family income does not exceed 150% of Federal Poverty Guidelines. (Up to 20% of the annual program budget may be allocated to customers with incomes from 151-200% of the federal poverty level on a case-by-case basis.)
- Residential, gas-heating customer.
- Customer has not moved and has not had gas service terminated within the last year (to ensure sufficient pre-treatment usage information is available to evaluate the effectiveness of weatherization measures).
- Customer has not received weatherization services provided by the Company within the past 7 years.
- Customer has an annual consumption greater than 140 MCF/year for the Peoples and Equitable Divisions of Peoples Natural Gas. Customers of Peoples Gas Company LLC (formerly Peoples TWP) may participate if annual consumption exceeds 120 MCF/year.
- Renters must have the gas account in their name and receive landlord permission to participate. Rental units must be metered separately and have individual heating systems.

Home Weatherization

An energy auditor visits the customer's home and conducts a thorough investigation. The auditor assesses areas where heat is escaping and cold is entering the house and also notes any previous weatherization measures that were installed and evaluates their effectiveness. The auditor asks customers to provide additional information that can assist them during the home inspection.

The information that is gathered by the auditor determines what measures will most benefit the goal of energy reduction in the customer's home. Measures are installed based on established payback criteria and may include:

- Heating system improvements and replacements
- Attic, sidewall, and other types of insulation
- Caulking and weather-stripping
- Air sealing
- Hot water treatments including tank improvements, wrapping and replacements
- Minor repairs that relate to weatherization

A general guideline of \$600 per job for health and safety is provided with the understanding that the auditor may recommend measures of up \$1,000 if necessary. If health and safety measures are identified exceeding \$1,000, the measures are reviewed for approval on a case-by-case basis. Examples of health and safety measures include implementing proper venting of natural gas appliances and minor plumbing or roofing leaks. Health and safety expenditures are tracked individually in the Company's LIURP database and are monitored closely by the program administrator.

State Weatherization (WAP) and First Energy Companies' audit forms are accepted by the Company for coordinated jobs.

Random inspections provide the necessary feedback to better serve customers, evaluate contractor performance and identify areas of improvement. Random inspections will be performed on a minimum of 25% of jobs completed annually.

Energy Education

In addition to weatherization services, LIURP provides customer education to encourage ongoing conservation. When energy conservation measures are being installed, an educator will explain the weatherization program in more detail and provide conservation and energy efficiency suggestions. The educator may provide "hands on" demonstrations of conservation measures such as lowering the heating system thermostat, lowering the water heater setting and regular replacement of furnace filters. The educator provides written reference materials for the

customers. The contractor will also review a pledge form with the customer to emphasize the commitment to energy reduction.

If the customer has had an unusually high increase in consumption, a follow up telephone call or visit may be scheduled one year after the program measures have been completed.

Please refer to Attachment D for a conservation booklet that is commonly used for energy education.

Needs Assessment

Please refer to the Needs Assessment conducted in the Independent Evaluation which is provided at Attachment A. The Needs Assessment executive summary is provided on pages xvi through xvii. The full needs assessment is provided on pages 38 through 43.

Projected Enrollment Levels

	Peoples Natural Gas	Peoples Gas (formerly PTWP)	Total
2019	271	40	311
2020	417	40	457
2021	344	40	384
2022	344	40	374
2023	344	40	374
2024	344	40	374
Total	2,064	240	2,304

These projections are based on average spending per home, including the implementation of heating appliance replacement (if necessary) and installation of necessary usage reduction measures.

Program Budget

	Peoples Natural Gas	Peoples Gas (formerly PTWP)	Total
2019	\$2,100,000	\$280,000	\$2,380,000
2020	\$3,342,154*	\$368,222*	\$3,710,376
2021	\$2,750,000	\$280,000	\$3,030,000
2022	\$2,750,000	\$280,000	\$3,030,000
2023	\$2,750,000	\$280,000	\$3,030,000
2024	\$2,750,000	\$280,000	\$3,030,000
Total	\$16,442,154	\$1,768,222	\$18,210,376

*Please note 2020 budgets include projected carryover dollars from 2019.

The above figures include installation of program measures, third party contract labor, administrative expenses, agency meetings, equipment, outreach, and educational materials. The Peoples Division budget reflects an increase of \$50,000 annually which represents the elimination of the LIURP Pilot Community Partnership for Weatherization program and the transfer of that program's budget to LIURP.

Figures provided include shareholder funds where applicable.

Plans to use Community Based Organizations

Peoples' LIURP program is administered through CLEAResult. As its current administrator, CLEAResult will conduct energy audits, contract with non-profit community action agencies and private contractors as appropriate to install weatherization measures provide consumer education and perform post-installation inspections. Partnering with state weatherization and other utility programs are emphasized to maximize the benefits to the consumer. CLEAResult provides administrative daily operations including enrollments, contracting and coordination with other programs. In addition, at least 25% of the homes weatherized will be subject to random inspections.

Organizational Structure of Staff responsible for LIURP

See Organizational Chart, page 4. Peoples' internal management provides oversight to the program administrator, CLEAResult.

Outreach and Intake Efforts for LIURP

The company promotes LIURP through internal and external efforts. Training is provided to customer interaction personnel including agents in the customer service center and customer service field personnel. Engagement with organizations who service customers throughout the service territory, the company website which includes a video library on conservation, published articles on easy conservation steps and safety information. Bill inserts are also used to share information about LIURP and identify eligible participants.

All customers who contact the Company for assistance from the Emergency Furnace and Line Repair program are screened for LIURP eligibility.

Customers who participate in the CAP program and meet LIURP eligibility criteria are referred to LIURP during the CAP Intake Process and during the reviews for use of CAP credits and/or increased annual usage. Additionally, agents in the customer service center routinely refer customers they encounter with high usage.

Peoples' coordinates its LIURP Program with existing community-based programs including Beaver County Redevelopment Authority, Re-Energize Pittsburgh, LIHEAP/ Crisis program, WAP (Weatherization Assistance Program) and others as each individual circumstance permits.

CLEAResult, the LIURP Administrator, receives a list from the Company of potentially eligible customers at the beginning of each calendar year. CLEAResult uses this list to contact customers via mailings and phone calls to inform the customer about the program and offer enrollment.

Steps to Identify and Enroll Low Income Customers

Eligible customers are identified through company internal reports and other universal service programs such as the CAP, CARES and LIHEAP programs. Customers are enrolled in the LIURP program in accordance with program guidelines.

The company provides training to employees who interact with the customers so that they can be informed about program eligibility requirements. In addition, the company makes all efforts to educate agencies who serve our customers so that they may refer potential participants.

Integration of Programs

Peoples continues to look for ways to increase coordination with the federal and state weatherization programs, electric utilities weatherization and Act 129 programs. Additionally, when opportunities offered by other non-profit organizations are available, the Company seeks coordination with these third-party efforts as well.

Peoples will also integrate the program through internal processes such as CAP intake, recertification, CAP usage review process, LIHEAP recipients and the Emergency Furnace/Line replacement program. In addition, the company reinforces the use of an internal Universal Service e-mail to increase referrals.

LIURP -- EMERGENCY FURNACE / SERVICE LINE REPAIR ASSISTANCE

Program Description

The Peoples companies Emergency Furnace/House and Service Line Repair Program serves customers with limited income and who are experiencing a crisis and possibly going through the winter months without heat because they cannot afford to have their furnace or service lines repaired. Additionally, the Company may consider replacement or repair of water heaters, in cases of vulnerable customer needs, safety issues that arise during a furnace replacement and/or as required by the replacement of a heating system, as eligible under this program.

Program budgets for 2019 were as follows:

Peoples Natural Gas	Peoples Gas Company LLC (formerly PTWP)	Total
\$800,000*	\$50,000	\$850,000

*\$400,000 budget for Equitable Division was approved in 2019 (M-2014-2432515), resulting in an overall budget for Peoples Natural Gas of \$800,000 annually.

These budget levels were also in place during 2017 and were fully exhausted. Early 2018 was colder than normal, resulting in a high number of heating system failures and an increased need for assistance from the program. The budgets included in this Plan were developed using average costs per job type (i.e. furnace, boiler, service line) and activity levels.

The program will allow for restoration of sidewalks, driveways and/or soft ground when necessary to ensure safety following excavation. Restoration costs covered by the program will be limited to those directly necessary to avoid an unsafe condition. All jobs that have the potential to require restoration will be evaluated to determine the prospective level of excavation related costs in determining whether the repair/replacement project can be covered under the Company's program.

The company partners with the Air Conditioners Contractors of Western PA (ACCWPA) to provide cleaning and tune up and a safety check prior to the heating season, of the heating appliance for small number of participants (30 in 2017). While the ACCWPA volunteers their time to provide the service, customers may receive financial assistance through the Company's program to resolve a repair or provide a replacement if a safety issue with the heating system is identified. Participants in the program are required to be homeowners within 200% of FPL.

Eligibility Criteria

- Homeowners and renters are eligible to participate as long as budget dollars remain available. Up to 25% of the annual budget may be used to serve renters. Signed landlord consent is required for participation.
- Total household income may not exceed 200% of FPL.

- Must have a need for emergency repairs and/or replacement of the heating system, hot water heater and/or gas lines. Non-emergency repairs and replacements are not covered by this program.
- Residential, gas-heating customers only
- Customers should apply for LIHEAP/Crisis is the program is available.
- All requests for assistance will be processed on a first-come, first-served basis.

The Company may refer eligible customers to LIHEAP Crisis when that program is available. This referral process allows Peoples to protect available funds of the program for use by those with immediate needs that cannot await LIHEAP Crisis as well as those customers who do not meet LIHEAP Crisis income qualifications (i.e. 151 to 200% FPL).

All potential repairs or replacements are evaluated by a contractor on behalf of the company to determine if the project is suitable to be covered by the program.

Needs Assessment

Based on historical participation the Peoples companies estimate to serve 320 customers from the Peoples Natural Gas and 25 customers from the Peoples Gas Company LLC to receive assistance through this program on an annual basis.

Projected Enrollment Levels

Because the prices for labor and materials consistently increase, and with the addition of limited restoration costs on an as necessary basis, the number of customers assisted will vary in relation to the types and costs of projects completed in a given year.

Program Budget

	Peoples Natural Gas	Peoples Gas Company LLC (formerly PTWP)	Total
2019	\$800,000	\$60,000	\$860,000
2020	\$887,750	\$73,050	\$960,800
2021	\$912,470	\$74,904	\$987,374
2022	\$937,932	\$76,814	\$1,014,746
2023	\$964,157	\$78,781	\$1,042,938
2024	\$988,169	\$80,806	\$1,068,975
Total	\$5,235,478	\$444,355	\$5,934,833

The budget for each Division/Company was developed using average costs for project types: boiler replacement, furnace replacement, heating system repairs and gas service line replacements. Additionally, the Company assumed 20% of the service line projects will require

repair/replacement of sidewalks. The costs above include third party administration, but do not include internal labor.

The approved settlement of the acquisition of the Peoples companies included an increase to this program of \$75,000 annually. This increase is funded by shareholders for a three-year period post-closing. After the three-year period, the program will be funded by the approved cost recovery mechanism in place at that time. The increase of \$75,000 is an increase of 8.8% to existing budgets (\$850,000). Because the Peoples Gas Company has historically exhausted its annual funds, often prior to year-end, the proposed allocation assigns 15% of the increase (\$11,250) to Peoples Gas and the remainder (\$63,750) to Peoples Natural Gas. This allocation provides needed support Peoples Gas customers while retaining an 8% increase for Peoples Natural Gas that closely aligns with the settlement increase.

Organizational Structure

See Organizational Chart on page 4.

Outreach and Intake Efforts

Peoples will coordinate the emergency program with existing programs through Department of Community Economic Development (“DCED”) and LIHEAP Crisis and will accept referrals from community-based organizations, Company representatives and other third parties.

Identification of Low-Income Customers

As this is an emergency assistance program, customers self-identify or are referred by local community service agencies or Company field personnel.

Program Integration

The program is currently administered by CLEARResult. In order to realize efficiencies and better coordinate with other programs, the agency will utilize subcontractors who are currently working to implement the Peoples’ LIURP program.

CUSTOMER ASSISTANCE REFERRAL AND EVALUATION SERVICES (CARES)

Program Description

The CARES program is designed to provide assessment and referral services for customers who may be experiencing an inability to pay their gas bills and/or have special needs such as a serious medical condition, a mental health condition, limited learning ability, recent unemployment, single parent issues, etc. The program also includes Protection from Abuse Orders as outlined in 66 PA CSA, Chapter 14 and the Address Confidentiality Program (ACP).

Findings and Recommendations from the Independent Evaluation

1. Benefits – CARES provides important benefits to special needs customers, including education about the Earned Income Tax Credit and LIHEAP, thermostats for visually-impaired customers and short-term assistance to ensure that customers are able to access the resources that they are referred to.
2. Employee Education – Peoples has levered CARES to educate employees about special needs customers, increase the sensitivity of their employees and increase customer referrals.

Modifications Since last Plan

The company will make efforts to partner with the electric company to provide services to vulnerable customers within the residence. The services will include obtaining documentation for Universal Service eligibility such as CAP, LIHEAP, and Dollar Energy Fund and will also provide resources within the customers' community and also promote the company programs.

Eligibility Criteria

Any special needs customer in danger of losing heat due to non-payment or heating equipment failure is referred to CARES. Customers are identified through referrals from call center agents, Dollar Energy Fund agents and field employees of Peoples. Income guidelines for the LIHEAP and Crisis programs are established by the Pennsylvania Department of Human Services and may change annually. LIHEAP eligibility is currently established at 150% of the federal poverty level.

The CARES program is intended for customers with immediate needs. Specialists provide an assessment to assure customers not only receive all necessary referrals to other programs, but are unable to access resources. The primary objective is to help customers resolve issues related to

and beyond bill payment and energy affordability by utilizing case management and referral services.

Customer Relations Specialists utilize an array of resources throughout the service territory such as: available energy assistance resources, public assistance benefits, local social agencies services etc. Specialists also provide training on programs and sensitivity training to customer service center personnel, field customer service personnel, in addition to providing Universal Service program awareness to social service staff. They also network with community-based organizations and the Universal Service Advisory Group to better enable customers to receive services and possible third-party assistance and funding.

Some of the agencies are as follows:

- Health and Welfare Councils
- Department of Aging
- Allegheny County Community Services Advisory Council
- Health Department
- Pennsylvania Department of Human Services
- Social Service Agency Providers Council
- Cambria County Energy Crisis Council
- Local social agencies such as Catholic Charities and Saint Vincent de Paul Society in the area.
- Beaver County Human Service Forum
- Veterans Leadership
- Allies for Health and Wellbeing- Housing Program
- Latino Family Center

Specialists also participate in awareness programs and fairs sponsored by social service agencies and elected officials to increase visibility and awareness. They also actively network in the community through partnerships with:

- Be Utility Wise
- Air Conditioning Contractors of Western Pennsylvania (ACCWPA) Furnace Inspection program
- Homeless Prevention & Rapid Re-Housing Program
- Southwestern PA 2-1-1
- Beaver County Human Service Forum
- YWCA of Greater Pittsburgh advisory committee

Customer Relations Specialists work with area social service agencies throughout the service territory to provide third party assistance for our customers. As a result, eligible customers might receive financial assistance from third party social service agencies such as Catholic Charities, Salvation Army, St. Vincent de Paul Society, Veterans Leadership in addition to traditional energy assistance etc.

Peoples will also work through a social agencies and electric utilities partnership to provide home visits for those customers with special needs who might benefit from a more personal interaction.

The CARES program has two components:

- One-time contact - includes those customers who might need an immediate referral to resolve an urgent crisis or a short-term situation.
- Case Management – includes a case work approach and ongoing monitoring and follow-up services. Qualifying accounts are coded CARES and require the specialist to monitor the account. Customers with PFA orders and participants of the ACP are part of the case management component.

Field Reporting of CARES Cases

The CARES program also includes the referrals from field employees who identify customers in vulnerable situations and refers those customers for help from our Customer Relations department. A direct employee only phone number is used to connect the field employees to the Customer Relations department on an immediate basis during normal working hours. Recognizing that our field employees respond to emergencies 24 hours/7 days a week and may identify a vulnerable customer issue in the evening or on the weekend, the Company utilizes and ‘on call’ program which ensures one of the senior Customer Relations Specialists is available via cell phone to provide assistance.

The Company utilizes the CARES program as a way to educate employees to be sensitive to those with special needs and also to recognize certain danger signals such as change in behavior, evidence of confusion or lack of apprehension, or disability in addition to company available programs.

Thermostats & Alternative Bills for Visually Impaired Customers

Thermostats for vision impaired customers are available for those who have been medically Identified as a patient with severe vision impairment. Peoples provides and installs these devices through its CARES program. Customers can also request large print bills or Braille bills depending upon their needs. The company partners with the Western PA School for the Blind Children to prepare Braille bills.

Earned Income Tax Credit Educational Outreach

Peoples promotes the Earned Income Tax Credit Program (“EITC”) to educate customers on the availability of the EITC and how to obtain the credit through the filing of their income taxes. Customers will be informed about the program through bill inserts, Peoples’ website and through referrals from our call agents and Customer Relations specialists.

Low Income Home Energy Assistance Program Outreach

The Low-Income Home Energy Assistance Program or LIHEAP is an important component of CARES. Peoples identifies income eligible customers and promotes the program through bill inserts, company website, grassroots agencies, company employees and letters sent to CAP participants. Customers can obtain an application by contacting the Company via its call center or can be connected to the online application through the Company’s website.

Peoples continues to partner with state, federal and other advocacy groups to encourage full funding for LIHEAP and actively participates in the LIHEAP Action Committee.

Needs Assessment

The number of CARES referrals received in a given year varies, but a historical review of the program reflects that assistance is provided to an estimated 875 customers per year for the Peoples Division, 600 of the Equitable Division and 146 customers of Peoples Gas Company LLC. In addition to these CARES cases, outreach is provided to low-income customers to increase participation in energy assistance programs and EITC.

Program Budget

	Peoples Natural Gas	Peoples Gas Company LLC (formerly PTWP)	Total
2019	\$285,474	\$28,234	\$313,708
2020	\$293,537	\$29,031	\$322,568
2021	\$301,843	\$29,853	\$331,696
2022	\$310,898	\$30,749	\$341,647
2023	\$320,225	\$31,671	\$351,896
2024	\$329,832	\$32,621	\$362,453
Total	\$1,841,809	\$182,159	\$2,023,968

Total estimated funding amounts for the CARES program including salaries for Customer

Relations Specialists, Director, contract labor, professional development; administrative expenses and outreach efforts and materials.

Plans to Use Community Based Organizations

The CARES Program is administered internally through the specialists who network with social service agencies throughout the Peoples' eighteen county service territories to develop partnerships, stay informed of the available programs and to better serve low income customer needs.

Organizational Structure of Staff responsible for CARES

See Organizational Chart, page 4.

Outreach and Intake Efforts for CARES

Peoples Customer Relations specialists promote the Universal Service Programs by maintaining contact with community service organizations throughout the company's service territory. The company also promotes the programs through focused articles in bill inserts, providing information on its website, providing materials to local social service agencies and distributing materials through its Peoples Universal Service Advisory Group.

Please refer to Attachment E for a programs booklet that provides information about all of the Universal Service programs available to Peoples' customers. This booklet is distributed at local outreach events and to agencies that work with low income consumers.

Identification and Referral of Low-Income Customers

Refer to the Identification and Referral of Low-Income Customer information provided in the Customer Assistance Program section.

Program Integration

See Integration Methods as outlined under the Customer Assistance Program.

PEOPLES NATURAL GAS AND PEOPLES GAS Company LLC HARDSHIP FUNDS

Program Description

The Peoples Natural Gas Company LLC and Peoples Gas Company LLC Hardship Funds are partnerships with the Dollar Energy Fund. Dollar Energy Fund was founded in 1983 and currently partners with thirteen utilities in Pennsylvania. Dollar Energy Fund is an independent, non-profit organization that provides utility bill financial assistance to customers who are on a low or fixed income. Dollar Energy Fund receives donations from utility investors and individual customers. Peoples contributes shareholder funds annually to match customer donations and to cover administrative costs. Annually, \$750,000 is donated for Peoples Natural Gas customers and \$65,000 for Peoples Gas Company LLC. These shareholder donations provide funding for grants and cover all administrative costs.

Findings and Recommendations from Independent Evaluation

1. DEF Partnership – Peoples has developed a good partnership with DEF to deliver Hardship Fund grants.
2. Customer Communication – DEF continues to work to improve the process for the customer. They are working to enhance their phone system to enable customers to use text messaging in place of speaking with a representative. This would help lower income customers whose cell phone plan includes only a certain amount of calling, but have unlimited texting.

Eligibility

As a fund of last resort, if gas service is off or in termination status and the applicants are eligible for LIHEAP and Crisis benefits, they must apply for these benefits, when available, before applying for Dollar Energy Fund. The Dollar Energy Fund Program year is open from October 1st to September 30th, and grants are provided until available funds are exhausted. During the months of October and November, applications are restricted to those with termination notices or without gas service. Beginning December 1 through the month of February, applications are restricted to those without gas service. Beginning March 1, applications are fully open to all qualified customers, regardless of service status. Applicants must be the ratepayer of record and the account must be a single-family dwelling. Customers must be at or below 200% of the poverty level to qualify for a grant. In addition, the customer must have made a sincere effort of payment, which is defined as having paid at least \$150 toward their utility bill over a ninety-day time period. Applicants under the age of sixty-two must have a balance of at least \$100 on their account to be eligible to apply. Applicants over sixty-two years of age may have a balance less than \$100, but cannot have an existing credit to be eligible to apply and must have made at least one \$100 payment in the last six months. CAP participants are deemed as having made a sincere effort to pay if their payments in the last 90 days are equal or greater than two CAP payments if such amount is less than the generally required \$150 or \$100 dependent on the customer's age. The applicant's account must be a residential heating account. All income eligible applications are reviewed by the Company for approval. Grants may be rejected if the maximum grant

amount will not satisfy the termination or restoration amount. Notification is provided to applicants whose application is denied, noting any additional payment that is required to be considered for assistance. Applications may be reconsidered if the required additional payment is made and funds continue to be available. Non-heat accounts and commercial accounts are not eligible for assistance from the Dollar Energy Fund.

Needs Assessment

Participation in the Hardship Fund is impacted by customer donations. A historical review of both divisions was used to estimate the number of customers who will receive assistance from the Hardship Fund.

Enrollment Levels

During the 2017-2018 program year, Peoples customers, including those of the former Equitable Gas Company, received a total of \$1,177,000 in grants. This includes the matching grant from Dollar Energy Fund.

Program Budget

The Company continues to explore ways to increase customer donations to assist in meeting the matching funds as well as to encourage Dollar Energy Fund to increase its fund raising programs. The below budget is reflective of the amounts provided by Peoples shareholders in support of the Hardship Grants and does not include administrative donations nor customer donations.

	Peoples Natural Gas	Peoples Gas Company LLC (formerly PTWP)	Total
2019	\$550,000	\$38,500	\$588,500
2020	\$640,000	\$48,500	\$688,500
2021	\$640,000	\$48,500	\$688,500
2022	\$640,000	\$48,500	\$688,500
2023	\$640,000	\$48,500	\$688,500
2024	\$640,000	\$48,500	\$688,500
Total	\$3,750,000	\$281,000	\$4,031,000

Budget increases in 2020 and subsequent years are the result of the approval of the acquisition of the Peoples Companies, approved by the PA PUC in January of 2020. This settlement provided an increase of \$100,000 in Hardship Funding per year. \$90,000 of this increase was allocated to Peoples Natural Gas while \$10,000 was allocated to Peoples Gas. This allocation reflects the allocation of residential customers between the two companies. (As of January 31, 2020, Peoples Natural Gas served 582,876 customers while Peoples Gas served 58, 129.)

Community Based Organizations

Dollar Energy Fund partners with community-based organizations to accept applications. Peoples' customers may be referred to any Dollar Energy Fund community-based screening agency to complete an application. Dollar Energy Fund developed an on-line application process entitled "I-Partner" which enables the Company to review grant applications more quickly. Peoples plans to continue to use Dollar Energy Fund Community Based Organizations as a means for customers to apply for Dollar Energy Fund grants. These agencies work closely with the Company and refer eligible customers to CAP, LIURP and CARES as well. The Company will continue to explore ways to streamline the application process for its customers.

Organizational Structure of Staff responsible for Hardship Funds

See Organizational Chart, page 4.

Outreach Efforts

Peoples promotes Dollar Energy Fund and encourages customer donations in a number of ways including:

- Providing information about the program in bill inserts new customer welcome packet, press releases, and bill messaging to encourage customers to contribute to the Dollar Energy Fund by adding a dollar or more to their utility payment.
- A Dollar Energy Fund Pledge form is provided on the back of the bill to allow customers to designate a particular donation amount to be added to their bills on a monthly basis.
- Dollar Energy Fund is promoted on the Company's website and is available for customers who elect to receive their bills electronically.
- Sponsorship of the Dollar Energy Fund FAN Golf Outing Classic and Annual Luncheon. Cold Down for Warmth activities included an advertisement to encourage donations.
- Promotional activities with Lernerville Speedway including radio interviews, advertisements and special recognition during the races.
- Sponsorship of promotional events at the Altoona Curve, Minor League Baseball Team.
- Development of a signature event in partnership with Hearth and Home entitled the Warm Your Hearth...Touch a Heart Campaign featuring television advertisements, annual reception, and silent auction and matching donations from Hearth and Home.
- Peoples' employee support is encouraged through donations that are made on "Casual Fridays."
- Pittsburgh Pirates "Bring on the Heat" campaign where Peoples pledges a donation to Dollar Energy Fund for each strikeout.

Customers referred to the Universal Service Programs are screened for Dollar Energy Fund eligibility and referred to the program. Training is conducted for Customer Service Supervisors and representatives so that they can make referrals to eligible customers.

Identification of Eligible Customers

See information outlined under Customer Assistance Program.

Integration of Programs

See Integration Methods as outlined under the Customer Assistance Program.

ATTACHMENT A



Jennifer L. Petrisek, Senior Counsel
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Via Overnight Delivery

September 26, 2017

Rosemary Chiavetta
Executive Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Peoples Natural Gas Company LLC Universal Service Program Evaluation

Dear Secretary Chiavetta:

Pursuant to Section 62.6 of Title 52 of the Pennsylvania Code, enclosed please find the Program Evaluation conducted by Applied Public Policy Research Institute for Study and Evaluation ("APPRISE") of the Peoples Natural Gas Company LLC Universal Service and Energy Conservation Program.

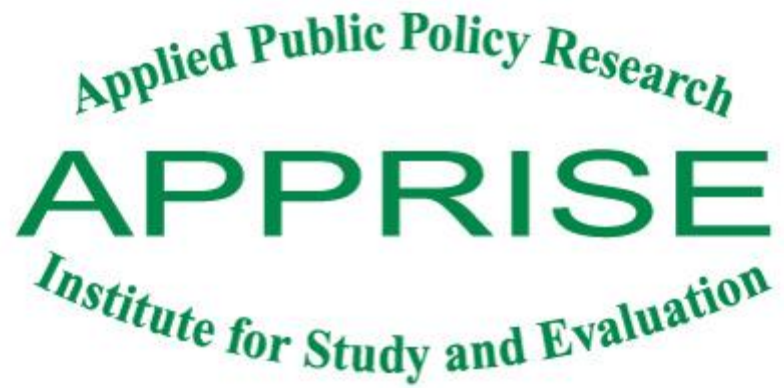
A copy of this Evaluation has been provided to the Bureau of Consumer Services, the Office of Consumer Advocate, the Bureau of Investigation and Enforcement and the Pennsylvania Utility Law Project.

Please contact the undersigned at (412) 208-6834, or Rita Black, Director of Customer Relations at (412) 208-6530, should you have any questions or concerns regarding this matter.

Very truly yours,



Jennifer Petrisek
Senior Attorney



**Peoples Natural Gas
2017 Universal Service Program Evaluation
Final Report**

August 2017

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Executive Summary

Peoples Natural Gas offers Universal Service Programs to improve affordability and health and safety for low-income customers. The Universal Service Programs include a Customer Assistance Program (CAP) that provides a discount on the gas bill, a Low-Income Usage Reduction Program (LIURP) that provides energy efficiency services and furnace replacement, a hardship fund program that provides grants to customers in danger of service termination, and a Customer Assistance and Referral Evaluation Services Program (CARES) that provides additional case management assistance to customers with special needs. This report presents the findings from the 2017 evaluation of Peoples Natural Gas' Universal Service Programs.

Evaluation

The following research activities were undertaken.

1. **Background Research:** We reviewed materials that documented Peoples Natural Gas' Universal Service Programs.
2. **Needs Assessment:** We analyzed American Community Survey (ACS) data to provide information on the number, characteristics, and needs of households in People's service territory that are eligible for the Universal Service Programs.
3. **Program Data Analysis:** We analyzed information from program databases for the CAP, LIURP, CARES, and Hardship Fund programs.
4. **Peoples Natural Gas In-Depth Interviews:** We conducted telephone interviews with Peoples managers and staff who run the Universal Service Programs.
5. **Program Administrator Interviews:** We conducted telephone interviews with managers and staff at the Dollar Energy Fund and Conservation Consultants who run the Universal Service telephone center, provide CAP enrollment and administrative services, run the hardship fund, and run the LIURP and furnace replacement programs.
6. **CAP Participant Survey:** We conducted telephone interviews with current CAP participants to assess their experiences in CAP.
7. **Transactions Data Analysis:** We analyzed the impact of CAP on affordability, bill payment behavior, arrearages, service termination, and collection costs. We also analyzed the CAP Plus mechanism to assess the impact of that charge on CAP bills and energy burden.

Evaluation Questions

The Evaluation of Peoples Natural Gas' Universal Service Programs answered the following research questions.

1. *Is the appropriate population being served? Does the enrollment level meet the needs in the service territory? Are the participants eligible for the programs as defined in the Universal Service Plan? Is re-certification completed according to the Universal Service Plan?*

The evaluation analyzed the number of households with gas heating service who were income-eligible for CAP and calculated the number who participated in Peoples CAP at any point in 2015. The table below shows that 44 percent of eligible households participated in CAP in 2015 and that participation rates were about 60 percent for households with income below the poverty level.

Poverty Group	2015 Data		
	Eligible (American Community Survey)	CAP Participants	Participation Rate
≤ 50%	16,565	9,471	57%
51% – 100%	26,668	17,120	64%
101% – 150%	39,193	9,835	25%
Total	82,426	36,426	44%

In addition to serving income-eligible households, the program serves a high percentage of households with vulnerable members. The analysis showed that 27 percent of the 2015 participants had a senior in the home and 46 percent had a child.

Re-certification is conducted according to the program plan. CAP recertification is generally completed on an annual basis. Customers who have received LIHEAP in the past 24 months or who have certain fixed income types (pension, social security, or disability) are recertified once every two years. DEF sends customers a letter 60 days prior to their recertification date, requesting that the customer submit proof of income to remain active in the CAP program. A second letter is mailed 30 days later. If the customer does not provide the required income documentation within the 60-day period, the customer is dismissed from CAP.

2. *What is the customer distribution by CAP payment plan? Do participants' energy burdens comply with the CAP Policy Statement? How many and what percent of customers have a minimum payment?*

The table below shows that 26 percent of the 2015 CAP participants had income at or below 50 percent of the poverty level, 47 percent had income between 51 and 100

percent, and 27 percent had income between 101 and 150 percent of the poverty level. The associated payment levels of eight, nine, and ten percent of income payments are in accordance with the CAP Policy Statement. Forty-four percent of all 2015 participants had the minimum payment of \$25 per month.

Poverty Level	Percent of All 2015 Participants	Percent of Income Payment	PUC Energy Burden Target	All 2015 Participants		Treatment Group	
				Mean Payment	% with Minimum Payment	Mean Payment	% with Minimum Payment
≤50%	26%	8%	5%-8%	\$32	71%	\$34	68%
51%-100%	47%	9%	7%-10%	\$43	47%	\$47	46%
101%-150%	27%	10%	9%-10%	\$77	14%	\$77	16%
All	100%			\$50	44%	\$56	39%

While the CAP payment is designed to provide an energy burden that falls within the PUC targeted affordability level, there are several reasons why a CAP participant's energy burden would be higher than this calculated target.

- **Minimum payment:** As shown above, a large percentage of CAP participants have the minimum payment level assigned. By definition, these customers will have an energy burden that exceeds the percentage of income payment level.
- **Full year:** Customers who are not on CAP for the full year will not receive all CAP credits.
- **Did not receive all credits:** Historically, customers who did not make timely payments did not receive all CAP credits. The credit application policy has changed so that currently customers do receive a credit each month they are on CAP.
- **Arrearage forgiveness co-payment:** Customers with arrearages pay \$5 per month to reduce the arrearage while they are receiving arrearage forgiveness. This increases the monthly payment above the targeted percentage of income payment level.
- **CAP Plus co-payment:** All CAP participants have a CAP Plus co-payment which increases the monthly payment above the targeted percentage of income payment level.

The table below shows the energy burden for the treatment group before and after participating in CAP. The table shows a large reduction in average burden from 59 percent before participation to 35 percent while participating for customers with income below 50 percent of the poverty level. However, given the reasons noted above, a large percentage of these customers still have an energy burden that exceeds the PUC target.

Poverty Level	Treatment Group Mean Unadjusted Gas Energy Burden		PUC Energy Burden Target
	Pre	Post	
≤ 50%	59%	35%	5%-8%
51 – 100%	41%	25%	7%-10%
101 – 150%	24%	15%	9%-10%

Poverty Level	Treatment Group Percent with Burden Above PUC Target	
	Pre	Post
≤ 50%	96%	85%
51 – 100%	86%	71%
101 – 150%	71%	48%

The table below shows the impact that some of these factors have on energy burden. This table excludes customers with the minimum payment, excludes customers who did not participate in CAP for the full year, and excludes the arrearage forgiveness co-pay and the CAP Plus amount. When all of these adjustments are made, only ten percent of those with income below 50 percent of the poverty level have an energy burden above the target level.

Poverty Level	Treatment Group Mean Adjusted Gas Energy Burden		PUC Energy Burden Target
	Pre	Post	
≤ 50%	20%	3%	5%-8%
51 – 100%	18%	7%	7%-10%
101 – 150%	16%	7%	9%-10%

Poverty Level	Treatment Group Percent with Burden Above PUC Target	
	Pre	Post
≤ 50%	88%	10%
51 – 100%	73%	21%
101 – 150%	64%	21%

3. *What are the CAP retention rates? Why do customers leave CAP?*

The table below shows that 61 percent of the 2015 participants had enrolled on or before January 1, 2015 and had not been deactivated prior to January 1, 2016. Twenty percent did not participate for all of 2015 because they enrolled after January 2015, nine percent enrolled in January 2015 but were removed before December 2015, and ten percent enrolled after January 2015 and were removed before December 2015.

	All 2015 CAP Participants	
	#	%
Final Analysis Group	28,265	100%
Full Year in CAP	17,130	61%
Not Full Year in CAP	11,135	39%
Enrolled after January	5,693	20%
Removed before December	2,656	9%
Enrolled after Jan and removed before Dec	2,786	10%

The table below displays the CAP removal reason for customers in each group who were deactivated. The table shows that the most common removal reason was that the customer did not provide documentation.

	All 2015 CAP Participants	
	#	%
Did Not Provide Documentation	3,820	70%
Income Too High	727	13%
Customer Request	294	5%
Final Bill or Disconnected	223	4%
System Error Correction	177	3%
Set up in Error	167	3%
Annual Credit Exceeds \$1,000	34	1%
Usage Exceeds 125%	0	0%
Total	5,442	100%

4. *Is there an effective link between CAP and energy assistance programs (LIHEAP, hardship, and other grants)?*

There is an effective link between CAP and energy assistance programs. Peoples encourages customers to apply for LIHEAP with bill inserts, posters, outreach, community events, and application assistance. If requested, Peoples will hand write the LIHEAP application for the customer and mail it to the customer to be signed and submitted. Dollar Energy asks customers if they applied for LIHEAP/Crisis if they are eligible. Customers must apply for LIHEAP/Crisis prior to receiving the Dollar Energy grant.

The table below shows that 38 percent of the CAP treatment group received LIHEAP in the year before CAP enrollment and 42 percent received LIHEAP in the year following CAP enrollment.

	Treatment Group		
	Pre	Post	Change
Number of Customers	3,516		
Percent Received LIHEAP	38%	42%	4%**
Mean LIHEAP Grant – All Customers	\$82	\$102	\$19**
Mean LIHEAP Grant –Received LIHEAP	\$219	\$242	\$23**
Percent Received LIHEAP Crisis	16%	11%	-5%**
Mean LIHEAP Crisis Grant – All Customers	\$68	\$38	-\$30**
Mean LIHEAP Crisis Grant – Received Crisis	\$425	\$357	-\$68**

5. *How effective are the CAP control features at limiting program costs? What are the number and percent of customers with minimum payments? What are the number and percent of customers who exceed the maximum CAP credits?*

The table below shows that approximately 40 percent of the CAP participants had the minimum payment.

Poverty Level	All 2015 Participants		Treatment Group	
	Mean Payment	% with Minimum Payment	Mean Payment	% with Minimum Payment
≤50%	\$32	71%	\$34	68%
51%-100%	\$43	47%	\$47	46%
101%-150%	\$77	14%	\$77	16%
All	\$50	44%	\$56	39%

Peoples generates a report to monitor customers who exceed \$1,000 in CAP credits. Customers are notified of their current use of CAP credits and offered information about the LIURP weatherization program when they reach \$500 in CAP credits and \$750 in CAP credits annually. The notification includes a description of the customer's responsibility to monitor gas usage and advises the customer that he/she may be responsible for CAP credits over \$1,000.

When an account exceeds the \$1,000 CAP credit amount, the account is reviewed and the customer is contacted to determine if excess CAP credits are justified. DEF completes a questionnaire with the customer. Justification may include an increase in household size, serious illness of a family member, usage was beyond the household's ability to control, or a very low CAP payment. Special needs customers identified through this process are referred to the CARES program. High usage customers are referred for weatherization.

Unjustified CAP credits in excess of \$1,000 may be reversed and the resulting bill will be the responsibility of the CAP participant.

The table below shows that only ten percent of the 2015 participants and one percent of the treatment group had \$1,000 or more in CAP credits.

	Obs.	Mean # CAP Credits	Mean Credits	Median Credits	Received \$1,000 or More CAP Credits
	Credits Received in 2015				
All 2015 Participants (0-150%)					
All	28,265	4.6	\$467	\$378	10%
Full Year CAP	17,130	5.3	\$541	\$452	12%
	Credits Received in Year after Enrollment				
Treatment Group					
All	3,519	3.9	\$194	\$125	1%
Full Year CAP	2,893	4.2	\$205	\$131	1%

6. *How effective is the CAP and LIURP link? Is the company's procedure for dealing with excessively high usage effective? If not, how can it be improved?*

At the time of CAP enrollment, participants receive information on conservation tips and weatherization programs. Customers with a history of high energy usage are referred to LIURP and any other appropriate programs. All participants are advised that their usage will be reviewed on an ongoing basis and unjustified excess CAP usage may be billed to the CAP customer or the CAP customer may be removed from CAP.

Peoples generates a daily report that allows the Company to identify CAP customers whose weather-normalized annual usage has increased by more than 25 percent. When a CAP customer's account appears in the report, the Company representative reviews the account and the customer is contacted to determine if the increase in gas usage is justified due to an increase in household size, serious illness of a family member, or usage was beyond the household's ability to control. Peoples has a questionnaire they provided to DEF to use when discussing usage with the customer. The majority of the cases reviewed meet one of these justified reasons for an increase in usage.

- Number of people living in the home increased
- Medical condition in the home
- New gas appliances installed
- Furnace condition
- Window condition
- Attic insulation condition
- Home drafts
- Whether home has been weatherized
- Other reasons

If DEF does not get in touch with the customer on the phone, they mail the questionnaire, the customer fills it in and mails it back, and they use the information that the customer provided.

7. *Has collection on missed CAP payments been timely? Has the company followed its own default procedures in its Universal Service Plan for CAP customers?*

Peoples follows normal collections procedures for CAP participants who do not make their payments in a timely manner. Customers who do not make their monthly payments may be placed in collections and have their service terminated. To avoid termination, the customer must pay the amount set forth in the termination notice prior to the scheduled termination date.

8. *Does participation in Universal Service Programs reduce service terminations?*

There was a small, statistically significant reduction in the number of collection calls for the treatment group as compared to the comparison groups, but no significant change in terminations.

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,517			2,287			7,007			9,294	
Letters	0.05	0.09	0.04**	0.05	0.14	0.09**	0.05	0.04	-0.02**	0.04	<0.01
Calls	0.07	0.12	0.05**	0.09	0.16	0.07**	0.04	0.02	-0.1**	0.03	0.03*
Termination Processing step – No Cost	0.12	0.19	0.07**	0.16	0.29	0.13**	0.04	0.04	-0.01	0.06	0.01
Termination Processing Step – With Cost	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-0.01**	>-0.01	<0.01
Terminations	0.08	0.10	0.02*	0.11	0.18	0.07**	0.03	0.03	-0.01#	0.03	-0.01

9. *Does participation in Universal Service Programs decrease collections costs?*

There was not a statistically significant change in the cost of collections for the treatment group as compared to the comparison groups.

**Table VI-2A
Cost of Collections Actions**

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,517			2,287			7,007			9,294	
Letters	\$0.05	\$0.09	\$0.04**	\$0.05	\$0.14	\$0.09**	\$0.05	\$0.04	-\$0.02**	\$0.04	\$0.01
Calls	\$0.01	\$0.01	\$0.01**	\$0.01	\$0.02	0.01**	\$0.01	\$0.01	-\$0.01**	\$0.01	\$0.01*
Termination Processing Step	\$0.27	\$0.42	\$0.15	\$0.54	\$0.62	\$0.08	\$0.32	\$0.16	-\$0.17**	-\$0.04	\$0.19
Terminations	\$5.46	\$6.71	\$1.25*	\$6.99	\$11.61	\$4.62**	\$1.95	\$1.62	-\$0.33#	\$2.15	-\$0.90
Total Cost	\$5.79	\$7.23	\$1.44**	\$7.59	\$12.39	\$4.80**	\$2.33	\$1.82	-\$0.51**	\$2.14	-\$0.71

10. Is the CAP program cost-effective?

The CAP provides large subsidies to participants, averaging several hundred dollars each year, to improve the affordability of their energy bills. Given the size of these subsidies, it is not possible for the program to be cost-effective, defined as a subsidy cost that is less than the amount saved on collections costs and termination costs. However, there is evidence that the program provides important benefits to participants to improve their health and well-being, many of which cannot be quantified.

11. How can Universal Service Programs be more cost-effective and efficient?

Based on the evaluation research, we have the following recommendations to improve the effectiveness and efficiency of the Universal Service Programs.

CAP

- Enrollment: Peoples should consider whether there are cases where agency enrollment (rather than telephone enrollment) may provide important benefits to the customer such as quicker enrollment or more education and referrals, and should be recommended to the customer.
- Re-certification: It may be beneficial for Peoples to suggest that certain customers visit an agency to recertify to obtain a better understanding of the program, the importance of making the monthly CAP payment, and additional resources that may be available.
- CAP Bill: Peoples could add information on the amount of arrearage forgiveness that will be received when they pay their bill to make this even more apparent.

- **CAP Plus:** The CAP Plus adder impacts energy burden and affordability. Peoples should continue to monitor this adder and assess how increases impact affordability, especially for the lowest-income customers.

LIURP

- **Targeting:** Peoples should consider whether they want to make additional efforts to serve the highest of the high users or the customers who are most payment-troubled. They could target a subset of their high-usage list for additional outreach to encourage participation.
- **Measures:** Peoples should assess whether there are opportunities to reduce the number of heating system replacements and increase the emphasis on air sealing and insulation.
- **Coordination:** Peoples should continue to work with the electric companies, as planned, to try to increase LIURP coordination, thus providing improved energy efficiency through a holistic approach.

12. Is the program sufficiently funded?

The CAP budget as planned in Peoples' three-year Universal Services Plan was lower than the actual program costs. Over 230 percent of the planned budget was spent. The planned budget was based on natural gas rates at the time and approximate enrollment. In addition to changes in rates and enrollment, there are changes in vendor administration costs and payment behavior that impact the amount of arrearage forgiveness benefits. The transition from CAP credit application upon payment to CAP credit application upon billing resulted in a significant one-time increase in CAP costs.

2015 CAP			
Company	Budget	Expenditures	Percent of Budget Spent
Peoples	\$5,583,793	\$12,607,004	226%
Equitable	\$3,606,966	\$8,614,710	239%
Total	\$9,190,759	\$21,221,714	231%

Peoples Universal Service Programs

Peoples' Universal Service Programs provide assistance to low-income customers to improve affordability, as well as health and safety.

Customer Assistance Program (CAP)

The Customer Assistance Program (CAP) is a special payment plan for low-income, payment-troubled customers. In this program, low-income customers pay a percentage of

their income for natural gas service. The reduced payment amount is designed to improve payment compliance and reduce collection activities.

The CAP budget was close to \$9.2 million in 2015 and increased to \$9.8 million for 2018. Total CAP expenditures were about \$21.2 million in 2014 and 2015. These projections, as provided in the Universal Service and Energy Conservation Report, were prepared in early 2014 and could not predict future changes to CAP which included an expansion of services offered by the CAP administrator to include referrals and assistance to all Universal Service programs or the change to the application of CAP credits at the time of billing rather than upon receipt of payment. Enrollment was projected to be 22,500 for Peoples and 17,000 for Equitable in 2018. Approximately 33,000 customers participated in CAP as of December 2015 and 2016.

Peoples' CAP is managed by Peoples' staff and administered by the Dollar Energy Fund (the Dollar Energy Fund administration began in May 2011). The Dollar Energy Fund (DEF) provides call center services for all of Peoples Universal Service Programs. DEF's CAP responsibilities include verification of eligibility, recertification, and day-to-day account monitoring. The agency has a network of community based organizations that are available to complete CAP applications for eligible customers.

Customers can enroll by phone without income verification if they received LIHEAP. If this is the case, DEF takes the customer's verbal income report to enter in the system and to place the customer in a CAP tier. If the budget payment is lower, the system will automatically select the budget amount as the CAP payment.

If the customer has not received LIHEAP, the customer is asked to send in proof of income. When the income information is sent in and approved, the customer is enrolled in CAP. At the time of CAP enrollment, customers are given a handout with energy conservation tips and a copy of the CAP customer agreement so they know how to be successful in CAP.

Customers with income at or below 150 percent of the Federal Poverty Level are income-eligible for CAP. The customer must also have active residential heating service and be classified as payment-troubled. Peoples defines a customer as payment-troubled if any of the following situations exist.

- An arrearage, broken payment arrangement, or termination notice.
- Housing and utility costs that exceed 45 percent of the household's total income. Housing and utility costs are defined as rent or mortgage, property taxes, gas, electric, water, telephone and sewage.
- Disposable income of \$100 or less after subtracting all household expenses from household income.

However, Peoples is flexible on the payment-troubled requirement. If CAP appears to be the most beneficial option for the customer, then they will enroll a customer who is seeking assistance.

The benefits of CAP participation include the following.

- An affordable monthly payment based on ability to pay.
- Monthly CAP credits.
- Monthly arrearage forgiveness when timely CAP payments are received.
- Exemption from late payment charges and waived security deposits.
- Referrals to other Universal Service Programs and assistance programs

Eligible customers agree to pay eight, nine, or ten percent of their verified before-tax monthly income for natural gas service, depending on household poverty level. The minimum monthly payment is \$25. In addition to the percentage of income amount, CAP customers pay five dollars per month toward their pre-CAP balance, and a CAP Plus amount to account for potential LIHEAP benefits.

CAP customers with pre-program arrearages are eligible for Arrearage Forgiveness credits equal to 1/36th of their pre-program balance when the customer pays the required CAP payment. CAP participants can completely remove their pre-program balance over a three-year period. Arrearage Forgiveness credits are provided when the customer makes a full CAP payment.

CAP recertification is generally completed on an annual basis. Customers who have received LIHEAP in the past 24 months or who have certain fixed income types (pension, social security, or disability) are recertified once every two years.

Peoples follows normal collections procedures for CAP participants who do not make their payments in a timely manner. Customers who do not make their monthly payments may be placed in collections and have their service terminated. To avoid termination, the customer must pay the amount set forth in the termination notice prior to the scheduled termination date.

E-CAP Pilot

Peoples E-CAP is a three-year pilot payment plan for low-income, payment-troubled customers with household incomes between 151 and 200 percent of the Federal Poverty Level. Eligible customers agree to pay 11 percent of their verified before tax monthly income or the premise-specific budget payment for natural gas service. In addition to the percentage of income payment, E-CAP customers pay \$5 per month toward pre-program arrearages and the CAP Plus monthly payment amount.

Customers are eligible for Pilot E-CAP if they meet the following criteria.

- Income between 151 and 200 percent of the Federal Poverty Level.
- Active heating customer.
- Significant account balance.
- Prior broken payment arrangement, an active termination notice, or lack of utility service.
- Applied for a Dollar Energy Grant to reduce the delinquent balance prior to entering E-CAP if funds are available.

Enrollment is focused on customers with balances of \$800 or more, but customers with lower balances may be enrolled if circumstances warrant.

The program benefits are as follows.

- Affordable monthly payments based on ability to pay.
- Monthly CAP credits.
- Monthly arrearage forgiveness when timely CAP payments are received.
- Exemption from late payment charges and waived security deposits.
- Referrals to other Universal Service Programs and assistance programs.

CAP Challenges and Successes

The DEF call center noted that the greatest challenge with CAP is receiving documentation to verify income for customers who have not received LIHEAP. DEF asks customers to send their last two pay stubs and proof of employment, but customers do not always follow through. There are times when DEF only receives partial income documentation even though they have sent letters and made several attempts to contact the customer. This is especially a challenge in termination season when they need the information within a specified time period.

The ongoing challenge is to encourage customers to consistently make their payments. CAP is designed to be the most affordable payment and customers receive the benefit of arrearage forgiveness. However, getting customers to follow through and make those regular payments is a challenge. This makes it difficult for customers to keep service and reduce their balances.

Dollar Energy Hardship Fund

Peoples Hardship Fund works in partnership with the Dollar Energy Fund to provide grants of up to \$500 to customers who are behind on their natural gas bills. The Hardship Fund is provided through Peoples donations and customer donations. Peoples contributes up to \$550,000 annually to match customer donations and contributes up to \$110,000 for administrative costs.

During the 2015-2016 program year, Peoples distributed a total of \$1.1 million in grants to over 3,000 customers. The average grant amount was \$364.

Dollar Energy partners with community-based organizations to accept hardship fund applications. If customers call DEF to apply for CAP, DEF can take the hardship fund application as well. Customers must meet the following criteria to be eligible for the Hardship Fund.

- Apply for LIHEAP and Crisis benefits if eligible.
- Household income at or below 200 percent of the poverty level.
- Paid at least \$150 toward their utility bill over a ninety-day time period, or at least one \$100 payment in the last six months if over 62.
- Have a balance of at least \$100 if under 62. There is no balance requirement for applicants over 62.

- Have a residential heating account.

CARES

The CARES program provides comprehensive services for customers who may have an inability to pay their gas bills and/or have special needs. In 2018, the total CARES budget will be just under \$400,000.

CARES provides assistance to approximately 500 customers each year for the Peoples Division and 600 customers each year for the Equitable Division. CARES also provides outreach to low-income customers to increase participation in energy assistance programs and the Earned Income Tax Credit (EITC). LIHEAP is an important component of CARES. Peoples identifies income-eligible customers and promotes the program through bill inserts, radio and television ads, press releases, press conferences, and customer letters.

The CARES Program is administered by Peoples' staff who work with agencies throughout Peoples' service territory to stay informed of available programs and to better serve low-income customers. Peoples employs two certified social workers on its Customer Relations' staff to support the needs of customers with special circumstances.

Any special needs customer in danger of losing heat due to non-payment or heating equipment failure may be referred to the CARES program for assistance. Special needs include a serious medical condition, a mental health condition, limited learning ability, recent unemployment, and single parent issues, as well as other special needs.

The CARES program also includes the Gatekeeper program which is designed to aid older adults and special needs customers who need help, but may not be able to access it themselves. Customer contact personnel are trained as "gatekeepers" to recognize danger signals such as changes in behavior, signs of confusion, or disability. Gatekeepers report the situation, and referrals are made to third party agencies or family members are alerted.

LIURP

Peoples' LIURP is designed to help low-income customers who have high gas bills.

The goals of LIURP are as follows.

- Maintain health, safety and comfort in the home.
- Comply with the PUC mandates.
- Continue utilization of third party administrator.
- Reduce consumption of CAP participants.
- Assist special needs customers.
- Partner with community based organizations.
- Spend the program budget wisely while maximizing quality of work.
- Continue providing random inspections as means of quality control.

In the Joint Settlement Agreement in the Merger Transaction proceeding, Peoples agreed to increase the spending for its combined LIURP program to a total of \$2,050,000 (including

\$250,000 in Shareholder funding). These expenditure increases will remain in effect for 4 years (2014 through 2017).

Projected LIURP enrollment is based upon average spending per home for the past three years. A total of 410 customers are expected to be served each year. The average LIURP costs per home were \$4,727 in 2016.

Peoples' LIURP is managed in-house and administered through Conservation Consultants Inc., a nonprofit agency. Conservation Consultants is responsible for outreach and enrollment. They review customer referrals sent from Peoples, ensure that the customer has not participated in LIURP in the past seven years, and check to make sure they meet the LIURP requirements.

CAP participants are screened for LIURP, but must meet the following criteria for eligibility.

1. Total family income does not exceed 150 percent of the Federal Poverty Guidelines. (Up to 20 percent of the annual program budget may be allocated to customers with incomes from 151 to 200 percent of the federal poverty level on a case-by-case basis.) Customers with lowest income and highest arrearages are prioritized.
2. Residential, gas-heating customer.
3. Customer has not moved and has not had gas service terminated within the last year.
4. Customer has annual consumption greater than 140 MCF.
5. Renters must have the gas account in their name and receive landlord permission to participate. Rental units must be metered separately and have individual heating systems.

An energy auditor assesses the customer's home to determine what LIURP measures should be installed. The auditor assesses air leakage, previously installed weatherization measures, and the effectiveness of these measures. The auditor discusses the home performance with the customer.

Measures are installed based on established payback criteria and may include the following.

- Heating system improvements and replacements
- Attic, sidewall, and other types of insulation
- Caulking and weather-stripping
- Air sealing
- Hot water treatments including tank improvements, wrapping, and replacements
- Minor repairs that relate to weatherization

In addition to weatherization services, LIURP provides customer education to explain the weatherization and to encourage ongoing conservation.

LIURP Pilot: Emergency Furnace/Service Line Repair Assistance

The Peoples Emergency Furnace program provides financial assistance for furnace/boiler and service and house line gas leak repairs or replacements to help customers maintain gas service.

Customers must be at or below 200 percent of the federal poverty level, own their home, and have a need for emergency repairs to their heating system or house/service lines to be eligible for the pilot.

The budget for Peoples Division is \$400,000 per year from 2015 through 2018. By Order issued 12/8/16, the Equitable Division will now have an annual funding mechanism of \$275,000 through its Universal Service Rider and will operate in the same manner as Peoples Division's programs.

An average of 140 Peoples customers per year have received either furnace or line repair services through this program. An average of 30 to 40 Equitable customers per year received either furnace or line repair services through this program prior to the 2016 Order that increased Equitable's funding for this pilot.

Peoples LIURP Pilot: Community Weatherization Partnership Program

The Community Weatherization Partnership Program partners with nonprofit organizations to provide energy education programs for customers with limited incomes.

The Community Weatherization Partnership Program was approved as part of the Settlement in Peoples Base Rate Case in June 2011. While Peoples Equitable Division does not currently offer a Community Partnership Program, it may be implemented at some point in the future.

The budget for the pilot is \$50,000 per year for 2015 through 2018 and it is expected that 50 to 100 customers per year will receive education through this program.

The pilot is designed to impact low-income customers in vulnerable neighborhoods. In 2015, Peoples partnered with five organizations, completed seven education sessions, and provided information to 101 customers. Each participant also received an energy conservation tool kit with caulking materials, pipe insulation, a showerhead and aerator, window and door kits, and foam insulation. Peoples also provided funding to nonprofit organizations whose programs served 142 customers with energy education and conservation kits.

Needs Assessment

The Needs Assessment provided a profile of low-income households in Peoples' service territory using data from the 2011-2015 American Community Survey (ACS). These data provided information on the number of eligible households, the poverty level of those households, demographic characteristics, and energy burden. The data represent Peoples' service territory in 2015.

- **Income Eligibility:** Of households with gas service, 17 percent have income below 150 percent of the poverty level and 25 percent have income below 200 percent of the poverty level.
- **Demographics:** Of those below 150 percent of the poverty level with gas service, ten percent are married with children, 22 percent are single with children, 36 percent are a senior head of household, and the remaining are in other categories. Ninety-three percent speak English at home.
- **Gas Costs and Burden:** Gas heating households with income below 150 percent of poverty have a mean natural gas burden of 13.8 percent. However, this average burden is not reflective of the energy burden for CAP participants who receive the CAP credits and, as a result, have a lower energy burden.

Participant Feedback

We conducted telephone interviews with 103 current CAP participants to assess CAP understanding, impact, and satisfaction. Key findings from the survey are summarized below.

- **Participation:** Customers were most likely to find out about CAP from a Peoples customer service representative, an agency, or a friend or relative. While 61 percent said they enrolled to reduce their bills, 28 percent said it was because they had low or limited income, and 24 percent said they enrolled to reduce their arrearages.

Most respondents reported that the enrollment and the recertification process were very or somewhat easy. While 93 percent said that enrollment was very or somewhat easy, 97 percent said that re-certification was very or somewhat easy.

- **CAP Benefits:** 89 percent reported that they felt they had a good understanding of the services provided by CAP. While 90 percent said that their responsibility was to keep up with payments, 12 percent said it was to report income and information, four percent said it was to conserve energy, and three percent said it was to apply for LIHEAP.

Respondents were most likely to report that the benefits of CAP were lower energy bills and even monthly payments. When asked about specific benefits, 98 percent agreed that lower energy bills were a benefit, 94 percent agreed that maintaining gas service was a benefit, and 80 percent agreed that reduced arrearages were a benefit.

While 97 percent said that the CAP bills shows the CAP payment in a way that is clear and easy to locate and understand, 91 percent said it showed the CAP credit benefit and 84 percent said that it showed the arrearage forgiveness amount in a way that is clear and easy to locate and understand.

- **Bill Payment Problems:** Respondents were much less likely to state that their CAP bills were difficult to pay after enrollment in CAP. While 58 percent said it was very difficult to pay the monthly gas bill prior to CAP enrollment, only five percent said it was very difficult to pay the bill following enrollment. Sixty-six percent said their gas bill was lower when they were in CAP and 25 percent said their gas usage was lower after enrolling in CAP.

Respondents were less likely to report that they had to delay expenditures or skip paying bills following enrollment in CAP. While 60 percent said they had to skip paying for food prior to CAP enrollment, 24 percent said they did so following CAP enrollment. Large declines in difficulty paying bills were also reported for the telephone, medical or dental, mortgage or rent, and credit card or loans.

When asked how important CAP has been in helping them meet their needs, 92 percent said it was very important and five percent said it was somewhat important.

- **Continued CAP Participation:** When asked how likely they were to continue to participate in CAP, 92 percent said they were very likely to continue to participate. Most participants stated that they would continue to participate in the program as long as the assistance was needed.

CAP Satisfaction and Recommendations: While 93 percent said they were very satisfied with CAP, six percent said they were somewhat satisfied. Most respondents did not have recommendations for the program. Those who did have recommendations were most likely to suggest improved availability or accessibility, a higher level of assistance, or weatherization services.

Transactions Analysis

This evaluation included an analysis of Peoples' CAP impacts on affordability, bill payment compliance, and collections actions. Key findings from the analysis are summarized below.

- **CAP Participation:** 82 percent of the treatment group who enrolled in 2015 and did not participate in CAP in the year prior to enrollment remained on CAP for at least a full year. While 92 percent of the Peoples treatment group participated in CAP for the full year, 74 percent of the Equitable treatment group participated in CAP for the full year.
- **CAP Credits:** All 2015 participants received an average of 4.6 credits and \$467, and full year participants received an average of 5.3 credits and \$541. While ten percent of all 2015 participants received \$1,000 or more in CAP credits, 12 percent of the full year participants received \$1,000 or more in CAP credits.

The treatment group analysis focuses on credits received in the year after the 2015 enrollment. Therefore, most of these customers received credits for winter 2016, the 2nd warmest year on record in Pittsburgh according to the National Oceanic and Atmospheric

Administration (NOAA)¹. As a result, the 2015 treatment group had average CAP credits that were significantly lower than all 2015 participants whose data included winter 2015 when the weather was much colder than average. The treatment group received an average of 3.9 credits and \$194, and full year participants received an average of 4.2 credits and \$205. Only one percent of the treatment group received \$1,000 or more in CAP credits.

- **Monthly CAP Credit Receipt:** Approximately 28 to 40 percent of the treatment group had a CAP credit each month in the year following CAP enrollment.
- **CAP Discount:** The CAP discount is defined as the CAP credits divided by the customer's full bill. The mean discount across the full treatment group was 22 percent. Customers with income below 50 percent of the poverty level had the greatest percent discount, averaging 40 percent, and ten percent of these customers had a discount above 67 percent.
- **Calculated CAP Payment:** The CAP payment is calculated as eight, nine, or ten percent of income, depending on the poverty level. These values are consistent with the PUC's energy burden targets for CAP participants. For example, for customers with income between 101 and 150 percent of the poverty level, the energy burden target is nine to ten percent and Peoples percent of income payment is ten percent.
- **Minimum CAP Payment:** A large percentage of CAP participants had the minimum payment of \$25/month, especially in the lowest poverty group. While 71 percent of all 2015 participants with income below 50 percent of the poverty level had the minimum payment, 44 percent of all 2015 participants from zero to 150 percent of poverty had the minimum payment.
- **Energy Burden:** Energy burden is defined as the annual gas bill divided by annual household income. While energy burden was 38 percent in the year prior to CAP enrollment when there was a cold winter, energy burden averaged 23 percent in the year following CAP enrollment, a decline of 15 percentage points. Relative to the comparison group, CAP participants' energy burden declined by nine percentage points. CAP had a significant positive impact on energy bill affordability.
- **CAP Bills:** CAP participants' bills declined by an average of \$590 due to both the CAP credits and the warmer winter. Compared to the average comparison group change, CAP participants' bills declined by \$324.
- **CAP Plus:** The CAP Plus amount is calculated by Peoples as the LIHEAP receipts for customers participating in the CAP program for the previous LIHEAP heating season divided by number of current active CAP participants and the projected number of CAP participants to join CAP that quarter. The CAP Plus amount is added to the calculated

¹ <https://www.ncdc.noaa.gov/sotc/national/2016/13/supplemental/page-1>

monthly CAP payment amount for all participating CAP customers. The 2015 participants received a mean of 6.3 CAP Plus charges totaling \$38 and the treatment group received a mean of 7.3 CAP Plus charges totaling \$46. The CAP Plus charges made up 5.8 percent of the discounted bill for all 2015 participants and 7.8 percent of the discounted bill for the treatment group.

- **LIHEAP and Crisis:** While there was no significant net change in the amount of LIHEAP received, there was a decline in the amount of LIHEAP Crisis assistance received, likely due to a more affordable bill.
- **CAP Payments Made:** CAP participants increased the number of cash payments made as compared to the decline experienced by the comparison groups. As a result of the reduced charges, customers reduced the amount of cash payments made. However, the net change, compared to the comparison groups, was a slight increase in cash payments.
- **Total Coverage Rate:** The total coverage rate is the percent of charges covered by the customer's cash payments and all other credits, including assistance payments. The treatment group increased their total coverage rate from 85 percent in the pre-CAP enrollment period to 123 percent in the post-CAP enrollment period, indicating that these customers were paying off some of their balances. The net change was an increase of 36 percentage points compared to the comparison groups.

While only 33 percent of the treatment group paid their full bill or more prior to enrollment in CAP, 71 percent paid their full bill or more following enrollment. The comparison groups did not see the same improvement in bill coverage rates.

- **Arrearage Forgiveness:** CAP participants received an average of \$118 in arrearage forgiveness in the post-treatment period.

All customers with arrearages received at least one arrearage forgiveness payment. The full year 2015 CAP participants with arrearages received an average of 5.1 arrearage forgiveness payments and \$203 in arrearage forgiveness. The full year treatment group with arrearages received an average of 5.2 arrearage forgiveness payments and \$176 in arrearage forgiveness.

- **Collections Actions:** There was a small, statistically significant reduction in the number of collection calls for the treatment group as compared to the comparison groups. There was a significant decline in the number of letters, calls, and terminations for the Peoples treatment group as compared to the comparison groups. There was a significant increase in the number of letters, calls, and terminations for the Equitable treatment group as compared to the comparison groups.
- **Collections Costs:** There was a significant decline in the cost of collections of \$6.52 for the Peoples treatment group as compared to the comparison groups. There was an

increase in the cost of collections for the Equitable treatment group of \$3.15 as compared to the comparison groups.

Findings and Recommendations

This section provides key findings and recommendations for each program.

Customer Assistance Program

Peoples has worked to make CAP as easy as possible for the customer to participate and remain enrolled. We have the following key findings and recommendations with respect to the CAP.

1. Phone and Agency Enrollment

Most customers enroll in CAP over the telephone by calling DEF. Customers appear to appreciate the convenience of the telephone enrollment and very few customers visit an agency to enroll in CAP. However, there may be additional cases where agency enrollment may provide important benefits to the customer such as quicker enrollment or more education and referrals, and should be recommended.

2. Income Verification

Peoples has reported that they are working to make it even easier for customers to provide income documentation, by creating additional mechanisms for customers to submit the information.

3. Recertification

As with enrollment, customers appear to appreciate the ability to recertify by mailing in their documentation rather than visiting an agency. However, it may be beneficial for Peoples to suggest that certain customers visit an agency to recertify to obtain a better understanding of the program, the importance of making the monthly CAP payment, and additional resources that may be available to assist them in meeting their needs.

4. CAP Bill

Peoples has designed a CAP bill that provides a clear presentation of the monthly CAP payment, the five dollar contribution for arrearages, and the CAP credit as the difference between actual usage and the CAP payment. Peoples could add information on the amount of arrearage forgiveness that will be received when they pay their bill to make this even more apparent.

5. CAP Plus

The CAP Plus adder impacts energy burden and affordability. Peoples should continue to monitor this adder and assess how increases impact affordability, especially for the lowest-income customers.

6. Affordability

The CAP survey and the transactions data analysis clearly showed that the program has improved affordability for participants.

7. Bill Payment

CAP also had a positive impact on bill payment.

8. CAP Satisfaction

Customers reported that CAP was very important in helping them to meet their needs and their satisfaction was high.

Hardship Fund

The following key findings and recommendations were made with respect to the Hardship Fund.

1. DEF Partnership

Peoples has developed a good partnership with DEF to deliver Hardship Fund grants.

2. Customer Communication

DEF continues to work to improve the process for the customer. They are working to enhance their phone system to enable customers to use text messaging in place of speaking with a representative. This would help lower income customers whose cell phone plan includes only a certain amount of calling, but has unlimited texting.

CARES

The following key findings and recommendations were made with respect to CARES.

1. Benefits

CARES provides important benefits to special needs customers, including education about the Earned Income Tax Credit and LIHEAP, thermostats for visually-impaired customers, and short-term assistance to ensure that customers able to access the resources that they are referred to.

2. Employee Education

Peoples has leveraged CARES to educate employees about special needs customers, increase the sensitivity of their employees, and increase customer referrals.

LIURP

The following key findings and recommendations were made with respect to LIURP.

1. Energy Education

Peoples has developed an extensive education program for their LIURP participants. They implemented a Pledge Form to involve the customers with the contractor and an Action Plan form that lists the actions that the customer committed to take to further reduce gas usage. Peoples contracts with energy consultants who perform random

inspections and provide additional energy education to the customers about the work completed and additional actions the customers can take to save energy.

2. Energy Savings

Peoples has achieved high savings from LIURP, averaging about 20 percent of the customers' pre-treatment natural gas usage. However, given the high level of pre-treatment usage, and the investment level, Peoples should consider whether it may be possible to achieve even higher savings through targeting and the services that are provided.

3. Targeting

Peoples should consider whether they want to make additional efforts to serve the highest of the high users or the customers who are most payment-troubled. They could target a subset of their high-usage list for additional outreach to encourage participation.

4. Energy Efficiency Measures

Peoples should assess whether there are opportunities to reduce the number of heating system replacements and increase the emphasis on air sealing and insulation.

5. Coordination

Peoples Gas works to complete jobs that are combined with the PA Department of Community and Economic Development Weatherization Program and with electric companies. When jobs are coordinated with State Weatherization or electric companies, Peoples is typically responsible for replacing the heating appliance if replacement is necessary. They completed 17 combined jobs in 2014, 23 combined jobs in 2013, and 33 combined jobs in 2012. Peoples should continue to work with the electric companies, as planned, to try to increase coordination, thus providing improved energy efficiency through a holistic approach.

I. Introduction

Peoples Natural Gas' Universal Service Programs include a Customer Assistance Program (CAP) that provides a reduced payment plan, a Low-Income Usage Reduction Program (LIURP) that provides energy efficiency services and furnace replacement, a hardship fund that provides grants to customers in danger of service termination, and a Customer Assistance and Referral Evaluation Services Program (CARES) that provides additional case management assistance to customers with special needs. This report presents the findings from the 2017 evaluation of Peoples Natural Gas' Universal Service Programs.

A. *Evaluation Activities*

The following research activities were undertaken.

1. **Background Research:** We reviewed materials that document Peoples Natural Gas' Universal Service Programs. These included the three-year plans, previous evaluations, Peoples Best Practices review, reports to the Public Utilities Commission, brochures, applications, customer letters, training materials, contracting documents, budgets, and program expenditures.
2. **Needs Assessment:** We analyzed American Community Survey data to provide information on the number, characteristics, and energy burden of households in People's service territory that are eligible for the Universal Service Programs.
3. **Program Data Analysis:** We analyzed information from program databases for the CAP, LIURP, CARES, and Hardship Fund programs and developed statistics on program participation, participant demographics, and services delivered. We selected a sample of CAP participants for the customer survey.
4. **Peoples Natural Gas In-Depth Interviews:** We conducted telephone interviews with managers and staff who run Peoples' Universal Service Programs to develop a better understanding of how the Universal Service Programs currently work, barriers to clients' participation or success in the programs, and potential improvement to the programs' policies and procedures.
5. **Program Administrator Interviews:** We conducted telephone interviews with program administrators to develop a better understanding of how the CAP, LIURP, and Hardship Fund programs are designed and implemented, and how they are coordinated with other programs. The Dollar Energy Fund's managers and staff were interviewed about the responsibilities, successes, and challenges in managing CAP, the Universal Service Call center, and the Hardship Fund. Conservation Consultants' managers and staff were interviewed with respect to LIURP and the Emergency Furnace and Service Line Repair Assistance Program.
6. **CAP Participant Survey:** We conducted telephone interviews with a sample of 100 current CAP participants to assess their experiences in all aspects of the program from

enrollment forward. These interviews assessed program operations and the impact of the program on affordability.

7. Transactions Data Analysis: We analyzed data for customers who participated in CAP, as well as for a sample of low-income customers who had not participated in Universal Service Programs. We analyzed the impact of CAP on affordability, bill payment behavior, arrearages, service termination, and collection costs. We also analyzed the CAP Plus mechanism to assess the impact of that charge on CAP bills and energy burden.

B. Organization of the Report

Five sections follow this introduction.

- Section II – Peoples Universal Service Programs: This section describes the design and implementation of Peoples’ Universal Service Programs. Information is based upon program documents, program data analysis, interviews with Peoples’ program managers and staff, and interviews with program administrators.
- Section III – Needs Assessment: This section summarizes the findings from the analysis of American Community Service data to characterize the population of households who are eligible for Peoples’ Universal Service Programs.
- Section IV – Participant Feedback: This section summarizes the research methodology and feedback provided by Peoples’ CAP participants.
- Section V – Transactions Analysis: This section provides a description of the analyses that were conducted and findings with respect to how CAP impacted affordability, bill payment, service terminations, and collections costs.
- Section VII – Summary of Findings and Recommendations: This section provides a summary of the key findings and furnishes recommendations for Peoples’ Universal Service Programs based on the analyses in this report.

APPRISE prepared this report under contract to Peoples Natural Gas. Peoples facilitated this research by furnishing data to APPRISE. Any errors or omissions in this report are the responsibility of APPRISE. Further, the statements, findings, conclusions, and recommendations are solely those of analysts from APPRISE and do not necessarily reflect the views of Peoples.

II. Peoples Universal Service Programs

Peoples' Universal Service Programs provide assistance to low-income customers to improve affordability, as well as health and safety. This section provides a detailed description of each Universal Service Program.

A. Overview

Equitable Gas Company, LLC merged into Peoples on December 18, 2013. (Peoples and Equitable are each referred to as a "Division" and collectively are referred to as Peoples.) As part of the merger settlement, Peoples agreed to establish a Universal Service Advisory Group comprised of community-based organizations, low income advocates, the Office of Consumer Advocate, and other interested stakeholders. The group meets quarterly and rotates the focus across the Universal Service Programs. They discuss program outreach, customer engagement, connecting with community groups, and the members help Peoples to post information and publicize the programs.

Peoples began a best practices comparison review of Peoples Division's and the Equitable Division's Universal Service and Energy Conservation Plans ("USP") after the merger was completed. The best practices review included input from Peoples' new Universal Service Advisory Group, review of Universal Service Programs and practices in both Divisions, and review of programs at other regulated utility companies. The goals of the best practices review were to identify opportunities to improve existing Universal Service Programs and to improve the efficiency of program administration. They worked to unify the programs so that customers of both divisions would receive the same benefits.

The 2015-2018 Amended Plan was developed to guide the Universal Service Programs for the combined organization. The following Universal Service Programs are provided.

- Customer Assistance Program ("CAP")
- Low Income Usage Reduction Program ("LIURP")
- Emergency Furnace and Houseline Repair Program
- Customer Assistance Referral and Evaluation Services ("CARES")
- Hardship Fund
- Community Partnership Weatherization Program (Peoples Division only)
- Pilot E-CAP (151% - 200% of poverty CAP program)

Universal Service Programs are managed and directed by Peoples' Regulatory Section; the Manager of Universal Services and the Customer Relations Specialists have the primary responsibility for the administration of these programs. The Customer Relations Staff supports the Universal Service Programs.

Incoming calls from low-income customers were previously answered by the internal Customer Service Center. Beginning on October 1, 2015, all calls for Universal Service Programs coming through the Program Line began to be answered by a specially trained Universal Service Call Group at the Dollar Energy Fund (DEF). Customers are referred for

LIHEAP, LIHEAP-Crisis, Dollar Energy Hardship Fund, LIURP, and other available programs during their initial call.

During the program year, customers can complete the DEF grant application over the phone if they are in CAP. This is easier for the customers and saves them travel time and costs. In addition, known low-income accounts that call the Company's Customer Service Line and indicate that the call is related to credit, termination, or restoration of service are transferred to DEF's call group for assistance available through CAP. The DEF representatives are responsible for quoting restoration amounts to customers and amounts needed to avoid service termination, and for making referrals to other programs, including other utility CAPs which are also administered by DEF. They are also responsible for completing Cold Weather Surveys by phone during the fall. During the less busy winter months, the representatives make outbound calls to potentially eligible LIHEAP and CAP customers.

Peoples Division's last Universal Service Evaluation was conducted in 2010 and the last evaluation for the Equitable Division was performed in 2011.

B. Customer Assistance Program

The Customer Assistance Program (CAP) is a special payment plan for low-income, payment-troubled customers. In this program, low-income customers pay a percentage of their income for natural gas service. The reduced payment amount is designed to improve energy affordability and payment compliance, and reduce collections activities.

Goals and Resources

Table II-1 displays the budget for each Division's CAP and Peoples as a whole. The budget was close to \$9.2 million in 2015 and increased to \$9.8 million for 2018.

**Table II-1
Customer Assistance Program Budget**

Year	Peoples Division	Equitable Division	Total
2015	\$5,583,793	\$3,606,966	\$9,190,759
2016	\$5,686,285	\$3,704,236	\$9,390,521
2017	\$5,790,850	\$3,804,424	\$9,595,274
2018	\$5,897,531	\$3,907,618	\$9,805,149

Table II-2 displays projected enrollment for the CAP from 2015 through 2018. Enrollment was projected to be 22,500 for Peoples and 17,000 for Equitable in 2018.

Table II-2
Customer Assistance Program Projected Enrollment

Year	Peoples Division	Equitable Division	Total
2015	21,000	14,000	35,000
2016	21,500	15,000	36,500
2017	22,000	16,000	38,000
2018	22,500	17,000	39,500

Table II-3 displays actual CAP expenditures from 2013 through 2016. Total CAP expenditures were about \$21.2 million in 2014 and 2015 and \$10.4 million in 2016. At least part of the decline was due to the warmer winter that year.

Table II-3
CAP Expenditures

Year	Peoples Division	Equitable Division	Total
2013	\$8,227,588	\$7,090,722	\$15,318,310
2014	\$11,270,401	\$9,988,104	\$21,258,505
2015	\$12,607,004	\$8,614,710	\$21,221,714
2016	\$6,606,963	\$3,826,459	\$10,433,422

Table II-4 breaks down CAP costs into the CAP credit, arrearage forgiveness, and administration. The costs provided are the recoverable costs that flow through the Universal Service rider which is paid by non-CAP residential ratepayers. It does not include internal labor or typical office administrative type costs that are borne internally.

Table II-4
CAP Expenditures

Year	Peoples			Equitable		
	CAP Credit	Arrearage Forgiveness	Administration	CAP Credit	Arrearage Forgiveness	Administration
2014	\$8,196,248	\$2,089,439	\$569,868	\$9,013,043	\$492,069	\$482,992
2015	\$9,426,768	\$2,022,846	\$624,304	\$7,624,163	\$622,642	\$367,905
2016 ²	\$2,805,837	\$2,742,765	\$1,058,361	\$2,331,863	\$669,529	\$825,067

Table II-5 displays the number of CAP participants each December from 2013 through 2016. Approximately 33,000 customers participated in CAP as of December 2015 and 2016.

² Administrative costs for the program that are external to Peoples increased in 2016 because DEF undertook the responsibility for the Universal Service call center in addition to CAP administration. Previously, Peoples staff were responsible for these services.

**Table II-5
December CAP Participants**

Year	Peoples Division	Equitable Division	Total
2013	19,887	11,263	31,150
2014	20,404	14,063	34,467
2015	19,591	13,799	33,390
2016	19,333	13,289	32,622

Program Management and Administration

Peoples' CAP is managed by Peoples' staff and administered by DEF (DEF administration began in May 2011). DEF provides call center services for all of Peoples Universal Service Programs. Customers are provided with a number that goes directly to DEF and customers who select the CAP option on Peoples recording are sent directly to DEF. Additionally, customers who are identified as needing the assistance of DEF for Universal Service Programs are transferred from Peoples to DEF.

Peoples has found that most customers prefer CAP telephone enrollment as opposed to visiting a local agency. However, community-based organizations provide referrals to CAP and appropriate follow up, information on education, budget counseling and referrals. Peoples also refers eligible customers to programs and services. These services include third-party funding, budget counseling, and consumer education. Peoples also coordinates with the Southwestern PA 2-1-1 referral system to expand program outreach and to accept CAP referrals.

DEF's CAP responsibilities include verification of eligibility, recertification, and day-to-day account monitoring. The agency has a network of community based organizations that are available to complete CAP applications for eligible customers.

DEF's responsibilities are as follows.

- Serve as the primary contact for all Universal Service Program communications.
- Provide bi-lingual Spanish speaking customer service representatives.
- Record customer calls and make call recordings available as requested.
- Provide a Customer Relationship Management (CRM) system, document all customer interactions, and provide reports on those interactions.
- Screen each low-income customer for CAP, service restoration needs, and available energy assistance.
- Complete CAP and Dollar Energy Fund Hardship Grant applications. Complete phone applications for customers who are unable to apply at an agency.
- Process grants.
- Make direct referrals for Crisis and provide LIHEAP outreach as needed during the winter season.

- Provide custom software (OSCAR and iPartner©) for program administration and reporting.
- Provide audit services for each program.
- Monitor CAP accounts for high usage and high CAP credits according to processes developed and maintained in Peoples billing system, including contacting customers on a timely basis and accurately recording justification of high usage or high CAP credit.
- Provide document imaging and electronic storage of all customer documentation including income documentation records.
- Recruit, manage, and train all partner agencies/subcontractors.
- Utilize Agency Partners for application intake services. Train intake workers to complete applications for CAP and Hardship programs. Provide all agency workers with access to OSCAR and iPartner.
- Refer eligible customers to other utility CAPs administered by DEF.

When DEF's role was expanded, Peoples provided training on poverty and poverty issues, aiming to ensure sensitivity for limited-income customers. They incorporated active listening to provide the representatives with tools to work with customers who had difficulty paying their bill or were having their service terminated. Their goal was to have the DEF representatives become experts in the program and thoroughly screen the customer for any available services.

Peoples' training sessions explained that the representatives have the ability to resolve situations for these customers. If a customer calls with a termination notice, the representative can refer to the customer to Crisis, LIHEAP, the DEF hardship fund, or CAP. If a customer has never been on CAP, this can resolve the termination issue and provide all the benefits of the program.

Community-based organizations (CBOs) have the following requirements and responsibilities.

- High-quality customer service.
- Access to a computer with high speed internet.
- Register as an OSCAR and/or iPartner© user.
- Schedule CAP and Hardship application appointments.
- Complete CAP application intake for eligible customers.
- Transmit and securely store customer documents as required.

DEF provides their proprietary Online System for Customer Assistance Records (OSCAR) to manage the CAP workflow. The system provides real-time access to program statistical reports.

Very few customers visit an agency to enroll in CAP. Agencies have been trained to screen customers for CAP if they come to the agency to apply for the DEF hardship fund. When the agency screens for DEF, they can also screen for CAP and provide the CAP enrollment.

Agency enrollment was developed mainly for those customers who were unable to enroll by phone. Customers can enroll by phone without income verification if they received LIHEAP. If this is the case, DEF takes the customer's verbal income report to enter in the system and to place the customer in a CAP tier. If the budget payment is lower, the system will automatically select the budget amount as the CAP payment.

If the customer has not received LIHEAP, the customer is asked to send in proof of income. When the income information is sent in and approved, the customer is enrolled in CAP. At the time of CAP enrollment, customers are given a handout with energy conservation tips and a copy of the CAP customer agreement so they know how to be successful in CAP.

Eligibility and Benefits

Customers with income at or below 150 percent of the Federal Poverty Level are income-eligible for CAP. The customer must also have active residential heating service and be classified as payment-troubled. Peoples defines a customer as payment-troubled if any of the following situations exist.

- An arrearage, broken payment arrangement, or termination notice.
- Housing and utility costs that exceed 45 percent of the household's total income. Housing and utility costs are defined as rent or mortgage, property taxes, gas, electric, water, telephone and sewage.
- Disposable income of \$100 or less after subtracting all household expenses from household income.

Peoples is flexible on the payment-troubled status requirement for CAP enrollment. If CAP appears to be the most beneficial payment plan for the customer, then Peoples will enroll a customer who is seeking assistance. In some cases where customers are fairly current on their bill because they received LIHEAP, the budget payment may be more beneficial than CAP if they have no pre-CAP arrearages.

Customers may enroll in CAP without providing income documentation if they have received a LIHEAP payment within the past two years. Peoples will also accept participation in an electric CAP program as verification of income if the customer provides written authorization for the CAP administrator to utilize income documentation submitted by the customer to enroll in the electric CAP. Customers who would like the CAP administrator to use income information on file for another utility's CAP program are mailed a form that can be signed and returned to complete CAP enrollment.

The benefits of CAP participation include the following.

- An affordable monthly payment based on ability to pay.
- Monthly CAP credits.
- Monthly arrearage forgiveness when timely CAP payments are received.
- Exemption from late payment charges and waived security deposits.
- Referrals to other Universal Service Programs and assistance programs

Eligible customers agree to pay eight, nine, or ten percent of their verified before-tax monthly income for natural gas service, depending on household poverty level, as shown in Table II-6. The minimum monthly payment is \$25. In addition to the percentage of income amount, CAP customers pay five dollars per month toward their pre-CAP balance, and a CAP plus amount to account for potential LIHEAP benefits.

**Table II-6
Customer Assistance Program Payment**

Federal Poverty Status	Percent of Income
0-50%	8%
51-100%	9%
101-150%	10%

If the participant's monthly CAP payment exceeds the budget payment amount, the monthly budget payment amount is accepted as the CAP payment. Peoples Natural Gas reviews the customer's payment amount during recertification to determine if the customer's budget or calculated payment plan continues to be the lowest payment available.

Starting in January 2016, Peoples began a monthly manual CAP payment review process to provide a more timely review of CAP payment amounts. Peoples completed the modification of its billing system in August 2016 to automate this process, reducing the need for the manual reviews and implementing changes to the customer's payment amount without manual review. The review is done during the billing process.

The review is based upon annual usage to ensure customers maintain an affordable and stable payment amount over a 12-month period. If a change to the budget and/or calculated payment amount would result in a more beneficial payment amount for the customer, the payment amount is changed and the customer is notified by mail. In order to maintain a stable payment, absent any special circumstances such as billing adjustments, the payment is changed no more often than once every three months.

Customers who report that they do not have income can be enrolled or continue to participate in CAP by providing proof of support. Proof of support can be submitted as a letter or other documentation from a friend, family member or social agency that provides support to the customer for essential living expenses. Zero income customers are billed the CAP minimum payment.

CAP credits are applied on a monthly basis when the CAP bill is issued to the customer, rather than when payments are received. This was a change that was made after Peoples acquired Equitable to bring the programs in line with one another. The change was made on June 1, 2015. The CAP credit is defined as the difference between the CAP customer's actual usage bill and the CAP monthly bill.

CAP payments received by customers that exceed the CAP amount due are used to reduce the following month's CAP payment amount (began in January, 2016).

CAP Plus

The CAP Plus amount is calculated as the LIHEAP receipts for customers participating in the CAP program for the previous LIHEAP heating season divided by number of current active CAP participants and the projected number of CAP participants to join CAP that quarter. The CAP Plus amount is added to the calculated monthly CAP payment amount for all participating CAP customers.

The CAP Plus amount is not broken out in the customer's bill. CAP Plus is embedded in the CAP payment, but it is broken out in the billing system. The representatives know the CAP Plus amount and advise the customer of the CAP payment including the CAP Plus amount.

CAP Plus has varied over time as shown in Table II-7. It was introduced in November 2014 for Peoples and in March 2016 for Equitable.

**Table II-7
CAP Plus Monthly Charge**

Division	November 2014	February 2016	March 2016	July 2016
Equitable	--	--	\$7	\$7
Peoples	\$6	\$6	\$5	\$8
T.W. Phillips	\$3	\$9	\$8	\$8

Arrearage Forgiveness

CAP customers with pre-program arrearages are eligible for Arrearage forgiveness credits equal to 1/36th of their pre-program balance when the customer pays the required CAP payment. CAP participants can completely remove their pre-program balance over a three-year period. Arrearage forgiveness credits are provided when the customer provides full payment of their CAP payment amount due. Effective June 1, 2016, Arrearage forgiveness benefits are provided for each on-time and in-full monthly CAP payment, regardless of whether the customer owes past due CAP payment amounts.

Arrearage forgiveness is applied retroactively to any months missed once the CAP customer catches up on any missed payments. This was a change made on June 1, 2016. In the past, the customer had to be current on the bill to receive forgiveness. With this change, if the customer is three CAP payments behind and they make two CAP payments, they receive the arrearage forgiveness for those two payments.

Monthly bills paid by a LIHEAP cash grant, in full or in conjunction with a customer payment, receive arrearage forgiveness.

Outreach

Peoples provides outreach for CAP and other Universal Service Programs through the Customer Service Center, the Company website, and other media.

- Fliers are included with termination notices to inform customers of available programs.
- Bill inserts, press releases and other information are provided to the public to encourage referrals.
- Community-based agencies receive information on these programs and are encouraged to make referrals.
- Program information is distributed to social service agencies, community leaders and Company personnel.
- Meetings are held with social service agencies, elected officials, and other community groups to provide current information on available programs.
- Peoples utilizes the Southwestern PA 2-1-1 for referrals and provides updated information to the Company's Universal Service Advisory Group.

Peoples continues to consider ways to streamline the application and recertification process for all programs so that customers may complete one application to participate in multiple programs and existing proof of income may be used for multiple programs.

Potentially eligible customers are identified through their income data that is documented in the Company's billing system. Customer Service Center Representatives receive training on identification of potential referrals to all Universal Service Programs. Field Metering Service Personnel also make referrals to Universal Service Programs.

Peoples encourages customers to apply for LIHEAP with bill inserts, posters, outreach, community events, and application assistance. If requested, Peoples will hand write the LIHEAP application for the customer and mail it to the customer to be signed and submitted. DEF asks customers if they applied for LIHEAP/Crisis if they are eligible. Customers must apply for LIHEAP/Crisis prior to receiving the DEF hardship grant.

Enrollments and Referrals

CAP applications are available through DEF. All customers who are referred to the Universal Service 800 number are screened to determine eligibility for all available internal and external assistance programs including CAP, LIURP, LIHEAP, CARES, and Hardship Funds.

Prior CAP customers who apply for service within sixty days of service termination or discontinuance are considered active participants provided that they pay their CAP bill arrearage. An applicant with an outstanding balance may enroll in CAP upon initiation of service once restoration requirements are met.

DEF is responsible for documenting program enrollment in Peoples' Customer Information System and for mailing the enrollment notification package to enrollees. The package includes an enrollment notification letter, the program agreement, and education materials.

DEF mails customers who are not successfully enrolled a letter that states the reasons they were ineligible and directs them to contact DEF with any questions.

DEF ensures that eligible CAP applicants apply for LIHEAP and/or Crisis. The CAP enrollment is completed after LIHEAP grants are posted to customers' accounts so that these benefits are posted to their pre-program arrearages rather than replacing their monthly CAP payments.

DEF does not fill out LIHEAP applications in their office. Instead, they refer customers to the county assistance office or to a website where they can do it online. They will also send the customer a LIHEAP application, but near the end of the LIHEAP season, they will encourage customers to go in-person or apply online because of the time to receive the application in the mail. If a customer has a medical issue and cannot submit the application, DEF will send an email to the CARES program and the CARES representative will start a grant application, fill it out, and mail it to the customer to sign and mail back in.

Recertification

CAP recertification is generally completed on an annual basis. Customers who have received LIHEAP in the past 24 months or who have certain fixed income types (pension, social security, or disability) are recertified once every two years. DEF sends a letter 60 days prior to the recertification date, requesting that the customer submit proof of income to remain active in the CAP program. A second letter is mailed 30 days later. If the customer does not provide the required income documentation within the 60-day period, the customer will be dismissed from CAP.

Removal

The Company monitors accounts for changes in family size or income, timely payments, appropriate usage, and timely meter readings. A CAP participant's failure to comply with one or more of the following rules may result in CAP removal.

- Allow access to or provide customer meter readings (cannot miss four consecutive months).
- Report changes in income or family size.
- Recertify as requested and/or to meet eligibility requirements.
- Do not use natural gas for recreational purposes.

In the past Peoples sent a reminder letter to customers who did not make their CAP payment, but they have discontinued this process. Peoples does not remove customers from CAP for failure to pay, but they begin the termination process.

Peoples follows normal collections procedures for CAP participants who do not make their payments in a timely manner. Customers who do not make their monthly payments may be placed in collections and have their service terminated. To avoid termination, the customer must pay the amount set forth in the termination notice prior to the scheduled termination date.

If a customer has service restored within 60 days of termination, the customer only needs to pay the CAP arrearage to be reconnected and continue in CAP. The pre-program arrears do not need to be paid.

If it has been more than 60 days since the customer was terminated, the customer returns to regular collections and Peoples follows the PUC rules for quoting restoration amounts. If the customer had a previous payment arrangement, the customer would be responsible for the full balance including the pre-CAP arrearage. If the customer had not had a payment arrangement other than CAP, the customer can pay 1/24 of the balance including pre-program arrearages. Once the customer has service restored, the customer can reapply for CAP.

Control Features

Peoples monitors CAP accounts to ensure that customers comply with the terms of the program and receive the proper benefits from CAP and other Universal Service Programs. They enforce the following control mechanisms.

- **Minimum Payment:** The minimum payment for a heating account is \$25 per month plus \$5 for the arrearage for a total minimum monthly payment of \$30.
- **LIURP Prioritization:** While CAP customers could be required to participate in LIURP based on CAP requirements, Peoples has not removed CAP participants for refusing LIURP services because it may be beyond the customers' control, specifically if the landlord does not provide permission.
- **LIHEAP Application:** CAP customers who meet the LIHEAP eligibility criteria are encouraged to complete an application. CAP participants are asked to direct payment of any LIHEAP cash benefit grant that they receive to Peoples.
- **Energy Conservation:** At the time of CAP enrollment, participants receive information on conservation tips and weatherization programs. Customers with a history of high energy usage are referred to LIURP and any other appropriate programs. All participants are advised that their usage will be reviewed on an ongoing basis and unjustified excess CAP usage may be billed to the CAP customer or the CAP customer may be removed from CAP.
- **Review of Energy Usage:** Peoples generates a daily report that allows the Company to identify CAP customers whose weather-normalized annual usage has increased by more than 25 percent. When a CAP customer's account appears in the report, the Company representative takes the following steps.
 - The account is reviewed and the customer is contacted to determine if the increase in gas usage is justified due to an increase in household size, serious illness of a family member, or usage was beyond the household's ability to control. Peoples has a questionnaire they provided to DEF to use when discussing usage with the customer.

The majority of the cases reviewed meet one of these justified reasons for an increase in usage.

- Number of people living in the home increased
- Medical condition in the home
- New gas appliances installed
- Furnace condition
- Window condition
- Attic insulation condition
- Home drafts
- Whether home has been weatherized
- Other reasons

If DEF does not get in touch with the customer on the phone, they mail the questionnaire, the customer fills it in and mails it back, and they use that information.

Very few customers have an unjustified increase in usage.

- Special needs customers identified through this process are referred to CARES.
- Any customer with unjustified excess usage is contacted and provided with conservation information, tips for decreasing usage, and referred to weatherization programs. Unjustified excess usage may be billed to the CAP customer or the CAP customer may be removed from CAP.
- High CAP Credits: Peoples generates a report to monitor customers who exceed \$1,000 in annual CAP credits. Customers are notified of their current use of CAP credits and offered information about the LIURP weatherization program when they reach \$500 in CAP credits and \$750 in CAP credits annually. The notification includes a description of the customer's responsibility to monitor gas usage and advises the customer that he/she may be responsible for CAP credits over \$1,000.
 - When an account exceeds the \$1,000 CAP credit, the account is reviewed and the customer is contacted to determine if excess CAP credits are justified. DEF completes a questionnaire with the customer. Justification may include an increase in household size, serious illness of a family member, usage beyond the household's ability to control, or a very low CAP payment. Special needs customers identified through this process are referred to the CARES program. High usage customers are referred for weatherization.
 - Unjustified CAP credits in excess of \$1,000 may be reversed and the resulting bill will be the responsibility of the CAP participant.

Extended CAP Pilot (E-CAP)

Peoples E-CAP is a three-year pilot payment plan for low-income, payment-troubled customers with household incomes between 151 and 200 percent of the Federal Poverty Level.

Customers are eligible for Pilot E-CAP if they meet the following criteria.

- Income between 151 and 200 percent of the Federal Poverty Level.
- Active heating customer.
- Significant account balance.
- Prior broken payment arrangement, an active termination notice, or lack of utility service.
- Applied for a Dollar Energy Grant to reduce the delinquent balance prior to entering E-CAP if funds are available.

Enrollment is focused on customers with balances of \$800 or more, but customers with lower balances may be enrolled if circumstances warrant.

The program benefits are as follows.

- Affordable monthly payments based on ability to pay.
- Monthly CAP credits.
- Monthly arrearage forgiveness when timely CAP payments are received.
- Exemption from late payment charges and waived security deposits.
- Referrals to other Universal Service Programs and assistance programs.

The affordable E-CAP payment is the lower of 11 percent of verified before tax monthly income or the account specific budget payment. E-CAP participants are subject to CAP Plus. In addition to the calculated E-CAP payment, participants pay \$5 per month towards their pre-program arrears.

Peoples provided the following budget for E-CAP shown in Table II-6.

**Table II-6
E-CAP Budget**

Year	Peoples Division	Equitable Division	Total
2015	\$321,950	\$391,050	\$713,000
2016	\$386,000	\$469,000	\$855,000
2017	\$450,700	\$547,400	\$998,100

Peoples identified the number of potentially eligible customers based on account-specific income and balance information. Table II-7 shows that they estimated approximately 2,800 participants in 2017.

**Table II-7
E-CAP Number of Potentially Eligible Customers**

Year	Peoples Division	Equitable Division	Total
2015	1,300	1,100	2,400
2016	1,400	1,200	2,600
2017	1,500	1,300	2,800

CAP Changes Made

Peoples implemented the following changes as part of their Best Practices Review and additional program assessment and refinement.

- Administration: Equitable began to use DEF for the administration of CAP. This was implemented in the 2015-2018 Plan.
- Minimum Payment: A \$25 minimum monthly payment replaced the minimum payments of \$21 for Peoples Division and \$39 for Equitable.
- Budget Amount: When the customer's calculated percentage of income payment amount is higher than the established budget amount for the account, Peoples Division allowed the customer to pay the budget amount. This practice was expanded to the Equitable Division upon conversion of the billing system in July 2015 to provide the lowest available payment amount to all CAP participants.
- CAP Bill: The Peoples Division's streamlined CAP bill clearly identifies the customer's payment amount and reinforces the benefits of CAP participation and timely payments. This format replaced Equitable's traditional customer bill upon conversion of the Equitable Division's billing system in July 2015.
- CAP Plus: CAP Plus was implemented for the Equitable Division in March 2016.
- Recertification: The Peoples Division method of bi-annual recertification for LIHEAP recipients as well as for customers on certain fixed incomes from pension, social security, and disability was applied to the Equitable Division. Annual recertification of all other CAP customers was implemented for the Equitable Division upon conversion of the billing system.
- CAP Credit Application: CAP credits are applied when the CAP bill is issued. This was implemented in June 2015.
- Usage Monitoring: The usage monitoring level was standardized at 125 percent of normalized usage for both Divisions.

- Pilot Extended Customer Assistance Program (E-CAP): A three-year pilot program was introduced in the 2015-2018 Plan to serve customers with significant balances and annual incomes between 151 and 200 percent of poverty. The program is focused on enrolling customers below 175 percent of the Federal Poverty Level, but is available for customers in need up to 200 percent.

CAP Challenges and Successes

The DEF call center noted that the greatest challenge with CAP is obtaining information from customers to prove their income level if they have not received LIHEAP. They ask customers to send their last two pay stubs and proof of employment, but customers do not always follow through. There are times when DEF only receives partial income documentation even though they have sent letters and made several attempts to contact the customer. This is especially a challenge in termination season when the customer has a termination notice and there is a time limit.

The ongoing challenge is to encourage customers to consistently make their payments. CAP is designed to be the most affordable payment and customers receive the benefit of arrearage forgiveness. Getting customers to follow through and make those regular payments is a challenge. This makes it difficult for customers to keep service and reduce their balances.

Peoples plans to focus on this topic at a future Advisory Group meeting this year. Peoples hears from the agencies that the problem relates to financial literacy. The participants live from one crisis to the next and have a difficult time with monthly budgeting.

Programming the billing system for CAP is also a challenge. If CAP customers enrolled, remained on the program for 36 months, and made their payments, it would be straightforward and work very well. However, this is rare because customers move, they have their service disconnected and reconnected, and they come on and off CAP, and that complicates the billing.

CAP provides an affordable payment, waives late payment charges, and helps the customer to maintain utility service. This is especially needed for customers on a limited income who don't have the funds to pay the full utility bill. By providing the affordable payment, the customer can begin to become a regular ratepayer again. The customer will receive the benefit of the CAP credit and the arrearage forgiveness. It is the best program for customers on a limited income.

Peoples was the first utility in PA to offer CAP benefits to customers between 150 and 200 percent of the poverty level. This program was approved as a three-year pilot in December 2015 and started in early 2016. Customers in this income range with significant balances can participate in CAP and receive arrearage forgiveness. The traditional payment arrangement can make customers' payments be fairly high and not manageable, so Peoples wanted to provide a payment option that these customers can afford, so they can clear their balance. If DEF grants are available, these customers are required to apply for that grant first, and any balance that is left can go into the CAP pre-program arrears for arrearage forgiveness.

Additional Changes under Consideration

Peoples is considering the following additional program refinements.

- Review all customer letters to assess opportunities for improvement.
- Assess how to make the recertification process more informative for customers. The customers may not understand what it means when they are asked to update their CAP information.
- Make it easier for customers to provide income documentation, and to participate and remain in the program. Peoples would like to provide additional mechanisms for customers to submit their income documentation. Currently, customers can only mail or fax in the documentation, which requires a trip to the post office or library. DEF is working with a vendor to provide a method to allow customers to upload documents from a smart phone.
- Help customers recognize the benefits of CAP so they have motivation to make their payments and remain in the program. The CAP bill was designed to focus on the CAP credits. Information on the arrearage forgiveness is there, but could be emphasized more so that participants are more motivated to prioritize their CAP payment each month.
- Provide more education on the front end and ensure that they are doing a good job of explaining the benefits. The welcome packet has information, but they want to make sure that it emphasizes the benefit of making the monthly payment and of being on CAP. There is room to make it more customer-friendly, and to help participants see the benefits.

C. Hardship Fund

The Peoples Hardship Fund works in partnership with DEF to provide grants to customers who are behind on their natural gas bills.

Goals and Resources

The Hardship Fund is provided through Peoples' donations and customers' donations. Peoples contributes up to \$550,000 annually to match customers' donations and contributes up to \$110,000 for administrative costs. Within that total, \$330,000 was allocated for Peoples customers and \$220,000 for Peoples/Equitable Division customers (however, going forward the funds will not be separated by division.) While \$66,000 is allocated for Peoples administrative costs, \$44,000 is allocated for Equitable Division's administrative costs.

Peoples continues to explore ways to increase customer donations to assist in meeting the matching funds as well as to encourage the Dollar Energy Fund to increase its fundraising programs.

Table II-8 displays the Hardship Fund Budget. The budget has been \$660,000 each year.

**Table II-8
Hardship Fund Budget**

Year	Peoples Division	Equitable Division	Total
2015	\$396,000	\$264,000	\$660,000
2016	\$396,000	\$264,000	\$660,000
2017	\$396,000	\$264,000	\$660,000
2018	\$396,000	\$264,000	\$660,000

Participation in the Hardship Fund is impacted by customers' donations. Peoples estimates that 1,500 customers from the Peoples Division and 900 customers from the Equitable Division will receive grants from the Hardship Fund annually for the next four years.

During the 2014-2015 program year, Peoples customers received a total of \$1.1 million in grants. This includes the matching grant from DEF. Beginning in 2016, the Peoples and Equitable programs were managed through one fund, so separate financials are not available.

**Table II-9
Hardship Ratepayer Contributions and Benefits**

Year	Ratepayer Contributions			Utility & Shareholder Contributions			Benefits Distributed		
	Peoples Division	Equitable Division	Total	Peoples Division	Equitable Division	Total	Peoples Division	Equitable Division	Total
2012-2013	\$172,223	\$86,128	\$258,351	\$358,954	\$200,000	\$558,954	\$600,000	\$400,000	\$1,000,000
2013-2014	\$169,048	\$85,286	\$254,334	\$659,105	\$20,000	\$679,105	\$599,186	\$400,000	\$999,186
2014-2015	\$170,653	\$86,942	\$257,595	\$726,895	\$480,000	\$1,206,895	\$660,814	\$440,000	\$1,100,814
2015-2016			\$318,641			\$1,210,000			\$1,100,000

Table II-10 shows that over 3,000 customers received hardship fund grants in 2016.

**Table II-10
Hardship Participants**

Year	Peoples Division	Equitable Division	Total
2012-2013	1,493	1,028	2,521
2013-2014	1,559	994	2,553
2014-2015	1,759	1,258	3,017
2015-2016			3,019

Table II-11 shows that the average grant was \$364 in 2016.

**Table II-11
Hardship Average Grant**

Year	Peoples Division	Equitable Division	Total
2012-2013	\$402	\$389	\$397
2013-2014	\$384	\$402	\$391
2014-2015	\$376	\$350	\$365
2016			\$364

Program Management and Administration

DEF is an independent, nonprofit organization that provides utility bill financial assistance to low-income customers. DEF partners with community-based organizations (CBOs) to accept applications. Peoples' customers may be referred to any DEF community-based screening agency to complete an application. There are over 150 organizations that participate and some organizations may have multiple locations, so there are several hundred physical locations where customers can apply.

DEF developed an on-line application process which enables Peoples to review grant applications more quickly. The agencies that process the grant applications refer eligible customers to CAP, LIURP and CARES as well.

If customers call DEF to apply for CAP, DEF can take the hardship fund application as well. However, if the customer is not applying for CAP, then the customer must go to a CBO. The CBOs can often connect the client with other agencies that offer other services, including food, clothing, or childcare assistance.

If a customer applies for DEF through an agency, they must go in-person and cannot call because they need to sign that the information is complete, that they understand that the grant is not guaranteed, and that the agency needs proof of income. However, there is the ability to apply by phone if a customer says it is impossible for them to get to the CBO.

DEF will sometimes aim to save the DEF grant funds for other customers who are not on CAP. However, they will allow CAP customers who have received a termination notice to apply for the hardship fund grant. If a customer's service is shut off, the customer would need the hardship grant to get their services restored and then have CAP to move them forward in paying their bill. A DEF grant can reduce a customer's balance before they are put on CAP and then they would have a reduced payment through CAP, so this would be best for the customer and for the program.

Eligibility and Benefits

The DEF Program is open from October 1st to September 30th, and grants are provided until available funds are exhausted. Customers must meet the following criteria to be eligible for the Hardship Fund.

- Apply for LIHEAP and Crisis benefits if eligible.
- Household income at or below 200 percent of the poverty level.
- Paid at least \$150 toward their utility bill over a ninety-day time period, or at least one \$100 payment in the last six months if over 62.
- Have a balance of at least \$100 if under 62. There is no balance requirement for applicants over 62.
- Have a residential heating account.

When the Hardship Fund opens on October 1, the customer must either be terminated or be in threat of termination to receive a grant. Then, from December to January 31, the customer's service must be terminated to receive a grant. In February, DEF can again help customers in threat of termination, and on March 1, customers can receive help regardless of their service status.

If the customer is in threat of termination and needs less than \$500 to stop the termination or restore service then Peoples will stop the termination or restore service immediately. If not in this situation, then Peoples receives a notification in the weekly report that DEF send to Peoples. This weekly report includes a list of all customers who received assistance so that the payment can be posted to their account.

The customer may receive up to \$500, but the grant will the amount that the customer needs, and they will never create a credit on the account.

At the time of DEF application, customers are referred to the following programs.

- FirstEnergy or Duquesne Light for CAP assistance with electric bills
- Pennsylvania American Water for assistance with water bills
- Other Peoples' Universal Service Programs
- LIHEAP
- Crisis

If some other need becomes apparent during the call, DEF will make other referrals, such as to a food pantry.

Outreach

Peoples promotes the DEF and encourages customer donations through the following outreach.

- Donation requests are made with program information in bill inserts, new customer welcome packets, press releases, and bill messaging. Customers are asked to add a dollar or more to their utility payment.
- A DEF Pledge form is provided on the back of the bill to allow customers to designate a particular donation amount to be added to their bills on a monthly basis.
- DEF is promoted on the Company's website and is available for customers who elect to receive their bills electronically.
- Peoples provides sponsorship of the DEF fundraising activities.

- Peoples participates in promotional activities with Lernerville Speedway, the Pittsburgh Pirates, and sponsors promotional events at the Altoona Curve, Minor League Baseball Team.
- Peoples developed a signature event in partnership with Hearth and Home entitled the Warm Your Hearth...Touch a Heart Campaign featuring television advertisements, an annual reception, silent auction, and matching donations from Hearth and Home.
- Peoples employee support is encouraged through donations that are made on “Casual Fridays.”

Customers referred to the Universal Service Programs are screened for DEF eligibility and referred to the program. Training is conducted for Customer Service Supervisors and representatives so that they can make referrals to eligible customers.

Hardship Fund Changes

The available funds for the two Divisions were combined in October 2015 to provide one Hardship Fund for all Peoples customers. This change was made to provide equal opportunities to customers in the combined service territory and to improve the efficiency of administration.

Peoples has broadened its outreach to increase the visibility of DEF and to encourage donations to the Fund. Examples include partnerships with the Altoona Curve, Hearth and Home Furnishings, Pittsburgh Pirates, Lernerville Speedway and KDKA Television. Peoples has also investigated partnering with United Way’s Southwestern PA 2-1-1 Information and Referral Program to streamline application processes and provide assistance to as many eligible customers as possible.

As part of the Merger agreement, Peoples increased their contributions to DEF by ten percent (donations and administration) annually for the next five years.

Challenges and Successes

One challenge faced in DEF is that applications are sometimes rejected for minor discrepancies. Peoples feels that DEF could improve by working with the customers and providing better communication rather than rejecting the customer.

The DEF is very important for customers who are facing payment challenges. This was particularly the case in 2016 when LIHEAP shut down on March 31 and termination season was beginning on April 1. As a result, DEF was the only assistance available, and they did a very good job of quickly processing the applications.

D. CARES

The CARES program provides comprehensive services for customers who may have an inability to pay their gas bills and/or have special needs.

Goals and Resources

The table below provides the budget for CARES. In 2018, the total budget will be just under \$400,000.

**Table II-12
CARES Budget**

Year	Peoples Division	Equitable Division	Total
2015	\$212,729	\$159,257	\$371,986
2016	\$216,819	\$163,348	\$380,167
2017	\$221,032	\$167,560	\$388,592
2018	\$223,983	\$171,983	\$395,966

CARES provides assistance to approximately 500 customers each year for the Peoples Division and 600 customers each year for the Equitable Division. CARES also provides outreach to low-income customers to increase participation in energy assistance programs and the Earned Income Tax Credit (EITC).

Table II-13 provides the actual CARES expenditures for 2013 through 2016. Expenditures were just over \$200,000 in 2016.

**Table II-13
CARES Expenditures**

Year	Peoples Division	Equitable Division	Total
2013	\$157,244	\$226,294	\$383,538
2014	\$140,900	\$164,228	\$305,128
2015	\$101,173	\$104,307	\$205,480
2016	\$120,010	\$85,398	\$205,408

Table II-14 provides the actual CARES participants for 2013 through 2016. There was a total of 365 participants in 2016.

**Table II-14
December CARES Participants**

Year	Peoples Division	Equitable Division	Total
2013	472	665	1,137
2014	526	6	532
2015	326	618	944
2016	295	70	365

Program Management and Administration

The CARES Program is administered by Peoples’ staff who work with agencies throughout Peoples’ service territory to stay informed of available programs and to better serve low-income customers. The community and social service organizations include the following.

- Health and Welfare Council
- Department of Aging
- Allegheny County Community Services Advisory Council
- Health Department
- Pennsylvania Department of Human Services
- Tri-Valley Energy Partners
- Social Service Agency Providers Council
- Cambria County Energy Crisis Council

Peoples receives CARES referrals from a variety of sources, including customer service representatives, field customer service personnel, social service staff, community-based organizations, and the Commission. Peoples employs two certified social workers on its Customer Relations’ staff to support the needs of customers with special circumstances.

Peoples promotes the Universal Service Programs by maintaining contact with community service organizations throughout the Company’s service territory. The Company also promotes the programs through focused articles in bill inserts, its website, informational sessions, and distributing the “Customer Referral Guide” for use by the social service agencies, and customer contact employee training.

Eligibility and Benefits

Any special needs customer in danger of losing heat due to non-payment or heating equipment failure may be referred to the CARES program for assistance. Special needs include a serious medical condition, a mental health condition, limited learning ability, recent unemployment, and single parent issues, as well as other special needs. Customers identified through the Gatekeeper program, regardless of financial need, may be referred to CARES.

CARES provides short-term assistance to ensure that customers are able to access the resources that they are referred to. The program referrals include Peoples’ Universal Service Programs, available energy assistance sources, and public assistance such as Supplemental

Nutrition Assistance Program (“SNAP”), and Medicaid. CARES customers receive substantial financial assistance from social service agencies including Catholic Charities, the Salvation Army, and St. Vincent de Paul Society, in addition to traditional energy assistance programs.

The CARES program also includes the Gatekeeper program which is designed to aid older adults and special needs customers who need help, but may not be able to access it themselves. Customer contact personnel are trained as “gatekeepers” to recognize danger signals such as changes in behavior, signs of confusion, or disability. Gatekeepers report the situation, and referrals are made to third party agencies or family members are alerted.

Thermostats for vision-impaired customers are available for those who have been medically identified as having severe vision impairment. Peoples provides and installs these devices free of charge. Customers can also request large print bills or Braille bills.

Peoples promotes the Earned Income Tax Credit Program (“EITC”) to educate eligible customers on the availability of the EITC and how to obtain the credit through the filing of their income taxes.

LIHEAP is an important component of CARES. Peoples identifies income-eligible customers and promotes the program through bill inserts, radio and television ads, press releases, press conferences, and customer letters. Peoples also partners with Columbia Gas to provide outreach to encourage eligible customers to apply for the program. Peoples’ customers may call the Universal Service 800 number to request a LIHEAP application. The Universal Service number is available throughout the year, and referrals are made for programs that are open at any given time including, but not limited to, CAP, LIHEAP, LIHEAP-CRISIS, LIURP, CARES and Dollar Energy Fund.

Changes

The CARES program for the Peoples Division required customers to have income at or below 200 percent of the Federal Poverty Level and be payment-troubled in addition to demonstrating special needs. The Equitable Division did not have an income requirement and provided CARES services to any special needs customer in danger of losing heating service due to non-payment or heating equipment failure. As part of its Best Practices review, Peoples expanded the eligibility for CARES in its Peoples Division to coincide with the practice of its Equitable Division.

Other changes include the following.

- Peoples increased EITC outreach with expanded use of bill inserts and website information.
- Peoples implemented a web portal to enable remote access for the PA Department of Human Services and social service agencies to determine program eligibility. Peoples provided training and conducted outreach to increase visibility and encourage usage of the portal.

- Peoples increased participation in events to facilitate referrals and enhance program awareness such as Be Utility Wise, Department of Aging Fairs, Legislative/Senior Fairs, and other events.
- Peoples investigated partnering with United Way's Southwestern PA 2-1-1 Information and Referral Program to streamline application processes and provide assistance to as many eligible customers as possible.

CARES Challenges and Successes

Challenges faced in CARES include reminding Peoples personnel and training new staff about the program, keeping up to date with which social service agencies in the territory have funding to help customers or to provide other services, and maintaining contact with the agencies.

Peoples has conducted training with field employees so they will more easily recognize situations they need to refer to CARES. They also conduct regular trainings with their call center and the DEF call center. As a result of this training, Peoples receives many CARES referrals, which can be challenging.

Peoples feels that they did a very good job of increasing the sensitivity of their employees and more customers are referred for the extra helping hand. Through partnerships that have been formed with the Department of Aging, and with local groups such as those in the Universal Service Advisory Group, Peoples has been able to provide help beyond the gas bill.

Additionally, CARES has become very visible in the Company. They have increased the sensitivity of Peoples employees across the board, even more generally in dealing with credit and collections calls. They listen to the customer's situation and help them to find a solution.

Additional CARES Changes under Consideration

Peoples would like to continue to develop CARES by taking the following steps.

- Increasing their familiarity with personnel in the field to increase referrals and program awareness.
- Spending more time partnering with local agencies and communities. This will increase awareness of Peoples programs and familiarize Peoples with what the agencies offer.
- Continuing professional development to increase their effectiveness and ability to improve the program.

E. LIURP

Peoples' LIURP is designed to help low-income customers who have high gas bills. LIURP's goals are to reduce energy usage and bills.

Goals and Resources

The goals of LIURP are as follows.

- Maintain health, safety and comfort in the home.
- Comply with the PUC mandates.
- Continue utilization of the third party administrator.
- Reduce energy consumption of CAP participants.
- Assist special needs customers.
- Partner with community based organizations.
- Spend the program budget wisely while maximizing the quality of work.
- Continue providing random inspections as a means of quality control.

The LIURP budget in the table below includes programs measures, contracted labor, administrative expenses, agency meetings, equipment, outreach, and educational materials. In the Joint Settlement Agreement in the Merger Transaction proceeding, Peoples agreed to increase the spending for its combined LIURP program to a total of \$2,050,000 (including \$250,000 in Shareholder funding), which provides \$1,250,000 per year for the Peoples Division and \$800,000 for the Equitable Division. These expenditure increases will remain in effect for 4 years (2014 through 2017).

**Table II-15
LIURP Budget**

Year	Peoples Division	Equitable Division	Total
2015	\$1,250,000	\$800,000	\$2,050,000
2016	\$1,250,000	\$800,000	\$2,050,000
2017	\$1,250,000	\$800,000	\$2,050,000
2018	\$1,250,000	\$800,000	\$2,050,000

Projected LIURP enrollment is based upon average spending per home for the past three years. A total of 410 customers are expected to be served each year.

Table II-16
LIURP Projected Enrollment

Year	Peoples Division	Equitable Division	Total
2015	245	165	410
2016	245	165	410
2017	245	165	410
2018	245	165	410

Table II-17A shows that actual LIURP expenditures were \$2,049,565 in 2016.

Table II-17A
LIURP Expenditures

Year	Peoples Division	Equitable Division	Total
2013	\$1,100,000	\$926,319	\$2,026,319
2014	\$1,250,000	\$711,788	\$1,961,788
2015	\$1,251,395	\$890,300	\$2,141,695
2016	\$1,249,763	\$799,802	\$2,049,565

Table II-17B provides a breakdown of LIURP expenditures. The Emergency Furnace program for the Equitable division was not part of the rider until January 2017.

Table II-17B
Itemized LIURP Expenditures

Year	Peoples				Equitable		
	LIURP	Weatherization	Community Partnership for Weatherization	Emergency Line Repair	LIURP	Weatherization	Emergency Line Repair
2014	\$1,067,550	\$30,887	\$50,000	\$399,637	\$599,162	\$14,171	\$37,893
2015	\$1,076,907	\$24,402	\$49,975	\$295,834	\$781,049	\$9,702	\$51,618
2016	\$1,069,344	\$30,419	\$39,733	\$291,050	\$693,429	\$6,374	\$73,270

Table II-18 shows that there was a total of 355 LIURP jobs completed in 2016.

Table II-18
LIURP Actual Heating Jobs

Year	Peoples Division	Equitable Division	Total
2013	230	152	382
2014	280	160	440
2015	246	160	406
2016	215	140	355

Table II-19 shows that the average job costs were \$4,727 in 2016.

Table II-19
LIURP Average Job Costs

Year	Peoples Division	Equitable Division	Total
2013	\$3,828	\$5,012	\$4,299
2014	\$3,522	\$3,744	\$3,603
2015	\$4,122	\$4,540	\$4,287
2016	\$4,723	\$4,733	\$4,727

Program Management and Administration

Peoples' LIURP is managed in-house and administered through Conservation Consultants Inc., a nonprofit agency.

Conservation Consultants is responsible for outreach and enrollment. They review customer referrals sent from Peoples, ensure that the customer has not participated in LIURP in the past seven years, and ensures that the customer meets the other LIURP requirements.

Once each year Peoples puts together a referral list of income-eligible customers who have not received weatherization in the last seven years. CCI sends mailings to customers on Peoples' contact list with an instruction letter and application form. That is the first part in the application process.

Generally the response rate to the mailing is about 15 to 20 percent. In December 2016 CCI mailed 2,000 letters with the goal of serving about 400 customers in 2017.

CCI previously conducted some audits, but they are currently conducted exclusively by the subcontractors. CCI contracts with 17 nonprofit community action agencies and private contractors to perform the audits and to install weatherization measures. Peoples asks CCI to email the subcontractors every month to reinforce the program goals and to stress customer satisfaction.

CCI also works with their energy consultants to conduct inspections on up to 25 percent of the completed jobs. The consultants evaluate the contractors' performance and develop coaching issues based on their findings.

Outreach

Eligible customers can be identified through CAP and other Universal Service Programs. Customers who participate in CAP and meet LIURP eligibility criteria are referred to LIURP during the CAP intake process. Referrals are also made by community-based organizations, and by CARES, Customer Service Center and field customer service personnel. In addition, Peoples coordinates LIURP with programs including Rebuilding Together Pittsburgh, Habitat for Humanity, Re-Energize Pittsburgh, PA weatherization, electric LIURP programs, and others. Annually, the Company generates a list of high users that have known limited income that is used for LIURP outreach efforts.

Eligibility

CAP participants are screened for LIURP, but must meet the following criteria for eligibility.

1. Total family income does not exceed 150 percent of the Federal Poverty Guidelines. (Up to 20 percent of the annual program budget may be allocated to customers with incomes from 151 to 200 percent of the federal poverty level on a case-by-case basis.) Customers with the lowest incomes and highest arrearages are prioritized.
2. Residential, gas-heating customer.
3. Customer has not moved and has not had gas service terminated within the last year.
4. Customer has annual consumption greater than 140 MCF.
5. Renters must have the gas account in their name and receive landlord permission to participate. Rental units must be metered separately and have individual heating systems.

Contractor Training

Peoples hosts an annual meeting for all LIURP contractors. This is an appreciation event that includes technical aspects and professional development education with an emphasis on customer service. In 2016, Peoples hosted the program with Columbia Gas, as many contractors provide services for both utilities' programs.

Service Delivery

An energy auditor assesses the customer's home to determine what LIURP measures should be installed. The auditor assesses air leakage, previously installed weatherization measures, and the effectiveness of these measures. The auditor discusses the home performance with the customer.

Measures are installed based on established payback criteria and may include the following.

- Heating system improvements and replacements

- Attic, sidewall, and other types of insulation
- Caulking and weather-stripping
- Air sealing
- Hot water treatments including tank improvements, wrapping, and replacements
- Minor repairs that relate to weatherization

Table II-20 displays the penetration of measures from 2014 through 2016. The table shows that 93 percent of Peoples' and 81 percent of Equitable's participants received HVAC testing, repair, or replacement. A high percentage of participants also received air sealing, window or door repairs or replacement, general repairs, insulation, venting work, and duct work.

Table II-20
Percent of LIURP Participants with Each Measure Category
2014-2016

Measure	Peoples Division	Equitable Division
HVAC Test/Repair/Replace	93%	81%
Air sealing	77%	87%
Window/Door repair/replace	60%	72%
Repairs	55%	75%
Insulation	54%	59%
Venting	51%	59%
Duct Repair/Seal/Insulate	45%	52%
Lock repair/replace	24%	35%
Attic Insulation	23%	20%
Floor Insulation	16%	20%
Health and Safety	16%	8%
Wall Insulation	14%	27%
Water heater & pipe insulation	12%	19%
Water heater replace	12%	0%
Tank temp setback	11%	10%
Water heater or leak repair	4%	3%
Garage Insulation	1%	0%

CCI has a budget that they aim for on each job. While they have the opportunity to go above or below the budget depending on what is needed, they cannot go significantly above the budget. They are sometimes limited if a house needs more work than the program can offer, and sometimes have to adjust what they can do in the home.

The targeted amount per job is now \$5,000. This budget was increased from \$4,100 in mid-2016. There is usually an additional \$425 fee that includes an audit fee, a fee for the customer education, and an administrative fee that is for the contractor's office time when coordinating the job.

The job can exceed or fall short of the \$5,000 target depending on what work is needed. If some jobs cost less than \$5,000, then they can accommodate certain situations where the housing stock is in rough shape. The more important guiding principle is that they are coming close to their completion goals and utilizing the funding for the year.

Usually the contractors send an estimate of all of the work to be done, and then CCI will address any need to increase the funding. CCI reviews the contractor's audit, the size of the house, and the condition of the home when considering requests for additional spending.

There are no set program guidelines in terms of spending limits or exceptions, but a heating replacement that might be in the range of \$6,000 to \$7,000 is approximately the highest cost. For jobs where the work is mostly weatherization, they have an informal limit of \$6,000 for measures.

A general guideline of \$500 per job for health and safety is provided. Health and safety measures exceeding this figure are considered on a case-by-case basis.

Education

In addition to weatherization services, LIURP provides customer education to explain the weatherization and to encourage ongoing conservation. The educator may provide "hands on" demonstrations of conservation measures such as lowering the thermostat and, replacement of furnace filters. The educator also provides written reference materials for the customers.

CCI expects the contractor to provide general energy conservation education on the front end and education on the tail end that reviews the work completed and what the customer can do differently in the home related to the work that was done.

Peoples implemented a Pledge Form to involve the customers with the contractor. The Pledge Form helps the LIURP participants understand that the purpose of the program is energy conservation and to understand the measures that were installed in their home. There is also an Action Plan form that lists the actions that the customer committed to take to further reduce gas usage. The Pledge and Action Plans Forms were recently implemented.

If the customer has had an unusually large increase in consumption, a follow-up telephone call or visit may be scheduled one year after the program measures have been completed.

Referrals

CCI stated that they always look for opportunities to refer customers to electric utility programs. In some cases they refer customers to local organizations that perform home

repairs if some work is needed beyond the program scope. This work may include major roof leaks, structural issues, or electrical issues, such as if the electrical wiring in the home is not up to code.

If a customer interested in learning about LIHEAP, CCI will refer the customer back to Peoples or give them the number for the LIHEAP office in different counties.

Quality Control

After the job is completed, Peoples mails a satisfaction survey (with a return envelope) to the customer. Approximately 22 percent of the participants send these forms back. CCI calls those who don't respond and asks the satisfaction questions over the phone. The goal is to get as close as possible to a 100% response rate. The satisfaction survey helps Peoples monitor the subcontractors who are rewarded based on customers' satisfaction.

Peoples contracts with energy consultants who perform random inspections. In 2014, they inspected 71 homes, which was 25 percent of the homes weatherized. These consultants are former employees who have retired from Peoples Gas. When they conduct the inspections, they have copies of the work orders and will note if anything was not done or was incomplete. They check for any health and safety issues including gas leaks and proper ventilation, and they use an infra-red camera to assess insulation work quality. The inspectors complete a contractor measures form for the purposes of Peoples award program.

The inspectors also provide additional customer education, which includes talking with customers about the work that was done and any additional questions they have. The energy consultants also talk to the customers about the settings for the heating system and collect information on customer satisfaction.

Peoples sends CCI the outcome of the inspection and CCI will contact the subcontractors to follow up.

Coordination

Peoples Gas works to complete jobs that are combined with the PA Department of Community and Economic Development Weatherization Program and with electric companies. They completed 17 combined jobs in 2014, 23 combined jobs in 2013, and 33 combined jobs in 2012.

CCI, Peoples' LIURP administrator, also administers LIURP for Duquesne Light. Peoples is working on using this connect to improve coordination with Duquesne Light. If the customer qualifies for Peoples' LIURP and does not qualify for the electric company LIURP, the customer should receive electric services through Act 129.

Peoples met with FirstEnergy several years ago and edited the initial customer invite form for the customer to provide permission for the companies to share the customer's information. However, because the majority of those who First Energy serves are not eligible for Peoples' program, Peoples has not been able to coordinate to the extent that they would like.

Peoples is planning to meet with FirstEnergy again to connect customers up front and perform one combined audit. Challenges with coordination include differences in paperwork. Additionally, coordination with WAP is dependent upon which county the customer resides in.

LIURP Energy Savings

According to Peoples LIURP evaluations, Table II-21 provides a summary of the savings achieved by each division.

**Table II-21
LIURP Energy Savings – Peoples Division**

Year	Peoples			Equitable		
	Homes	MCF	% Saved	Homes	MCF	% Saved
2012	210	48.3	19.6%	110	72.6	29.3%
2013	230	46.9	18.5%	152	51.9	20.5%
2014	280	35.5	18.6%	160	29.6	13.5%
2015	246	30.4	15.7%	160	33.9	14.5%

LIURP Pilot: Emergency Furnace/Service Line Repair Assistance

The Emergency Furnace program provides financial assistance for furnace/boiler and service and house line gas leak repairs or replacements to help customers maintain gas service.

The Peoples Division Emergency Furnace/House and Service Line Repair Program was introduced in June 2011, and has provided assistance to 239 customers since the introduction of the program. The budget for Peoples Division is \$400,000 per year from 2015 through 2018.

The Equitable Division previously had a limited fund to support customers with heating appliance or line emergencies. The budget for the Equitable Division was \$35,000 in 2015 and in 2016 and \$33,000 in 2017. Eligible Equitable customers previously received assistance of up to \$750 for a line repair or \$1,250 towards a furnace repair or replacement.

Following the merger, Peoples wanted to extend the policies, practices, and funding model of the Peoples Division pilot program to the Equitable Division program. With the alignment, in the event of a sudden furnace or gas line failure, Equitable Division's customers with incomes below 200% of the Federal Poverty Level (FPL) would receive full coverage for the heating system and line repairs/replacements instead of supplemental payments. While the LIHEAP Crisis program provides assistance for emergency needs such as these, LIHEAP is not available all year round, nor is it available to customers with incomes between 151 and 200 percent of the poverty level.

By Order issued 12/8/16, the Equitable Division now has an annual funding mechanism of \$275,000 through its Universal Service Rider and operates in the same manner as Peoples Division's programs.

Peoples' pilot is administered by Conservation Consultants, Inc., working with the same subcontractors who implement Peoples' LIURP. Equitable's pilot is administered internally, working with the same subcontractors who implement LIURP.

Customers must be at or below 200 percent of the federal poverty level, own their home, and have a need for emergency repairs to their heating system or house/service lines to be eligible for the pilot.

An average of 140 Peoples customers per year have received either furnace or line repair services through this program. Peoples assumes the number of participants in this program will continue at this level.

In 2015, the following services were provided.

- Furnace replacements: 42
- Furnace/boiler repairs: 48
- House line repairs: 10
- Service line repairs: 21

An average of 30 to 40 Equitable customers per year received either furnace or line repair services through this program, prior to the 2016 Order.

Customers who apply for assistance under this pilot are evaluated for LIURP. If the customer is not eligible for LIURP due to minimum usage standards, minor weatherization measures are provided.

Peoples LIURP Pilot: Community Weatherization Partnership Program

The Community Weatherization Partnership Program partners with nonprofit organizations to provide energy education programs for customers with limited incomes.

The Community Weatherization Partnership Program was approved as part of the Settlement in Peoples Base Rate Case in June 2011. While Peoples Equitable Division does not currently offer a Community Partnership Program, it may be implemented at some point in the future.

The budget for the pilot is \$50,000 per year for 2015 through 2018 and it is expected that 50 to 100 customers per year will receive education through this program.

The pilot is designed to impact low-income customers in vulnerable neighborhoods. Agencies or organizations who would like to participate must submit a proposal that includes the number of expected participants, outreach plans, proposed venue, an overview of the topics covered, and any weatherization materials that may be shared. The organization must

conduct outreach to low-income customers to identify participants. Participants are not required to provide income information to participate in an event.

Peoples works with organizations that fill the gaps for customers whose needs cannot be served by other programs currently available. Such organizations are publicly and privately funded and include Re-Energize Pittsburgh, Habitat for Humanity, Rebuilding Together Pittsburgh, Allegheny County's Office of Sustainability, and area utility companies including Duquesne Light and First Energy. These partnerships leverage Company resources to provide energy conservation and efficiency to low-income customers.

In 2015, Peoples partnered with five organizations, completed seven education sessions, and provide information to 101 customers. Each participant also received an energy conservation tool kit with caulking materials, pipe insulation, a showerhead and aerator, window and door kits, and foam insulation. Peoples also provided funding to nonprofit organizations whose programs served 142 customers with energy education and conservation kits.

When the Community Weatherization Partnership Program was first implemented, the intention was to partner with local groups that were already conducting projects related to conservation and education to help make the connection with customers who could be good targets for LIURP. Peoples has been seeing a decline in groups that provide projects and programs in the community and Peoples does not have as many different programs to support. If Peoples decides to end this pilot, the funding would roll into LIURP. Peoples needs to determine whether they should maintain the program.

Changes

The LIURP programs offered by the Peoples Division and the Equitable Division were very similar. The key difference between the two programs was the annual minimum usage and the minimum arrearage required to participate. The Equitable Division required customers to have an annual usage exceeding 160 MCF and \$750 in arrears and the Peoples Division required 140 MCF in annual usage and an arrearage of \$200. Peoples established a minimum annual usage requirement of 140 MCF for all participants with no minimum arrearage requirements. However, customers with higher balances and/or with the lowest household income are prioritized to receive services in the program.

Peoples has contracted with Conservation Consultants, Inc. to administer the Equitable Division LIURP program, consistent with program administration for Peoples' existing LIURP.

Challenges and Successes

The greatest challenge that Peoples faces with LIURP is obtaining customer response and agreement for services. Every year they create a list of customers who are eligible based on high usage and the income data that Peoples has. CCI makes the attempts to contact the customers with letters and phone calls. However, customers may not want to participate because they are suspicious of free services or they are protective of their privacy.

Additional challenges are as follows.

- Making sure that all of the contractors are all implementing the program in the same manner and that they fully understand the program.
- Non-savers are a challenge. Some have a reason that their usage has increased, and for some it may be due to behavioral issues.
- Coordination with electric utilities and WAP.
- Customer engagement.
- The low-income housing stock.

For the customers they do serve, Peoples LIURP provides health and safety improvements and makes the home more comfortable. They feel that the LIURP accomplishments are engaging the customers and using more customer-friendly forms, having the customer involved in the process, having Peoples' three divisions implement the program in the same manner, and engaging subcontractors to serve the whole service territory.

Additional Changes

Peoples and the Universal Service Advisory Group are examining ways to encourage partnerships, improve outreach, and simplify customer communications to encourage participation.

Peoples is also researching LIURP participants who do not save energy. While customers who gained use of their main natural gas heating through LIURP are expected to increase usage, there are other non-savers where Peoples feels additional education can lead to improvements.

III. Needs Assessment

This section provides a profile of low-income households in Peoples' service territory using data from the 2011-2015 American Community Survey (ACS). These data provide information on the number of eligible households, the poverty level of those households, demographic characteristics, and energy burden. The data represent Peoples' service territory in 2015.

A. Peoples' Service Territory

Table III-1 displays the counties in Peoples' service territory, the ACS estimate of the number of households in the county or group of counties, the number of those households with natural gas service, and the percent of those households with natural gas service. These households exclude those in group quarters and vacant housing units.

Households are categorized as having Gas Service if they provided a numeric value for their most recent month's gas bill. Households are not included if their gas bill is included in their rent or condo fee, their gas bill is included in their electric bill payment, there was no charge for gas, or if gas was not used.

The ACS data is organized in "PUMAs", which sometimes include more than one county. Counties were combined in the table below when they were contained together in one ACS PUMA and could not be separately analyzed.

The table also shows the number of Peoples' customers in each PUMA and the percent of the gas customers in the PUMA who are Peoples' customers. In several of the PUMAs, fewer than 40 percent of the natural gas customers have Peoples' as their utility company. These counties mostly represent other gas utility service territories and are not included in the rest of the tables in this section. The counties that are included in the rest of the needs assessment are shaded in grey.

Table III-1
Counties in Peoples' Service Territory

Counties Served by Peoples	ACS Household Estimate	Gas Service		Peoples' Customers	
		Number	Percent	Number	Percent of Those with Gas Service
Allegheny County	423,514	346,728	82%	357,971	100%
Armstrong & Indiana Counties	62,584	36,657	59%	25,073	68%
Beaver & Lawrence Counties	106,516	70,153	66%	21,450	31%
Blair & Huntingdon Counties	64,795	33,152	51%	29,865	90%
Butler County	74,475	51,559	69%	15,647	30%
Cambria, Somerset, Bedford & Fulton Counties	107,523	42,400	39%	27,016	64%

Counties Served by Peoples	ACS Household Estimate	Gas Service		Peoples' Customers	
		Number	Percent	Number	Percent of Those with Gas Service
Clarion, Jefferson, Venango, Forest, & Clearfield Counties	121,527	78,727	65%	394	1%
Fayette County	54,001	25,252	47%	3,006	12%
Mercer County	45,547	28,066	62%	4,372	16%
Washington & Greene Counties	98,132	64,682	66%	24,556	38%
Westmoreland County	151,131	100,304	66%	74,619	74%
Total	1,309,745	877,680	67%	583,969	67%

The following tables only include the counties highlighted above, in which Peoples Gas is a prominent provider.

Across all of the counties served by Peoples, 69 percent of households had gas service. Most of these households had gas heating service.

Table III-2
Distribution of Service Status for Households in Selected Area

Service Status	Number	Percent
Gas Service	559,241	69%
No Gas Service	250,306	31%
Heating Service	507,816	63%
Non-Heating Service	51,425	6%
All Households	809,547	100%

B. Income Eligibility

While eligibility for CAP is 150 percent of the poverty level, eligibility for LIURP is 200 percent of poverty. Table III-3 displays the number and percent of households with gas service, heating service, and non-heating service who have income at or below 150 percent and 200 percent of the poverty level. The table shows that approximately 20 percent have income below 150 percent and 30 percent have income below 200 percent. However, of those with gas service, 17 percent have income below 150 percent of the poverty level and 25 percent have income below 200 percent of the poverty level.

Table III-3
Income Eligibility Rate by Service Status

Service Status	All Households	150% Poverty Level		200% Poverty Level	
		Number	Percent	Number	Percent
Gas Service	559,241	93,436	17%	140,570	25%
No Gas Service	250,306	74,886	30%	104,242	42%
Heating Service	507,816	82,426	16%	124,481	25%
Non-Heating Service	51,425	11,010	21%	16,089	31%
All Households	809,547	168,322	21%	244,812	30%

Table III-4 provides a breakdown of households who are income-eligible by poverty level. Approximately one third have income below the poverty level, between 101 and 150 percent of the poverty level and between 151 and 200 percent of the poverty level.

Table III-4
Distribution of Income-Eligible Households
By Service Type and Poverty Group

Poverty Group	Gas Service		Heating Service		Non-heating Service	
	Number	Percent	Number	Percent	Number	Percent
0% -50%	18,800	13%	16,565	13%	2,235	14%
51% -100%	30,453	22%	26,668	21%	3,785	24%
101% -150%	44,183	31%	39,193	31%	4,990	31%
151%-200%	47,134	34%	42,055	34%	5,079	32%
Total	140,570	100%	124,481	100%	16,089	100%

C. Demographics

Table III-5 displays the number and percent of households in various demographic groups. Of those below 150 percent of the poverty level with gas service, ten percent are married with children, defined as a married-couple family household with at least one child under the age of 18. Twenty-two percent are single with children, defined as a male householder with no wife present or female household with no husband present and at least one child under the age of 18. Thirty six percent are a senior head of household, defined as a head of household 63 years or older and not in one of the above categories.

**Table III-5
Household Type for Income-Eligible Households**

Household Type	Gas Service 150% of Poverty		Gas Service 200% of Poverty	
	Number	Percent	Number	Percent
Married with children	9,126	10%	15,775	11%
Single with children	20,776	22%	26,478	19%
Senior head of household	33,252	36%	55,682	40%
Other	30,282	32%	42,635	30%
Total	93,436	100%	140,570	100%

Table III-6 displays the language spoken by the household. The table shows that most households, 93 percent of those under 150 percent of poverty speak English at home. Only a few percent speak other languages.

**Table III-6
Language Spoken by Income-Eligible Households**

Language	Gas Service 150% of Poverty		Gas Service 200% of Poverty	
	Number	Percent	Number	Percent
English	87,332	93%	132,110	94%
Spanish	1,521	2%	2,284	2%
Indo-European	3,101	3%	4,344	3%
Other	1,482	2%	1,832	1%
Total	93,436	100%	140,570	100%

D. Energy Bills and Burden

Table III-7 displays the mean natural gas expenditures and energy burden for households below 150 and 200 percent of poverty. The bills are based on the average usage for CAP customers and Peoples gas rates, and the income is from the ACS data. The table shows that gas heating household with income below 150 percent of poverty have mean natural gas burden of 13.8 percent and those below 200 percent of poverty have a mean burden of 10.2 percent. However, these burdens are not reflective of the energy burdens for CAP participants who receive the CAP credits and, as a result, have a lower energy burden.

Table III-7
Mean Natural Gas Bills and Burden for Income-Eligible Households

Service Status	150% of Poverty			200% of Poverty		
	Number	Natural Gas Expenditures	Natural Gas Burden	Number	Natural Gas Expenditures	Natural Gas Burden
Non-heating	11,010	\$305	8.3%	16,089	\$305	6.0%
Heating	82,426	\$856	13.8%	124,481	\$856	10.2%
Total	93,436	\$791	13.2%	140,570	\$793	9.8%

Table III-8 displays the mean natural gas expenditures and energy burden by poverty level. The table shows that gas heating household with income below 50 percent of poverty have a mean natural gas burden of 45 percent and those with income between 151 and 200 percent of poverty have a mean natural gas burden of three percent.

Table III-8
Mean Natural Gas Bills and Burden for Income-Eligible Gas Heating Households
By Poverty Level

Poverty Level	Gas Heating Customers		
	Number	Natural Gas Expenditures	Natural Gas Energy Burden
0% -50%	16,565	\$856	45.4%
51% -100%	26,668	\$856	7.6%
101% -150%	39,193	\$856	4.7%
151%-200%	42,055	\$856	3.2%
Total	124,481	\$856	10.2%

E. Summary

This section provides a summary of findings from the needs assessment analysis.

- **Income Eligibility:** Of households with gas service, 17 percent have income below 150 percent of the poverty level and 25 percent have income below 200 percent of the poverty level.
- **Demographics:** Of those below 150 percent of the poverty level with gas service, ten percent are married with children, 22 percent are single with children, 36 percent are a senior head of household, and the remaining are in other categories. Ninety-three percent speak English at home.
- **Gas Costs and Burden:** Gas heating household with income below 150 percent of poverty have a mean natural gas burden of 13.8 percent. However, this average burden is

not reflective of the energy burden for CAP participants who receive the CAP credits and, as a result, have a lower energy burden.

IV. CAP Participant Feedback

APPRISE conducted a survey with Peoples Customer Assistance Program (CAP) participants as part of Peoples' Universal Service Program Evaluation. This section provides a summary of the survey methodology and the findings from the survey.

A. Methodology

An advance letter was sent to 300 customers to inform them of the survey and request their participation. A phone number was also provided for customers to call in and complete the survey at their convenience. Telephone surveys were conducted by APPRISE staff beginning on February 21, 2017 and ending on March 15, 2017. Customers were called during the day, the evening, and on the weekend.

Table IV-1 displays the final sample disposition, the cooperation rate, and the response rate. Surveys were completed with 34 percent of the sample, the response rate was 52 percent and the cooperation rate was 84 percent.

Table IV-1
CAP Participant Survey
Final Sample Disposition

Final Disposition	#	%
Complete	103	34%
No Answer	56	19%
Non-Working Number	47	16%
Voicemail	34	11%
Wrong Number or Phone Problem	31	10%
Refusal	20	7%
Not Eligible	5	2%
Deceased/Ill/Language Barrier	4	1%
Total	300	100%
Cooperation Rate	84%	
Response Rate	52%	

B. Findings

This section summarizes the findings from the survey. Findings are summarized in the following areas.

- Participation
- CAP Benefits
- Bill Payment Problems
- CAP Continued Participation
- CAP Satisfaction and Recommendations

Participation

This section assesses reasons for participation in CAP and ease of enrollment and re-certification. Table IV-2 shows that customers were most likely to find out about CAP from a Peoples customer service representative, an agency, or a friend or relative.

**Table IV-2
CAP Information Source**

How did you find out about CAP?	
Respondents	103
Peoples Customer Service Representative	32%
Agency	25%
Friend or Relative	19%
Gas Bill Insert	4%
Previous Knowledge	3%
Mail/Online	2%
Other	3%
Don't Know	17%

Customers could provide more than one response, so total may not sum to 100%.

When asked why they decided to enroll in CAP, customers were most likely to state that they needed to reduce their energy bills, because they had a low or limited income or to reduce their arrearages.

**Table IV-3
Participation Reason**

Why did you decide to enroll in the CAP Program?	
Respondents	103
Reduce Energy Bills	61%
Low/Limited Income	28%
Reduce Arrearages	24%
Maintain Gas Service	4%
Disability	3%
Other	2%
Don't Know	0%
Refused	0%

Customers could provide more than one response, so total may not sum to 100%.

Table IV-4 shows that 69 percent of the respondents reported that they had re-certified for CAP.

**Table IV-4
Re-Certified for CAP**

Have you ever re-certified your household and income information for CAP?	
Respondents	103
Yes	69%
No	22%
Don't Know	9%
Refused	0
Total	100%

Most respondents reported that the enrollment and the recertification process were very or somewhat easy. While 93 percent said that enrollment was very or somewhat easy, 97 percent said that re-certification was very or somewhat easy.

The few customers who stated that enrollment or re-certification was somewhat or very difficult stated that it was difficult to find the time to go in for enrollment or recertification. One customer mentioned that it was difficult to obtain the required information, and another commented that everything about the enrollment process was difficult.

**Table IV-5
Ease of CAP Enrollment and Re-Certification**

How easy or difficult was it to enroll in the CAP Program? How easy or difficult was it to re-certify for CAP?		
	Enrollment	Re-Certification*
Respondents	103	71
Very Easy	53%	69%
Somewhat Easy	40%	28%
Somewhat Difficult	6%	1%
Very Difficult	0%	1%
Don't Know	1%	0%
Refused	0%	0%
Total	100%	100%

CAP Benefits

Table IV-6 shows that 89 percent reported that they felt they had a good understanding of the services provided by CAP.

**Table IV-6
Understanding of CAP**

Do you feel that you have a good understanding of the services provided by the CAP Program?	
Respondents	103
Yes	89%
No	8%
Don't Know	3%
Refused	0
Total	100%

Table IV-7 shows that customers were most likely to report that their responsibility in CAP was to keep up with their payments. While 90 percent said that their responsibility was to keep up with payments, 12 percent said it was to report income and information, four percent said it was to conserve energy, and three percent said it was to apply for LIHEAP.

**Table IV-7
Customer Responsibility in CAP**

What is your understanding of your responsibility in this program?	
Respondents	103
Keep Up With Payments	90%
Report Income and Information	12%
Conserve Energy/Reduce Use	4%
Apply for LIHEAP	3%
Accept Weatherization Services	1%
Other	2%
Don't Know	4%
Refused	0%

Respondents could provide more than one response, so percentages may not sum to 100%.

Respondents were most likely to report that the benefits of CAP were lower energy bills and even monthly payments. When asked about specific benefits, 98 percent agreed that lower energy bills were a benefit, 94 percent agreed that maintaining gas service was a benefit, and 80 percent agreed that reduced arrearages were a benefit. When respondents were asked about the most important benefit of CAP, the most common responses were lower energy bills, maintaining gas service, and financial assistance.

**Table IV-8
CAP Benefits**

What do you feel are the benefits of the program? Do you feel _____ are a benefit of the program? What do you feel is the most important benefit of the program?			
	Unprompted	Prompted	Most Important
Respondents	103		
Lower Energy Bills	71%	98%	30%
Even Monthly Payments	46%	-	15%
Maintaining Gas Service	11%	94%	26%
Reduced Arrearages	7%	80%	8%
Financial Assistance	-	-	19%
Other	4%	-	2%
No Benefits	0%	-	0%
Don't Know	2%	-	0%
Refused	0%	-	0%

Respondents could provide more than one response, so percentages may not sum to 100%.

Respondents were asked questions about the clarity of their CAP bill. While 97 percent said that the CAP bills shows the CAP payment in a way that is clear and easy to locate and understand, 91 percent said it showed the CAP credit benefit in a way that is clear and easy to locate and understand, and 84 percent said that it showed the arrearage forgiveness amount in a way that is clear and easy to locate and understand.

**Table IV-9
CAP Bills**

Do you feel your CAP bill shows _____ in a way that is clear and easy to locate and understand?			
<ul style="list-style-type: none"> • the CAP payment, the amount that you must pay that month,... • the CAP credit benefit, the amount that was reduced from your total bill... • the amount you owed Peoples at the time of CAP enrollment and the monthly arrearage forgiveness amount. The arrearage forgiveness amount is the amount that is forgiven from the back bills you owed when you joined CAP. 			
	CAP Payment	CAP Credit	Arrearage Forgiveness
Respondents	103	103	103
Yes	97%	91%	84%
No	3%	6%	7%
Don't Know	0%	3%	9%
Refused	0%	0%	0%
Total	100%	100%	100%

Respondents were asked to estimate the amount of money CAP saved them on a typical monthly gas bill. Table IV-10 shows that 77 percent provided an estimate of the amount. While 22% said it saved them less than \$50 on a typical monthly bill, 25 percent said it saved \$51 to \$100, and 29 percent said it saved them \$101 or more.

Table IV-10
Estimate of Monthly CAP Savings

How much money does the CAP Program save you on a typical monthly natural gas bill?	
Respondents	103
\$0	1%
\$1-\$25	4%
\$26-\$50	17%
\$51-\$100	25%
\$101 or more	29%
Don't Know	23%
Refused	0%
Total	100%

Bill Payment Problems

Respondents were asked several questions about the difficulty they faced in making their energy bill payments and in paying other bills. Table IV-11 shows that respondents were much less likely to state that their CAP bills were difficult to pay after enrollment in CAP. While 58 percent said it was very difficult to pay the monthly gas bill prior to CAP enrollment, only five percent said it was very difficult to pay the bill following enrollment.

Table IV-11
Difficulty Paying Peoples Monthly Bill

How difficult was it to make your monthly payments before participating in CAP? While participating in the program, how difficult is it to make your monthly natural gas bill payments?		
Respondents	103	
	Before CAP	In CAP
Very Difficult	58%	5%
Somewhat Difficult	30%	25%
Not too Difficult	5%	35%
Not at all Difficult	4%	33%
Don't Know	1%	1%
Refused	2%	1%
Total	100%	100%

Table IV-12 shows that 66 percent said their gas bill was lower when they were in CAP and 25 percent said their gas usage was lower after enrolling in CAP.

Table IV-12
Change in Gas Bill and Usage While Participating in CAP

While participating in the program, would you say that your gas bill/usage is higher, lower, or has not changed in comparison to what it was before participating in the program? By gas usage, we mean the amount of gas that you use, not the dollar amount of your bill.		
	Gas Bill	Gas Usage
Respondents	103	
Higher	5%	9%
Lower	66%	25%
No Change	17%	54%
Don't Know	12%	11%
Refused	1%	1%
Total	100%	100%

Only a few customers reported that their usage increased after enrollment in CAP. Table IV-13 shows that these customers said it was a colder winter or they needed more weatherization services.

Table IV-13
Reason for Usage Increase

Why do you feel your usage has increased?	
Respondents	103
Cold Winter	4%
Household in Need of Weatherization Services	2%
Can Use More Gas Because of CAP	1%
Additional Household Residents	1%
Usage Did Not Increase	91%
Don't Know	1%
Refused	0%

Respondents could provide more than one response, so percentages may not sum to 100%.

Those customers who reported that they reduced their usage were most likely to state that they were trying to conserve, that it was the weather, or that they received energy efficiency services.

**Table IV-14
Reason for Usage Decrease**

Why do you feel your usage has decreased?	
Respondents	103
Trying to Reduce/Conserve	16%
Weather	5%
Received Weatherization/WAP/LIURP	2%
Other Services Received	1%
Usage Did Not Decrease	75%
Don't Know	3%
Refused	0%

Respondents could provide more than one response, so percentages may not sum to 100%.

Respondents were asked about difficulties paying for food, medicine, medical or dental expenses, mortgage or rent, the telephone bill, credit card or loan payments, and car payments. Table IV-15 shows that respondents were less likely to report that they had to delay the expenditure or skip paying the bill following enrollment in CAP. While 60 percent said they had to skip paying for food prior to CAP enrollment, 24 percent said they did so following CAP enrollment. Large declines in difficulty paying bills were also reported for the telephone, medical or dental, mortgage or rent, and credit card or loans.

**Table IV-15
Problems Meeting Financial Obligations**

	In the year before/while participating in CAP, did you ever have to delay or skip paying the following bills or making the following purchases in order to make ends meet?		Always or frequently had to delay or skip paying?	
	Before CAP	In CAP	Before CAP	In CAP
Respondents	103			
Food	60%	24%	25%	7%
Telephone	53%	24%	19%	2%
Medical or Dental	35%	24%	18%	8%
Mortgage or Rent	35%	19%	10%	2%
Credit Card or Loan	31%	17%	14%	9%
Medicine	27%	17%	10%	4%
Car Payment	13%	8%	4%	1%

Table IV-16 displays customers' reports about the use of their stove or oven for heat. While 25 percent said they used their stove or oven for heat sometimes or more frequently prior to

participating in CAP, 11 percent said they used their stove or oven for heat while participating in CAP.

Table IV-16
Used Kitchen Stove or Oven for Heat

In the year before /while participating in CAP, did you use your kitchen stove or oven to provide heat? Did you always, frequently, or sometimes use your kitchen stove or oven for heat?		
Respondents	103	
	Before CAP	In CAP
Always	5%	1%
Frequently	3%	2%
Sometimes	17%	8%
Seldom	0%	0%
Did Not Use Stove or Oven for Heat	74%	89%
Refused	1%	0%
Total	100%	100%

When asked whether there was a time that they were unable to use their heat because it was broken and they could not pay for the repair or replacement, 20 percent said they experienced this problem prior to CAP enrollment and 13 percent said they experienced this problem while participating in CAP.

Table IV-17
Unable to Use Main Source of Heat

In the year before enrolling /while enrolled in CAP, was there ever a time when you wanted to use your main source of heat, but could not because your heating system was broken and you were unable to pay for its repair or replacement?		
	Before CAP	In CAP
Respondents	103	
Yes	20%	13%
No	79%	86%
Don't Know	0%	0%
Refused	1%	1%
Total	100%	100%

Respondents were asked about LIHEAP application, receipt, and designation of the grant to Peoples. Table IV-18 shows that 72 percent said they applied for LIHEAP in the past 12 months, 54 percent said they received LIHEAP, and 49 percent said they assigned the LIHEAP grant to Peoples.

Table IV-18
LIHEAP Application and Receipt

In the past 12 months, did you or any member of your household apply for LIHEAP?...receive home energy assistance benefits from LIHEAP? Did you assign the LIHEAP grant to Peoples?			
	Applied to LIHEAP	Received LIHEAP	Assigned to Peoples
Respondents	103		
Yes	72%	54%	49%
No	24%	13%	2%
Did Not Apply	-	24%	24%
Did Not Receive Grant	-	-	13%
Don't Know	4%	9%	13%
Refused	0%	0%	0%
Total	100%	100%	100%

Respondents who said that they did not apply for LIHEAP were asked why they did not apply. Table IV-19 shows that seven percent said they did not need LIHEAP, five percent said they planned to apply, five percent said they did not know how to apply and four percent said they did not know about LIHEAP.

Table IV-19
Reason for Not Applying for LIHEAP

Why did you not apply for LIHEAP?	
Respondents	103
Not Needed	7%
Will Apply Soon	5%
Did Not Know How to Apply	5%
Did Not Know About LIHEAP	4%
Not Eligible	1%
Did Not Have Documentation	1%
Applied for LIHEAP	72%
Other	2%
Don't Know	5%
Refused	0%

When asked how important CAP has been in helping them meet their needs, 92 percent said it was very important and five percent said it was somewhat important.

**Table IV-20
Importance of CAP**

How important has the CAP Program been in helping you to meet your needs?	
Respondents	103
Very Important	92%
Somewhat Important	5%
Of Little Importance	3%
Not At All Important	0%
Don't Know	0%
Refused	0%
Total	100%

When asked whether they felt they needed additional assistance to pay their gas bill, 43 percent of respondents said they did feel they needed additional assistance.

**Table IV-21
Need Additional Assistance to Pay Gas Bill**

Do you feel that you need additional help to pay your natural gas bill?	
Respondents	103
Yes	43%
No	54%
Don't Know	3%
Refused	0%
Total	100%

Respondents who said that they needed additional assistance were asked what type of assistance they needed. Table IV-22 shows that most said they needed more bill payment assistance or a lower bill.

Table IV-22
Additional Assistance Needed to Pay Natural Gas Bill

What additional help do you need to pay your bill?	
Respondents	103
More Bill Payment Assistance	19%
Lower Bill	16%
Weatherization	2%
More Time to Pay the Bill	2%
Assistance Not Needed	54%
Other	2%
Don't Know	8%
Refused	0%

Customers could provide more than one response, so total may not sum to 100%.

Continued CAP Participation

When asked how likely they were to continue to participate in CAP, 92 percent said they were very likely to continue to participate.

Table IV-23
Likelihood of Continued CAP Participation

How likely are you to continue to participate in CAP?	
Respondents	103
Very Likely	92%
Somewhat Likely	6%
Not At All Likely	0%
Don't Know	1%
Refused	1%
Total	100%

Most participants stated that they would continue to participate in the program as long as the assistance was needed.

**Table IV-24
Length of Continued CAP Participation**

How long do you think you will continue to participate in the program?	
Respondents	103
<6 Months	1%
6-12 Months	3%
More than 12 Months	4%
As Long as Needed	84%
Until the Program Ends	2%
Don't Know	6%
Refused	0%
Total	100%

Satisfaction and Recommendations

When asked about satisfaction with CAP, 93 percent said they were very satisfied and six percent said they were somewhat satisfied.

**Table IV-25
CAP Satisfaction**

Overall, how satisfied are you with CAP?	
Respondents	103
Very Satisfied	93%
Somewhat Satisfied	6%
Somewhat Dissatisfied	1%
Very Dissatisfied	0%
Don't Know	0%
Refused	0%
Total	100%

Respondents provided some recommendations when they were asked how they thought the program could be improved. They were most likely to suggest improved availability or accessibility, a higher level of assistance, or weatherization services. However, most did not have any recommendations.

**Table IV-26
Recommendations for Improving CAP**

Do you have any recommendations for improvements to CAP?	
Respondents	103
Improve Availability/Accessibility	6%
Higher Level of Assistance	5%
Provide Weatherization Services	4%
Clearer Bills	3%
More Explanation of Program upon Enrollment	1%
Improve Customer Services	1%
No Recommendations	81%

C. Summary and Recommendations

We conducted telephone interviews with 103 current CAP participants to assess CAP understanding, impact, and satisfaction. This section provides a summary of the key findings from the survey.

- **Participation:** Customers were most likely to find out about CAP from a Peoples customer service representative, an agency, or a friend or relative. While 61 percent said they enrolled to reduce their bills, 28 percent said it was because they had low or limited income, and 24 percent said they enrolled to reduce their arrearages.

Most respondents reported that the enrollment and the recertification process were very or somewhat easy. While 93 percent said that enrollment was very or somewhat easy, 97 percent said that re-certification was very or somewhat easy.

- **CAP Benefits:** 89 percent reported that they felt they had a good understanding of the services provided by CAP. While 90 percent said that their responsibility was to keep up with payments, 12 percent said it was to report income and information, four percent said it was to conserve energy, and three percent said it was to apply for LIHEAP.

Respondents were most likely to report that the benefits of CAP were lower energy bills and even monthly payments. When asked about specific benefits, 98 percent agreed that lower energy bills were a benefit, 94 percent agreed that maintaining gas service was a benefit, and 80 percent agreed that reduced arrearages were a benefit.

While 97 percent said that the CAP bills shows the CAP payment in a way that is clear and easy to locate and understand, 91 percent said it showed the CAP credit benefit and 84 percent said that it showed the arrearage forgiveness amount in a way that is clear and easy to locate and understand.

- **Bill Payment Problems:** Respondents were much less likely to state that their CAP bills were difficult to pay after enrollment in CAP. While 58 percent said it was very difficult to pay the monthly gas bill prior to CAP enrollment, only five percent said it was very difficult to pay the bill following enrollment. Sixty-six percent said their gas bill was lower when they were in CAP and 25 percent said their gas usage was lower after enrolling in CAP.

Respondents were less likely to report that they had to delay expenditures or skip paying bills following enrollment in CAP. While 60 percent said they had to skip paying for food prior to CAP enrollment, 24 percent said they did so following CAP enrollment. Large declines in difficulty paying bills were also reported for the telephone, medical or dental, mortgage or rent, and credit card or loans.

When asked how important CAP has been in helping them meet their needs, 92 percent said it was very important and five percent said it was somewhat important.

- **Continued CAP Participation:** When asked how likely they were to continue to participate in CAP, 92 percent said they were very likely to continue to participate. Most participants stated that they would continue to participate in the program as long as the assistance was needed.
- **CAP Satisfaction and Recommendations:** While 93 percent said they were very satisfied with CAP, six percent said they were somewhat satisfied. Most respondents did not have recommendations for the program. Those who did have recommendations were most likely to suggest improved availability or accessibility, a higher level of assistance, or weatherization services.

V. Transactions Analysis

This section provides an analysis of Peoples' CAP impacts on affordability, bill payment compliance, and collections actions. This section first describes the methodology for the analyses that were conducted and then the findings from the analyses.

A. *Methodology*

This section describes the evaluation data and the selection of participants for the impact analysis.

Evaluation Data

Peoples provided APPRISE with customer data, CAP program participation data, billing and payment data, and collections data for 2014, 2015, and 2016. Peoples also provided data for a comparison group of LIHEAP participants who did not participate in Peoples' Universal Service Programs during this time period.

Analysis Group

Customers who enrolled or participated in Universal Service Programs between January 1, 2015 and December 31, 2015 were included as potential members of the study group. This group was chosen for the analysis, as one full year of post-program data is required for an analysis of program impacts. Additionally, results are presented for customers who received CAP credits at any time during 2015 to look at the broader population of CAP participants. Because E-CAP, for customers with income between 151 and 200 percent of the poverty level, was not introduced until 2016, we examine E-CAP statistics for 2016 participants.

Comparison Groups

The comparison groups were constructed to control for exogenous factors. The comparison groups were designed to be as similar as possible to the treatment group, those who received services and who we are evaluating, so that the exogenous changes for the comparison groups are as similar as possible to those of the treatment group.

When measuring the impact of an intervention, it is necessary to recognize other exogenous factors that can impact changes in outcomes. Changes in a customer's payment behavior and bill coverage rate, between the year preceding program enrollment and the year following enrollment, may be affected by many factors other than program services received. Some of these factors include changes in household composition or health of family members, changes in utility prices, changes in weather, and changes in the economy.

The ideal way to control for other factors that may influence payment behavior would be to randomly assign low-income customers to a treatment or control group. The treatment group would be given the opportunity to participate in the program first. The control group would not be given an opportunity to participate in the program until one full year later. This would allow evaluators to determine the impact of the program by subtracting the change in behavior for the control group from the change in behavior for the treatment group. Such random assignment is rarely done in practice because of a desire to include all eligible customers in the benefits of the program or to target a program to those who are most in need.

In the CAP evaluation, we were able to obtain two good comparison groups.

- *Low-Income Nonparticipant Comparison Group:* We obtained a sample of 2015 LIHEAP recipients who had not participated in Peoples Universal Service Programs from 2014 through 2016 to utilize as a comparison group. For the analysis, the group of customers was replicated to represent customers who enrolled in the program in each quarter of 2015. A quasi intervention date of the middle of the quarter was chosen for each group to compare to the participating customers.
- *2016 CAP Enrollee Comparison Group:* We analyzed customers who last enrolled in CAP in 2016 and who did not receive CAP credits in the two years preceding enrollment. We required that they had no CAP credits and no arrearage forgiveness in the two years preceding enrollment to ensure that they were nonparticipants in both periods. These participants serve as a good comparison because they are lower income households who were eligible for the program and chose to participate. We use data for these participants for the two years preceding CAP enrollment, to compare their change in payment behavior in the years prior to enrolling to the treatment group's change in payment behavior after enrolling. Because these customers did not participate in CAP in either of the two analysis years, changes in bills and behavior should be related to factors that are exogenous to the program.

For the program impact analysis, we examined pre- and post-treatment statistics. The difference between the pre- and post-treatment statistics for the treatment group is considered the gross change. This is the actual change in behaviors and outcomes for those participants who were served by the program. Some of these changes may be due to the program, and some of these changes are due to other exogenous factors, but this is the customer's actual experience. The net change is the difference between the change for the treatment group and the change for the comparison group, and represents the actual impact of the program, controlling for other exogenous factors.

Customers who participated in CAP in the year prior to enrollment were excluded from the analysis, to allow for a comparison of data while not participating and while participating in CAP. Customers who did not have close to a full year of data prior to joining the program or following the program start date were not included in the impact analysis. The subject of data attrition is addressed more fully below.

The data that were used for the study and comparison group were as follows.

- 2015 Treatment Group data extended from one year before the customer joined CAP to one year after the customer enrolled.
- Low-Income Nonparticipant Comparison Group data included one year of data before the mid-point of the first quarter of 2015 to one year of data after the mid-point of the last quarter of 2015.
- 2016 Comparison Group data extended from two years before the customer joined CAP to the date of enrollment.

Table V-1A provides the attrition analysis for the treatment group, the later participant comparison group and the nonparticipant comparison group. Accounts were removed in the following steps.

- **Account Opened at Least 11 Months Before Enrollment:** We checked to determine if the customer's service begin date was at least 11 months before the date of enrollment (or quasi-enrollment) and closed at least 11 months after the date of the most recent enrollment (or quasi-enrollment) because if the customer had not had an active account for that time period, they could not have had enough transactions data to be included in the analysis. However, this is not shown in the table that shows Peoples and Equitable data together because the Equitable customers have data from the former database prior to their merger with Peoples. Information on account status is shown in the next table that separates accounts by division. It is also shown for the Nonparticipant Comparison Group because that group only included Peoples' customers.
- **11 or More Months Pre and Post Billing Data:** Customers were removed from the analysis group if they did not have close to a full year of pre and post CAP enrollment billing data.
- **Outliers:** Extreme billing outliers were removed as a last step prior to the final Analysis Group line of the table.

Overall 35 percent of the treatment group, 17 percent of the later participant comparison group, and 88 percent of the nonparticipant comparison group had enough data to be included in the analysis.

**Table V-1A
Data Attrition Analysis**

	Treatment Group 2015 Enrollees Who Did Not Participate in Year Prior to Enrollment*	Later Participant Comparison Group 2016 Enrollees Who Did Not Participate in Two Years Prior to Enrollment	Nonparticipant Comparison Group Quasi 2015 Enrollment Date				
			Q1	Q2	Q3	Q4	Total
All Eligible	10,078	11,467	2,000	2,000	1,999	1,999	7,998
Account Opened at Least 11 Months Before Enrollment	--	--	1,903	1,915	1,929	1,944	7,691
Account Closed 11 or More Months after Enrollment	--	--	1,903	1,915	1,929	1,944	7,691
11 or More Months Pre and Post Billing Data	3,530	1,908	1,760	1,772	1,771	1,771	7,074
Analysis Group**	3,519	1,894	1,743	1,760	1,759	1,759	7,021
% of Total	35%	17%	87%	88%	88%	88%	88%

*There were only two accounts with income between 151 and 200 percent of poverty who most recently enrolled in 2015.

**Billing outliers were removed from analysis group.

Table V-1B displays the data attrition analysis by division for the Treatment Group. The table shows that most of the Peoples customers who did not have enough billing data to be included in the analysis were missing those data because they were not customers during the

full analysis period. While 44 percent of the Equitable treatment group had enough data to be included, 28 percent of the Peoples Group had enough data.

**Table V-1B
Treatment Group
Data Attrition Analysis by Division**

Division	Treatment Group 2015 Enrollees Who Did Not Participate in Year Prior to Enrollment*					
	≤150%					
	All		People's		Equitable	
	#	%	#	%	#	%
All Eligible	10,078	100%	5,718	100%	4,360	100%
Account Opened at Least 11 Months Before Enrollment	--	--	1,978	35%	--	--
Account Closed 11 or More Months after Enrollment	--	--	1,772	31%	--	--
11 or More Months Pre and Post Billing Data	3,530	35%	1,602	28%	1,928	44%
Analysis Group**	3,519	35%	1,593	28%	1,926	44%
% of Total	35%		28%		44%	

*There were only two accounts with income between 151 and 200 percent of poverty who most recently enrolled in 2015.

**Billing outliers were removed from analysis group.

Table V-1C displays the data attrition analysis by division for the Later Participant Comparison Group. The table shows that most of the Peoples customers who did not have enough billing data to be included in the analysis were missing those data because they were not customers during the full analysis period. While 14 percent of the Equitable treatment group had enough data to be included, 18 percent of the Peoples Group had enough data.

**Table V-1C
Comparison Group
Data Attrition Analysis by Division**

Division	Later Participant Comparison Group 2016 Enrollees Who Did Not Participate in Two Years Prior to Enrollment					
	≤150%					
	All		People's		Equitable	
	#	%	#	%	#	%
All Eligible	11,467	100%	6,344	100%	5,123	100%
Account Opened at Least 22 Months Before Enrollment	--	--	1,293	20%	--	--
22 or More Months Billing Data	1,908	17%	1,178	19%	730	14%
Analysis Group*	1,894	17%	1,165	18%	729	14%
% of Total	17%		18%		14%	

*Billing outliers were removed from analysis group.

Table V-1D displays the data attrition for the analysis of all 2015 CAP participants and all 2016 E-CAP participants. Customers were included in this analysis if they had a CAP credit or arrearage forgiveness credit in 2015 (or 2016 for E-CAP). The table shows that 78 percent of those at or below 150 percent of the poverty level had enough data to be included and 70 percent of those in the E-CAP group had enough data to be included.

Table V-1D
All 2015 Participants
Data Attrition Analysis

	All 2015 CAP Participants ≤150%		All 2016 CAP Participants 151%-200%	
	#	%	%	%
All Eligible	36,426	100%	1,233	100%
12 Months of Billing Data in 2015 or 2016	28,285	78%	869	70%
Analysis Group*	28,265	78%	869	70%

*Billing outliers were removed from analysis group.

Table V-2 compares the characteristics of all CAP participants to those included in the billing analysis to assess whether there are potential biases caused by the data attrition.

- **Seniors:** These households contain at least one member that is 62 years old or older. The table shows that the Treatment and Later Participant analysis groups are more likely to have senior household members than the full population.
- **Children:** These households contain at least one member that is 18 years old or younger. The table shows that the Treatment and Later Participant Analysis Groups are less likely to have children than the full population.
- **Annual Income:** The table shows that the 2016 E-CAP participants, the Treatment, and the Later Participant Analysis Groups are less likely to have customers with income below \$10,000 and are more likely to have income between \$10,000 and \$20,000.
- **Poverty Group:** The table shows that the Treatment and the Later Participant Analysis Groups are more likely to have customers between 100 and 150 percent of the poverty level and are less likely to have customers in the lower poverty level groups.
- **Division:** The Treatment Analysis Group is more likely to have customers in the Equitable Division and the Later Participant Analysis Groups is more likely to have customers in the Peoples Division.

**Table V-2
Customer Characteristics Comparison**

	All 2015 CAP Participants		All 2016 E-CAP Participants		Treatment Group 2015 Enrollees No Participation Year Prior to Enrollment		Later Participant Comparison 2016 Enrollees No Participation in 2 Years Prior to Enrollment		Nonparticipant Comparison Group	
	≤150%		151%-200%		≤150%		0%-150%		All	Analysis Group
	All	Analysis Group	All	Analysis Group	All	Analysis Group	All	Analysis Group		
Observations	36,426	28,265	1,233	869	10,078	3,519	11,467	1,894	7,998	7,021
Senior	27%	29%	21%	22%	17%	26%	14%	28%	34%	35%
Children	46%	44%	52%	53%	54%	47%	60%	50%	21%	21%
Annual Income										
≤ \$10,000	85%	85%	37%	27%	89%	80%	91%	69%	81%	82%
\$10,001-\$20,000	12%	12%	35%	39%	8%	15%	7%	21%	4%	4%
\$20,001-\$30,000	2%	2%	16%	19%	2%	3%	1%	7%	1%	1%
\$30,001-\$40,000	1%	1%	7%	9%	<1%	1%	<1%	2%	<1%	<1%
>\$40,000	<1%	<1%	6%	6%	<1%	<1%	<1%	1%	<1%	<1%
Missing	<1%	0%	0%	0%	0%	0%	0%	0%	14%	14%
Poverty Group										
≤ 50%	26%	25%	0%	0%	25%	21%	25%	15%	67%	67%
51% – 100%	47%	48%	0%	0%	44%	40%	42%	36%		
101% – 150%	27%	27%	0%	0%	31%	39%	33%	50%		
151%-200%	0%	0%	100%	100%	0%	0%	0%	0%	10%	10%
201%-250%	0%	0%	0%	0%	0%	0%	0%	0%		
251%+	0%	0%	0%	0%	0%	0%	0%	0%	2%	3%
Unknown	1%	<1%	0%	0%	<1%	<1%	<1%	0%	21%	20%
Income Source										
Employment	20%	19%	58%	58%	26%	23%	31%	32%	2%	2%
Disability	11%	11%	9%	10%	11%	10%	10%	10%	1%	1%
Retirement	22%	22%	16%	16%	18%	19%	14%	17%	3%	3%
Unemployment	2%	2%	4%	4%	3%	3%	3%	4%	<1%	<1%
Other Income	14%	14%	7%	7%	15%	14%	12%	11%	1%	<1%
Missing	37%	39%	16%	15%	33%	39%	35%	33%	94%	94%
Division										
Peoples	63%	60%	64%	63%	57%	45%	55%	62%	100%	100%
Equitable	37%	40%	36%	37%	43%	55%	45%	38%	0%	0%

B. CAP Participation and Discounts

This section examines the length of CAP participation for the analysis groups. Table V-3A shows that 61 percent of the 2015 participants had enrolled on or before January 1, 2015 and had not been deactivated prior to January 1, 2016. Only one percent of the 2016 E-CAP participants with income between 151 and 200 percent of the poverty level participated for all of 2016 because most enrolled after January 2016.

The table also shows that 82 percent of the treatment group who enrolled in 2015 and did not participate in CAP in the year prior to enrollment remained on CAP for at least a full year.

**Table V-3A
Full Year CAP Participation**

	All 2015 CAP Participants		All 2016 E-CAP Participants		Treatment Group 2015 Enrollees That Did Not Participate in the Year Prior to Enrollment	
	≤150%		151%-200%		≤150%	
	#	%	#	%	#	%
Final Analysis Group	28,265	100%	869	100%	3,519	100%
Full Year in CAP	17,130	61%	6	1%	2,893	82%
Not Full Year in CAP	11,135	39%	863	99%	626	18%
Enrolled after January	5,693	20%	703	81%		
Removed before December	2,656	9%	4	<1%		
Enrolled after Jan and removed before Dec	2,786	10%	156	18%		

Table V-3B displays full year CAP participation by division. The table shows that full year CAP participation was higher for the Peoples treatment group than for the Equitable treatment group. While 92 percent of the Peoples treatment group participated in CAP for the full year, 74 percent of the Equitable treatment group participated in CAP for the full year.

**Table V-3B
Full Year CAP Participation**

	2015 CAP Participants ≤150%				All 2016 E-CAP Participants 151%-200%				Treatment Group 2015 Enrollees That Did Not Participate in the Year Prior to Enrollment <150%			
	Peoples		Equitable		Peoples		Equitable		Peoples		Equitable	
	#	%	#	%	#	%	#	%	#	%	#	%
Final Analysis Group	17,095	100%	11,170	100%	542	100%	321	100%	1,593	100%	1,926	100%
Full Year CAP	10,118	59%	7,021	63%	4	1%	2	1%	1,459	92%	1,434	74%
Not Full Year CAP	6,977	41%	4,158	37%	538	99%	319	99%	134	8%	492	26%

Table V-4 displays the CAP removal reason for customers in each group who were deactivated. The table shows that the most common removal reason was that the customer did not provide documentation. Customers in E-CAP and treatment group were likely to have income that was too high and customers in the treatment group were likely to have a final bill or be disconnected.

**Table V-4
CAP Removal Reason**

	All 2015 CAP Participants		All 2016 E-CAP Participants		Treatment Group 2015 Enrollees That Did Not Participate in the Year Prior to Enrollment	
	≤150%		151%-200%		≤150%	
	#	%	#	%	#	%
Did Not Provide Documentation	3,820	70%	42	26%	250	40%
Income Too High	727	13%	74	46%	129	21%
Customer Request	294	5%	1	1%	76	12%
Final Bill or Disconnected	223	4%	11	7%	150	24%
System Error Correction	177	3%	26	16%	11	2%
Set up in Error	167	3%	6	4%	8	1%
Annual Credit Exceeds \$1,000	34	1%	0	0%	1	<1%
Usage Exceeds 125%	0	0%	0	0%	1	<1%
Total	5,442	100%	160	100%	626	100%

Table V-5 displays the mean number of CAP credits and amount of CAP credits received for all CAP participants in the group and for those in the group who were in CAP for a full year. The table also shows the percent of each group that received \$1,000 or more in CAP credits. The table provides the following information.

- All 2015 Participants: All 2015 participants received an average of 4.6 credits and \$467, and full year participants received an average of 5.3 credits and \$541. While ten percent of all 2015 participants received \$1,000 or more in CAP credits, 12 percent of the full year participants received \$1,000 or more in CAP credits.
- Peoples 2015 Participants: All 2015 Peoples participants received an average of 4.5 credits and \$426, and full year participants received an average of 5.1 credits and \$487. While seven percent of all 2015 Peoples participants received \$1,000 or more in CAP credits, nine percent of the full year Peoples participants received \$1,000 or more in CAP credits.
- Equitable 2015 Participants: All 2015 Equitable participants received an average of 4.8 credits and \$529, and Equitable full year participants received an average of 5.6 credits and \$620. While 14 percent of all 2015 Equitable participants received \$1,000 or more in CAP credits, 17 percent of the Equitable full year participants received \$1,000 or more in CAP credits.
- All 2016 E-CAP participants: These customers received an average of 1.6 credits and an average of \$81 in credits. Low credits were partly due to the fact that very few participated for the full year.

The treatment group analysis focuses on credits received in the year after the 2015 enrollment. Therefore, most of these customers received credits for winter 2016, the 2nd warmest year on record in Pittsburgh according to the National Oceanic and Atmospheric Administration (NOAA)³. As a result, the 2015 treatment group had average CAP credits that were significantly lower than all 2015 participants whose data included winter 2015 when the weather was much colder than average. While the January to March mean 2015 temperature in Pittsburgh was 27 degrees Fahrenheit, the January to March mean 2016 temperature in Pittsburgh was 36 degrees Fahrenheit.

- Treatment Group: The treatment group received an average of 3.9 credits and \$194, and full year participants received an average of 4.2 credits and \$205. Only one percent received \$1,000 or more in CAP credits.
- Peoples Treatment Group: The Peoples treatment group received an average of 4.2 credits and \$206, and full year participants received an average of 4.3 credits and \$211. Only one percent received \$1,000 or more in CAP credits.
- Equitable Treatment Group: The Equitable treatment group received an average of 3.7 credits and \$185, and full year participants received an average of 4.0 credits and \$200. Only one percent received \$1,000 or more in CAP credits.

³ <https://www.ncdc.noaa.gov/sotc/national/2016/13/supplemental/page-1>

**Table V-5
CAP Credits Received**

	Obs.	Mean # CAP Credits	Mean Credits	Median Credits	Received \$1,000 or More CAP Credits
Credits Received in 2015					
All 2015 Participants (0-150%)					
All	28,265	4.6	\$467	\$378	10%
Full Year CAP	17,130	5.3	\$541	\$452	12%
Peoples 2015 Participants (0-150%)					
All	17,095	4.5	\$426	\$335	7%
Full Year CAP	10,118	5.1	\$487	\$392	9%
Equitable 2015 Participants (0-150%)					
All	11,170	4.8	\$529	\$470	14%
Full Year CAP	7,012	5.6	\$620	\$561	17%
Credits Received in 2016					
All 2016 E-CAP Participants (151-200%)					
All	869	1.6	\$81	\$53	0%
Peoples	546	1.6	\$76	\$47	0%
Equitable	323	1.7	\$89	\$61	0%
All Full Year E-CAP	6	4.0	\$195	\$204	0%
Credits Received in Year after Enrollment					
Treatment Group					
All	3,519	3.9	\$194	\$125	1%
Full Year CAP	2,893	4.2	\$205	\$131	1%
Peoples Treatment Group					
All	1,593	4.2	\$206	\$138	1%
Full Year CAP	1,459	4.3	\$211	\$139	1%
Equitable Treatment Group					
All	1,926	3.7	\$185	\$110	1%
Full Year CAP	1,434	4.0	\$200	\$119	1%

Table V-6 displays the percent of treatment group participants who had a bill each month and the percent that received a credit each month. While almost all had a bill each month as required by the analysis, approximately 28 to 40 percent had a CAP credit each month.

Table V-6
Percent who Received CAP Credit Each Month Following Enrollment
Treatment Group

	Obs.	Full Treatment Group - Months After Enrollment											
		1	2	3	4	5	6	7	8	9	10	11	12
Has Bill	3,519	99%	>99%	>99%	>99%	>99%	>99%	>99%	>99%	>99%	>99%	>99%	98%
CAP Credit-#		1,102	1,016	988	973	1,051	1,096	1,145	1,280	1,374	1,392	1,292	1,118
CAP Credit-%		31%	29%	28%	28%	30%	31%	33%	36%	39%	40%	37%	32%
	Obs.	Peoples Treatment Group – Months After Enrollment											
		1	2	3	4	5	6	7	8	9	10	11	12
Has Bill	1,593	99%	99%	>99%	>99%	>99%	99%	99%	>99%	99%	>99%	>99%	99%
CAP Credit-#		569	482	439	391	409	452	568	690	755	711	628	576
CAP Credit-%		36%	30%	28%	25%	26%	28%	36%	43%	47%	45%	39%	36%
	Obs.	Equitable Treatment Group – Months After Enrollment											
		1	2	3	4	5	6	7	8	9	10	11	12
Has Bill	1,926	99%	>99%	>99%	>99%	>99%	>99%	99%	>99%	>99%	>99%	>99%	97%
CAP Credit-#		533	534	549	582	642	644	577	590	619	681	664	542
CAP Credit-%		28%	28%	29%	30%	33%	33%	30%	31%	32%	35%	34%	28%

Table V-7 displays the percent discount received by the treatment group. This is defined as the CAP credits divided by the customer's full bill. The table shows that the mean discount across the full treatment group was 22 percent, and it was approximately the same for Peoples and Equitable. Customers with income below 50 percent of the poverty level had the greatest percent discount, averaging 40 percent, and ten percent of these customers had a discount above 67 percent.

Table V-7
Percent Discount on Peoples Bill by Poverty Level
Treatment Group

Poverty Level	Full Treatment Group						Peoples Treatment Group				Equitable Treatment Group			
	Mean	Percentile					Mean	Percentile			Mean	Percentile		
		10	25	50	75	90		25	50	75		25	50	75
≤50%	40%	13%	25%	41%	56%	67%	43%	27%	44%	58%	39%	23%	39%	54%
51%-100%	18%	2%	8%	15%	25%	39%	20%	11%	16%	26%	17%	6%	15%	25%
101%-150%	15%	2%	9%	14%	19%	26%	17%	11%	16%	21%	12%	6%	12%	16%
All	22%	4%	10%	17%	29%	48%	23%	12%	18%	29%	21%	36%	15%	29%

Table V-8 provides additional information on the discount received. The table shows that within the full treatment group, 69 percent had a discount of less than 25 percent, 22 percent had a discount between 25 and 49 percent, eight percent had a discount between 50 and 74 percent, and one percent had a discount of 75 percent or more.

Discounts were greater for the lower poverty level groups. The table shows that of those with income below 50 percent of the poverty level, 24 percent had a discount under 25 percent, 39 percent had a discount between 25 and 49 percent, 33 percent had a discount between 50 and 74 percent, and three percent had a discount of 75 percent or more.

Table V-8
Distribution of Discount on Peoples Bill by Poverty Level
Treatment Group

Percent Discount	Full Treatment Group				Peoples Treatment Group				Equitable Treatment Group			
	Poverty Level			All	Poverty Level			All	Poverty Level			All
	≤50%	51%-100%	101%-150%		≤50%	51%-100%	101%-150%		≤50%	51%-100%	101%-150%	
<25%	24%	73%	88%	69%	20%	72%	85%	68%	27%	74%	92%	70%
25%-49%	39%	23%	11%	22%	42%	25%	14%	24%	38%	22%	8%	21%
50%-74%	33%	3%	<1%	8%	34%	3%	<1%	8%	33%	4%	<1%	9%
≥75%	3%	<1%	0%	1%	4%	0%	0%	1%	2%	<1%	0%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table V-9 displays the mean percent discount by whether or not the customer was in CAP for the full year. While the mean discount for those on CAP for the full year was 23 percent, the mean discount for those not on CAP for the full year was 16 percent.

Table V-9
Mean Percent Discount on Peoples Bill by Full Year CAP Status and Poverty Level
Treatment Group

CAP Participation	Poverty Level			All
	≤50%	51%-100%	101%-150%	
Full Year CAP	42%	19%	16%	23%
Not full year CAP	31%	15%	10%	16%
All	40%	18%	15%	22%

C. Affordability Impacts

This section examines the impacts of CAP on affordability. One commonly used measure of energy affordability is energy burden, which is defined as the percent of income that is spent on energy.

Table V-10 shows the calculated monthly CAP payment based on the customer's annual household income and poverty level. The payment is calculated as eight, nine, or ten percent of income, depending on the poverty level. These values are consistent with the PUC's energy burden targets for CAP participants, also shown in the table. For example, for customers with income between 101 and 150 percent of the poverty level, the energy burden target is nine to ten percent and Peoples percent of income payment is ten percent.

Table V-10 also shows the mean calculated monthly CAP payment and the percent of participants with a minimum payment because the designated percent of income payment would be less than \$25 per month. The table shows that a large percentage of CAP participants have the minimum payment, especially in the lowest poverty group. While 71 percent of all 2015 participants with income below 50 percent of the poverty level have the minimum payment, 44 percent of all 2015 participants have the minimum payment.

Table V-10
Calculated Monthly Payment

Poverty Level	Percent of Income Payment	PUC Energy Burden Target	All 2015 Participants (0-150% of Poverty)		Treatment Group	
			Mean Payment	% with Minimum Payment	Mean Payment	% with Minimum Payment
≤50%	8%	5%-8%	\$32	71%	\$34	68%
51%-100%	9%	7%-10%	\$43	47%	\$47	46%
101%-150%	10%	9%-10%	\$77	14%	\$77	16%
All			\$50	44%	\$56	39%

While the CAP payment is designed to provide an energy burden that falls within the PUC targeted affordability level, there are several reasons why a CAP participant's energy burden would be higher than this calculated target.

- **Minimum payment:** As shown above, a large percentage of CAP participants have the minimum payment level assigned. By definition, these customers will have an energy burden that exceeds the percentage of income payment level.
- **Full year:** Customers who are not on CAP for the full year will not receive all CAP credits.

- Did not receive all credits: Historically, customers who did not make timely payments did not receive all CAP credits. The credit application policy has changed so that currently customers do receive a credit each month they are on CAP.
- Arrearage forgiveness co-payment: Customers with arrearages pay \$5 per month to reduce the arrearage while they are receiving arrearage forgiveness. This increases the monthly payment above the targeted percentage of income payment level.
- CAP Plus co-payment: All CAP participants have a CAP Plus co-payment which increases the monthly payment above the targeted percentage of income payment level.

Table V-11A shows the energy burden for the treatment group before and after participating in CAP. The table shows a large reduction in average burden from 59 percent before participation to 35 percent while participating for customers with income below 50 percent of the poverty level. However, given the reasons noted above, a large percentage of these customers still have an energy burden that exceeds the PUC target.

**Table V-11A
Treatment Group Unadjusted Gas Burden**

Poverty Level	Treatment Group Mean Unadjusted Gas Energy Burden		PUC Energy Burden Target	Poverty Level	Treatment Group Percent with Burden Above PUC Target	
	Pre	Post			Pre	Post
≤ 50%	59%	35%	5%-8%	≤ 50%	96%	85%
51 – 100%	41%	25%	7%-10%	51 – 100%	86%	71%
101 – 150%	24%	15%	9%-10%	101 – 150%	71%	48%

Table V-11B shows the impact that some of these factors have on energy burden. This table excludes customers with the minimum payment, excludes customers who did not participate in CAP for the full year, and excludes the arrearage forgiveness co-pay and the CAP Plus amount. When all of these adjustments are made, only ten percent of those with income below 50 percent of the poverty level have an energy burden above the target level.

**Table V-11B
Treatment Group Adjusted Gas Burden**

Poverty Level	Treatment Group Mean Adjusted Gas Energy Burden		PUC Energy Burden Target	Poverty Level	Treatment Group Percent with Burden Above PUC Target	
	Pre	Post			Pre	Post
≤ 50%	20%	3%	5%-8%	≤ 50%	88%	10%
51 – 100%	18%	7%	7%-10%	51 – 100%	73%	21%
101 – 150%	16%	7%	9%-10%	101 – 150%	64%	21%

Table V-12A provides additional information on energy affordability and the impact of CAP on affordability. The following information is displayed.

- **Full Bill:** The full bill is the total amount billed in the identified time period. For CAP customers, this is the bill prior to the application of the CAP credit. The table shows that the bill declined significantly for all groups due to the warmer winter weather in the post enrollment year. The bill declined by more for the treatment group than for the comparison group, probably due to home conditions and higher pre-treatment winter usage among the treatment group.
- **CAP Credits:** The table shows that the treatment group received a mean of \$194 in CAP credits in the year following enrollment. The relatively low amount is due to the warm winter in the post-enrollment year.
- **CAP Plus:** The treatment group was charged an average of \$46 in CAP Plus charges in the post enrollment year.
- **Discounted Bill:** The discounted bill is defined as the Full Bill minus the CAP Credits, plus the CAP Plus Charge. CAP participants' bills declined by an average of \$590 due to both the CAP credits and the warmer winter. Compared to the average comparison group change, CAP participants' bills declined by \$324.
- **Energy Burden:** Energy burden is defined as the customer's bill divided by the customer's income. Energy burden declined for CAP participants due to the warmer winter and the CAP credits received. While energy burden was 38 percent in the year prior to CAP enrollment when there was a cold winter, energy burden averaged 23 percent in the year following CAP enrollment, a decline of 15 percentage points. Relative to the comparison group, energy burden declined by nine percentage points. The CAP has a significant positive impact on energy bill affordability.

Table V-12A
Affordability Impacts

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,519			2,290			7,021			9,311	
Full Bill	\$1,234	\$792	-\$442**	\$1,133	\$803	-\$330**	\$817	\$614	-\$203**	-\$267	-\$175**
CAP Credits	\$0	\$194	\$194**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$194**
CAP Plus	\$0	\$46	\$46**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$46**
Discounted Bill	\$1,234	\$643	-\$590**	\$1,133	\$803	-\$330**	\$817	\$614	-\$203**	-\$267	-\$324**
Energy Burden	38%	23%	-15%**	19%	14%	-5%**	49%	41%	-8%**	-6%	-9%**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: 953 customers in the Nonparticipant Comparison group are excluded from the Energy Burden analysis due to missing information on annual income.

Note: "Discounted Bill" includes CAP Plus Charges (only applicable for the Treatment Group)

Table V-12B displays the affordability impacts for Peoples division. The table shows results that are similar to the full population. Peoples' customers' pre-enrollment bills were lower than the overall average and did not decline as much. They had lower energy burdens in the pre- and post-enrollment periods.

Table V-12B
Affordability Impacts - Peoples

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	1,593			1,521			7,021			8,542	
Full Bill	\$1,093	\$785	-\$308**	\$1,083	\$806	-\$277**	\$817	\$614	-\$203**	-\$240	-\$68**
Discount	\$0	\$206	\$206**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$206**
CAP Plus	\$0	\$70	\$70**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70**
Discounted Bill	\$1,093	\$650	-\$443**	\$1,083	\$806	-\$277**	\$817	\$614	-\$203**	-\$240	-\$203**
Energy Burden	21%	13%	-8%**	14%	11%	-3%**	49%	41%	-8%**	-5%	-3%**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: 953 customers in the Nonparticipant Comparison group are excluded from the Energy Burden analysis due to missing information on annual income.

Note: "Discounted Bill" includes CAP Plus Charges (only applicable for the Treatment Group)

Table V-12C displays the affordability impacts for the Equitable division. The table shows results that are similar to the full population. Equitable's customers' pre-enrollment bills were higher than the overall average and declined by more than the overall average. They had higher energy burdens in the pre- and post-enrollment periods.

Table V-12C
Affordability Impacts – Equitable

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group ¹			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	1,926			769			7,021			7,790	
Full Bill	\$1,350	\$797	-\$553**	\$1,232	\$796	-\$436**	\$817	\$614	-\$203**	-\$320	-\$233**
Discount	\$0	\$185	\$185**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$185**
CAP Plus	\$0	\$26	\$26**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26**
Discounted Bill	\$1,350	\$638	-\$712**	\$1,232	\$796	-\$436**	\$817	\$614	-\$203**	-\$320	-\$392**
Energy Burden	52%	31%	-21%**	30%	20%	-10%**	49%	41%	-8%**	-9%	-12%**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: "Discounted Bill" includes CAP Plus Charges (only applicable for the Treatment Group)

¹The nonparticipant comparison group is comprised of Peoples' customers.

The CAP Plus amount is calculated by Peoples as the LIHEAP receipts for customers participating in the CAP program for the previous LIHEAP heating season divided by number of current active CAP participants and the projected number of CAP participants to join CAP that quarter. The CAP Plus amount is added to the calculated monthly CAP payment amount for all participating CAP customers. The monthly CAP Plus charge has varied over time as shown in the table below. It was introduced for the Equitable division in March 2016.

Table V-13A
CAP Plus Monthly Charge

Division	November 2014	February 2016	March 2016	July 2016
Equitable	--	--	\$7	\$7
Peoples	\$6	\$6	\$5	\$8
T.W. Phillips	\$3	\$9	\$8	\$8

Table V-13B displays CAP Plus charges for all 2015 participants and the treatment group. The table shows that the 2015 participants received a mean of 6.3 CAP Plus charges totaling \$38 and the treatment group received a mean of 7.3 CAP Plus charges totaling \$46. The CAP Plus charges made up 5.8 percent of the discounted bill for all 2015 participants and 7.8 percent of the discounted bill for the treatment group.

Table V-13B
CAP Plus

	All 2015 Participants	All 2016 E-CAP Participants	Treatment Group (Year Following Enrollment)
	0-150%	151-200%	
Number of Customers	28,265	869	3,519
Number of CAP Plus Charges	6.3	6.8	7.3
Total Amount of CAP Plus Charges	\$38	\$49	\$46
Discounted Bill without CAP Plus Charges	\$717	\$781	\$597
Discounted Bill with CAP Plus Charges	\$755	\$829	\$643
% of Discounted Bill made up by CAP Plus Charges	5.8%	6.4%	7.8%

Table V-13C displays CAP Plus charges for all 2015 Peoples division participants and the treatment group. The table shows that the 2015 participants received a mean of 10.5 CAP Plus charges totaling \$63 and the treatment group received a mean of 11.7 CAP Plus charges totaling \$70. The CAP Plus charges made up 9.6 percent of the discounted bill for all 2015 participants and 11.8 percent of the discounted bill for the treatment group.

**Table V-13C
CAP PLUS - Peoples**

	All 2015 Participants	All 2016 E-CAP Participants	Treatment Group (Year Following Enrollment)
	0-150%	151-200%	
Number of Customers	17,095	546	1,593
Number of CAP Plus Charges	10.5	6.9	11.7
Total Amount of CAP Plus Charges	\$63	\$50	\$70
Discounted Bill without CAP Plus Charges	\$681	\$786	\$579
Discounted Bill with CAP Plus Charges	\$744	\$837	\$650
% of Discounted Bill made up by CAP Plus Charges	9.6%	6.6%	11.8%

Table V-13D displays CAP Plus charges for all 2015 Equitable division participants and the treatment group. The table shows that the 2015 participants did not receive CAP Plus charges because they were introduced in March 2016 for Equitable customers. The treatment group received a mean of 3.7 CAP Plus charges totaling \$26. The CAP Plus charges made up 4.6 percent of the discounted bill for the treatment group.

**Table V-13D
CAP PLUS - Equitable**

	All 2015 Participants	All 2016 E-CAP Participants	Treatment Group (Year Following Enrollment)
	0-150%	151-200%	
Number of Customers	11,170	323	1,926
Number of CAP Plus Charges	0	6.5	3.7
Total Amount of CAP Plus Charges	\$0	\$46	\$26
Discounted Bill without CAP Plus Charges	\$771	\$771	\$612
Discounted Bill with CAP Plus Charges	\$771	\$817	\$638
% of Discounted Bill made up by CAP Plus Charges	0%	6.0%	4.6%

D. Payment Impacts

This section examines the impact of CAP on participants' bill payment. Table V-14 provides the following information.

- Total Charges: Customers' charges declined significantly due to the CAP credits and the warmer winter in the post-CAP enrollment period.
- LIHEAP and Crisis: While there was no significant net change in the amount of LIHEAP received, there was a decline in the amount of LIHEAP Crisis assistance received, likely due to a more affordable bill.

- **Cash Payments:** As a result of the reduced charges, customers reduced the amount of cash payments made. However, the net change was a slight increase in cash payments.
- **Number of Cash Payments:** CAP participants increased the number of cash payments made as compared to the decline experienced by the comparison groups.
- **Cash Coverage Rate:** The cash coverage rate is the percent of charges covered by the customer's cash payments. The table shows that the treatment group increased their cash coverage rate from 69 percent in the pre-CAP enrollment period to 95 percent in the post-CAP enrollment period. This compares to a decline for the comparison group. The net change was an increase of 34 percentage points.
- **Total Coverage Rate:** The total coverage rate is the percent of charges covered by the customer's cash payments and all other credits, including assistance payments. The table shows that the treatment group increased their total coverage rate from 85 percent in the pre-CAP enrollment period to 123 percent in the post-CAP enrollment period, indicating that these customers were paying off some of their arrearages. The net change was an increase of 36 percentage points.
- **Shortfall:** The shortfall is defined as the total charges minus the total payments. Customers averaged \$211 in shortfall in the pre-treatment period, but their payments exceed the bills by \$147 in the post period. The net change in shortfall was a decline of \$318.
- **Arrearage Forgiveness:** CAP participants received an average of \$118 in arrearage forgiveness in the post treatment period.

Table V-14
Payment Impacts

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,516			2,288			7,021			9,309	
Total Charges	\$1,234	\$644	-\$590**	\$1,134	\$803	-\$331**	\$817	\$614	-\$203**	-\$267	-\$323**
CAP Credits	\$0	\$194	\$194**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$194**
LIHEAP	\$82	\$102	\$19**	\$58	\$69	\$11**	\$182	\$202	\$19**	\$15	\$4
LIHEAP Crisis	\$68	\$38	-\$30**	\$44	\$58	\$14**	\$13	\$8	-\$5**	\$5	-\$35**
Hardship Fund	\$20	\$17	-\$3	\$20	\$35	\$15**	\$0	\$0	\$0	\$8	-\$10**
Other Assistance	<\$1	\$2	\$2**	<\$1	\$2	\$2**	<\$1	<\$1	<\$1	\$1	\$1
Cash Payments	\$851	\$632	-\$220**	\$919	\$645	-\$274**	\$752	\$515	-\$237**	-\$255	\$36**
Total Payments	\$1,022	\$790	-\$232**	\$1,040	\$808	-\$232**	\$947	\$726	-\$222**	-\$227	-\$5
# Cash Payments	6.0	5.8	-0.2**	5.9	4.4	-1.5**	8.2	7.0	-1.2**	-1.3	1.2**

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Cash Coverage Rate	69%	95%	26% **	83%	78%	-4% **	91%	80%	-12%	-8%	34% **
Total Coverage Rate	85%	123%	39% **	95%	101%	6% **	119%	119%	>-1%	2%	36% **
Shortfall	\$211	-\$147	-\$358 **	\$93	-\$6	-\$99 **	-\$130	-\$111	\$19 **	-\$40	-\$318 **
Arrearage Forgiveness	\$0	\$118	\$118 **	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$118 **

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: 3 accounts in the treatment group and 2 accounts in the later participant comparison group were excluded from this table because they do not have detailed payment information.

Table V-15 displays the total bill coverage rates distribution. The table shows that while only 33 percent of the treatment group paid their full bill or more prior to enrollment in CAP, 71 percent paid their full bill or more following enrollment. The comparison groups did not see the same improvement in bill coverage rates.

Table V-15
Total Bill Coverage Rates

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,519			2,290			7,021			9,311	
≥ 100%	33%	71%	37% **	44%	49%	5% **	69%	67%	-3% **	1%	36% **
90%-99%	15%	9%	-5% **	12%	9%	-3% **	13%	14%	1%	-1%	-4% **
80%-89%	12%	6%	-6% **	9%	7%	-2% **	6%	7%	1% **	>-1%	-6% **
< 80%	40%	14%	-26% **	35%	35%	<1%	11%	12%	<1%	<1%	-26% **

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Table V-16 displays the percent of customers who received LIHEAP and the mean LIHEAP grants. Approximately the same percent of customers received LIHEAP after enrolling in CAP and the mean grant remained approximately the same.

Table V-16
Percent Received LIHEAP

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,516			2,288			7,021			9,309	
Percent Received LIHEAP	38%	42%	4% **	26%	33%	6% **	81%	81%	<1%	4%	1%
Mean LIHEAP Grant – All Customers	\$82	\$102	\$19 **	\$58	\$69	\$11 **	\$182	\$202	\$19 **	\$15	\$4

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Mean LIHEAP Grant – Received LIHEAP	\$219	\$242	\$23**	\$220	\$211	-\$9	\$226	\$248	\$22**	\$7	\$17
Percent Received LIHEAP Crisis	16%	11%	-5%**	11%	14%	3%**	3%	2%	-1%**	1%	-6%**
Mean LIHEAP Crisis Grant – All Customers	\$68	\$38	-\$30**	\$44	\$58	\$14**	\$13	\$8	-\$5**	\$5	-\$35**
Mean LIHEAP Crisis Grant – Received LIHEAP Crisis	\$425	\$357	-\$68**	\$398	\$422	\$23#	\$393	\$443	\$50**	\$37	-\$105**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: 3 accounts in the treatment group and 2 accounts in the later participant comparison group were excluded from this table because they do not have detailed payment information.

E. Arrearage Forgiveness

This section provides an analysis of the arrearage forgiveness received by CAP participants. Table V-17A shows that all customers with arrearages received at least one arrearage forgiveness payment. The full year 2015 CAP participants with arrearages received an average of 5.1 arrearage forgiveness payments and \$203 in arrearage forgiveness. The full year treatment group with arrearages received an average of 5.2 arrearage forgiveness payments and \$176 in arrearage forgiveness.

Table V-17A
Arrearage Forgiveness Received

	Obs.	% Received Arrearage Forgiveness	Mean # of Arrearage Forgiveness Payments	Mean Forgiven	Median Forgiven
Forgiveness Received in 2015					
All 2015 Participants (0-150%)	28,265	40%	1.7	\$69	\$0
2015 Participants with Arrearages	11,168	100%	4.2	\$175	\$81
2015 Full Year CAP	17,130	31%	1.6	\$64	\$0
2015 Full Year CAP with Arrearages	5,351	100%	5.1	\$203	\$107
Forgiveness Received in 2016					
All 2016 Participants (151-200%)	869	89%	3.0	\$192	\$102
2016 Participants with Arrearages	771	100%	3.3	\$216	\$117
2016 Full Year CAP	6	100%	4.8	\$267	\$225
2016 Full Year CAP with Arrearages	6	100%	4.8	\$267	\$225
Forgiveness Received in Year after Enrollment					
Treatment Group	3,519	71%	3.5	\$118	\$40
Treatment Group with Arrearages	2,483	100%	5.0	\$167	\$80
Treatment Group – Full Year CAP	2,893	73%	3.8	\$128	\$49
Treatment Group – Full Year CAP with Arrearages	2,107	100%	5.2	\$176	\$87

Table V-17B shows the same information for Peoples division. The table shows that all customers with arrearages received at least one arrearage forgiveness payment. The full year 2015 CAP participants received an average of 5.7 arrearage forgiveness payments and \$230 in arrearage forgiveness. The full year treatment group with arrearages received an average of 5.9 arrearage forgiveness payments and \$239 in arrearage forgiveness.

Table V-17B
Arrearage Forgiveness Received - Peoples

	Obs.	% Received Arrearage Forgiveness	Mean # of Arrearage Forgiveness Payments	Mean Forgiven	Median Forgiven
Forgiveness Received in 2015					
All 2015 Participants (0-150%)	17,095	44%	2.1	\$92	\$0
2015 Participants with Arrearages	7,465	100%	4.8	\$210	\$83
2015 Full Year CAP	10,118	31%	2.1	\$86	\$0
2015 Full Year CAP with Arrearages	3,790	100%	5.7	\$230	\$96
Forgiveness Received in 2016					
All 2016 Participants (151-200%)	546	89%	3.0	\$238	\$113
2016 Participants with Arrearages	485	100%	3.4	\$268	\$143
2016 Full Year CAP	4	100%	6.3	\$321	\$284
2016 Full Year CAP with Arrearages	4	100%	6.3	\$321	\$284
Forgiveness Received in Year after Enrollment					
Treatment Group	1,593	75%	4.4	\$179	\$71
Treatment Group with Arrearages	1,196	100%	5.8	\$239	\$126
Treatment Group – Full Year CAP	1,459	76%	4.5	\$183	\$74
Treatment Group – Full Year CAP with Arrearages	1,112	100%	5.9	\$239	\$128

Table V-17C shows the same information for the Equitable division. The table shows that all customers with arrearages received at least one arrearage forgiveness payment. The full year 2015 CAP participants received an average of 3.6 arrearage forgiveness payments and \$139 in forgiveness. The full year treatment group with arrearages received an average of 4.5 arrearage forgiveness payments and \$106 in arrearage forgiveness.

Table V-17C
Arrearage Forgiveness Received - Equitable

	Obs.	% Received Arrearage Forgiveness	Mean # of Arrearage Forgiveness Payments	Mean Forgiven	Median Forgiven
Forgiveness Received in 2015					
All 2015 Participants (0-150%)	11,170	33%	1.0	\$35	\$0
2015 Participants with Arrearages	3,703	100%	3.1	\$104	\$80
2015 Full Year CAP	7,012	31%	0.8	\$31	\$0
2015 Full Year CAP with Arrearages	1,561	100%	3.6	\$139	\$120
Forgiveness Received in 2016					
All 2016 Participants (151-200%)	323	89%	2.8	\$113	\$89
2016 Participants with Arrearages	286	100%	3.2	\$127	\$101
2016 Full Year CAP	2	100%	2.0	\$158	\$158
2016 Full Year CAP with Arrearages	2	100%	2.0	\$158	\$158
Forgiveness Received in Year after Enrollment					
Treatment Group	1,926	67%	2.8	\$67	\$34
Treatment Group with Arrearages	1,287	100%	4.2	\$100	\$60
Treatment Group – Full Year CAP	1,434	69%	3.1	\$73	\$40
Treatment Group – Full Year CAP with Arrearages	995	100%	4.5	\$106	\$65

Table V-18A displays the percent of treatment group customers who received arrearage forgiveness in each month following CAP enrollment. Of the full year CAP participants with arrearages, between 33 and 59 percent received the forgiveness payment each month.

Table V-18A
Percent Received Arrearage Forgiveness Each Month Following Enrollment
Treatment Group

	Obs.	Months After Enrollment											
		1	2	3	4	5	6	7	8	9	10	11	12
All Treatment Group	3,519	23%	42%	35%	30%	28%	25%	26%	27%	28%	29%	29%	29%
Treatment Group with Arrearages	2,483	33%	59%	49%	43%	40%	36%	38%	39%	40%	41%	41%	41%
Treatment Group – Full Year CAP	2,893	24%	43%	37%	32%	30%	27%	29%	30%	31%	32%	32%	34%
Treatment Group – Full Year CAP with Arrearages	2,107	33%	59%	50%	44%	41%	38%	40%	41%	43%	44%	44%	47%

Table V-18B displays the percent of Peoples division treatment group customers who received arrearage forgiveness in each month following CAP enrollment. Of the full year

CAP participants with arrearages, between 30 and 61 percent received the forgiveness payment each month.

Table V-18B
Percent Received Arrearage Forgiveness Each Month Following Enrollment
Peoples Treatment Group

	Obs.	Months After Enrollment											
		1	2	3	4	5	6	7	8	9	10	11	12
All Treatment Group	1,593	23%	46%	42%	37%	37%	34%	36%	37%	37%	36%	36%	37%
Treatment Group with Arrearages	1,196	30%	61%	56%	50%	49%	46%	48%	49%	50%	49%	47%	49%
Treatment Group – Full Year CAP	1,459	23%	46%	43%	38%	38%	35%	37%	38%	39%	38%	37%	39%
Treatment Group – Full Year CAP with Arrearages	1,112	30%	61%	56%	50%	50%	46%	49%	50%	51%	50%	49%	51%

Table V-18C displays the percent of Equitable division treatment group customers who received arrearage forgiveness in each month following CAP enrollment. Of the full year CAP participants with arrearages, between 28 and 57 percent received the forgiveness payment each month.

Table V-18C
Percent Received Arrearage Forgiveness Each Month Following Enrollment
Equitable Treatment Group

	Obs.	Months After Enrollment											
		1	2	3	4	5	6	7	8	9	10	11	12
All Treatment Group	1,926	24%	38%	29%	24%	20%	18%	19%	19%	21%	22%	23%	23%
Treatment Group with Arrearages	1,287	36%	58%	43%	37%	31%	26%	28%	29%	31%	33%	35%	34%
Treatment Group – Full Year CAP	1,434	25%	39%	30%	26%	22%	19%	21%	22%	23%	25%	27%	29%
Treatment Group – Full Year CAP with Arrearages	995	36%	57%	44%	38%	32%	28%	30%	32%	34%	36%	39%	41%

F. Collections Impacts

This section examines the impacts of CAP on collections actions and costs. Table V-19A shows that there was a small, statistically significant reduction in the number of collection calls for the treatment group as compared to the comparison groups.

Table V-19A
Number of Collections Actions

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,517			2,287			7,007			9,294	
Letters	0.05	0.09	0.04**	0.05	0.14	0.09**	0.05	0.04	-0.02**	0.04	<0.01
Calls	0.07	0.12	0.05**	0.09	0.16	0.07**	0.04	0.02	-0.1**	0.03	0.03*
Termination Processing step – No Cost	0.12	0.19	0.07**	0.16	0.29	0.13**	0.04	0.04	-0.01	0.06	0.01
Termination Processing Step – With Cost	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-0.01**	>-0.01	<0.01
Terminations	0.08	0.10	0.02*	0.11	0.18	0.07**	0.03	0.03	-0.01#	0.03	-0.01

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: 2 accounts in the Treatment Group, 3 accounts in the Later Participant Comparison Group, and 14 accounts in the Nonparticipant Comparison Group are excluded from this tables due to missing Collections Actions information.

Table V-19B shows the results for the Peoples division customers. This table shows that there was a significant decline in the number of letters, calls, and terminations for the treatment group as compared to the comparison groups.

Table V-19B
Number of Collections Actions - Peoples

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	1,591			1,518			7,007			8,525	
Letters	0.10	0.06	-0.04**	0.07	0.13	0.06**	0.05	0.04	-0.02**	0.02	-0.06**
Calls	0.13	0.08	-0.06**	0.14	0.19	0.05**	0.04	0.02	-0.1**	0.02	-0.07**
Termination Processing step – No Cost	0.24	0.14	-0.10**	0.24	0.33	0.09**	0.04	0.04	-0.01	0.04	-0.14**
Termination Processing Step – With Cost	0.01	0.01	-0.01	0.01	0.01	>-0.01	0.01	0.01	-0.01**	-0.01	-0.01
Terminations	0.17	0.10	-0.08**	0.21	0.16	0.05**	0.03	0.03	-0.01#	0.02	-0.10**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: 2 accounts in the Treatment Group, 3 accounts in the Later Participant Comparison Group, and 14 accounts in the Nonparticipant Comparison Group are excluded from this tables due to missing Collections Actions information.

Table V-19C shows the results for the Equitable division customers. This table shows that there was a significant increase in the number of letters, calls, and terminations for the treatment group as compared to the comparison groups.

Table V-19C
Number of Collections Actions – Equitable

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	1,926			769			7,007				
Letters	0.01	0.12	0.11**	0.01	0.15	0.15**	0.05	0.04	-0.02**	0.07	0.04**
Calls	0.02	0.16	0.14**	0.01	0.11	0.10**	0.04	0.02	-0.01**	0.05	0.10**
Termination Processing step – No Cost	0.02	0.23	0.21**	0.01	0.21	0.20**	0.04	0.04	-0.01	0.10	0.11**
Termination Processing Step – With Cost	0.01	0.01	0.01**	0.01	0.01	0.01	0.01	0.01	-0.01**	0.01	0.01*
Terminations	0.01	0.11	0.10**	0.01	0.12	0.12**	0.03	0.03	-0.01#	0.06	0.04**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level. The nonparticipant comparison group is comprised of Peoples customers.

Table V-20A shows that there was not a statistically significant change in the cost of collections for the treatment group as compared to the comparison groups.

Table VI-20A
Cost of Collections Actions

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,517			2,287			7,007			9,294	
Letters	\$0.05	\$0.09	\$0.04**	\$0.05	\$0.14	\$0.09**	\$0.05	\$0.04	-\$0.02**	\$0.04	\$0.01
Calls	\$0.01	\$0.01	\$0.01**	\$0.01	\$0.02	0.01**	\$0.01	\$0.01	-\$0.01**	\$0.01	\$0.01*
Termination Processing Step	\$0.27	\$0.42	\$0.15	\$0.54	\$0.62	\$0.08	\$0.32	\$0.16	-\$0.17**	-\$0.04	\$0.19
Terminations	\$5.46	\$6.71	\$1.25*	\$6.99	\$11.61	\$4.62**	\$1.95	\$1.62	-\$0.33#	\$2.15	-\$0.90
Total Cost	\$5.79	\$7.23	\$1.44**	\$7.59	\$12.39	\$4.80**	\$2.33	\$1.82	-\$0.51**	\$2.14	-\$0.71

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. #Denotes significance at the 90 percent level.

Note: 2 accounts in the Treatment Group, 3 accounts in the Later Participant Comparison Group, and 14 accounts in the Nonparticipant Comparison Group are excluded from this tables due to missing Collections Actions information.

Table V-20B shows the results for the Peoples division customers. This table shows that there was a significant decline in the cost of collections of \$6.52 for the treatment group as compared to the comparison groups.

Table V-20B
Cost of Collections Actions - Peoples

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	1,591			1,518			7,007			8,525	
Letters	\$0.10	\$0.06	-\$0.04**	\$0.08	\$0.13	\$0.06**	\$0.05	\$0.04	-\$0.02**	\$0.02	-\$0.06**
Calls	\$0.01	\$0.01	-\$0.01**	\$0.01	\$0.02	<\$0.01**	<\$0.01	<\$0.01	>-\$0.01**	<\$0.01	-\$0.01**
Termination Processing– With Cost	\$0.57	\$0.32	-\$0.24	\$0.76	\$0.72	-\$0.04	\$0.32	\$0.16	-\$0.17**	-\$0.10	-\$0.14
Terminations	\$11.06	\$6.16	-\$4.90**	\$10.40	\$13.55	\$3.14**	\$1.95	\$1.62	-\$0.33 [#]	\$1.41	-\$6.31**
Total Cost	\$11.74	\$6.55	-\$5.19**	\$11.26	\$14.42	\$3.16**	\$2.33	\$1.82	-\$0.51**	\$1.32	-\$6.52**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. [#]Denotes significance at the 90 percent level.

Note: 2 accounts in the Treatment Group, 3 accounts in the Later Participant Comparison Group, and 14 accounts in the Nonparticipant Comparison Group are excluded from this tables due to missing Collections Actions information.

Table V-20C shows that there was a statistically significant increase in the cost of collections for the Equitable treatment group of \$3.15 as compared to the comparison groups.

Table V-20C
Cost of Collections Actions – Equitable

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	1,926			769			7,007			7,776	
Letters	\$0.01	\$0.12	\$0.11**	\$0.01	\$0.15	\$0.15**	\$0.05	\$0.04	-\$0.02**	\$0.07	\$0.04**
Calls	<\$0.01	\$0.02	\$0.01**	<\$0.01	\$0.01	\$0.01**	<\$0.01	<\$0.01	>-\$0.01**	<\$0.01	\$0.01**
Termination Processing Step – With Cost	\$0.03	\$0.50	\$0.47**	\$0.08	\$0.42	\$0.34	\$0.32	\$0.16	-\$0.17**	\$0.08	\$0.38*
Terminations	\$0.84	\$7.16	\$6.33**	\$0.25	\$7.80	\$7.54**	\$1.95	\$1.62	-\$0.33 [#]	\$3.61	\$2.72**
Total Cost	\$0.88	\$7.80	\$6.91**	\$0.34	\$8.38	\$8.04**	\$2.33	\$1.82	-\$0.51**	\$3.76	\$3.15**

**Denotes significance at the 99 percent level. *Denotes significance at the 95 percent level. [#]Denotes significance at the 90 percent level.

G. Summary

This section provided an analysis of Peoples' CAP impacts on affordability, bill payment compliance, and collections actions. Key findings from the analysis are summarized below.

- **CAP Participation:** 82 percent of the treatment group who enrolled in 2015 and did not participate in CAP in the year prior to enrollment remained on CAP for at least a full year. While 92 percent of the Peoples treatment group participated in CAP for the full year, 74 percent of the Equitable treatment group participated in CAP for the full year.
- **CAP Credits:** All 2015 participants received an average of 4.6 credits and \$467, and full year participants received an average of 5.3 credits and \$541. While ten percent of all 2015 participants received \$1,000 or more in CAP credits, 12 percent of the full year participants received \$1,000 or more in CAP credits.

The treatment group analysis focuses on credits received in the year after the 2015 enrollment. Therefore, most of these customers are receiving credits for winter 2016, the 2nd warmest year on record in Pittsburgh according to the National Oceanic and Atmospheric Administration (NOAA)⁴. As a result, the 2015 treatment group has average CAP credits that are significant lower than all 2015 participants whose data includes winter 2015 when the weather was much colder than average. The treatment group received an average of 3.9 credits and \$194, and full year participants received an average of 4.2 credits and \$205. Only one percent received \$1,000 or more in CAP credits.

- **Monthly CAP Credit Receipt:** Approximately 28 to 40 percent of the treatment group had a CAP credit each month in the year following CAP enrollment.
- **CAP Discount:** The CAP discount is defined as the CAP credits divided by the customer's full bill. The mean discount across the full treatment group was 22 percent. Customers with income below 50 percent of the poverty level had the greatest percent discount, averaging 40 percent, and ten percent of these customers had a discount above 67 percent.
- **Calculated CAP Payment:** The CAP payment is calculated as eight, nine, or ten percent of income, depending on the poverty level. These values are consistent with the PUC's energy burden targets for CAP participants. For example, for customers with income between 101 and 150 percent of the poverty level, the energy burden target is nine to ten percent and Peoples percent of income payment is ten percent.
- **Minimum CAP Payment:** A large percentage of CAP participants have the minimum payment of \$25/month, especially in the lowest poverty group. While 71 percent of all 2015 participants with income below 50 percent of the poverty level have the minimum payment, 44 percent of all 2015 participants from zero to 150 percent of poverty have the minimum payment.

⁴ <https://www.ncdc.noaa.gov/sotc/national/2016/13/supplemental/page-1>

- **Energy Burden:** Energy burden is defined as the annual gas bill divided by annual household income. While energy burden was 38 percent in the year prior to CAP enrollment when there was a cold winter, energy burden averaged 23 percent in the year following CAP enrollment, a decline of 15 percentage points. Relative to the comparison group, CAP participants' energy burden declined by nine percentage points. The CAP had a significant positive impact on energy bill affordability.
- **CAP Bills:** CAP participants' bills declined by an average of \$590 due to both the CAP credits and the warmer winter. Compared to the average comparison group change, CAP participants' bills declined by \$324.
- **CAP Plus:** The CAP Plus amount is calculated by Peoples as the LIHEAP receipts for customers participating in the CAP program for the previous LIHEAP heating season divided by number of current active CAP participants and the projected number of CAP participants to join CAP that quarter. The CAP Plus amount is added to the calculated monthly CAP payment amount for all participating CAP customers. The 2015 participants received a mean of 6.3 CAP Plus charges totaling \$38 and the treatment group received a mean of 7.3 CAP Plus charges totaling \$46. The CAP Plus charges made up 5.8 percent of the discounted bill for all 2015 participants and 7.8 percent of the discounted bill for the treatment group.
- **LIHEAP and Crisis:** While there was no significant net change in the amount of LIHEAP received, there was a decline in the amount of LIHEAP Crisis assistance received, likely due to a more affordable bill.
- **CAP Payments Made:** CAP participants increased the number of cash payments made as compared to the decline experienced by the comparison groups. As a result of the reduced charges, customers reduced the amount of cash payments made. However, the net change, compared to the comparison groups, was a slight increase in cash payments.
- **Total Coverage Rate:** The total coverage rate is the percent of charges covered by the customer's cash payments and all other credits, including assistance payments. The treatment group increased their total coverage rate from 85 percent in the pre-CAP enrollment period to 123 percent in the post-CAP enrollment period, indicating that these customers were paying off some of their balances. The net change was an increase of 36 percentage points compared to the comparison groups.

While only 33 percent of the treatment group paid their full bill or more prior to enrollment in CAP, 71 percent paid their full bill or more following enrollment. The comparison groups did not see the same improvement in bill coverage rates.

- **Arrearage Forgiveness:** CAP participants received an average of \$118 in arrearage forgiveness in the post-treatment period.

All customers with arrearages received at least one arrearage forgiveness payment. The full year 2015 CAP participants with arrearages received an average of 5.1 arrearage forgiveness payments and \$203 in arrearage forgiveness. The full year treatment group

with arrearages received an average of 5.2 arrearage forgiveness payments and \$176 in arrearage forgiveness.

- **Collections Actions:** There was a small, statistically significant reduction in the number of collection calls for the treatment group as compared to the comparison groups. There was a significant decline in the number of letters, calls, and terminations for the Peoples treatment group as compared to the comparison groups. There was a significant increase in the number of letters, calls, and terminations for the Equitable treatment group as compared to the comparison groups.
- **Collections Costs:** There was a significant decline in the cost of collections of \$6.52 for the Peoples treatment group as compared to the comparison groups. There was an increase in the cost of collections for the Equitable treatment group of \$3.15 as compared to the comparison groups.

VI. Summary of Findings and Recommendations

This section provides responses to the evaluation questions and key findings and recommendations for each program.

A. Evaluation Questions

The Evaluation of Peoples Natural Gas' Universal Service Programs answered the following research questions.

1. *Is the appropriate population being served? Does the enrollment level meet the needs in the service territory? Are the participants eligible for the programs as defined in the Universal Service Plan? Is re-certification completed according to the Universal Service Plan?*

The evaluation analyzed the number of households with gas heating service who were income-eligible for CAP and calculated the number who participated in Peoples CAP at any point in 2015. The table below shows that 44 percent of eligible households participated in CAP in 2015 and that participation rates were about 60 percent for households with income below the poverty level.

Poverty Group	2015 Data		
	Eligible (American Community Survey)	CAP Participants	Participation Rate
≤ 50%	16,565	9,471	57%
51% – 100%	26,668	17,120	64%
101% – 150%	39,193	9,835	25%
Total	82,426	36,426	44%

In addition to serving income-eligible households, the program serves a high percentage of households with vulnerable members. The analysis showed that 27 percent of the 2015 participants had a senior in the home and 46 percent had a child.

Re-certification is conducted according to the program plan. CAP recertification is generally completed on an annual basis. Customers who have received LIHEAP in the past 24 months or who have certain fixed income types (pension, social security, or disability) are recertified once every two years. DEF sends customers a letter 60 days prior to their recertification date requesting that the customer submit proof of income to remain active in the CAP program. A second letter is mailed 30 days later. If the customer does not provide the required income documentation within the 60-day period, the customer is dismissed from CAP.

2. *What is the customer distribution by CAP payment plan? Do participants' energy burdens comply with the CAP Policy Statement? How many and what percent of customers have a minimum payment?*

The table below shows that 26 percent of the 2015 CAP participants had income at or below 50 percent of the poverty level, 47 percent had income between 51 and 100 percent, and 27 percent had income between 101 and 150 percent of the poverty level. The associated payment levels of eight, nine, and ten percent of income payments are in accordance with the CAP Policy Statement. Forty-four percent of all 2015 participants had the minimum payment of \$25 per month.

Poverty Level	Percent of All 2015 Participants	Percent of Income Payment	PUC Energy Burden Target	All 2015 Participants		Treatment Group	
				Mean Payment	% with Minimum Payment	Mean Payment	% with Minimum Payment
≤50%	26%	8%	5%-8%	\$32	71%	\$34	68%
51%-100%	47%	9%	7%-10%	\$43	47%	\$47	46%
101%-150%	27%	10%	9%-10%	\$77	14%	\$77	16%
All	100%			\$50	44%	\$56	39%

While the CAP payment is designed to provide an energy burden that falls within the PUC targeted affordability level, there are several reasons why an individual CAP participant's energy burden would be higher than this calculated target.

- **Minimum payment:** As shown above, a large percentage of CAP participants have the minimum payment level assigned. By definition, these customers will have an energy burden that exceeds the percentage of income payment level.
- **Full year:** Customers who are not on CAP for the full year will not receive all CAP credits.
- **Did not receive all credits:** Historically, customers who did not make timely payments did not receive all CAP credits. The credit application policy has changed so that currently customers do receive a credit each month they are on CAP.
- **Arrearage forgiveness co-payment:** Customers with arrearages pay \$5 per month to reduce the arrearage while they are receiving arrearage forgiveness. This increases the monthly payment above the targeted percentage of income payment level.
- **CAP Plus co-payment:** All CAP participants have a CAP Plus co-payment which increases the monthly payment above the targeted percentage of income payment level.

The table below shows the energy burden for the treatment group before and after participating in CAP. The table shows a large reduction in average burden from 59 percent before participation to 35 percent while participating for customers with income below 50 percent of the poverty level. However, given the reasons noted above, a large percentage of these customers still have an energy burden that exceeds the PUC target.

Poverty Level	Treatment Group Mean Unadjusted Gas Energy Burden		PUC Energy Burden Target
	Pre	Post	
≤ 50%	59%	35%	5%-8%
51 – 100%	41%	25%	7%-10%
101 – 150%	24%	15%	9%-10%

Poverty Level	Treatment Group Percent with Burden Above PUC Target	
	Pre	Post
≤ 50%	96%	85%
51 – 100%	86%	71%
101 – 150%	71%	48%

The table below shows the impact that some of these factors have on energy burden. This table excludes customers with the minimum payment, excludes customers who did not participate in CAP for the full year, and excludes the arrearage forgiveness co-pay and the CAP Plus amount. When all of these adjustments are made, only ten percent of those with income below 50 percent of the poverty level have an energy burden above the target level.

Poverty Level	Treatment Group Mean Adjusted Gas Energy Burden		PUC Energy Burden Target
	Pre	Post	
≤ 50%	20%	3%	5%-8%
51 – 100%	18%	7%	7%-10%
101 – 150%	16%	7%	9%-10%

Poverty Level	Treatment Group Percent with Burden Above PUC Target	
	Pre	Post
≤ 50%	88%	10%
51 – 100%	73%	21%
101 – 150%	64%	21%

3. What are the CAP retention rates? Why do customers leave CAP?

The table below shows that 61 percent of the 2015 participants had enrolled on or before January 1, 2015 and had not been deactivated prior to January 1, 2016. Twenty percent did not participate for all of 2015 because they enrolled after January 2015, nine percent enrolled in January 2015 but were removed before December 2015, and ten percent enrolled after January 2015 and were removed before December 2015.

	All 2015 CAP Participants	
	#	%
Final Analysis Group	28,265	100%
Full Year in CAP	17,130	61%

	All 2015 CAP Participants	
	#	%
Not Full Year in CAP	11,135	39%
Enrolled after January	5,693	20%
Removed before December	2,656	9%
Enrolled after Jan and removed before Dec	2,786	10%

The table below displays the CAP removal reason for customers in each group who were deactivated. The table shows that the most common removal reason was that the customer did not provide documentation.

	All 2015 CAP Participants	
	#	%
Did Not Provide Documentation	3,820	70%
Income Too High	727	13%
Customer Request	294	5%
Final Bill or Disconnected	223	4%
System Error Correction	177	3%
Set up in Error	167	3%
Annual Credit Exceeds \$1,000	34	1%
Usage Exceeds 125%	0	0%
Total	5,442	100%

4. *Is there an effective link between CAP and energy assistance programs (LIHEAP, hardship, and other grants)?*

There is an effective link between CAP and energy assistance programs. Peoples encourages customers to apply for LIHEAP with bill inserts, posters, outreach, community events, and application assistance. If requested, Peoples will hand write the LIHEAP application for the customer and mail it to the customer to be signed and submitted. Dollar Energy asks customers if they applied for LIHEAP/Crisis if they are eligible. Customers must apply for LIHEAP/Crisis prior to receiving the Dollar Energy grant.

The table below shows that 38 percent of the CAP treatment group received LIHEAP in the year before CAP enrollment and 42 percent received LIHEAP in the year following CAP enrollment.

	Treatment Group		
	Pre	Post	Change
Number of Customers	3,516		
Percent Received LIHEAP	38%	42%	4%**
Mean LIHEAP Grant – All Customers	\$82	\$102	\$19**
Mean LIHEAP Grant – Received LIHEAP	\$219	\$242	\$23**
Percent Received LIHEAP Crisis	16%	11%	-5%**
Mean LIHEAP Crisis Grant – All Customers	\$68	\$38	-\$30**
Mean LIHEAP Crisis Grant – Received Crisis	\$425	\$357	-\$68**

5. *How effective are the CAP control features at limiting program costs? What are the number and percent of customers with minimum payments? What are the number and percent of customers who exceed the maximum CAP credits?*

The table below shows that approximately 40 percent of the CAP participants had the minimum payment.

Poverty Level	All 2015 Participants		Treatment Group	
	Mean Payment	% with Minimum Payment	Mean Payment	% with Minimum Payment
≤50%	\$32	71%	\$34	68%
51%-100%	\$43	47%	\$47	46%
101%-150%	\$77	14%	\$77	16%
All	\$50	44%	\$56	39%

Peoples generates a report to monitor customers who exceed \$1,000 in CAP credits. Customers are notified of their current use of CAP credits and offered information about the LIURP weatherization program when they reach \$500 in CAP credits and \$750 in CAP credits annually. The notification includes a description of the customer's responsibility to monitor gas usage and advises the customer that he/she may be responsible for CAP credits over \$1,000.

When an account exceeds the \$1,000 CAP credit amount, the account is reviewed and the customer is contacted to determine if excess CAP credits are justified. DEF completes a questionnaire with the customer. Justification may include an increase in household size, serious illness of a family member, usage was beyond the household's ability to control, or a very low CAP payment. Special needs customers identified through this process are referred to the CARES program. High usage customers are referred for weatherization.

Unjustified CAP credits in excess of \$1,000 may be reversed and the resulting bill will be the responsibility of the CAP participant.

The table below shows that only ten percent of the 2015 participants and one percent of the treatment group had \$1,000 or more in CAP credits.

	Obs.	Mean # CAP Credits	Mean Credits	Median Credits	Received \$1,000 or More CAP Credits
	Credits Received in 2015				
All 2015 Participants (0-150%)					
All	28,265	4.6	\$467	\$378	10%
Full Year CAP	17,130	5.3	\$541	\$452	12%
	Credits Received in Year after Enrollment				
Treatment Group					
All	3,519	3.9	\$194	\$125	1%
Full Year CAP	2,893	4.2	\$205	\$131	1%

6. *How effective is the CAP and LIURP link? Is the company's procedure for dealing with excessively high usage effective? If not, how can it be improved?*

At the time of CAP enrollment, participants receive information on conservation tips and weatherization programs. Customers with a history of high energy usage are referred to LIURP and any other appropriate programs. All participants are advised that their usage will be reviewed on an ongoing basis and unjustified excess CAP usage may be billed to the CAP customer or the CAP customer may be removed from CAP.

Peoples generates a daily report that allows the Company to identify CAP customers whose weather-normalized annual usage has increased by more than 25 percent. When a CAP customer's account appears in the report, the Company representative reviews the account and the customer is contacted to determine if the increase in gas usage is justified due to an increase in household size, serious illness of a family member, or usage was beyond the household's ability to control. Peoples has a questionnaire they provided to DEF to use when discussing usage with the customer. The majority of the cases reviewed meet one of these justified reasons for an increase in usage.

- Number of people living in the home increased
- Medical condition in the home
- New gas appliances installed
- Furnace condition
- Window condition
- Attic insulation condition
- Home drafts
- Whether home has been weatherized
- Other reasons

If DEF does not get in touch with the customer on the phone, they mail the questionnaire, the customer fills it in and mails it back, and they use the information that the customer provided.

7. *Has collection on missed CAP payments been timely? Has the company followed its own default procedures in its Universal Service Plan for CAP customers?*

Peoples follows normal collections procedures for CAP participants who do not make their payments in a timely manner. Customers who do not make their monthly payments may be placed in collections and have their service terminated. To avoid termination, the customer must pay the amount set forth in the termination notice prior to the scheduled termination date.

8. *Does participation in Universal Service Programs reduce service terminations?*

There was a small, statistically significant reduction in the number of collection calls for the treatment group as compared to the comparison groups, but no significant change in terminations.

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,517			2,287			7,007			9,294	
Letters	0.05	0.09	0.04**	0.05	0.14	0.09**	0.05	0.04	-0.02**	0.04	<0.01
Calls	0.07	0.12	0.05**	0.09	0.16	0.07**	0.04	0.02	-0.1**	0.03	0.03*
Termination Processing step – No Cost	0.12	0.19	0.07**	0.16	0.29	0.13**	0.04	0.04	-0.01	0.06	0.01
Termination Processing Step – With Cost	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-0.01**	>-0.01	<0.01
Terminations	0.08	0.10	0.02*	0.11	0.18	0.07**	0.03	0.03	-0.01#	0.03	-0.01

9. *Does participation in Universal Service Programs decrease collections costs?*

There was not a statistically significant change in the cost of collections for the treatment group as compared to the comparison groups.

**Table VI-2A
Cost of Collections Actions**

	Treatment Group			Later Participant Comparison Group			Nonparticipant Comparison Group			Average Comparison Group Change	Net Change
	Pre	Post	Change	Pre	Post	Change	Pre	Post	Change		
Number of Customers	3,517			2,287			7,007			9,294	
Letters	\$0.05	\$0.09	\$0.04**	\$0.05	\$0.14	\$0.09**	\$0.05	\$0.04	-\$0.02**	\$0.04	\$0.01
Calls	\$0.01	\$0.01	\$0.01**	\$0.01	\$0.02	0.01**	\$0.01	\$0.01	-\$0.01**	\$0.01	\$0.01*
Termination Processing Step	\$0.27	\$0.42	\$0.15	\$0.54	\$0.62	\$0.08	\$0.32	\$0.16	-\$0.17**	-\$0.04	\$0.19
Terminations	\$5.46	\$6.71	\$1.25*	\$6.99	\$11.61	\$4.62**	\$1.95	\$1.62	-\$0.33#	\$2.15	-\$0.90
Total Cost	\$5.79	\$7.23	\$1.44**	\$7.59	\$12.39	\$4.80**	\$2.33	\$1.82	-\$0.51**	\$2.14	-\$0.71

10. Is the CAP program cost-effective?

The CAP provides large subsidies to participants, averaging several hundred dollars each year, to improve the affordability of their energy bills. Given the size of these subsidies, it is not possible for the program to be cost-effective, defined as a subsidy cost that is less than the amount saved on collections costs and termination costs. However, there is evidence that the program provides important benefits to participants to improve their health and well-being, many of which cannot be quantified.

11. How can Universal Service Programs be more cost-effective and efficient?

Based on the evaluation research, we have the following recommendations to improve the effectiveness and efficiency of the Universal Service Programs.

CAP

- Enrollment: Peoples should consider whether there are cases where agency enrollment (rather than telephone enrollment) may provide important benefits to the customer such as quicker enrollment or more education and referrals, and should be recommended.
- Re-certification: It may be beneficial for Peoples to suggest that certain customers visit an agency to recertify to obtain a better understanding of the program, the importance of making the monthly CAP payment, and additional resources that may be available to assist them in meeting their needs.
- CAP Bill: Peoples could add information on the amount of arrearage forgiveness that will be received when they pay their bill to make this even more apparent.

- CAP Plus: The CAP Plus adder impacts energy burden and affordability. Peoples should continue to monitor this adder and assess how increases impact affordability, especially for the lowest-income customers.

LIURP

- Targeting: Peoples should consider whether they want to make additional efforts to serve the highest of the high users or the customers who are most payment-troubled. They could target a subset of their high-usage list for additional LIURP outreach to encourage participation.
- Measures: Peoples should assess whether there are opportunities to reduce the number of heating system replacements and increase the emphasis on air sealing and insulation.
- Coordination: Peoples should continue to work with the electric companies, as planned, to try to increase coordination, thus providing improved energy efficiency through a holistic approach.

12. Is the program sufficiently funded?

The CAP budget as planned in Peoples' three-year Universal Services Plan was lower than the actual program costs. Over 230 percent of the planned budget was spent. The planned budget was based on natural gas rates at the time and approximate enrollment. In addition to changes in rates and enrollment, there are changes in vendor administration costs and payment behavior that impact the amount of arrearage forgiveness benefits. The transition from CAP credit application upon payment to CAP credit application upon billing resulted in a significant one-time increase in CAP costs.

2015			
Company	Budget	Expenditures	Percent of Budget Spent
Peoples	\$5,583,793	\$12,607,004	226%
Equitable	\$3,606,966	\$8,614,710	239%
Total	\$9,190,759	\$21,221,714	231%

B. Customer Assistance Program

Peoples has worked to make CAP as easy as possible for the customer to participate and remain enrolled. We have the following key findings and recommendations with respect to CAP.

1. Phone and Agency Enrollment

Most customers enroll in CAP over the telephone by calling DEF. Customers who have received LIHEAP in the past two years or are participating in an electric CAP and provide permission for that income verification to be used are not required to document their income. Customers who have not recently verified their income in one of these ways are required to mail or fax proof of income and are enrolled in CAP following receipt and approval of that documentation.

Customers appear to appreciate the convenience of CAP telephone enrollment. Most respondents to the CAP survey reported that the enrollment and the recertification process were very or somewhat easy. The few customers who stated that enrollment was somewhat or very difficult stated that it was difficult to find the time to visit the agency.

Very few customers visit an agency to enroll in CAP. Agency enrollment was developed mainly for those customers who were unable to enroll by phone. However, there may be additional cases where agency enrollment may provide important benefits to the customer and should be recommended.

- **Danger of Termination:** The DEF call center noted that the greatest challenge with CAP is obtaining information from customers to prove their income level. They ask customers to send their last two pay stubs and proof of employment, but customers do not always follow through. There are times when DEF only receives partial income even though they have sent letters and made several attempts to contact the customer. This is especially a challenge in termination season when the customer has a termination notice and receiving the information in time is a challenge. In these cases, Peoples should consider instructing DEF to recommend that the customer visit an agency to apply for CAP.
- **Challenged Customers:** Agencies have been trained to screen customers for CAP if customers visit the agency to apply for the DEF hardship fund. When the agency screens for DEF, they can also screen for CAP and provide the CAP enrollment. This is a beneficial service for such customers who have had serious problems making their gas bill payments.

At the time of CAP enrollment, customers are given a handout with energy conservation tips and a copy of the CAP customer agreement so they know how to be successful in CAP. Peoples has noted that they would like to provide more education at enrollment and ensure that they are doing a good job of explaining the CAP benefits. They want to emphasize the benefit of making the monthly payment, remaining on CAP, and receiving arrearage forgiveness. These benefits may be clarified if the customer meets with an agency caseworker in person. Such enrollment may be especially beneficial for customers who continue to struggle with their CAP payments, are re-enrolling in CAP following a termination, or express a need for additional assistance and referrals.

2. Income Verification

Peoples has reported that they are working to make it even easier for customers to provide income documentation, by creating additional mechanisms for customers to submit the information. Currently, customers can only mail or fax in the documentation, which requires a trip to the post office or library. DEF is working with a vendor to provide a method to allow customers to upload documents from a smart phone. This should provide benefits to customers who use this technology and an additional avenue to quickly enroll if they are facing a termination.

3. Recertification

As with enrollment, customers appear to appreciate the ability to recertify by mailing in their documentation rather than visiting an agency. Most respondents reported that the recertification process was very or somewhat easy. Peoples is working to understand how to make the recertification process more informative for customers. It may be beneficial for Peoples to suggest that certain customers visit an agency to recertify to obtain a better understanding of the program, the importance of making the monthly CAP payment, and additional resources that may be available to assist them in meeting their needs.

4. CAP Bill

Peoples has designed a CAP bill that provides a clear presentation of the monthly CAP payment, the five dollar contribution for arrearages, and the CAP credit as the difference between actual usage and the CAP payment. The bill also shows the pre-CAP balance and customers who pay their bill will continue to see this amount decline as they receive arrearage forgiveness. The CAP survey shows that the bill does a good job of providing this information. While 97 percent said that the CAP bills shows the CAP payment in a way that is clear and easy to locate and understand, 91 percent said it showed the CAP credit benefit in a way that is clear and easy to locate and understand, and 84 percent said that it showed the arrearage forgiveness amount in a way that is clear and easy to locate and understand. Peoples could add information on the amount of arrearage forgiveness that will be received when they pay their bill to make this even more apparent.

5. CAP Plus

The CAP Plus adder impacts energy burden and affordability. Peoples should continue to monitor this adder and assess how increases impact affordability, especially for the lowest-income customers.

6. Affordability

The CAP survey and the transactions data analysis clearly showed that the program has improved affordability for participants.

- CAP survey respondents were much less likely to state that their CAP bills were difficult to pay after enrollment in CAP. While 58 percent said it was very difficult to pay the monthly gas bill prior to CAP enrollment, only five percent said it was very difficult to pay the bill following enrollment.

- CAP survey respondents were less likely to report that they had to delay the expenditure or skip paying the bill following enrollment in CAP. While 60 percent said they had to skip paying for food prior to CAP enrollment, 24 percent said they did so following CAP enrollment. Large declines in difficulty paying bills were also reported for the telephone, medical or dental, mortgage or rent, and credit card or loans.
- Relative to the comparison group, CAP participants' energy burden declined by nine percentage points.
- CAP participants' bills declined by an average of \$590 due to both the CAP credits and the warmer winter. Compared to the average comparison group change, CAP participants' bills declined by \$324.
- There was a decline in the amount of LIHEAP Crisis assistance received, likely due to a more affordable bill.

7. Bill Payment

CAP also had a positive impact on bill payment.

- CAP participants increased the number of cash payments made as compared to the decline experienced by the comparison groups.
- The total coverage rate is the percent of charges covered by the customer's cash payments and all other credits, including assistance payments. The treatment group increased their total coverage rate from 85 percent in the pre-CAP enrollment period to 123 percent in the post-CAP enrollment period, indicating that these customers were paying off some of their balances. The net change was an increase of 36 percentage points compared to the comparison groups.
- While only 33 percent of the treatment group paid their full bill or more prior to enrollment in CAP, 71 percent paid their full bill or more following enrollment. The comparison groups did not see the same improvement in bill coverage rates.

8. CAP Satisfaction

Customers reported that CAP was very important in helping them to meet their needs and their satisfaction was high.

- When asked how important CAP had been in helping them meet their needs, 92 percent said it was very important and five percent said it was somewhat important.
- When asked about satisfaction with CAP, 93 percent said they were very satisfied and six percent said they were somewhat satisfied.

C. Hardship Fund

The following key findings and recommendations were made with respect to the Hardship Fund.

1. DEF Partnership

Peoples has developed a good partnership with DEF to deliver Hardship Fund grants. There are over 150 local organizations that participate and some organizations may have multiple locations, so there are several hundred physical locations where customers can apply. The agencies that process the grant applications refer eligible customers to CAP, LIURP and CARES.

2. Customer Communication

DEF continues to work to improve the process for the customer. They are working to enhance their phone system to enable customers to use text messaging in place of speaking with a representative. This would help lower income customers whose cell phone plan includes only a certain amount of calling, but has unlimited texting.

D. CARES

The following key findings and recommendations were made with respect to CARES.

1. Benefits

CARES provides important benefits to special needs customers, including education about the Earned Income Tax Credit and LIHEAP, thermostats for visually-impaired customers, and short-term assistance to ensure that customers are able to access the resources that they are referred to. The program referrals include Peoples' Universal Service Programs, available energy assistance sources, and public assistance such as Supplemental Nutrition Assistance Program ("SNAP"), and Medicaid. CARES customers receive substantial financial assistance from social service agencies including Catholic Charities, the Salvation Army, and St. Vincent de Paul Society, in addition to traditional energy assistance programs.

2. Employee Education

Peoples has leveraged CARES to educate employees about special needs customers, increase the sensitivity of their employees, and increase customer referrals.

E. LIURP

The following key findings and recommendations were made with respect to LIURP.

1. Energy Education

Peoples has developed an extensive education program for their LIURP participants. They implemented a Pledge Form to involve the customers with the contractor. The Pledge Form helps the LIURP participants understand that the purpose of the program is energy conservation and to understand the measures that were installed in their home. There is also an Action Plan form that lists the actions that the customer committed to take to further reduce gas usage.

Peoples contracts with energy consultants who perform random inspections on about 25 percent of the completed jobs. The consultants provide additional energy education to the customers about the work completed and additional actions the customers can take to save energy.

2. Energy Savings

Peoples has achieved high savings from LIURP, averaging about 20 percent of the customers' pre-treatment natural gas usage. However, given the high level of pre-treatment usage, and the investment level, Peoples should consider whether it may be possible to achieve even higher savings through targeting and the efficiency services that are provided.

3. Targeting

Once each year Peoples puts together a referral list of income-eligible customers who have not received weatherization in the last seven years. CCI sends mailings to customers on Peoples contact list with an instruction letter and application form. Generally the response rate to the mailing is about 15 to 20 percent. In December 2016 CCI mailed 2,000 letters with the goal of serving about 400 customers in 2017.

Peoples should consider whether they want to make additional efforts to serve the highest of the high users or the customers who are most payment-troubled. They could target a subset of the list for additional outreach to encourage participation.

4. Energy Efficiency Measures

Peoples should assess whether there are opportunities to reduce the number of heating system replacements and increase the emphasis on air sealing and insulation.

5. Coordination

Peoples Gas works to complete jobs that are combined with the PA Department of Community and Economic Development Weatherization Program and with electric companies. They completed 17 combined jobs in 2014, 23 combined jobs in 2013, and 33 combined jobs in 2012. Peoples should continue to work with the electric companies, as planned, to try to increase coordination, thus providing improved energy efficiency through a holistic approach.

ATTACHMENT B

CAP BILL

Questions about this bill?

Please contact us before the due date on your bill at 1-800-400-WARM (9276) Monday through Friday 7:00 a.m. to 5:00 p.m.

To Report an Emergency:

1-800-400-4271
 Answers 24 hours a day.

Write to us at:

Peoples
 P.O.Box 535323
 Pittsburgh, PA 15253-5323
 or www.peoples-gas.com

Hearing Impaired Customers

Call 711 or 1-800-654-5988

Current Payments & Charges - May 11 - Jun 11

Balance From Previous Bill	\$114.00
Payment Applied - Thank You	(\$114.00)
Your Monthly CAP Amount	\$109.00
Your Monthly Pre-CAP Amount	\$5.00
Other Credits (see back for detail)	\$0.00
Other Charges (see back for detail)	\$0.00
Total Current Balance	\$114.00

Pay This Amount No Later Than Jul 5, 2018 \$114.00

When you make your CAP payment, you will receive an additional credit of \$19.23 towards your balance.

Account Information

Customer Assistance Program (CAP) is a special payment plan that allows income eligible customers to make monthly payments based on their income and family size.

Pre-CAP amount you owed when you joined CAP \$872.12. \$5.00 of your CAP payment was applied to your pre-CAP balance and you received a credit of \$19.23 for making your CAP payment. Your pre-CAP balance is \$847.89.

Actual Usage Bill	\$40.91
Monthly CAP Amount	\$109.00
Monthly CAP Credit	\$0.00

Your CAP Monthly Credit is the difference between your actual usage bill and your CAP payment amount. When your actual bill is greater than your CAP payment amount, a CAP Credit is applied to your account.

Other important information on back

Return this part to the address below with a check made payable to Peoples.

DUE DATE	Jul 5, 2018	Account No.	[REDACTED]
\$114.00			
CAP Amount Due		Amount Enclosed	

PEOPLES
 PO BOX 644760
 PITTSBURGH, PA 15264-4760



[REDACTED]



Questions about this bill?

Please contact us before the due date on your bill at 1-800-400-WARM (9276) Monday through Friday 7:00 a.m. to 5:00 p.m.

To Report an Emergency:

1-800-400-4271
Answers 24 hours a day.

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P.O.Box 535323
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or www.peoples-gas.com

Hearing Impaired Customers

Call 711 or 1-800-654-5988

Credits and Charges Since Last Bill

Credits

Customer Payment \$114.00 06/01/2018

Charges

Understanding Your BILL

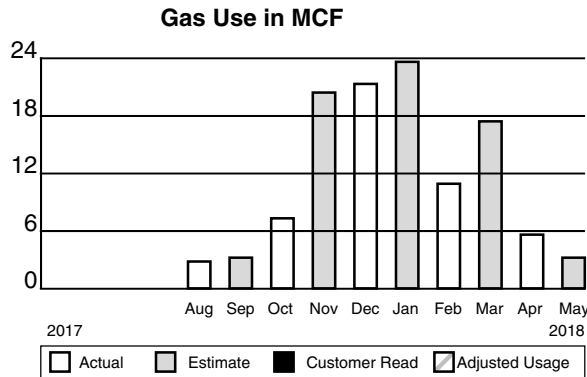
Natural Gas Use

This graph shows your natural gas use over the last 13 months.

Next meter reading on

07/11 - 07/12/2018.

Actual Charges for 3.2 McF \$40.91



This is an Estimated Bill.

Average - May

	2017	2018
Temperature	60°F	66°F
McF per Day	0.0	0.1
Average Monthly Use:		11.5 McF
Total Annual Use:		115.7 McF

Meter Reading Information

Meter #	[Redacted]	
JUN 11, 2018	Estimate	214.5
MAY 10, 2018	Actual	211.3
32 Days of McF Billed		3.2

Types of Meter Readings

- Actual - A reading by Peoples.
- Estimated - Usage based on the weather and your past energy use.
- Customer - A reading you give Peoples.
- Adjusted - We determine your usage from our actual reading we got close to the billing date.

How to Pay Your Bill

- Self-Service Portal** - Register or Log-in at www.peopseaccount.com to pay your bill using your checking or savings account. **NO FEES APPLY!**
- Bank Draft** - Deducts the amount of your monthly gas bill directly from your checking or savings account. For more information, visit our website at www.peoples-gas.com or call us at 1-800-400-WARM (9276).
- Payment Agencies** - Find a list of approved Payment Agencies in your area on our website at www.peoples-gas.com or call us at 1-800-400-WARM (9276) for the list.
- US Mail** - Mail your payment in the envelope we provide or to: **Peoples, P.O.Box 644760, Pittsburgh, PA 15264-4760. Please do not send cash.**
- By Phone** - You can pay this bill by Credit/Debit card or Electronic Check. Call Western Union Speedpay at 1-866-338-5491. Service fees apply. Visit our website at www.peoples-gas.com for further information.

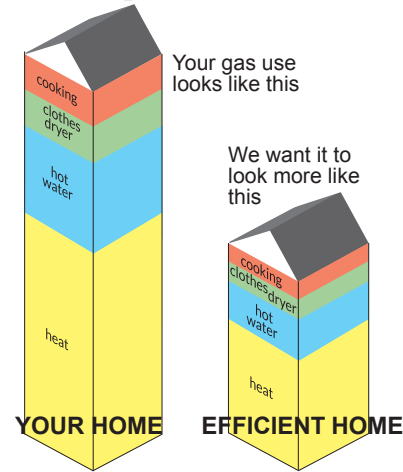
ATTACHMENT C

Our Weatherization Team has completed work on your home! However, our Partnership is not yet over. When the project started, we talked with your family about how to be most successful at using less gas.

We agreed on the program steps:

- what is the utility's job
- what is the contractor's job
- what is your job

We've completed steps 1, 2, and 3. Step 4 is for you to complete.



1 THE ENERGY AUDITOR:

- told you that you use much more gas than the average customer uses
- explained that you use more gas than you pay for
- described how you might be using so much gas
- asked if you want to use less gas

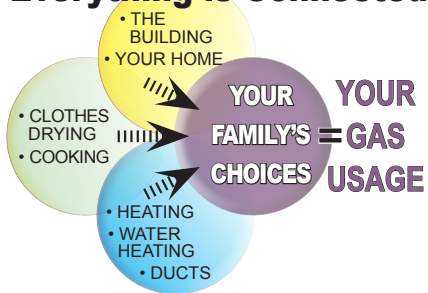
2 YOU AND THE ENERGY AUDITOR:

- discussed your role, the contractor's role, and the gas company's role to meet your goal of using less gas
- came up with an Action Plan to reduce your gas use

Here is a list of what you agreed to do to use less gas:

3 THE WEATHERIZATION CONTRACTOR made major improvements to your home. This is a list of some of the things done to reduce your gas use:

4 Everything is Connected



YOU KNOW NOW

- the reasons for high gas use in your home
- that the utility is committed to finding ways to help you reduce your gas use

In order for our program to be successful, we need you to commit to taking the steps you agreed to take in your gas-saving plan, above.

Also, please remember:

- If you got a new heating system, your house will probably feel different. Your old heating system probably wasted a lot of gas by leaking heat in places that didn't help keep your family warm.

Your new heating system is much more efficient, and it sends the heat to the rooms where you need it. The new system, along with other improvements we made, will keep your house at a consistent comfortable temperature.

- When your heating system is on, please don't overheat your house. Turning the thermostat down even one degree will save gas.

- If there is a major change in your home that will make you use more gas, such as a hot water leak or broken window, please call us at 412-431-4570 to report it.

How Much You Save by Turning Down Your Heat

DEGREES REDUCED	HEAT COST SAVINGS OVER TIME	
	AFTER 8 HOURS	AFTER 24 HOURS
1	1%	3%
3	3%	9%
5	5%	15%
7	7%	21%
10	10%	30%

YOUR SIGNATURE



ACTION PLAN

MAKING YOUR LIFE BETTER.

As Partners in my home's project with Peoples Gas and the weatherization contractor, we want to save gas and money.

We will take the action steps which are checked below:

HEAT

- We will turn our gas heat down when we will not be home for two hours or more.
- We will turn our gas heat down to a lower temperature while we sleep.
- We will keep windows and doors closed when the heat is on.

HOT WATER

- We will take short showers and/or shallow baths to use less hot water.
- We will not let the hot water run when we do the dishes.
- We will wash our clothes in cold water as much as possible.

APPLIANCES

- We will set our gas dryer on **sensor dry** so the dryer runs for as short a time as possible.
- We agree not to use any unvented combustion appliances.

OTHER

YOUR SIGNATURE

DATE

ATTACHMENT D

Natural Gas Saving Tips for Your Home





Save on Your Gas Bill

Though natural gas is a relatively inexpensive source of energy, the cost of heating your home, cooking your meals, and taking hot showers can add up to a lot over the course of a year. The good news is that a few simple steps can help to reduce your usage costs. Improving energy efficiency from natural gas is as easy as it is for any other form of heating source or energy.

What's That Smell?

Because natural gas is colorless and odorless, a chemical is added to it to ensure people can detect when there is a dangerous leak. If you ever notice its "rotten egg" smell, contact the fire department or your energy utility immediately.

Heating Living Spaces

No matter the source of your energy, heating living spaces is the single biggest energy expense in the average home. There are big opportunities to save money by following a few simple steps.

Turn Down the Heat

Turning down boilers or furnaces to 68°F in the winter and 78°F in the summer is the most effective way to save energy and money.

Also consider replacing old boilers and furnaces with efficient new ones. When buying, look for labels that indicate appliances have a high **annual fuel utilization efficiency** rating.

Get Smart

Newer “smart” thermostats are a great way to save money and to find out how much energy you are using and when.

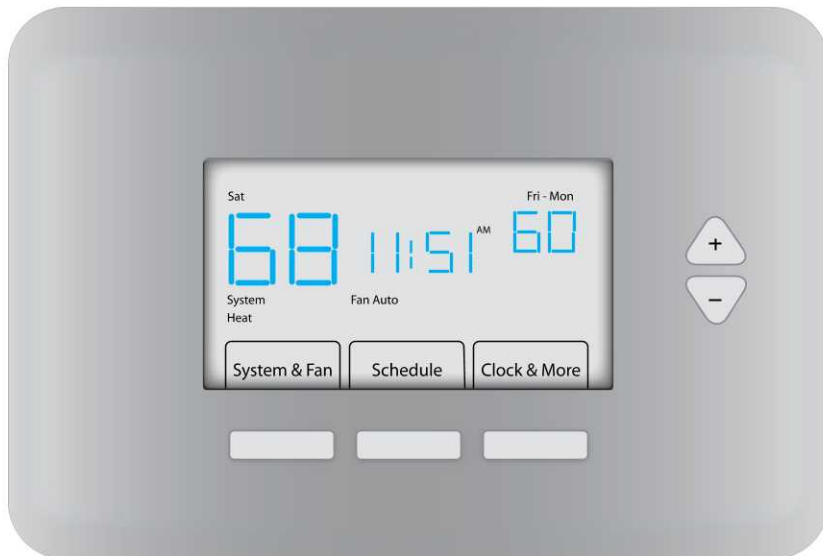
Many include sensors that can detect when you are home or away, and adjust temperatures accordingly. They can also be operated remotely with wireless technology and gather data that can be sent to your computer or mobile devices.

For those on more of a budget, a programmable thermostat is another good option. This device can automatically adjust your home's temperature to save up to \$150 a year, which is close to the cost of the thermostat itself.

In the winter you can save energy by setting the temperature to that ideal 68°F while at home, and lower it when away or asleep. In the summer you can keep the house at a comfortable 78°F.

Fit Your Schedule

Which thermostat best fits your needs? There are currently qualifies three models that allow the setting of different schedules: 7-day, 5+2, and 5-1-1.



Monitoring & Maintenance

Regular maintenance of your boiler or furnace is essential to reducing costs. Dirt and neglect are the main causes of failure and the expensive need for replacement.

Be sure to check your appliance each year before winter sets in. Make sure nothing flammable or dangerous has been stored against it during the summer.

Turn on the boiler or furnace for a few minutes to make sure it is working. It's better to find out early and avoid the rush on repair technicians when the weather starts to get cold.

Keep It Clean

Clean the registers for forced-air heating systems or the radiators for boiler-based systems. Inspect furnaces to look for any soot or combustion residue.

Call an Expert



It's worth calling a professional to do a regular checkup. Though these visits can cost a lot, they will save you money in the long run by making your system efficient enough to reduce your bills by up to 10 percent.

The advantage of a natural gas-powered system is that it only needs a service every two years, compared with every year for oil and kerosene systems.



Monitoring & Maintenance

Heating needs can be reduced through a number of improvements you can make to your home. These will help to reduce your natural gas bills.

Ensuring tightly sealed doors, windows, floors, and ceilings will help keep the cold air out. Fix any cracks and install storm windows. Heavy drapes that stay open during the day to let in sunlight are also a good idea.

Thinking Long Term

If you plan on living in your home for a long time, you could plant trees that lose their leaves seasonally on the west and south sides of the house. This will allow the sun in during the winter and keep it out during the summer.

There are many programs available to assist with financing. The **Weatherization Assistance Program** helps low-income families nationwide to insulate and weatherize their homes. State energy offices and utility companies also run useful programs.

Sealing & Insulation

Properly sealing and insulating your home can reduce heating costs by as much as 30 percent.

The biggest air leaks are usually in large areas such as basements or attics. You might be able to find them by looking for daylight coming in through cracks or gaps, but it's always better to hire an energy auditor to help out.

Not Too Tight!

Unfortunately, it's not as simple as closing every gap in your house. Oversealing with improperly vented furnaces can cause serious health and safety problems, and any good contractor will work to find a good balance.

Why Caulk?



Caulking cracks and gaps is a good way to seal leaks. Caulk should be applied when the outdoor temperature is above 45°F and not humid, to ensure proper drying.

How Much Insulation Is Enough?

You should always ensure your house has the correct amount of insulation. The effectiveness of insulation is measured as an **R-value**, with higher numbers representing higher thermal resistance. Check with local authorities to see if the level of insulation you have matches that recommended for your area and climate.

You May Need More Insulation If:



- Your home is older and hasn't had any insulation added. Only 20 percent of homes built before 1980 are well insulated according to the U.S. Department of Energy.
- Your home is too cold in the winter or too hot in the summer.
- You build a new home, or an addition, or install new siding or roofing.
- Your energy bill is high.
- You hear excessive noise from outside.
- The tops of walls show signs of condensation or discoloration (mold is an even bigger problem than poor insulation and you should contact a contractor immediately).

Heating Water



Americans use a lot of water and we also pay twice for it—once for the cost of the water itself and again for the cost of heating it. This heating alone accounts for 11 percent of your energy bill, which is second only to your space heating. Reducing the amount of hot water you use will therefore help you save twice over.

Water Heater Tips

Look for the Energy Star label when choosing a new water heater. Products with this symbol meet strict energy-efficient guidelines set by the U.S. Environmental Protection Agency and the U.S. Department of Energy.

Turn down the thermostat to 120°F. You'll save between 6 and 10 percent on your energy bill according to the U.S. Department of Energy. This will also prevent scalding from extra-hot water and slow the buildup of minerals and corrosion in the water heater and pipes.

Going Away?

If you will be away on vacation, turn down the thermostat even further. Gas water heaters normally have a "vacation" setting that keeps the pilot light on but doesn't heat any water. If there is no risk of freezing, you can turn it off completely and relight it once you're back home.

Insulation Is Not Just for Your House

Insulate your water heater tank and water pipes. If your water heater has a tank, it should have an R-value that indicates its level of insulation. This should be at least R-24.

It is simple to insulate your heater by adding insulation jackets or blankets. These usually sell for between \$10 and \$20.

You could also insulate your water pipes, especially at the point where they connect with the heater. This can reduce heat loss and raise your water temperature between 2 and 4 degrees. Once again, it might be better to hire a professional to do this for you.

Buying a New Water Heater

If it's time to replace your old gas water heater, buy a new one that fits your needs. If it's too big, you'll end up paying to heat water you don't need.



Look for an Energy Star-qualified water heater. An energy-efficient model could save you money in the long run.

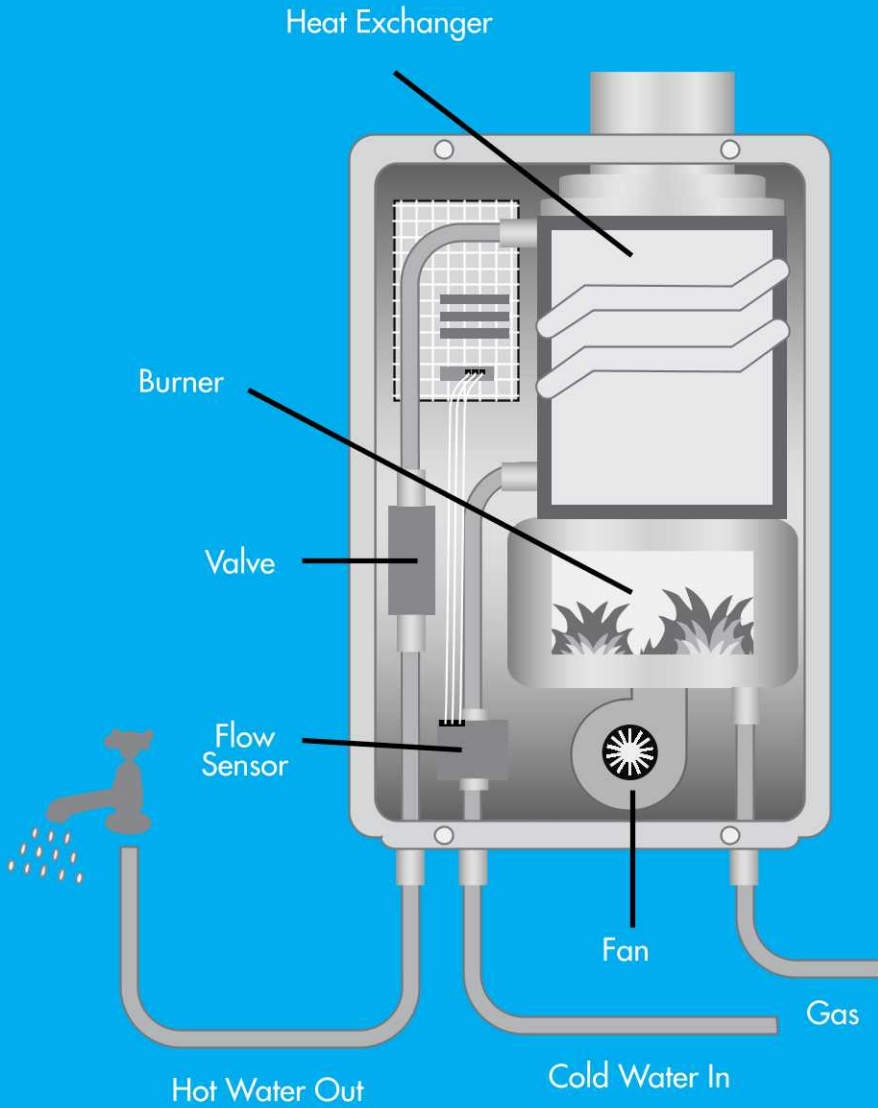
Should You Go Tankless?

You may want to look into a tankless water heater. As the name suggests, these heaters don't have a storage tank and instead continuously heat a steady stream of water. This cuts energy usage by 10 to 15 percent.

Most tankless heaters provide between 2 and 5 gallons of hot water per minute. Even with more than one system in place, this might not be enough for bigger households, but tankless heaters work very well in homes that already use water efficiently through low-flow faucets and other good practices.

If you decide to go tankless, purchase a heater with an energy factor of 0.82. Also investigate any federal, state, or local tax incentives before purchasing.

Tankless Water Heater



Faucets & Appliances

You can also save on your gas bill by fixing leaky water faucets. Thirty drops of water loss per minute can equal 50 gallons per month.

Install low-flow showerheads. They use one-third to one-half the water of regular showerheads. Remember that you're paying twice for heating that water, so every drop saved will have a big effect on your bill.

Also install low-flow aerators on faucets. These will reduce the amount of water that flows from your faucet, saving both water and energy.

Change Your Behavior

Take shorter showers in place of longer ones or baths. Use water-efficient washers, only with full loads, and wash with cold water instead of hot when doing your laundry.

Use energy-efficient dishwashers, again only with full loads, rather than washing dishes by hand, to save hot water.

Your bank account will thank you.



Peoples Programs To Help Customers

Customer Assistance Program (CAP)

Customer Assistance Referral & Evaluation Services (CARES)

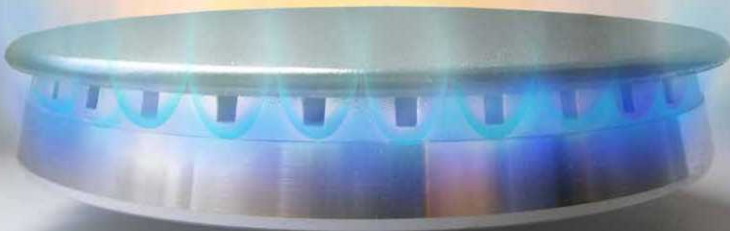
Dollar Energy Fund Hardship Grants

Emergency Furnace/Line Repair Assistance

Low Income Home Energy Assistance Program (LIHEAP)

Low Income Usage Reduction Program (LIURP)

1-800-400-WARM (9276)



ATTACHMENT E



PEOPLES PROGRAMS
TO HELP CUSTOMERS

WE
WANT
TO HELP...



WE WANT TO HELP...



Peoples helps customers make their gas bill more affordable through energy assistance, lower payments and reducing energy usage.

Call **1-800-400-WARM (9276)** to learn more.



Customer Assistance Program (CAP)

Peoples (CAP) offers an affordable monthly payment based on income. Customers with arrearages can earn monthly credits to reduce their balances faster.

You may be eligible for CAP if:

- 🔥 Your household income meets the guidelines in the back of the brochure.
- 🔥 You use natural gas heat in your home.

Gas Usage Reduction Program

Peoples offers a gas usage reduction program with the goal of increasing the safety and health of your home while reducing your natural gas usage.

An “energy auditor” will visit your home and carefully inspect it from the basement to the attic. They will be looking for areas where heat is escaping and cold air is entering the home.

Some of the improvements that provide the greatest energy savings may include: Furnace boiler repair or replacement, attic & wall Insulation, caulking and weather-stripping.

Please call to learn more if:

- 🔥 Your household income meets the guidelines in the back of the brochure.
- 🔥 You have high natural gas usage.

Emergency Furnace / Line Repair Assistance

Peoples provides Emergency Furnace and Line Repair assistance to homeowners facing an emergency situation. This could be a furnace failure or gas line leak.

When a sudden loss of your heating system occurs or your gas line fails, please call us if:

- 🔥 Your household income meets the guidelines in the back of the brochure.
- 🔥 You own your home.

Low Income Home Energy Assistance Program (LIHEAP)

LIHEAP is federal government money that helps customers meet their home heating needs. LIHEAP funds are grants that customers do not pay back. If you meet the income guidelines shown in the chart in the back of the brochure, apply for a grant.

Call Peoples for an application at 1-800-400-WARM (9276) or apply online at: www.compass.state.pa.us.



LIHEAP Crisis

Additional money is available if you have an emergency situation such as:

- 🔥 Being without heat.
- 🔥 Your gas service is OFF or is in threat of shut off.
- 🔥 Broken heating equipment or leaking lines.



Dollar Energy Fund (DEF) Hardship Fund

Dollar Energy Fund (DEF) provides grants to people with limited incomes who make a good faith payment towards their bill. **Please call today if you need help paying your bill and:**

- 🔥 Your gas service is OFF or is in threat of shut off.
- 🔥 Your total monthly household income is at or below the amounts shown in the chart at the back of the brochure.

Thermostats for the Visually Impaired

We can install a large dial thermostat in the customer's home at no charge for vision impaired customers (proof of impairment is necessary). As adjustments are made to the thermostat, the cover produces an audible clicking sound. This sound allows low vision customers to count how many degrees their adjustment makes, up or down on the thermostat.

Large Print Bill

Customers who have low vision may request to receive a large print bill summary. The customer will receive the current monthly bill and in addition, they will receive a large print summary page.

BRaille Bills

Customers with no or low vision may request to receive a BRAILLE bill at no cost. The customer will receive the current monthly bill. In addition, they will receive a BRAILLE bill.



Pennsylvania Relay Service

Customers with profound deafness or speech disabled customers can use the Pennsylvania Relay service to communicate with Peoples. This service allows users to utilize a Communications Assistance person to relay the message to the other person. The Pennsylvania Relay Service number is 711 or 1-800-654-5988.

Third Party Notification

Peoples Third Party Notice lets any customer give permission for Peoples to notify a friend, relative, clergy person or even Social Service agency before service to their home is shut off due to unpaid bills. This person or agency will receive a copy of any shutoff notice. Although this service will not stop a shutoff, it will alert others that the customer needs help. The third party is under no obligation to pay the bill. Landlords are not eligible for this service. Both the customer and the third party must sign the notification form. To learn more about Third Party Notification, please visit our website at www.peoples-gas.com.

Protection from Abuse Order

If a customer has a valid Protection from Abuse Order (PFA) from a court of law, there are some additional utility service protections available. Please contact Peoples to learn more.

PEOPLES PROGRAMS TO HELP CUSTOMERS



WE WANT TO HELP...

Telephone number:

1-800-400-WARM

Website:

www.peoples-gas.com

E-mail address:

Peopleshelps@peoples-gas.com

WE
WANT
TO HELP...



RIDER
UNIVERSAL SERVICE

This rider shall be applicable to all residential customers except for any residential customer served in the Company's Customer Assistance Program (CAP). This rider recovers costs related to the Company's universal service programs.

The charges assessed per this rider shall be assessed to residential customers served under rate schedules Rate RS and Rate GS-T. Charges assessed per this rider shall not be applicable to customers served in the Company's CAP or Pilot E-CAP (E-CAP).

The currently effective Rider Universal Service Charge is reflected on Tariff Page Nos. 3 and 4.

Costs related to the following universal service programs shall be calculated and recovered per this rider: CAP; Low Income Usage Reduction Program (LIURP); Community Partnership for Weatherization; and the Emergency Furnace and Houseline Repair Program.

CAP Costs will be calculated to include the following components: **(C)**

1. Projected CAP Credit – The difference between the total Rate RS bill, excluding Rider Universal Service, and the CAP or E-CAP payment amount which is comprised of the sum of the percentage of income payment or minimum bill, whichever is greater. The projected CAP Credit shall be calculated based on current rates, current CAP or E-CAP payment amounts and projected normalized annual volumes for CAP and E-CAP participants. Separate CAP credit costs will be calculated for: 1) current active CAP and E-CAP participants; and 2) the projected average net change in the number of CAP and E-CAP participants for the projected quarter.
2. Pre-Program Arrearage Forgiveness – Projected CAP and E-CAP pre-program arrearage forgiveness costs for the projected annual period.

Costs for the LIURP, ~~Community Partnership for Weatherization~~ and Emergency Furnace and Houseline Repair programs will be calculated based on the projected number of eligible participants for the projected annual period. Recoverable CAP credit and arrearage forgiveness amounts will be reduced by 3.86% times the average CAP credit and arrearage forgiveness of existing CAP customers times the incremental number of CAP participants in excess of 32,300 CAP customers. Historical payment statistics will be utilized in the development of projected CAP credit and arrearage forgiveness amounts. Third party costs for the purposes of CAP administration ~~and Universal Service call management~~ will be included in the calculation of the Rider.

The applicable unit for this rider shall be determined by dividing the total costs universal service plan costs by the annual projected non-CAP residential volumes established in the most recent 1307(f) gas cost recovery proceeding. For bill display purposes, the unit rate calculated under this rider shall be included in a single delivery charge that also includes the residential delivery charge set forth in rate schedules Rate RS and Rate GS-T.

QUARTERLY ADJUSTMENT

Effective with each quarterly 1307(f) gas cost change, the unit rate under this rider shall be recalculated to reflect current cost data for the cost components outlined above. The updated rate will be filed to be effective one day after the filing.

ANNUAL RECONCILIATION

As part of the quarterly adjustment filing effective on April 1 of each year, the Company shall include a reconciliation of actual revenues recovered under Rider Universal Service and actual universal service costs incurred for the twelve month period ended December 31. The resulting over/undercollection will be included in the quarterly Rider Universal Service rate adjustment to be effective April 1.

(C) Indicates Change.

CUSTOMER ASSISTANCE PROGRAM (CAP)**AVAILABILITY**

Rate CAP is a program designed to enroll residential customers who satisfy the criteria set forth below. Please refer to Peoples' Universal Service and Energy Conservation Plan on file with the PA PUC for a full description of the CAP program terms and conditions. In addition to the terms and conditions in this Tariff, Peoples' Universal Service and Energy Conservation Plan shall govern the provision of service under this rate category

1. Processing and verification by authorized agencies upon referral by the Company's offices, Customer Assistance Referral Evaluation Service (CARES) representatives, other agencies, or BCS.
2. Customer of the Company and using natural gas for space heating.
3. Annual income no greater than 150 percent of the federal poverty level. The Company will accept a customer's participation in an electric CAP program as verification of income, if the Company is satisfied that the electric company verifies income. For payment purposes, the customers will be defined as follows:
 - a. Group A - Customers whose annual income has been verified as being from 0 to 50 percent of poverty.
 - b. Group B - Customers whose annual income has been verified as being from 51 to 100 percent of poverty.
 - c. Group C - Customers whose annual income has been verified as being from 101 to 150 percent of poverty.
4. A customer who meets the eligibility criteria for the Low Income Home Energy Assistance Program (LIHEAP) should complete an application for a LIHEAP grant when available.
5. The company will monitor the usage of CAP customers on an ongoing basis. Any unjustified excess CAP usage or unjustified CAP credit (designed as the difference between the CAP payment amount, and the current charges as billed under Rate RS) that exceeds a maximum of \$1,000 per year will be billed to the CAP customer. An increase in CAP usage or annual CAP credit over \$1,000 may be justified if the CAP customer can demonstrate the household has experienced the addition of a family member; a member of the household experienced a serious illness; energy consumption was beyond the ability of the household to control; or the household is located in housing that is or has been condemned or has housing code violations that negatively affect energy consumption. Before responsibility for the excess CAP usage is imposed on the household, the Company shall notify the customer of the grounds for exemption and assure that the customer has received and understands the grounds for exemption. (C)
6. Agreement by customer to apply for any other energy assistance programs, if available, as referred to by the Company.
- ~~7. Customers will automatically be enrolled in CAP if:
 - ~~a. the customer has defaulted on a payment arrangement, and~~
 - ~~b. the customer has received a LIHEAP payment within the past two years.~~~~

(C) – Indicates Change.

CUSTOMER ASSISTANCE PROGRAM (CAP)

RATE TABLE (C)

Customers will pay a specified percentage of their monthly income or \$25/month, whichever is greater. The applicable percentage by Group follows:

<u>Group</u> ¹	<u>Percentage</u>	
A	4%	(D)
B	5%	(D)
C	6%	(D)

If the customer's monthly CAP payment, as calculated above, exceeds the otherwise applicable monthly budget payment amount, the monthly budget payment amount will be accepted as the CAP payment. The Company will review any customer account where usage exceeds 125% of the customer's annual usage. In cases where the Company determines that the increase in a CAP customer's usage is unjustified, the Company will provide the customer with conservation information, refer the customer to a usage reduction program, and bill the customer for excess usage.

~~**PAYMENTS TOWARD ARREARAGE (C)**~~

~~In addition to the customer's obligation under the Rate Table above, the customer also shall make payments of \$5 per month toward any pre-program arrearage.~~

SURCHARGES

All riders to this tariff, as would otherwise be applicable to Rate RS with the exception of Rider Universal Service.

LATE-PAYMENT CHARGES

No late-payment charges shall be applied to arrearages existing at the time the customer begins receiving service under Rate Schedule CAP. Late-payment charges will not be applied during participation in the CAP program.

1/ Defined under Availability Criteria 3.

(C) – Indicates change.
 (D) – Indicates decrease.

CUSTOMER ASSISTANCE PROGRAM (CAP)**RULES AND REGULATIONS (C)**

1. Customer with earned income must recertify income eligibility biennially. Customers with only certain fixed incomes, such as social security, pension and disability must recertify income eligibility triennially. Customers reporting zero income using the Company's zero income form must recertify within 6 months. **(C)**
2. If, at any time after acceptance into CAP, a customer's family size or income changes, the customer must notify the Company of the change within 30 days of the change. Failure to do so may result in the Company ending the customer's opportunity to receive service under CAP.
3. If a customer no longer satisfies the criteria set forth under Availability, with the exception of Item 4, the customer will no longer be eligible to receive service under CAP.
4. At the time of application for CAP, the customer will be advised of the importance of timely payments and energy conservation. The CAP screening administrator will review relevant assistance programs and offer help in applying for programs such as weatherization or energy assistance as appropriate. Energy saving tips will be provided and all participants will be advised that usage will be reviewed on an ongoing basis. Unjustified excess CAP usage will be billed to the CAP customer.
5. If a customer fails to allow access to the Company's meter or fails to provide meter readings in four consecutive months, the customer will no longer receive service under CAP.
6. Failure to make payments will result in the Company returning the participant to the regular collection cycle and may lead to termination of service. To avoid termination, the participant must pay the amount set forth in the termination notice prior to the scheduled termination date.
7. A customer whose service has been terminated pursuant to Rule 5 may be required to pay all CAP arrearages prior to reinstatement and will be advised of appropriate energy assistance programs, including LIHEAP, LIHEAP Crisis and Dollar Energy Fund, which are available to assist in restoration of service. **(C)**
8. Customers who have been dropped from CAP for the reasons outlined above will be subject to normal termination procedures. The customer will receive a communication providing an opportunity to correct the problem before being removed from CAP.

(C) – Indicates change.

PILOT EXTENDED CUSTOMER ASSISTANCE PROGRAM (E-CAP)

This Rate is established as a Pilot in the Company's Universal Service and Energy Conservation Plan and will close for new participation three years after this rate is approved by the Commission. All provisions of Rate CAP will additionally apply to participants of E-CAP.

AVAILABILITY

Rate E-CAP is a program designed to enroll residential customers who satisfy the criteria set forth below.

- a. Customer of the Company, using natural gas for space heating, who has a significant delinquent balance, broken payment arrangement, termination notice or lack of utility service.
- b. Annual income verified annually as being between 151 and 200 percent of the federal poverty level.
- c. Agreement by customer to apply for any other energy assistance programs, if available, as referred to by the Company and before enrolling in E-CAP.

RATE TABLE

Customers will pay 11% of their monthly income as their E-CAP Payment. If the customer's monthly E-CAP payment exceeds the otherwise applicable monthly budget payment amount, the monthly budget payment amount will be accepted as the E-CAP payment.

(C)

PAYMENTS TOWARD ARREARAGE

~~In addition to the customer's obligation under the Rate Table above, the customer also shall make payments of \$5 per month toward any pre-program arrearage.~~

SURCHARGES

All riders are applicable to this tariff, as would otherwise be applicable to Rate RS, with the exception of Rider Universal Service.

LATE-PAYMENT CHARGES

No late-payment charges shall be applied to arrearages existing at the time the customer begins receiving service under Rate Schedule E-CAP. Late-payment charges will not be applied during participation in the E-CAP program.

(C) – Indicates change.



VIA ELECTRONIC MAIL

March 6, 2023

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

Re: M-2018-3003177 – Peoples Natural Gas Company 2019-2024 USECP
M-2020-3021343 – Peoples Gas Company 2019-2024 USECP
P-2020-3017641 – Amendment to Peoples Natural Gas Company 2015-2018 USECP
M-2014-2432515 – Peoples Natural Gas

Dear Secretary Chiavetta:

Please accept this **REPLACEMENT FILING** to the letter filed on March 1, 2023, which letter inadvertently excluded the exhibits.

On behalf of the Peoples Natural Gas Company LLC (“Peoples”), in accordance with Item 8 f the August 25, 2022 Order in the above-noted docket, Peoples is providing its Customer Education and Outreach Plan (the “CEOP”), along with a report on outreach activities during 2022 and various sample outreach materials.

Peoples continues to work closely with the Peoples Universal Service Advisory Group (the “USAG”) on the development and refinement of its CEOP. The January 2023 USAG meeting was focused on this topic, and included a review of prior discussions about the following customer outreach topics: (1) CAP outreach, (2) why customers do not respond to written shutoff notices, and (3) why customers do not successfully complete deferred payment arrangements. Based upon the discussions at the January USAG, the content of the discussions has been melded into the development of the 2023 focus activities. Further, the Plain English CAP outreach piece, which is provided to customers prior to termination, was reviewed by the USAG. A current version of this document is provided as an attachment to this filing, along with a redlined version reflecting changes proposed by members of the USAG. The revised version is currently in development and the USAG will be informed of its implementation date. Additionally, based upon discussions, Peoples will work closely with resettlement agencies to identify the top three non-English speaking languages used most prominently across the Peoples service territory in order to include a statement in each of those languages in future printed materials advising customers to contact Peoples to learn more about program availability.

Please contact the undersigned at (412) 208-6834 or Rita Black, Director, Community Assistance Programs, at (412) 208-6530, should you have any questions or concerns regarding this matter.

Sincerely,



Jennifer L. Petrisek
Sr. Counsel

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of § 1.54 (relating to service by a party).

VIA ELECTRONIC MAIL:

Christy Appleby, Assistant Consumer Advocate
Patrick Cicero, Consumer Advocate
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555 Walnut Street
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Harrisburg, PA 17101-1923
Email Address: CAAppleby@paoca.org
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Bureau of Investigation and Enforcement
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Pennsylvania Public Utility Commission
Law Bureau
P.O. Box 3265
Harrisburg, PA 17105
Email Address: finksmith@pa.gov



Jennifer L. Petrisek

Dated this 6th day of March, 2023

Peoples Natural Gas and Peoples Gas Consumer Education and Outreach Plan

Purpose: To provide a multi-pronged approach to consumer education with the goal of connecting eligible populations, for whom CAP is the most beneficial plan, to enrollment. In addition to CAP, promotion of other universal service programs, such as LIURP and Hardship Fund, along with external resources, such as LIHEAP, will be emphasized in appropriate activities. A detailed map of advertising and outreach efforts for CAP and LIHEAP, including the number of expected impressions, is provided as an attachment.

General Audience Education & Outreach Activities

Activity	Frequency
Annual focused bill inserts	Singular section of fall insert; expanded sections in November and December inserts
Website self-screening tool	Available 24/7
Website program information	Available 24/7
Social Media Advertisements	Multi-season messaging; aligning with colder weather; opening of energy assistance programs, etc.
Community education	Posters/handouts provided to schools, churches, agencies regarding LIHEAP and CAP. Transit and other paid media advertising promoting LIHEAP occurs throughout the heating season. LIURP outreach is also conducted, particularly in target areas.

Target Audience Education & Outreach Activities

Activity	Details
Incoming callers screened for eligibility	Application for service; bill payment discussions; termination/restoration calls; PFA calls; emergency repair & LIURP screening calls and PUC cases.
Help at Peoples Now (HAPN Program)	Field employees utilize dedicated phone line to refer customers for assistance with CAP and energy assistance to avoid termination.
Plain English Notice (prior to Termination)	Mailed via US mail to accounts identified as low income (FPL <=150% FPL) prior to termination notice mailing.
Termination Notices	Contain eligibility information regarding CAP and energy assistance.
Hardship Grant applications at Dollar Energy Fund agencies	Benefits of CAP described; customers enroll remaining balances after grant into CAP.
LIHEAP recipient identification	List generated weekly of LIHEAP grants received that week on accounts that are not currently enrolled in CAP to be used for outreach.
Community Events	Provide representatives and materials to local events: senior fairs, resource fairs, etc.

Virtual/Hybrid Events	Facebook Live events planned for 2023 to offer overview of programs & answer questions from customers and interested community members.
Western PA Utility Partnership Activities	Joint promotion of programs through coordinated outreach. Peoples and other western PA utilities have joined with the Greater Pittsburgh Food Bank to develop and distribute a utility support flyer. Work currently underway with other utilities and Pennsylvania Utility Law Project to develop a universal CAP application.
Supporting At-Risk Populations	Coordination with resettlement agencies to support enrollment in CAP at the time of initiation of service for refugees and immigrants. In 2023, Peoples plans to expand this model to organizations helping those moving from homelessness into housing.
Employee Outreach	Provide materials for employees to distribute in their communities (schools, libraries, etc.) Information shared each heating season on Peoples' intranet and electronic bulletin boards in all Peoples' locations to encourage employees to share information with their communities.
LIURP Outreach	LIURP outreach is conducted through community events such as food bank distributions or resource fairs. All LIURP participants are additionally screened for CAP & LIHEAP. LIHEAP applications are mailed annually to LIURP participants. Post-inspectors provide CAP & LIHEAP flyer as part of their inspection and visit to further educate participants.

Annual Training/Community Education Opportunities

Association	Training/Support
PA 211 Call Center	On-site/virtual training provided regarding available energy assistance grants, CAP eligibility and enrollment processes.
Project Destiny (Pittsburgh's north side)	Multi-pronged support including regular training for field workers who visit customer homes; case management assistance to enroll customers in CAP, resolve terminations, etc.; participation in monthly resource meetings.
BeUtilityWise (Allegheny County & Johnstown)	Annual participation in planning, program development and presentations to attendees regarding CAP.
Pennsylvania Department of Human Services	Participate in regular meetings with community partners to provide information on eligibility and enrollment.

Greater Pittsburgh Food Bank Partnership	Distribution of CAP/LIHEAP information in food boxes; LIURP and CAP/LIHEAP outreach at food distribution sites.
Beaver Human Services Forum	Participate in meetings and provide presentations regarding Peoples' CAP.
Mission of Mercy	Two-day free dental clinic held in downtown Pittsburgh. Peoples staff answers questions and offers information while also distributing program materials.
State Legislator Events	Provide presentations and one-on-one assistance, distribute materials, etc.
Resource Fairs	Held throughout the service territory, Peoples staff answer questions/distribute information
Virtual/Hybrid Utility Focused Events	Events offered by Peoples and/or in combination with other western PA utilities.
Train the Trainer events	Offer training to additional local agencies, community partners.
Outreach mailings	Targeting school districts with a high percentage of free/reduced lunch students; local churches; social service organizations.
Neighborhood Focused Outreach	Peoples will identify at least one low income neighborhood in its territory for targeted efforts which include developing relationships with community leaders and organizations to support outreach. Peoples will use the experience gained from engaging in the neighborhood(s) to further develop its local outreach model.

Special Needs/Limited English Proficiency/Protection From Abuse

- Outreach materials (posters/handouts) are currently prepared in both English and Spanish translations. As other languages from resettled community members increase the need for materials in other languages, Peoples will work with its partners to provide translated materials.
- Language Line used for LEP customers.
- All PFA customers screened for CAP and LIHEAP.
- All customers receiving other Universal Service programs (LIURP, Emergency Repair Program, CARES) are screened for CAP and LIHEAP.
- Support to vulnerable customers provided by CARES representatives when customers are having difficulty understanding and/or completing steps to enroll in CAP and apply for LIHEAP.
- Help at Peoples Now – Field employees provided with education and dedicated phone line to reach customer program staff to help customers that need CAP or other income eligible programs. Field employees also carry business cards to be given to customers to encourage them to call for assistance.

CAP Enrollment Methods

Method	Availability
Via telephone (most commonly used method)	Monday through Friday from 8 a.m. to 4:30 p.m.; customers that must provide income documentation can submit those via email, fax, or US mail.
Dollar Energy Fund Screening Agency	Applications by appointment with local agency.
Self-service online application	Applications available at https://www.hardshiptools.org/MyApp/
Paper Application	Available through Peoples' CARES team.

Ease of Enrollment Efforts

- No income documentation required if customer has received LIHEAP.
- Customers who receive Hardship Grants that do not cover their entire balance are enrolled into CAP for remaining balance.
- Income submitted to other utility programs managed by CAP administrator (Dollar Energy Fund) can be used, with customer's authorization, to avoid multiple submissions.
- Applicants to Duquesne Light's CAP can provide their permission for DLC to share their data with Peoples to enroll in CAP.

2023 Outreach Development Areas

Activity	
'Office Hours' online/in-person events	Explore partnership with western PA utilities to offer events to allow customers to learn more about programs and seek support.
Agency 'Office Hours'	Consider regularly scheduled visits to agencies by Peoples' team for direct support to customers who have questions or need assistance.
Healthcare Opportunities	Examine how Peoples can connect with social workers and patient support teams within UPMC and Allegheny Health Network to share information and materials.
Income below 50% FPL emphasis	Develop and enhance partnerships with transition and sustainability programs (i.e. women's shelters; resettlement groups; Light of Life mission; HEARTH)
Increasing communication w/CAP participants	Explore additional reminders (payment due; LIHEAP) and methods (email; text)
Energy Burden Education	Work with USAG to develop energy burden educational strategy to be implemented in 2024.

2022 Outreach Events						
Date	Organization	Type (In person, Web, Radio, Telephone)	Program (i.e. CAP LIHEAP, LIURP, Weatherization)	Outreach Material Taken	Audience (i.e. customers, social service agencies)	Area (Where is event located)?
01/10/22	Allegheny County AAA Senior Companion Training	Webinar				
01/11/22	Allegheny County AAA Senior Companion Training	Webinar				
01/12/22	Allegheny County AAA Senior Companion Training	Webinar				
01/20/22	The Intersection - McKeesport	In Person	LIHEAP,CAP, LIURP			McKeesport
01/22/22	United Methodist Church South Park	In Person	LIHEAP,CAP, LIURP. Provided Conservation Tips			
02/09/22	PA LINK	Webinar Presentation (Lunch & Learn)	All			
03/09/22	Yajagoff Podcast	Call In	All Programs		Customers	
03/10/22	Project Destiny Resource Meeting		All			North Side
03/11/22	Let's Talk Radio Show - Butler	Call In	All Programs		Customers	
03/29/22	Project Destiny Food Drive	In Person	LIHEAP	LIHEAP Applications		North Side
04/15/22	Lernerville Pod Cast	In Person	LIHEAP,DEF, Furnace Repair		Customers	Butler
04/19/22	Faith Alliance Church - Butler	In Person	LIHEAP, DEF		Customers (Mens Group)	Butler
04/22/22	Earth Day Event	In Person	LIURP	Brochures	Customers	
04/30/22	Jewish Community Center Health Fair (Hispanic Community)	In Person	All			

2022 Outreach Events						
Date	Organization	Type (In person, Web, Radio, Telephone)	Program (i.e. CAP LIHEAP, LIURP, Weatherization)	Outreach Material Taken	Audience (i.e. customers, social service agencies)	Area (Where is event located)?
04/30/22	Lernerville Speedway - Butler	In Person	LIHEAP (advised of extension)		Customers	Butler
05/01/22	PA Motor Speedway - Butler	In Person	LIHEAP (advised of extension)		Customers	Butler
05/01/22	Live Radio Interview - Meadville	In Person	LIHEAP (advised of extension)		Customers	Meadville
05/02/22	Faith Alliance Church - Butler	In Person	LIHEAP (advised of extension)		Customers	Butler
05/03/22	Assembly of God Church - Butler	In Person	LIHEAP (advised of extension)		Customers (Class)	Butler
05/04/22	PA 211 Outreach Center	Teams (Web)				
05/13/22	Lernerville Speedway - Butler	In Person (Interview)	LIHEAP, DEF		Customers	Butler
05/14/22	Mercer Speedway - Mercer	In Person (Interview)	LIHEAP, DEF		Customer	Mercer
05/16/22	Live Radio Interview - Meadville	In Person	LIHEAP (advised of extension)		Customer	Meadville
05/17/22	UPMC Healthy Living	In Person	All	Flyers		
05/20/22	Lernerville Speedway - Butler (Trackside interview)	In Person	LIHEAP (advised of extension, deliverable fuels & LIHEAP repair)		Customers	Butler
05/21/22	Sharon Speedway - Sharon	In Person	LIHEAP (advised of extension, deliverable fuels & LIHEAP repair)		Customers	Sharon

2022 Outreach Events						
Date	Organization	Type (In person, Web, Radio, Telephone)	Program (i.e. CAP LIHEAP, LIURP, Weatherization)	Outreach Material Taken	Audience (i.e. customers, social service agencies)	Area (Where is event located)?
06/03/22	Lernerville Speedway - Butler - Intermission Interview/pre-race interview	In Person	LIHEAP		Customers	Butler
06/10/22	Lernerville Speedway - Butler Pre-Race interview & podcast	In Person	LIHEAP		Customers	Butler
06/11/22	Mercer Speedway - Mercer Intermission Interview	In Person	LIEAP, DEF, 811		Customers	Mercer
06/15/22	McKeesport Good Neighbor Day	In Person	LIURP	Brochures	Customers	McKeesport
06/18/22	Bridgeville Day	In Person	LIURP	Brochures	Customers	Bridgeville
07/22/22	Lernerville Speedway - Butler Intermission interview	In Person	DEF, CAP, Furnace Repair & 811		Customers	Butler
07/23/22	Uptown Partners Community Day	In Person	LIURP	Brochures	Customers	
07/23/22	PA Motor Speedway - Pittsburgh Intermission interview	In Person	DEF, CAP, Furnace Repair & 811		Customers	
08/05/22	Mission of Mercy	In Person	All	Flyers	Customers	Pittsburgh
08/06/22	Mission of Mercy	In Person	All	Flyers	Customers	Pittsburgh
08/07/22	Greene County Fair - Waynesburg	In Person	Program Finder/All programs	Smart Comfort Brochures & Program Finder postcards	Customers	Waynesburg
08/09/22	Beaver Human Service Forum Board	In Person	All	US programs booklet and flyers		Beaver
08/10/22	Allegheny Co. DHS Immigrants and International Advisory Council - Latino Subcommittee	In Person (Teams Meeting)	All	US programs booklet and flyers		

2022 Outreach Events						
Date	Organization	Type (In person, Web, Radio, Telephone)	Program (i.e. CAP LIHEAP, LIURP, Weatherization)	Outreach Material Taken	Audience (i.e. customers, social service agencies)	Area (Where is event located)?
08/12/22	Lernerville Speedway - Butler Intermission interview	In Person	DEF, Program Finder, 811		Customers	Butler
08/13/22	Braddock Community Day	In Person	LIURP	Brochures	Customers	Braddock
08/27/22	Sen Williams & Rep Kincaid Senior Resource Fair	In Person			Customers	
10/04/22	Where to Turn Resource Fair	In Person	All	Flyers & giveaways	Customers	Pittsburgh
10/06/22	Tony DeLuca Senior Fair	In Person	All	Flyers, LLP brochures & giveaways	Customers	Penn Hills/Oakmont
10/08/22	Standdown Pittsburgh	In Person	LIURP	Brochures	Customers	
11/02/22	Walk-In Ministry First Presbyterian Church	In Person	All	Flyers, LIHEAP appl, giveaways & 211 brochures	Customers	Pittsburgh (Downtown)
11/10/22	Utility Awareness Event	In Person	All	???	Customers	Homewood
11/10/22	Duquesne City School District Community Resource Fair (10 a.m. until 6:00 p.m.)	In Person	All	Flyers, LLP brochures & giveaways	Customers	Duquesne
11/17/22	Power to Empower Resource Fair (5:30-8:00)	In Person	All		Customers	Pittsburgh (North Side)
12/07/22	Indiana County Community	In Person	All	Posters and Flyers	Intake Agency Employees	Indiana County



Peoples Natural Gas



Media Placement	County	Dimensions	November-22				December-22				January-23				February-23			
			31	7	14	21	28	5	12	19	26	2	9	15	23	30	6	13	20
Pennsylvania																		
Video																		
Roku	PA Zips	:30 spot																
OOH (Pittsburgh Posters)																		
Lamar Production	Allegheny	10'5" x 22'8"																
Transit																		
Intersection (Collier, East Liberty & Ross garages) Production	Allegheny	Bus Tails (21x72):																
Butler Transit Authority - Local Transit Production	Butler	Interior Cards (11"H x 14"W)																
Bus Shelters																		
Gateway Production	Allegheny																	
Butler Transit Authority Production	Butler	Bus Shelters (36"H x 24"w)																
Print																		
Beaver County Times (Tu-Fr, & Sun)	Allegheny	1/4 Pg. 4c (4.95" x 9.95")																
Washington Observer-Reporter (M-Sun)	Allegheny	1/4 Pg. 4c (5.25" x 10.25")																
New Pittsburgh Courier (Wed)	Allegheny	1/4 Pg. 4c (5.25" x 10.5")																
La Mega Nota (monthly)	Allegheny	1/4 Pg. 4c (4.75" x 4.75")																
Altoona Mirror (M-Fr, & Sun)	Blair	1/4 Pg. 4c (4.949" x 10.5")																
Butler Eagle (M-Fr, & Sun)	Butler	1/4 Pg. 4c (5.056" x 10")																
Johnstown Tribune-Democrat (Mon, W-Sun)	Cambria	1/4 Pg. 4c (5.75" x 10.5")																
West Virginia																		
Audio																		
TBD		:30 spot																
Print																		
Times West Virginian (Wed - Sat)	Monogalhia, Marion, Taylor	1/4 Pg. 4c ((3c) 5" x 10.5")																
The Mountain Statesman (Wed & Sat)	Taylor	1/4 Pg. 4c (10.5" x 10.5")																
The Weston Democrat (Wed)	Lewis	1/4 pg. 4c (5.1875" x 10")																



WE'RE HERE TO HELP.

MAKING GAS BILLS MORE AFFORDABLE

with Dollar Energy Fund



Receive a grant of up to \$500 to help with your winter heating bills!



If you or someone you know is experiencing financial hardship with your winter heating bills, **Dollar Energy Fund (DEF)** and Peoples are here to help! Through DEF and a matching grant from Peoples, **you can receive a one-time grant of up to \$500** to help with your winter gas bills, if eligible.

DEF grants are provided on a first-come, first-served basis and applications are now available for those who meet the income guidelines.

SEE IF YOU QUALIFY TODAY:

2022 - 2023 INCOME GUIDELINES

200% Federal Poverty Level • Homeowners and Renters May Qualify When:

HOUSEHOLD SIZE	GROSS MONTHLY INCOME	GROSS ANNUAL INCOME
1	\$2,265	\$27,180
2	\$3,052	\$36,620
3	\$3,838	\$46,060
4	\$4,625	\$55,500
5	\$5,412	\$64,940
6	\$6,198	\$74,380
7	\$6,985	\$83,820
8	\$7,772	\$93,260
For each additional person add	\$787	\$9,440

For eligibility information and assistance, **1-800-400-WARM (9276)** or visit peoples-gas.com/help.

Do you need help with your natural gas bill?

Dollar Energy Fund and Peoples are here to help. **You can receive a grant of up to \$500** to help with your winter heating bills. Grants are provided on a first-come, first-served basis and applications are now available for those who meet the income guidelines.

1-800-400-WARM (9276)
peoples-gas.com/help



WE'RE HERE TO HELP.

2022 - 2023 INCOME GUIDELINES

200% Federal Poverty Level
Homeowners and Renters May Qualify When:

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8	\$7,772	\$93,260
For each additional person add	\$787	\$9,440



ESTÁ AQUÍ PARA AYUDAR.

LAS FACTURAS DE GAS PUEDEN SER MÁS FÁCILES DE PAGAR



con ayuda del programa Dollar Energy Fund

¡Reciba una ayuda de hasta \$500 para ayudar con sus facturas de calefacción de invierno!



Si usted o alguien que conoce está experimentando dificultades financieras con sus facturas de calefacción de invierno, **Dollar Energy Fund (DEF)** y Peoples están aquí para ayudarlo a través de DEF fondos y una ayuda equivalente de Peoples. **Si es elegible usted puede recibir una ayuda de hasta \$500 para ayudar a pagar sus facturas este invierno.**

La ayuda del programa de DEF se otorga por orden de llegada y las solicitudes ahora están disponibles para aquellos que cumplen con los requisitos de ingresos.

VEA SI CALIFICA HOY:

2022-2023 LIMITES DE INGRESOS

200% Nivel Federal de Pobreza • Los propietarios e inquilinos pueden calificar cuando:

TAMAÑO DEL GRUPO FAMILIAR	INGRESOS MENSUALES ANTES DE DEDUCCIONES	INGRESOS ANUALES ANTES DE DEDUCCIONES
1	\$2,265	\$27,180
2	\$3,052	\$36,620
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4	\$4,625	\$55,500
5	\$5,412	\$64,940
6	\$6,198	\$74,380
7	\$6,985	\$83,820
8	\$7,772	\$93,260
Por cada persona adicional, añade	\$787	\$9,440

Para obtener más información, llame al **1-800-400-WARM (9276)** o visite peoples-gas.com/help.

¿Necesita ayuda con su factura de gas?

Dollar Energy Fund y Peoples están aquí para ayudar. Puede recibir un auxilio de hasta \$500 para ayudarlo con sus facturas de calefacción durante el invierno.

La ayuda del programa de DEF se otorga por orden de llegada y las solicitudes ahora están disponibles para aquellos que cumplen con los siguientes requisitos de ingresos.

Para obtener más información, llame al **1-800-400-WARM (9276)** o visite peoples-gas.com/help.



ESTÁ AQUÍ PARA AYUDAR.

2022-2023 LIMITES DE INGRESOS

200% Nivel Federal de Pobreza
Los propietarios e inquilinos pueden calificar cuando:

TAMAÑO DEL GRUPO FAMILIAR	INGRESOS MENSUALES ANTES DE DEDUCCIONES	INGRESOS ANUALES ANTES DE DEDUCCIONES
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7	\$6,985	\$83,820
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Por cada persona adicional, añade	\$787	\$9,440



WE'RE HERE TO HELP.

MAKING GAS BILLS MORE AFFORDABLE

with LIHEAP and CAP

See if you qualify for help today!

If you or someone you know is having trouble paying your winter natural gas bills, help is available through the **Low Income Home Energy Assistance Program (LIHEAP)** and Peoples **Customer Assistance Program (CAP)**.

LIHEAP provides grants for customers with limited incomes. LIHEAP is not a loan. It is a government grant paid directly to Peoples for your heating bill. **Applications are available from November 1, 2022, through April 28, 2023.** Grants start at \$300 and can be higher based on income and the number of people living in your home.

CAP is an affordable monthly payment plan based on your income. **LIHEAP and CAP can be used together to make winter heating bills more affordable.**



WHO IS ELIGIBLE?

2022 - 2023 INCOME GUIDELINES

150% Federal Poverty Level • Homeowners and Renters May Qualify When:

HOUSEHOLD SIZE	GROSS MONTHLY INCOME	GROSS ANNUAL INCOME
1	\$1,698	\$20,385
2	\$2,288	\$27,465
3	\$2,878	\$34,545
4	\$3,468	\$41,625
5	\$4,058	\$48,705
6	\$4,648	\$55,785
7	\$5,238	\$62,865
8	\$5,828	\$69,945
For each additional person add	\$590	\$7,080

For more information call **1-800-400-WARM (9276)** or visit peoples-gas.com/help.

Need help with your natural gas bills?

See if you're eligible for LIHEAP and CAP.

For more information call **1-800-400-WARM (9276)** or visit peoples-gas.com/help.



2022 - 2023 INCOME GUIDELINES

150% Federal Poverty Level
Homeowners and Renters May Qualify When:

HOUSEHOLD SIZE*	GROSS MONTHLY INCOME	GROSS ANNUAL INCOME
1	\$1,698	\$20,385
2	\$2,288	\$27,465
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5	\$4,058	\$48,705
6	\$4,648	\$55,785
7	\$5,238	\$62,865
8	\$5,828	\$69,945
For each additional person add	\$590	\$7,080

*The LIHEAP program will accept applications from 11/1/22 through 4/28/23. LIHEAP and CAP can be used together to make winter heating bills more affordable.



ESTÁ AQUÍ PARA AYUDAR.

CAMPAÑA DE PROGRAMAS DE ATENCIÓN AL CLIENTE DE PEOPLES

Haciendo que las facturas de la cuenta del gas sean más fáciles con LIHEAP y CAP

¡Vea si califica para recibir ayuda hoy mismo!

Programas para ayuda con la factura del gas - Programa de asistencia de energía para hogares de bajos recursos (LIHEAP) y el programa de asistencia al cliente (CAP)

Si usted o alguien que conoce tiene problemas para pagar sus facturas de gas este invierno, hay ayuda disponible a través del programa de asistencia de energía para hogares de bajos ingresos (LIHEAP) y el programa de asistencia al cliente de Peoples (CAP).

LIHEAP ofrece ayuda para clientes con ingresos limitados. LIHEAP no es un préstamo. Es una ayuda del gobierno pagada directamente a Peoples para ayudar a cubrir su factura de calefacción. El programa está disponible desde el 1 de noviembre de 2022 hasta el 28 de abril de 2023. **La ayuda mínima es \$300 y puede ser más alta según los ingresos y la cantidad de personas que viven en su hogar.**

CAP es un plan de pago mensual basado en los ingresos de la familia. LIHEAP y CAP se pueden usar juntos para hacer que las facturas de calefacción en invierno sean más llevaderas.

¿QUIÉN ES ELEGIBLE?

2022 - 2023 LÍMITES DE INGRESOS

150% del Nivel Federal de Ingresos · Los propietarios de viviendas y arrendatarios pueden adquirir ayuda

TAMAÑO DEL GRUPO FAMILIAR	INGRESOS MENSUALES ANTES DE DEDUCCIONES	INGRESOS ANUALES ANTES DE DEDUCCIONES
1	\$1,698	\$20,385
2	\$2,288	\$27,465
3	\$2,878	\$34,545
4	\$3,468	\$41,625
5	\$4,058	\$48,705
6	\$4,648	\$55,785
7	\$5,238	\$62,865
8	\$5,828	\$69,945
Por cada persona adicional, añade	\$590	\$7,080

Para obtener más información, llame al **1-800-400-WARM (9276)** o visite peoples-gas.com/help.

¿Necesita ayuda con sus facturas de gas natural?

Vea si es elegible para LIHEAP y CAP.

El programa de LIHEAP aceptará aplicaciones desde el 1/11/22 hasta el 28/4/23. LIHEAP y CAP se pueden usar juntos para hacer que las facturas de calefacción en invierno sean más llevaderas.

Para obtener más información, llame al **1-800-400-WARM (9276)** o visite peoples-gas.com/help.



ESTÁ AQUÍ PARA AYUDAR.

2022 - 2023 LÍMITES DE INGRESOS

150% del Nivel Federal de Ingresos

Los propietarios de viviendas y arrendatarios pueden adquirir ayuda

TAMAÑO DEL GRUPO FAMILIAR	INGRESOS MENSUALES ANTES DE DEDUCCIONES	INGRESOS ANUALES ANTES DE DEDUCCIONES
1	\$1,698	\$20,385
2	\$2,288	\$27,465
3	\$2,878	\$34,545
4	\$3,468	\$41,625
5	\$4,058	\$48,705
6	\$4,648	\$55,785
7	\$5,238	\$62,865
8	\$5,828	\$69,945
Por cada persona adicional, añade	\$590	\$7,080

LIHEAP:

Programa de Asistencia de Energía para Hogares de Bajos Ingresos



*Una familia de cuatro personas con un ingreso anual de **\$41,625 or less** puede aplicar.
 *Hogares con diferente número de miembros puede aplicar.

LIHEAP:

2022-2023 Programa de Asistencia de Energía para Hogares de Bajos Ingresos

Si usted o alguien que conoce necesitan ayuda para pagar la cuenta de calefacción o si tiene una emergencia con el sistema calefacción, el programa de Asistencia de Energía le puede ayudar.

El Programa de Asistencia de Energía para Hogares de Bajos Ingresos aceptara aplicaciones entre el 1ero de Noviembre del 2022 y el 7 de Abril de 2023. La oficina de asistencia social puede extender o acortar el programa dependiendo del presupuesto que se tenga en el momento.

¿Quien es Elegible?

Tamaño de la Familia*	Límite de Ingresos
1	\$20,385
2	\$27,465
3	\$34,545
4	\$41,625
5	\$48,705
6	\$55,785
7	\$62,865
8	\$69,945
9	\$77,025
10	\$84,105

*Por cada persona adicional agregar \$7,080.

Peoples ofrece programas adicionales para ayudar con el pago de su cuenta. Usted puede aplicar para recibir ayuda de LIHEAP y también puede aplicar para otros programas. Si usted recibe mas ingresos de los mencionados y necesita ayuda con su cuenta por favor comuníquese con la compañía acerca de otros programas.

1-800-400-WARM peoples-gas.com/LIHEAP



GET THE MOST OUT OF YOUR HOME.

Making your home more energy efficient can seem challenging, but it doesn't have to be. With weatherization upgrades from Peoples Gas, your home will benefit from no-cost measures that improve comfort and safety while reducing noise, allergens and energy waste all at once.

If you're eligible for our Usage Reduction Program, you'll receive weatherization upgrades such as heating system improvements, attic and wall caulking, insulation, and weather-stripping at no cost.



QUESTIONS?

Contact Us:
1-866-787-5237
Peoples-Gas@cleareresult.com
peoples-gas.com/help

The Peoples Gas Usage Reduction Program is implemented by CLEAResult, a third-party partner of Peoples Gas.

Exhibit RFB-3



MORE COMFORT, NO COST

Peoples Gas Usage Reduction Program

Our Energy Auditors follow COVID-19 safety protocols.





DO I QUALIFY?

The Peoples Gas Usage Reduction Program is available to all residential Peoples Gas customers. To receive no-cost weatherization measures and more, your household income must be at or below 150% of the Federal Poverty Income Guidelines. If you are a renter, a landlord consent form will need to be completed to participate.

PROGRAM BENEFITS INCLUDE



Solutions to improve your home's comfort year-round



Personalized energy-efficient upgrade recommendations



Health and safety assessments throughout your home

HOW IT WORKS

Once you are qualified, an Energy Auditor trained on and required to follow COVID-19 safety protocols will visit your home to complete the assessment, including:



Heating system assessment and possible repair or replacement



Safety check on combustible appliances



Attic and basement insulation, foam and caulk air sealing, door weather-stripping and sweep



Programmable or smart thermostat, pipe wrap



READY TO SAVE?

Call **1-866-787-5237** or email **Peoples-Gas@clearesult.com** to see if you qualify.

HELP WHEN YOU NEED IT MOST

Your Pennsylvania utilities want to help you find the assistance you need. Funds are available now. Don't miss out!

There are also other types of customer assistance programs available that can help lower your monthly utility bills.

Most assistance programs are available to people that are at or below 150% of the federal poverty level (please see chart below). However, some programs provide help to those with higher incomes. Please contact your utility companies today to find out if you qualify!

2022-2023 Annual Household Federal Income Guidelines 150% Federal Poverty Level

HOUSEHOLD SIZE	MONTHLY INCOME
1	\$1,699
2	\$2,289
3	\$2,879
4	\$3,469
5	\$4,059
6	\$4,649
7	\$5,239
8	\$5,829
	More than 8 members, add \$590



Exhibit RFB-3



COLUMBIA GAS

ColumbiaGasPA.com/Assistance
1-888-460-4332



DUQUESNE LIGHT

DuquesneLight.com/Assistance
1-888-393-7600



PENNSYLVANIA AMERICAN WATER



PENNSYLVANIA AMERICAN WATER

pennsylvaniaamwater.com
1-800-565-7292



PEOPLES

Peoples-Gas.com/Assistance
1-800-400-WARM (9276)



PITTSBURGH WATER & SEWER AUTHORITY

pgh2o.com/CAP
1-412-255-2457

Safety First For Gas Appliances

We are proud that you have chosen to heat your home or water with natural gas – a clean, abundant and efficient natural resource. With any gas appliance, there are certain safety precautions that should be taken:

WHAT YOU SHOULD NOT DO:

- **DO NOT store flammable products such as gasoline, solvents or adhesives in the same room or area near a water heater, and always keep combustible material at a safe distance away from gas fired equipment.** Make sure that your gas fired appliances have plenty of air to allow for proper operation.

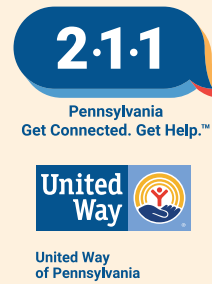
WHAT YOU SHOULD DO:

- **DO monitor your water heater temperature.** Hot water can scald! Our technicians are trained to return your hot water setting to the temperature at which it was set before they checked or re-lit the appliance. However, it is always wise for you to re-check this setting after the heater has been serviced. Lowering your temperature setting can prevent scalding accidents and lower your energy costs. Water temperature above 125° F can cause severe burns or even death. Households with small children, disabled or elderly persons may require a lower thermostat setting to prevent contact with hot water. Please refer to your water heater manufacturer's recommendation for safe water heater temperature settings.
- **DO check outdoor appliance exhausts year-round.** Some furnaces are vented with PVC pipe to the outdoors. If the vent becomes blocked, an emergency switch should stop the furnace from running. However, it is wise to periodically check the vent opening. This is particularly important in cold weather, as snow or ice can build up and block the opening. Recently, invasive brown marmorated "stink bugs" have been cited as the cause for some furnace vent problems, as they enter through PVC piping looking for warmth or a place to hibernate. Never try to put any covering (such as mesh or netting) over the openings in an attempt to block insects; any restrictions may affect proper operation. Following the manufacturer's recommendations and regular inspections by a qualified appliance professional are recommended and will help assure safe operation.



Additional Help

Additional help may be available for your housing, food and utility needs. **United Way's 211** service can refer you to other aid programs. If you or a loved one needs assistance, please call 211 today.



EMERGENCY SERVICE

1-800-400-4271

Our emergency personnel are on duty to assist you 24 hours a day, 7 days a week. If you smell a natural gas odor, suspect a leak, or there is an explosion or fire, leave the area immediately and then call us at **1-800-400-4271**.

Please use this number only in an emergency.

Ask to See ID

Remember to always ask to see ID when a Peoples service employee visits your home.

In order to give you peace of mind, Peoples requires all of its customer service employees to wear photo identification. If you don't see it when one of our employees comes to your home, ask for it. Our employees will gladly show you their photo ID.

ALL Peoples employees carry an ID card with their name, photo and the Peoples logo. Also, look for a vehicle with the Peoples logo. Please contact customer service at **1-800-764-0111** with any questions or concerns.

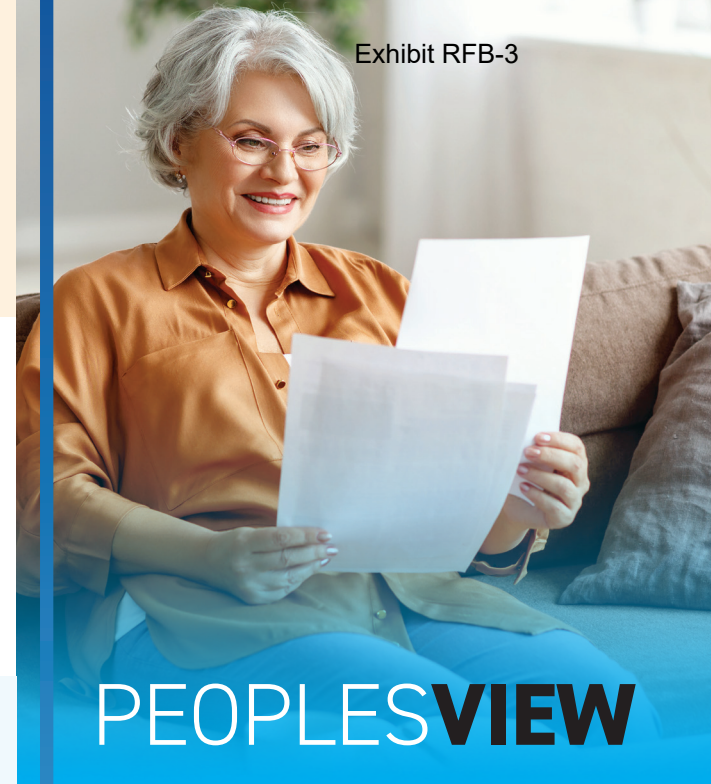


1-800-764-0111 • peoples-gas.com

Individuals with Hearing Loss
Call 711 or 1-800-654-5988 TTY# 1-800-654-5984



Exhibit RFB-3



PEOPLESVIEW

Peoples Programs To Help You Get Through The Tough Times!

SEPTEMBER 2022



www.peoples-gas.com



Peoples Programs To Help You Get Through The Tough Times!



We understand that many people are struggling right now. Please know that you are not alone, and we are here to help in any way we can. There are various tools and programs to help you:

PROGRAM FINDER: Use our anonymous and confidential ProgramFinder at peoples-gas.com/helpmepay to find out if you're eligible for Peoples customer support programs, including LIHEAP, CAP and Dollar Energy. It's a one-stop approach to finding help with your utility bills.

PEOPLES CUSTOMER ASSISTANCE PROGRAM (CAP): CAP is an affordable monthly payment plan, based on income, for customers who meet income guidelines. Participants make reasonable payments to maintain gas service and can earn credits to reduce their balance each month.

BUDGET BILLING: Budget Billing gives you more predictability with your gas bill. The budget plan is your gas consumption averaged over a twelve-month period, calculated by comparing past usage for your home with projected weather conditions and rates. You can leave Budget Billing at any time; however, when you unenroll, your account balance will be due in full.

DOLLAR ENERGY FUND: The Dollar Energy Fund provides grants to people with limited incomes who make a good faith payment toward their bills.

If you're going through a difficult time because of a loss of income or other challenges, please visit our website, peoples-gas.com/helpmepay, call us at **1-800-764-0111** or email us at contactus@peoples-gas.com, and we'll provide you with some options.

DON'T FORGET TO CHECK THESE BOXES... IT'S MONEY IN YOUR POCKET!!!

Your Save Money, Keep Warm Checklist:

- ✓ **PROGRAM FINDER**
 - Our anonymous and confidential tool to find out if you're eligible for Peoples customer support programs.
 - www.peoples-gas.com/helpmepay
- ✓ **DIAL: 800-400-WARM (9276)**
- ✓ **APPLY FOR CAP**
 - An affordable bill based on household income.
 - Earn monthly credits to reduce your balance faster.
- ✓ **APPLY FOR DOLLAR ENERGY**
 - A grant that helps you pay your gas bill.
- ✓ **LEARN ABOUT LIHEAP**
 - A federally funded grant program that provides a grant directly to your gas bill account.



Third Party Notification



For retirees on the go, as well as for caregivers, our Third Party Notification can provide an alert in the event that gas service is in danger of being terminated. A friend, relative or other third party can agree to be notified of a possible service termination. The third party receives a copy of the termination notice and can take action to make sure gas service continues. The third party is never obligated to pay the bill.

If you would like to be designated as a third party, or if you would like to designate someone to be a third party, please call customer service at 1-800-764-0111 to request a Third Party Notification enrollment form, or download the form at peoples-gas.com/thirdparty.

Fill out the form and mail it to the address listed.



Exhibit RFB-3

You Have A Choice



Did you know that Energy Choice is available to Pennsylvania utility customers?

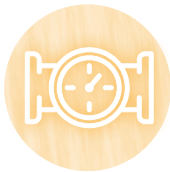
You do not have to purchase your natural gas from Peoples. The Energy Choice Program provides you the option of purchasing your natural gas from a state approved supplier. Visit peoples-gas.com/shopforgas for additional details, or visit the Pennsylvania Gas Switch website, pagasswitch.com, for a list of natural gas suppliers and current offers.

Peoples Residential Price to Compare ("PTC") as of July 1, 2022 is \$8.7130 (per Mcf)



Natural Gas Pipelines Are Safe

The natural gas pipeline network spans the United States and is one of the safest modes of fuel transportation today. The industry invests millions of dollars each year on research and technology to improve the system.



To keep the network safe, the natural gas pipeline industry complies with a broad regulatory program directed by the United States Department of Transportation's Pipeline Hazardous Material Safety Administration division. These regulations provide safety standards for the design, construction, maintenance, and testing of natural gas pipeline systems.

Pipeline Integrity Management Programs for transmission and distribution pipelines require operators to continually monitor pipeline integrity and perform risk analysis, especially in highly populated areas. Peoples utilizes preventive measures to reduce the risk of pipeline leaks or failures and to ensure the safe delivery of natural gas to homes and businesses in our service area.

For more information, please visit www.peoples-gas.com/pipeline-safety.

Budget Now for Winter Bills



Our Budget Billing lets you take control of your expenses and avoid the surprise of seasonally high bills.

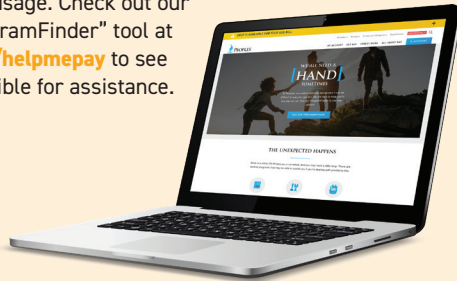
The budget plan is your yearly gas usage averaged over a twelve-month period. This allows you to pay a more consistent amount throughout the year. Peoples calculates your budget by comparing past usage information for your home with projected weather conditions and rates. To prevent any shortages or overages, Peoples will review your gas usage over the past quarter and adjust your budget amount higher or lower.

You can leave Budget Billing at any time; however, when you unenroll, your account balance will be due in full.

Joining Budget Billing is easy! Sign up online at peopleseaccount.com or call us at 1-800-764-0111.

“PROGRAMFINDER” - Online Assistance Tool

With the winter heating season approaching, Peoples can connect you with programs to help with utility bills through energy assistance, lower monthly payments and reducing energy usage. Check out our confidential “ProgramFinder” tool at peoples-gas.com/helpmepay to see if you may be eligible for assistance.



You Have A Choice

Did you know that Energy Choice is available to Pennsylvania utility customers?

You do not have to purchase your natural gas from Peoples. The Energy Choice Program provides you the option of purchasing your natural gas from a state approved supplier. Visit peoples-gas.com/shopforgas for additional details, or visit the Pennsylvania Gas Switch website, pagasswitch.com, for a list of natural gas suppliers and current offers.



EMERGENCY SERVICE 1-800-400-4271

Our emergency personnel are on duty to assist you 24 hours a day, 7 days a week. If you smell a natural gas odor, suspect a leak, or there is an explosion or fire, leave the area immediately and then call us at **1-800-400-4271**.

Please use this number only in an emergency.



Ask to See ID

Remember to always ask to see ID when a Peoples service employee visits your home.

In order to give you peace of mind, Peoples requires all of its customer service employees to wear photo identification. If you don't see it when one of our employees comes to your home, ask for it. Our employees will gladly show you their photo ID.

ALL Peoples employees carry an ID card with their name, photo and the Peoples logo. Also, look for a vehicle with the Peoples logo. Please contact customer service at **1-800-764-0111** with any questions or concerns.



1-800-764-0111 • peoples-gas.com

Individuals with Hearing Loss
Call 711 or 1-800-654-5988 TTY# 1-800-654-5984

@PeoplesNatGas @Peoples

Exhibit RFB-3



PEOPLESVIEW

Peoples Programs Are Here to Help Keep You Warm This Winter!

NOVEMBER 2022



www.peoples-gas.com

If you or someone you know needs help paying their winter gas bills, please dial **1-800-400-WARM (9276)** or visit **PEOPLES-GAS.COM/HELPMEPAY** Exhibit RFB-3



LIHEAP & CAP

The **Low Income Home Energy Assistance Program (LIHEAP)** provides grants for customers with limited incomes. LIHEAP is not a loan. It is a government grant applied directly to help pay your Peoples heating bill.

Peoples Customer Assistance Program (CAP) is an affordable monthly payment plan, based on income, for customers who meet income guidelines. Participants make reasonable payments to maintain gas service and can earn credits to reduce their balance each month.

2022 – 2023 INCOME GUIDELINES

150% Federal Poverty Level

Homeowners and Renters May Qualify When:

HOUSEHOLD SIZE*	GROSS MONTHLY INCOME	GROSS ANNUAL INCOME
1	\$1,698	\$20,385
2	\$2,288	\$27,465
3	\$2,878	\$34,545
4	\$3,468	\$41,625
5	\$4,058	\$48,705
6	\$4,648	\$55,785
7	\$5,238	\$62,865
8	\$5,828	\$69,945
For each additional person add	\$590	\$7,080



Dollar Energy Fund (DEF) provides grants to people with limited incomes who make a good faith payment toward their bills.

2022 – 2023 INCOME GUIDELINES

200% Federal Poverty Level

Homeowners and Renters May Qualify When:

HOUSEHOLD SIZE*	GROSS MONTHLY INCOME	GROSS ANNUAL INCOME
1	\$2,265	\$27,180
2	\$3,052	\$36,620
3	\$3,838	\$46,060
4	\$4,625	\$55,500
5	\$5,412	\$64,940
6	\$6,198	\$74,380
7	\$6,985	\$83,820
8	\$7,772	\$93,260
For each additional person add	\$787	\$9,444

*All members of household regardless of age



Share the Gift of Warmth with Someone You Love

In just a few easy online steps, you can make a payment toward your loved one's gas bill. Delight a family member, friend or neighbor with the Gift of Warmth for this Holiday Season!



[Peoples-Gas.com/Gift](https://www.peoples-gas.com/Gift)

Landlord Automatic Transfer Program

Landlords — Did you know you can protect your rental property from gas shut-offs when tenants move out?



Download the form at [peoples-gas.com/landlord](https://www.peoples-gas.com/landlord). When you enroll in

this program, Peoples will automatically transfer the natural gas account into your name when a tenant requests a gas shutoff at the rental property, and the service will remain in your name until a new tenant requests service. A nominal fee may apply to the transfer. Call us for more information.

Furnace Safety Tip

Have your gas furnace inspected by a qualified professional before cold temperatures arrive.

For more tips, visit [peoples-gas.com/furnace](https://www.peoples-gas.com/furnace)



EMERGENCY SERVICE 1-800-400-4271

Our emergency personnel are on duty to assist you 24 hours a day, 7 days a week. If you smell a natural gas odor, suspect a leak, or there is an explosion or fire, leave the area immediately and then call us at **1-800-400-4271**.

Please use this number only in an emergency.



Ask to See ID

Remember to always ask to see ID when a Peoples service employee visits your home.

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1-800-764-0111 • [peoples-gas.com](https://www.peoples-gas.com)

Individuals with Hearing Loss
Call 711 or 1-800-654-5988 TTY# 1-800-654-5984

@PeoplesNatGas @Peoples

Exhibit RFB-3



PEOPLESVIEW

Share the Gift of Warmth With Someone You Love!

DECEMBER 2022



www.peoples-gas.com

LIHEAP & CAP

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150% Federal Poverty Level

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For each additional person add	\$590	\$7,080



Dollar Energy Fund (DEF) provides grants to people with limited incomes who make a good faith payment toward their bills.

2022 - 2023 INCOME GUIDELINES

200% Federal Poverty Level

Homeowners and Renters May Qualify When:

HOUSEHOLD SIZE*	GROSS MONTHLY INCOME	GROSS ANNUAL INCOME
1	\$2,265	\$27,180
2	\$3,052	\$36,620
3	\$3,838	\$46,060
4	\$4,625	\$55,500
5	\$5,412	\$64,940
6	\$6,198	\$74,380
7	\$6,985	\$83,820
8	\$7,772	\$93,260
For each additional person add	\$787	\$9,444

*All members of household regardless of age

Budget Now for Winter Bills



Our Budget Billing lets you take control of your expenses and avoid the surprise of seasonally high bills.

The budget plan is your yearly gas usage averaged over a twelve-month period. This allows you to pay a more consistent amount throughout the year. Peoples calculates your budget by comparing past usage information for your home with projected weather conditions and rates.

To prevent any shortages or overages, Peoples will review your gas usage over the past quarter and adjust your budget amount higher or lower.

You can leave Budget Billing at any time; however, when you unenroll, your account balance will be due in full.

Joining Budget Billing is easy! Sign up online at peopleseaccount.com or call us at 1-800-764-0111.

Winter Tips

Don't Let Water Pipes Freeze

Locate pipes that are most prone to freezing - those near outer walls, in crawl spaces or in attics. Both copper and plastic water pipes can burst. If pipes are close to an exposed outside wall, open the cabinet door to let room heat in. Wrap pipes with pipe insulation or layers of newspaper with plastic to keep out moisture.

It only takes a day or two of sub-freezing temperatures to cause damage. If you plan to be away from home for a period of time, consider "winterizing" your pipes (turning off the main water valve and opening all faucets to drain the system), even if you have someone looking in on your home while you're gone. Be aware that leaks sometimes don't show up until a pipe thaws, which can cause extensive damage to walls.

If you own a rental property (vacant or occupied), check frequently to be sure the building is adequately heated or, in the case of a vacant property, consider winterizing the building using the tips above.

If your water pipes do freeze, call a professional to thaw them. NEVER use a torch.

Keep Meters Clear

Never tie (tether) pets to gas meters or use gas meters to hang garden hoses or other tools.

Keeping a clear path to your gas meter not only helps Peoples employees trying to perform routine maintenance but also allows emergency responders quick access should the need arise.

Remove snow and ice from your natural gas meter with a broom or brush, but never kick or try to chip ice with a hard object.

Look up! Ice can break off of gutters and overhangs and damage a meter if struck, or ice can melt during the day and splash up into regulator vents then freeze again at night, which may lead to improper pressures.

Keep ignition sources at least 3 feet away from your gas meter and from appliance vents or intakes. Appliance flue products contain moisture, which could freeze in cold weather and also cause corrosion.

Never hang a light bulb near a meter for heat.

Gas meters with regulators require open air around them, **so never box in or wrap your meter with blankets.**

Exhibit RFB-3

STAY WARM & SAVE MONEY



Peoples-Gas.com

DON'T FORGET TO CHECK THESE BOXES OFF...

Your Save Money, Keep Warm Checklist:



PROGRAMFINDER

- Our anonymous and confidential tool to find out if you're eligible for Peoples customer support programs.
- www.peoples-gas.com/help



DIAL: 800-400-WARM (9276)



APPLY FOR CAP

- An affordable bill based on household income.
- Earn monthly credits to reduce your balance faster.



APPLY FOR DOLLAR ENERGY FUND

- A grant that helps you pay your gas bill.



LEARN ABOUT LIHEAP

- A federally funded grant program that provides a grant directly to your gas bill account.

IT'S
EASY!



WE'RE HERE TO HELP

Exhibit RFB-3

Remember
to Replace your
**FURNACE
FILTER** during
the **Heating Season**

TO LEARN MORE FURNACE SAFETY TIPS
Visit: Peoples-Gas.com/furnace





Maintaining Your Furnace For Safety and Efficiency is Important

Follow these tips to make sure your furnace is operating properly:

- Replace your furnace filter monthly during the heating season to obtain maximum efficiency
- In order to help the air flow properly, keep heat registers and cold air returns clean and clear of furniture and draperies



PEOPLES™

An  Essential Utilities Company

Exhibit RFB-3



Peoples' Customer Support Resources: *Digital Toolkit for Partners*

At Peoples, we believe in doing everything we can to help our customers who may need assistance paying their bills – especially during colder months.

Every year, we continue to see more of our customers visit our website, engage with us on social media, and utilize the digital tools we provide. With that in mind, we created a variety of digital assets to help reach customers through those channels.

As our partner, we want to share those resources with you to help leverage your own digital campaigns. By working together, we hope to reach even more people and ensure our customers stay safe and warm this winter.

ProgramFinder

The Peoples ProgramFinder online tool invites customers to anonymously input their information, and the ProgramFinder will show them which assistance programs they may be eligible for, based on their state, income and other factors. The ProgramFinder will also show customers how to apply to each program. We encourage our partners to share this easy, helpful tool with anyone who may need assistance with their energy bills.

Visit www.peoples-gas.com/help to view our ProgramFinder tool.

Pages on Peoples-Gas.com

At the top of all these pages under the page title, you will see embedded buttons to share the page on Facebook, Twitter, LinkedIn and via email. Please feel free to use these buttons for any pages and articles on our website to share directly with your employees, on your social media pages and even email the page/article directly to someone.

- Main “Help Me Pay” page: www.peoples-gas.com/my-account/help-pay/
- Winter Safety page: www.peoplesgas.com/all-about-gas/safety/winter.php
- Peoples Customer Assistance Program (CAP – PA only): www.peoples-gas.com/my-account/help-pay/pa/assistance-program.php



- Dollar Energy Fund (PA only): www.peoples-gas.com/my-account/help-pay/pa/dollar-energy-fund.php
- LIHEAP (PA Only): www.peoples-gas.com/my-account/help-pay/pa/liheap.php
- How to Sign Up for Budget Billing: www.peoples-gas.com/my-account/pay-bill/options.php
- How to Get Your Bill Delivered to Your Phone Using Google Pay or Apple Wallet: www.peoples-gas.com/news/wallet
- How to Sign Up for Peoples e-Account: www.peoples-gas.com/my-account/pay-bill/e-account.php
- Pay Your Bill Using Western Union Speedway: www.peoples-gas.com/speedpay
- Save Money on Energy: www.peoples-gas.com/my-account/understand/save-money.php

Articles on Peoples-Gas.com

Our partners have permission to re-publish any of the following articles on your own websites, in customer newsletters, etc. Please include a reference under the article like: “Article provided by Peoples. To learn more, visit www.peoples-gas.com or follow them on social media @peoplesnatgas.

- 10 Fall Safety Tips: www.peoples-gas.com/news/fall-safety
- Beat the Heat and Save on Energy: www.peoples-gas.com/news/beat-heat
- What Does My Gas Bill Pay For? www.peoples-gas.com/news/gas-bill-pays
- How to Prevent Frozen Pipes: www.peoples-gas.com/news/prevent-frozen-pipes
- Winter Tip: Keep Your Gas Meter Clear: www.peoples-gas.com/news/gas-meter-clean
- Stay Safe – Quick Tips for Natural Gas Lines and Appliances: www.peoples-gas.com/news/stay-safe
- Save Money on Energy by Weatherproofing Your Home: www.peoples-gas.com/news/weatherproof-your-home



Videos

- Helping Customers Pay Their Gas Bill: <https://youtu.be/AFYp7bUonaQ>
- Keep Your Gas Bill Steady All Year with Budget Billing: <https://www.youtube.com/watch?v=PlzO3mMlpN0>
- What Your Gas Bill Pays For: <https://www.youtube.com/watch?v=BhTm8seBvLg>
- Save Money on Your Gas Bill with Our Customer Assistance Program: <https://www.youtube.com/watch?v=uTsuMOJRedo>
- Save Money on Energy by Weatherizing Your Home: <https://www.youtube.com/watch?v=71mzeUZuy6U>
- How Can LIHEAP Help Me?: <https://www.youtube.com/watch?v=6CVO3Ykwi-8>
- Gas Guys Video Series:
 - How to Save Money on Energy: <https://www.youtube.com/watch?v=kxMNUuKtmZ0>
 - Tips for Your Thermostat: <https://www.youtube.com/watch?v=5NzGOI6TIno>
 - Five Quick Tips to Save on Gas: <https://www.youtube.com/watch?v=vA9qmJI4NMQ>
 - How to Use a Thermal Leak Detector: https://www.youtube.com/watch?v=ObCBV_UYDB4
 - How to Vent Your Radiator: <https://www.youtube.com/watch?v=3XAhp7vol6U>
 - How to Save with Your Hot Water Heater: <https://www.youtube.com/watch?v=9SmJllx4joQ>
 - Tips on Insulating Your Furnace: <https://www.youtube.com/watch?v=1vil6bwkNtM>
 - How to Save With Your Furnace: https://www.youtube.com/watch?v=cLV_FCxJ_cw
 - Tips for Sealing Your Doors: <https://www.youtube.com/watch?v=qlmRzyZWqTw>
 - How to Use a Caulking Gun: <https://www.youtube.com/watch?v=oGxPcPGyVzU>
 - How to Save with Your Boiler: <https://www.youtube.com/watch?v=aM0emb17QFM>
 - The Gas Guys: A Life in Service: <https://www.youtube.com/watch?v=UEm3Cu9INSE>



Social Media - Connect

Peoples regularly shares interesting, helpful information about our customer support programs on our social media channels. We encourage all of our partners to follow us, so they can share that information with their own followers. We also make a point to share partner content on our own channels, so please feel free to tag us in any posts that you think would benefit our customers.

- Facebook, Twitter, Instagram: @peoplesnatgas
- LinkedIn: Peoples Natural Gas
- YouTube Channel:
<https://www.youtube.com/channel/UCnyPlwLccqTmY0m63ztmGpg>

Social Media – Sample Posts

- Twitter: If you're a @peoplesnatgas customer and need help paying your gas bill, we encourage you to check out the Peoples ProgramFinder. See which support programs you may be eligible for and how to apply: www.peoples-gas.com/help.
- Facebook: Sometimes, you might just need a little help paying your bills. We understand – and so does our partner, Peoples. If you're a Peoples customer and you're having trouble paying your gas bill, we encourage you to use the Peoples ProgramFinder to see which assistance programs you may be eligible for and learn how to apply: www.peoples-gas.com/help.

Email Marketing Campaign

Peoples is continuing to use email marketing to share important information and to engage with our customers. If your organization would like to be mentioned in an email marketing piece to our customers, please contact Sean Kelly at SKelly@AquaAmerica.com

CONFIDENTAL



Peoples | Q1 2023
Usage Reduction Program
Paid Social Copy

CONFIDENTAL

CONFIDENTAL

Campaign: Usage Reduction Program

Avenues: Facebook

Campaign Objectives: Traffic

Targets: Peoples Service Territory by Zip – *Low-Income Audience*

Date: ASAP – February 28, 2023

Facebook Ads

Ad One

Copy: Improve the safety and comfort of your home by efficiently using your energy this heating season.

Headline: Weatherize Your Home

Description: Program for Limited Income Households

Button: Learn More

Landing Page: [HERE](#)



Ad Two

Copy: Weatherize your home this heating season and make your home more energy efficient.

Headline: Peoples Usage Reduction Program

Description: Program for Limited Income Households

Button: Learn More

Landing Page: [HERE](#)



CONFIDENTAL

XX/XX/XXXX

NAME

METER NO: XXXXXX

ADDRESS 1

ACCOUNT NO: XXXXXXXXXXXXXXXX

ADDRESS 2

SERVICE ADDRESS: ADDRESS

Enrolling in the Customer Assistance Program (CAP) Will Stop Termination

When you sign up, any balance you owe is frozen. You will receive a credit towards that balance every month when you make your CAP payment.

The ~~Customer Assistance Program (CAP)~~ CAP has several benefits:

- Lower monthly payment.
- No late fees.
- Pay off your frozen balance faster.

To learn more and apply:

Call Peoples today at 1-800-400-9276 Monday through Friday from 7 a.m. to 5 p.m. to learn more ~~about CAP~~ and apply over the phone. [You can also apply online at https://www.hardshiptools.org/MyApp/.](https://www.hardshiptools.org/MyApp/)

You may be eligible if ~~your~~ the gross income (income before taxes) for adults in the household ~~income~~ is at or below:

Number of people in your household	Total Monthly Income (before taxes)
1	\$2,430
2	\$3,287
3	\$4,143
4	\$5,000
5	\$5,857
6	\$6,713
7	\$7,570
8	\$8,427
For each extra person, add:	\$857

PEOPLES NATURAL GAS

To learn more, call Peoples at 1-800-400-9276. We can help you enroll today.

Add Spanish notice here

April 1, 2022

2116
 [Redacted]

RE: ACCOUNT NO:
 [Redacted]
 SERVICE ADDRESS:
 [Redacted]
 Meter NO:

Enrolling in the Customer Assistance Program (CAP) Will Stop Termination

When you sign up, any balance you owe is frozen. You will receive a credit towards that balance every month when you make your CAP payment.

The Customer Assistance Program (CAP) has several benefits:

- **Lower monthly payment.**
- **No late fees.**
- **Pay off your frozen balance faster.**

To learn more and apply:

Call Peoples today at 1-800-400-9276 Monday through Friday from 7:00 a.m. to 5:00 p.m. to learn more about CAP and apply over the phone.

You may be eligible if your household income is at or below:

Number of people in your household	Total Monthly Income (before taxes)
1	\$2,146
2	\$2,903
3	\$3,660
4	\$4,416
5	\$5,173
6	\$5,930
7	\$6,686
8	\$7,443
For each extra person, add:	\$756

**To learn more, call Peoples at 1-800-400-9276.
 We can help you enroll today.**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

PEOPLES NATURAL GAS COMPANY
LLC

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Docket No. R-2023-3044549

**PREPARED DIRECT TESTIMONY OF
RUDOLPH HANECHAK
FINANCIAL ANALYSIS & BUDGET MANAGER
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: December 29, 2023

Peoples Statement No. 10

DATE ADMITTED: _____

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Rudolph Hanechak. My business address is 375 North Shore Drive, Pittsburgh,
3 PA 15212

4
5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am employed by PNG Companies LLC (“PNG Companies”) as Financial Analysis and
7 Budget Manager. PNG Companies provides various administrative functions for Peoples
8 Natural Gas Company LLC (“Peoples” or the “Company”) including Budgeting.

9

10 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL**
11 **BACKGROUND.**

12 A. I received a Bachelor’s of Science in Accounting from Duquesne University in 1998 and a
13 Masters in Organizational Leadership from Geneva College in 2005. Since graduation I
14 have held positions in Accounting and Finance in various organizations. Most recently I
15 was with ERIKS North America, an Industrial Distribution company for 10 years where I
16 was the Director of Financial Planning and Analysis. I began working at PNG Companies
17 in February 2023 as the Financial Analysis and Budget Manager.

18

19 **Q. PLEASE SUMMARIZE THE SCOPE OF YOUR TESTIMONY.**

20 A. My testimony supports and sponsors information related to non-income taxes.

21

22 **Q. ARE YOU SPONSORING ANY EXHIBITS AS PART OF YOUR TESTIMONY?**

1 A. Please refer to Appendix A to this testimony for a list of exhibits and filing requirements
2 that I am sponsoring.

3

4 **Q. WHAT NON-INCOME TAXES ARE INCLUDED IN DETERMINING THE**
5 **COMPANY’S REVENUE REQUIREMENT?**

6 A. There are five such items (see **Exhibit 6, Schedule 2**). They are:

- 7 • PUC Assessment;
- 8 • Payroll taxes (FICA and unemployment taxes);
- 9 • Property taxes (including Public Utility Realty Tax Act (“PURTA”));
- 10 • Sales and use tax; and
- 11 • Other miscellaneous taxes.

12

13 **Q. WHAT IS THE TOTAL AMOUNT OF NON-INCOME TAXES?**

14 A. The total amount of non-income tax expense for the fully projected future test period at
15 proposed rates is \$11.9 million, as shown in **Exhibit 6, Schedule 2**.

16

17 **Q. HOW WERE THE NON-INCOME TAX AMOUNTS DERIVED?**

18 A. The individual amounts of the projected levies were derived in different ways. In the case
19 of payroll and unemployment taxes, the tax expense for the historical test year (“HTY”)
20 was divided by the labor expense in the current year to derive an experience factor. The
21 experience factor was then applied to the Fully Projected Future Test Year (“FPFTY”)
22 labor to derive the projected expense, as shown on **Exhibit 6, Schedule 2**.

23

1 In the case of the PUC assessment, the FPFTY was adjusted from the historical year to
2 reflect the most recent assessment by the PUC. The increase in PUC assessment costs was
3 calculated using a five-year weighted average increase.

4
5 Property tax was increased by using a three-year weighted average of the first eight months
6 of each year.

7
8 Sales and Use tax was kept at its historical level.

9

10 **Q. PLEASE EXPLAIN THE ADJUSTMENT MADE TO THE OTHER CATEGORY.**

11 **A.** The Company has one adjustment to the other category. The amount of \$1,261,000 was
12 added to the Future Test Year and an additional increase to thar amount of \$441,000 was
13 added to the FPFTY for Emissions fees to be charged to the Company under a provision
14 within the Inflation Reduction Act of 2022. For further information on these Emissions
15 Fees please refer to the Statement No. 4 – the Direct Testimony of Edward Palombo.

16

17 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

18 **A.** Yes, it does.

Appendix A

Filing Requirements Sponsored by

Rudolph Hanechak

	<u>Exhibit/SDR</u>	<u>Filing Requirement</u>
1	Ex. 6, Sch. 1	53.53.III.E.35
2	Ex. 6, Sch. 2	53.53.III.A.50
3	Ex. 6, Sch. 3	53.53.III.A.48
4	Ex. 6, Sch. 4	53.53.III.A.49
5	Ex. 19, RR 48	
6	Ex. 19, RR 49	

1 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN ANY REGULATORY**
2 **PROCEEDING?**

3 A. Yes. I have previously submitted testimony before the Pennsylvania Public Utility
4 Commission (“Commission”) in regulatory proceedings. I testified in Peoples Natural Gas
5 Company’s 1307(f) proceeding at Docket No. R-2022-3030661, Docket No. R-2023-
6 3037928, Peoples Gas’s 1307(f) proceedings at Docket No. R-2022-3030664 and Docket
7 No. R-2014-2399598 as well as Peoples Gas’s 2013 Rate Case Proceeding Docket No. R-
8 2013-2355886.

9
10 **Q. ARE YOU SPONSORING ANY FILING REQUIREMENTS OR OTHER**
11 **EXHIBITS?**

12 A. Yes, I am. Attached to this Direct Testimony as Appendix A is a complete list of the
13 exhibits for which I am the responsible witness.

14
15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

16 A. I am responsible for developing the value of the Company’s rate base. In doing that, I have
17 prepared **Peoples Natural Gas Exhibit No. 8, Schedule No. 2**, which reflects Peoples’
18 Measures of Value for the historic test year (HTY), the future test year (FTY) and the fully
19 projected future test year (FPFTY), for Peoples Natural Division, Peoples Gas Division
20 and on a combined basis and **Peoples Natural Gas Exhibit No. DF-1**, which is a
21 workpaper showing the derivation of the fully projected future test year plant in service for
22 Peoples Natural Division and Peoples Gas Division. Also, I will present and explain the
23 various Retail and Gas Supply tariff provisions proposed by the Company in this

1 proceeding. Throughout my testimony, references to Peoples Natural Gas, Peoples, and the
2 Company, includes both Peoples Natural Division and Peoples Gas Division unless
3 described otherwise.

4
5 **RATE BASE**

6
7 **Q. WHAT DO YOU MEAN WHEN YOU SAY THAT PEOPLES NATURAL GAS**
8 **EXHIBIT NO. 8, SCHEDULE NO. 2 REFLECTS MEASURES OF VALUE FOR**
9 **THE FULLY PROJECTED FUTURE TEST YEAR OR FPFTY?**

10 A. In complying with the Commission’s filing requirements for a general rate case, Peoples
11 has traditionally filed its base rate cases using a historic test year and future test year as set
12 forth in section 53.53(b) of the Commission’s regulations, 52 Pa. Code § 53.53(b). The
13 use of a future test year as support for a general rate increase is authorized by Section 315
14 of the Public Utility Code, 66 Pa. C.S. § 315. With the enactment of Act 11 of 2012,
15 effective April 12, 2012, Section 315 was amended to also permit use of a “fully projected
16 future test year” in rate cases. The fully projected future test year is defined as the 12-
17 month period that begins with the first month that the new rates will be placed into effect,
18 after application of the full suspension period permitted under Section 1308(d). Based on
19 the filing date of this case, the fully projected future test year is the 12-month period
20 beginning October 1, 2024 and ending September 30, 2025. Peoples has elected to utilize
21 a fully projected future test year in this case, which I refer to in this testimony as either the
22 fully projected future test year or FPFTY. Consistent with this election, I have determined
23 the Company’s rate base by projecting the facilities to be in service during the FPFTY.

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Q. PLEASE EXPLAIN HOW PEOPLES' FULLY PROJECTED FUTURE TEST YEAR PLANT IN SERVICE WAS DEVELOPED.

A. The FPFTY plant in service for both Peoples Natural Division and Peoples Gas Division was determined by taking the adjusted plant balance of \$4,040,519,363 and \$460,728,386 as of the end of the HTY, August 31, 2023, respectively, and then adding forecasted plant additions and subtracting forecasted retirements through the end of the FPFTY, or September 30, 2025.

Q. WHAT WAS YOUR NEXT STEP IN DETERMINING THE ORIGINAL COST OF PLANT IN SERVICE AS OF SEPTEMBER 30, 2025?

A. I determined the total plant additions from Peoples' 2023 and 2024 Capital Budgets and the amount of Construction Work in Progress ("CWIP") as of August 31, 2023 that will close to plant in 2023 or early 2024. These additions to plant are reflected on **Peoples Natural Gas Exhibit No. DF-1**, column 5.

Q. HOW DID YOU DETERMINE THE AMOUNT OF FORECASTED PLANT ADDITIONS FROM THE 2023 AND 2024 CAPITAL BUDGETS THAT WILL CLOSE TO PLANT IN THE FTY?

A. These amounts were determined by applying known closing criteria to the 2023 and 2024 Capital Budgets. The known closing criteria take into consideration the length of time it generally takes for the completion and placement into service of construction projects that take longer than one month to complete. For example, a transmission pipeline replacement

1 project is estimated to take five months to finish and be placed in service, whereas a
2 distribution system measurement and regulating station project is estimated to take two
3 months for completion. These guidelines on closing criteria were supplied by Peoples'
4 Operations Department. Please note that certain projects include information technology
5 costs for business process reengineering, current state assessment, preliminary software
6 project stage activities, data conversion and training.

7
8 **Q. HOW DID YOU DETERMINE THE AMOUNT OF CWIP AS OF AUGUST 31, 2023**
9 **THAT WILL CLOSE TO PLANT IN 2023 OR EARLY 2024?**

10 A. I used the same closing criteria that was applied to the 2023 and 2024 Capital Budgets.
11 Additionally, a list of projects that were known to be closing was provided to me by the
12 Plant Accounting section of the Accounting Department, and I incorporated those closings
13 into the FPFTY plant-in-service projection.

14
15 **Q. HOW DID YOU FORECAST PLANT RETIREMENTS FOR 2023 AND 2024?**

16 A. Forecasted retirements were based on two primary drivers: 1) an adjusted three-year
17 historical average of plant retirements, by FERC account, and 2) additional retirements for
18 General Plant developed and described in the testimony of Peoples' Witness John J. Spanos
19 in Peoples Natural Gas Statement No. 14. Forecasted retirements for 2023 and 2024 are
20 shown on **Peoples Natural Gas Exhibit No. DF-1**, column 6.

21
22 **Q. WHAT WAS YOUR NEXT STEP IN DETERMINING THE ORIGINAL COST OF**
23 **PLANT IN SERVICE AS OF SEPTEMBER 30, 2025, THE END OF THE FPFTY?**

1 A. I added the amount of plant from the 2024 and 2025 Capital Budgets and the amount of
2 CWIP from the 2024 Capital Budget that is expected to close to plant prior to September
3 30, 2025. Those amounts are reflected on **Peoples Natural Gas Exhibit No. DF-1**,
4 columns 8 and 11.

5
6 **Q. HOW DID YOU DETERMINE THE AMOUNT OF FORECASTED PLANT**
7 **ADDITIONS FROM THE 2024 AND 2025 CAPITAL BUDGETS AND THE**
8 **AMOUNT OF CWIP AS OF AUGUST 31, 2024 THAT WILL CLOSE TO PLANT**
9 **IN 2024 AND 2025?**

10 A. In the same manner as I did for the 2023 Capital Budget, I applied the closing criteria, as
11 supplied by Peoples' Operations Department, to the 2024 and 2025 Capital Budgets and
12 the August 31, 2024 projected CWIP balance. Under those closing criteria, Peoples
13 construction projects generally do not last longer than five months, after which the project
14 is placed in service and closed to the appropriate plant accounts.

15
16 **Q. HAVE YOU INCLUDED ANY PLANT INVESTMENT AMOUNTS IN YOUR**
17 **RATE BASE PROJECTION THAT FALL OUTSIDE OF THE FPFTY?**

18 A. No.

19
20 **Q. HOW DID YOU FORECAST PLANT RETIREMENTS FOR THE FPFTY?**

21 A. In the same manner that I forecasted retirements for the FTY. Forecasted retirements were
22 based on an adjusted three-year historical average of plant retirements, by FERC account,

1 with additional retirement projections provided by Peoples' witness Spanos. Those
2 amounts are reflected on **Peoples Natural Gas Exhibit No. DF-1**, columns 9 and 12.

3
4 **Q. PLEASE SUMMARIZE PEOPLES' ORIGINAL COST OF GAS PLANT IN**
5 **SERVICE AS OF SEPTEMBER 30, 2025?**

6 A. As reflected on **Peoples Natural Gas Exhibit No. DF-1**, column 13, the original cost of
7 gas plant in service as of September 30, 2025 is \$5,057,382,728 and \$530,524,167 for
8 Peoples Natural Division and Peoples Gas Division, respectively. These amounts are
9 carried forward to pages 1 and 2, line 1 of **Peoples Natural Gas Exhibit No. 8, Schedule**
10 **No. 2.**

11
12 **Q. HOW DID THE COMPANY DETERMINE THE ACCRUED DEPRECIATION**
13 **AND AMORTIZATION ASSOCIATED WITH GAS PLANT IN SERVICE AS OF**
14 **SEPTEMBER 30, 2025?**

15 A. The claim for Accrued Depreciation and Amortization was supplied by Peoples' witness
16 Spanos. As explained in his testimony in this proceeding, the appropriate measure of
17 accrued depreciation for use as the deduction from the original cost in determining Peoples'
18 rate base is Peoples' adjusted book depreciation reserve as of September 30, 2025. Those
19 amounts are shown on **Peoples Natural Gas Exhibit No. 8, Schedule No. 2**, pages 1
20 through 3, line 4.

21
22 **Q. HAS THE COMPANY INCLUDED GAS STORED UNDERGROUND –**
23 **NONCURRENT IN RATE BASE?**

1 A. Yes. The cost of Gas Stored Underground – Noncurrent is \$51,833. Gas stored
2 Underground – Noncurrent includes a portion of “base” gas that Peoples maintains in its
3 storage pools that is not withdrawn, but rather, is used to maintain sufficient pressure in
4 the storage pools in order to operate in an efficient manner. The cost of this gas is
5 accounted for in Account No. 117.

6
7 **Q. HAS THE COMPANY INCLUDED GAS STORED UNDERGROUND – CURRENT**
8 **IN RATE BASE?**

9 A. Yes. The cost of Gas Stored Underground – Current is \$83,653,715 and \$13,186,152 for
10 the historic test year and \$31,254,513 and \$15,622,318 for the FPFTY for Peoples Natural
11 Division and Peoples Gas Division, respectively. Gas Stored Underground – Current is
12 the gas that Peoples injects and withdraws seasonally. This gas is accounted for in Account
13 No. 164.

14
15 **Q. HOW DID YOU DETERMINE THE COST OF GAS STORED UNDERGROUND –**
16 **CURRENT FOR INCLUSION IN RATE BASE?**

17 A. To determine the historic test year cost for Gas Stored Underground – Current, I used the
18 twelve-month average of the monthly balances in Account 164 as of August 31, 2023.
19 The FPFTY projection for Gas Stored Underground – Current was developed by using
20 projected storage activity and projected WACCOG inventory pricing.

21
22 **Q. HAS THE COMPANY INCLUDED MATERIALS AND SUPPLIES IN RATE**
23 **BASE?**

1 A. Yes. The cost of Materials and Supplies is \$4,909,681 and \$660,304 for the Peoples
2 Natural Division and Peoples Gas Division, respectively. These amounts are based on the
3 historic test year twelve-month averages of the monthly balances in Account 154.
4

5 **Q. DID YOU INCLUDE PREPAYMENTS IN RATE BASE?**

6 A. Yes, I included FPFTY prepayments of \$5,442,078 and \$334,328 for Peoples Natural
7 Division and Peoples Gas Division, respectively. These amounts are based on the historic
8 test year twelve-month averages and reflect prepayments primarily for insurance and
9 computer maintenance.
10

11 **Q. DID YOU INCLUDE AN AMOUNT FOR CASH WORKING CAPITAL IN RATE
12 BASE?**

13 A. Yes, Peoples' FPFTY cash working capital requirement of \$25,825,872 and \$4,816,740
14 for Peoples Natural Division and Peoples Gas Division, respectively, was developed and
15 provided to me by Peoples' Witness Krista Snyder, as explained in Peoples Natural Gas
16 Statement No. 12.
17

18 **Q. HAS THE COMPANY INCLUDED ANY OFFSETS OR DEDUCTIONS TO
19 WORKING CAPITAL IN ITS RATE BASE CLAIM?**

20 A. Yes. Offsets or deductions to working capital include deferred income taxes, customer
21 advances and customer deposits.
22
23

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Q. HOW DID YOU DETERMINE THE AMOUNT OF DEFERRED INCOME TAXES AS OF SEPTEMBER 30, 2025?

A. Peoples’ witness Christine Saball describes the derivation of deferred income taxes in Peoples Natural Gas Statement No. 6 in this proceeding, and she provided that amount to me to include as a reduction to the fully projected future test year rate base.

Q. WHAT ARE CUSTOMER ADVANCES, AND HOW DID YOU DETERMINE THE LEVEL OF CUSTOMER ADVANCES AS OF SEPTEMBER 30, 2025?

A. Customer advances are generally amounts paid by customers in advance of receiving service from the Company. The level of customer advances, as of September 30, 2025, was projected on the basis of the 12-month average of actual customer advances balances for the historic test year ended August 31, 2023.

Q. WHAT ARE CUSTOMER DEPOSITS, AND HOW DID YOU DETERMINE THE LEVEL OF CUSTOMER DEPOSITS AS OF SEPTEMBER 30, 2025?

A. Customer deposits are amounts paid by customers as security for the payment of bills. The level of customer deposits, as of September 30, 2025, was projected on the basis of the 12-month average of actual customer deposit balances for the historic test year ended August 31, 2023.

Q. PLEASE SUMMARIZE PEOPLES’ FPFTY RATE BASE CLAIM.

1 A. Peoples Natural Gas' FPFTY year rate base derives from a calculation that consists of four
2 components: (1) a determination of the original cost of gas plant in service as adjusted; (2)
3 a determination of the accrued depreciation and amortization associated with that plant; (3)
4 a determination of the cost of other items of property includable in rate base; and, (4)
5 appropriate reductions to working capital related to other sources of funds available to
6 Peoples, such as deferred income taxes, customer advances and customer deposits. As
7 shown on **Peoples Natural Gas Exhibit No. 8, Schedule No. 2**, , Peoples Natural Gas'
8 FPFTY rate base is \$3,887,223,960 for the Peoples Natural Gas Division, \$351,865,936
9 for the Peoples Gas Division and \$4,215,125,164 on a combined basis.

10
11 **TARIFF REVISIONS**

12
13 **Q. PLEASE DESCRIBE THE TARIFF CHANGES THAT THE COMPANY IS**
14 **PROPOSING IN THIS CASE.**

15 A. Peoples Natural Gas Division has two separate tariffs on file with the Commission.
16 Peoples' Retail Tariff, Gas – PA PUC No. 47 contains the rules and regulations, rate
17 schedules and rates applicable to services for the end-use customers. Peoples Natural Gas
18 Division Supplier Tariff, Gas - PA PUC No. S-3, contains the rules and regulations, rate
19 schedules and rates applicable to services for natural gas suppliers (“NGSs”) that operate
20 on the system. Peoples Gas Division has one tariff on file with the Commission, Gas – PA
21 PUC No. 8 contains the rules and regulations, and rate schedules for both end-use
22 customers and NGSs. The Company is proposing to merge the Peoples Natural Gas
23 Division and Peoples Gas Division tariffs into two separate combined tariffs (one for Retail

1 service and one for Supplier service, the same as Peoples Natural Gas Division current
2 tariffs exist today) that are applicable to both entities going forward. The approach taken
3 to combine the tariffs was to strike the entire Peoples Gas Division tariff and propose all
4 changes in the red-lined versions of the Peoples Natural Gas Division tariff retail and
5 supplier tariffs. Volume VI of the rate filing provides complete versions of Peoples Natural
6 Gas Division and Peoples Gas Division's current tariffs and the combined proposed tariff.
7 As mentioned, the existing tariff for Peoples Gas Division is completely struck and all
8 changes for both divisions are presented in the proposed combined tariffs for Peoples.
9 **Peoples Natural Gas Exhibit No. DF-2** provides the proposed red-lined retail tariff and
10 **Peoples Natural Gas Exhibit No. DF-3** provides the proposed red-lined supplier tariff.
11 Beginning on page 2 of each of the proposed tariffs is a detailed list of all of the revisions,
12 along with a brief description of each.

13
14 **Q. PLEASE DESCRIBE SOME OF THE MORE SUBSTANTIAL CHANGES TO THE**
15 **TARIFFS.**

16 **A.** Many of the changes involve pagination changes and other minor revisions. The more
17 substantive proposed tariff revisions are as follows:

18
19 **Retail Tariff**

- 20 ▪ Connections for Service and Extension of Facilities (Rule 4) - As a result of merging the
21 tariff language, Peoples Gas customers will adopt the Peoples Natural Gas language that
22 states, The Company, at its discretion, to extend its distribution mains up to a distance of
23 one-hundred fifty (150) feet on any street or highway without cost per residential

- 1 applicant(s).
- 2 ▪ State Tax Adjustment Surcharge – Peoples Gas Division Tariff descriptive language
3 included to detail the calculation of STAS. Peoples Gas Division customers STAS will
4 change to a surcharge percentage applied to the delivery charge. The STAS rate will be
5 zeroed upon the effective date of new rates in this proceeding. As such, the Company will
6 incorporate the change in the STAS rate calculation in the first STAS rate re-calculation
7 after the new base rates take effect.
 - 8 ▪ Weather Normalization Adjustment Charge - This WNA charge is new for both Peoples
9 Natural Gas and Peoples Gas Divisions. This charge will be used to adjust customer bills
10 to better reflect normalized weather conditions. Refer to the testimony of Carol A. Scanlon
11 at Statement No. 3 for additional information.
 - 12 ▪ Mainline Service Rate –This rate schedule is new for both the Peoples Natural Gas and
13 Peoples Gas Divisions. This rate schedule is being proposed for certain commercial and
14 industrial customers who meet certain requirements. Refer to the testimony of Luke
15 Ravenstahl at Statement No. 7 for additional information.
 - 16 ▪ AVC Capacity – New for Peoples Gas Division customers. Refer to the testimony of Carol
17 A. Scanlon at Statement No. 3 for additional information.
 - 18 ▪ Service Agreement and Flexible Rates (Rule 20) – The company added additional language
19 and revised some language with respect to its Rule 20 regarding service agreements and
20 flexible rates. The changes facilitate clarifications regarding the availability of what the
21 Company can consider as a competitive alternative and provide rate flexibility for
22 customers who want to avail themselves of new technologies using natural gas. Refer to
23 the testimony of Luke Ravenstahl at Statement No. 7 for additional information.

- 1 ▪ Rider Tax Repairs Surcredit - Refer to the testimony of Andrew Wachter at Statement No.
2 2 for additional information regarding this temporary rider.
- 3 ▪ Rider Tax Cuts and Jobs Act – This TCJA rider will be a temporary surcharge for the
4 former Peoples Gas Division customers only. Refer to the testimony of Andrew Wachter
5 at Statement No. 2 for additional information regarding this temporary rider.
- 6 ▪ Discontinuance and Termination of Service (Rule 5) – Turn on service fees were revised
7 using a weighted average method for Peoples Natural Division and Peoples Gas Division.
8 The residential turn on fee stayed the same at \$56 for Peoples Natural Gas customers and
9 increased by \$6 for Peoples Gas customers. The turn on fee for Commercial customers
10 changed to \$114. This was a \$1 decrease for Peoples Natural Gas customers and \$4
11 increase for Peoples Gas customers.
- 12 ▪ Rate Appalachian Gathering Service – This rate will now apply to production on the former
13 Peoples Gas Division system. Refer to the testimony of Andrew Wachter at Statement No.
14 2 for additional information.

15

16 **Supplier Tariff**

- 17 ▪ Elimination of AVC Storage Capacity language for Peoples Natural Gas Division.

18

19 **Q. DOES THIS COMPLETE YOUR PREPARED DIRECT TESTIMONY?**

20 **A.** Yes, it does. I reserve the right to submit additional testimony as issues arise during the
21 course of the proceeding. Thank you.

Filing Requirements Sponsored by
Dawn Folks

<u>Volume</u>	<u>Filing Requirement</u>
Ex. 1, Sch. 6	53.53.II.C.1
Ex. 8, Sch. 1	53.52(c)(1)
Ex. 8, Sch. 2	53.53.I.A.2
Ex. 8, Sch. 3	53.52(c)(3)
Ex. 8, Sch. 9	53.53.I.A.12
Ex. 8, Sch. 10	53.53.I.A.13
Ex. 8, Sch. 11	53.53.I.A.14
Ex. 8, Sch. 12	53.53.I.A.15
Ex. 8, Sch. 13	53.53.I.A.16
Ex. 8, Sch. 14	53.53.I.A.18
Ex. 8, Sch. 15	53.53.II.A.21
Ex. 8, Sch. 16	53.53.III.A.14
Ex. 8, Sch. 18	53.53.III.A.16
Ex 14, Sch 1	53.53.IV.B.6
Ex. 19, RR-14	Exhibit VI.I.RR.14
Ex. 19, RR-17	Exhibit VI.I.RR.17
Ex. 19, RR-45	Exhibit VI.II.RR.45

Exhibits Sponsored by
Dawn Folks

Peoples Natural Gas Exhibit No. DF-1
Peoples Natural Gas Exhibit No. DF-2
Peoples Natural Gas Exhibit No. DF-3

Gross Plant Rollforward
Peoples Natural Gas Division

Line No.	Account No.	Description	HTY	Future Test Year Activity		FTY	Stub Month		Stub	Fully Projected Future Test Year Activity		FPFTY
			8/31/2023	Additions	Retirements	8/31/2024	Additions	Retirements	9/30/2024	Additions	Retirements	9/30/2025
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Intangible Plant												
1	301.0	Organization	49,770	-	-	49,770	-	-	49,770	-	-	49,770
2	302.0	Franchises and Consents	-	-	-	-	-	-	-	-	-	-
3	303.0	Misc Intangible Plant	99,557,053	8,183,434	(29,355,036)	78,385,452	1,241,077	(1,926,038)	77,700,491	12,976,931	(22,910,488)	67,766,933
4	303.1	Misc Intangible Plt-10%	1,666,256	-	-	1,666,256	-	-	1,666,256	-	-	1,666,256
5		Total	101,273,079	8,183,434	(29,355,036)	80,101,478	1,241,077	(1,926,038)	79,416,517	12,976,931	(22,910,488)	69,482,959
Gas Production & Gathering Plant												
6	325.11	Producing Lands-1.44%	138,965	-	-	138,965	-	-	138,965	-	-	138,965
7	325.1	Producing Lands	-	-	-	-	-	-	-	-	-	-
8	325.21	Producing Leaseholds (Group)	10,016	-	-	10,016	-	-	10,016	-	-	10,016
9	325.2	Producing Leaseholds	-	-	-	-	-	-	-	-	-	-
10	325.3	Gas Rights	20,984	-	-	20,984	-	-	20,984	-	-	20,984
11	325.4	Rights of Way	1,628,853	-	-	1,628,853	-	-	1,628,853	-	-	1,628,853
12	325.5	Other Land and Land Rights	47,095	-	-	47,095	-	-	47,095	-	-	47,095
13	327.0	Field Comp Station-Land Impr	11,674,554	-	(24,517)	11,650,037	-	(2,039)	11,647,998	-	(24,461)	11,623,537
14	328.0	Field Meas & Regul Sta Struct	62,778	317,200	(281)	379,697	32,500	(141)	412,056	182,000	(1,841)	592,214
15	329.0	Other Structures-Land Impr	1,926,214	-	(7,512)	1,918,701	-	(624)	1,918,078	-	(7,481)	1,910,597
16	330.0	Producing Gas Wells-Well Const	9,221	-	-	9,221	-	-	9,221	-	-	9,221
17	331.0	Producing Gas Wells-Well Equip	2,984	-	-	2,984	-	-	2,984	-	-	2,984
18	332.0	Field Lines	72,418,300	11,092,923	(296,915)	83,214,308	715,556	(28,432)	83,901,432	7,265,751	(343,996)	90,823,187
19	333.0	Field Compressor Station Equip	43,381,803	-	(1,245,058)	42,136,745	-	(100,777)	42,035,968	-	(1,206,432)	40,829,536
20	334.0	Field Meas & Regul Sta Equip	3,489,715	213,900	(1,745)	3,701,870	25,300	(154)	3,727,016	243,000	(1,864)	3,968,152
21	337.0	Other Equipment	66,192	-	(649)	65,544	-	(54)	65,490	-	(642)	64,848
22		Total	134,877,673	11,624,023	(1,576,676)	144,925,021	773,356	(132,220)	145,566,156	7,690,751	(1,586,716)	151,670,191
Underground Storage Plant												
23	350.1	Land-Underground Storage Plant	16,824	-	-	16,824	-	-	16,824	-	-	16,824
24	350.2	Rights of Way-Undrgrnd Stor Plt	46,800	-	-	46,800	-	-	46,800	-	-	46,800
25	351.0	Struct & Imprmnt-USP-Land Imp	1,800,679	-	-	1,800,679	-	-	1,800,679	-	-	1,800,679
26	352.01	Well Construction-USP	803,281	600,077	(13,139)	1,390,219	43,680	(1,895)	1,432,004	665,028	(23,424)	2,073,608
27	352.02	Well Equipment-USP	282,543	-	-	282,543	-	-	282,543	-	-	282,543
28	352.11	Storage Leaseholds-USP	161,937	-	-	161,937	-	-	161,937	-	-	161,937
29	352.12	Storage Rights-USP	20,734	-	-	20,734	-	-	20,734	-	-	20,734
30	352.2	Reservoirs-Underground Storage	433,139	-	-	433,139	-	-	433,139	-	-	433,139
31	352.3	Nonrecoverable Natural Gas-USP	205,251	-	-	205,251	-	-	205,251	-	-	205,251
32	353.0	Lines-Underground Storage Plt	2,139,393	756,080	(214)	2,895,259	116,320	(24)	3,011,555	2,199,175	(301)	5,210,429
33	354.0	Compressor Stat Equip-USP-Eqp	7,574,441	-	-	7,574,441	-	-	7,574,441	-	-	7,574,441
34	355.0	Meas & Regul Equip-Underground	75,749	327,548	(1,239)	402,058	-	(548)	401,510	-	(6,568)	394,942
35	357.0	Other Equipment-Underground	30,184	-	-	30,184	-	-	30,184	-	-	30,184
36		Total	13,590,954	1,683,705	(14,592)	15,260,067	160,000	(2,467)	15,417,600	2,864,203	(30,292)	18,251,511
Transmission Plant												
37	365.1	Land and Land Rights-Trans	261,389	-	-	261,389	-	-	261,389	-	-	261,389
38	365.2	Rights of Way-Transmission	2,777,501	-	(338,783)	2,438,718	-	(24,788)	2,413,930	-	(294,437)	2,119,493
39	366.0	Structures & Impr-Trans M&R	1,654,058	-	(331)	1,653,727	-	(28)	1,653,700	-	(331)	1,653,369
40	366.1	Structures & Impr-Trans Compr	1,397,311	-	-	1,397,311	-	-	1,397,311	-	-	1,397,311
41	366.2	Structures & Impr-Trans Other	49,996	-	-	49,996	-	-	49,996	-	-	49,996
42	367.0	Mains-Transmission Plant	158,653,371	80,639,319	(142,788)	239,149,901	11,107,893	(17,936)	250,239,858	123,520,256	(225,216)	373,534,898
43	368.0	Compressor Station Equip-Trans	11,611,416	9,361,321	(58,057)	20,914,680	129,500	(8,714)	21,035,466	2,550,000	(105,177)	23,480,288
44	369.0	Measuring & Regul Equip-Trans	35,041,590	1,382,850	(66,579)	36,357,861	350,000	(5,757)	36,702,104	2,840,000	(69,734)	39,472,370
45	371.0	Other Equipment-Transmission	2,650,785	-	(10,073)	2,640,712	-	(836)	2,639,876	-	(10,032)	2,629,845
46		Total	214,097,417	91,383,490	(616,611)	304,864,296	11,587,393	(58,059)	316,393,630	128,910,256	(704,926)	444,598,960

Gross Plant Rollforward
Peoples Natural Gas Division

Line No.	Account No.	Description	HTY	Future Test Year Activity		FTY	Stub Month		Stub	Fully Projected Future Test Year Activity		FPFTY
			8/31/2023	Additions	Retirements	8/31/2024	Additions	Retirements	9/30/2024	Additions	Retirements	9/30/2025
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Distribution Plant												
47	374.0	Land-Distribution Plant	1,047,917	-	-	1,047,917	-	-	1,047,917	-	-	1,047,917
48	374.1	Land Right of Way-Distribution	5,734,940	-	-	5,734,940	-	-	5,734,940	-	-	5,734,940
49	375.1	Structures & Impr-Dist M&R Gen	4,030,526	-	(37,887)	3,992,639	-	(3,128)	3,989,511	-	(37,501)	3,952,010
50	375.2	Structures & Impr-Dist M&R Ind	113,242	-	(1,064)	112,177	-	(88)	112,089	-	(1,054)	111,036
51	375.3	Structures & Impr-Dist Other	24,751,014	-	(232,660)	24,518,354	-	(19,206)	24,499,148	-	(230,292)	24,268,856
52	376.1	Mains-Distribution-Low Press	933,192,031	113,638,696	(2,332,980)	1,044,497,747	11,596,294	(217,604)	1,055,876,437	118,183,270	(2,639,691)	1,171,420,016
53	376.2	Mains-Distribution-Reg Press	1,054,773,472	128,444,177	(2,636,934)	1,180,580,716	13,107,124	(245,954)	1,193,441,885	133,580,843	(2,983,605)	1,324,039,123
54	378.0	Meas & Regul Equip-Gen-Dist	76,319,732	5,663,123	(465,550)	81,517,305	1,008,432	(41,438)	82,484,299	11,400,448	(503,154)	93,381,593
55	380.0	Services-Distribution Plant	704,105,708	85,623,277	(281,642)	789,447,343	10,112,778	(26,315)	799,533,806	94,286,328	(319,814)	893,500,321
56	381.0	Meters-Distribution Plant	58,797,196	5,383,138	(958,394)	63,221,940	1,372,971	(85,876)	64,509,034	5,679,100	(1,051,497)	69,136,637
57	381.1	Meters ERTs-Distribution Plant	49,564,439	5,872,014	(807,900)	54,628,552	282,038	(74,204)	54,836,386	5,202,828	(893,833)	59,145,382
58	382.0	Meter Installations-Dist	90,077,513	-	(180,155)	89,897,358	-	(14,983)	89,882,375	-	(179,765)	89,702,610
59	385.0	Indust Meas & Regul Sta Equip	12,408,822	340,000	(38,467)	12,710,354	100,000	(3,284)	12,807,071	560,000	(39,702)	13,327,369
60	386.0	Other Prop on Customers' Prem	14,644,532	-	-	14,644,532	-	-	14,644,532	-	-	14,644,532
61	387.0	Other Equipment-Distribution	15,620,679	1,276,657	(845,079)	16,052,257	184,931	(72,369)	16,164,819	1,752,382	(874,517)	17,042,684
62		Total	3,045,181,762	346,241,082	(8,818,713)	3,382,604,131	37,764,567	(804,448)	3,419,564,250	370,645,199	(9,754,424)	3,780,455,025
General Plant												
63	389.0	Land-General Plant	259,216	-	-	259,216	-	-	259,216	-	-	259,216
64	389.1	Land Rights-General Plant	52,996	-	-	52,996	-	-	52,996	-	-	52,996
65	390.0	Structures & Impr-General Plt	11,941,346	28,295,565	(520,406)	39,716,505	1,415,058	(144,238)	40,987,326	14,743,734	(1,786,234)	53,944,825
66	390.1	Structures & Impr-Gen-LeasImp	8,764,253	-	-	8,764,253	-	-	8,764,253	-	-	8,764,253
67	391.1	Office F&E-Furniture	2,587,257	-	(11,282)	2,575,975	-	(936)	2,575,039	-	-	2,575,039
68	391.2	Office F&E-Computer Hardware	14,073,459	-	(807,817)	13,265,642	-	(63,454)	13,202,189	-	(757,806)	12,444,383
69	391.3	Office F&E-Equipment	321,370	-	(18,447)	302,924	-	(1,449)	301,475	-	(17,305)	284,170
70	392.1	Transportation Equip-Autos	2,040	-	(165)	1,875	-	(13)	1,863	-	(151)	1,712
71	392.2	Transportation Equip-Trucks	62,200,717	13,405,918	(5,032,038)	70,574,597	538,549	(475,790)	70,637,356	7,519,546	(5,714,562)	72,442,340
72	392.3	Transportation Equip-Trailers	2,715,736	290,210	(219,703)	2,786,244	19,645	(18,784)	2,787,105	307,263	(225,477)	2,868,891
73	392.4	Transport Equip-Trucks HEAVY	-	-	-	-	-	-	-	-	-	-
74	392.5	Transportation Equip-NGV Kits	-	-	-	-	-	-	-	-	-	-
75	393.0	Stores Equipment-General Plant	-	-	-	-	-	-	-	-	-	-
76	394.0	Tools, Shop, Garage Equip	5,144,977	1,337,689	(287,113)	6,195,553	113,506	(28,812)	6,280,248	1,117,934	(206,628)	7,191,554
77	394.3	Tools, Shop, Garage Equip-NGV	717,190	-	(16,926)	700,264	-	(1,377)	698,887	-	(16,494)	682,393
78	396.0	Power Operated Equipment-Gen	13,602,047	1,451,052	(402,621)	14,650,478	98,227	(36,138)	14,712,567	1,536,316	(435,492)	15,813,391
79	397.0	Communication Equipment-Gen	18,916,082	632,927	(223,210)	19,325,799	145,333	(19,004)	19,452,128	1,664,671	(229,535)	20,887,264
80	397.1	Communic Equip-Microwave Tower	16,917,131	1,553,847	(199,622)	18,271,355	276,923	(17,967)	18,530,312	3,151,256	(218,658)	21,462,910
81	397.5	Communic Equip-Radios	512,282	-	(27,320)	484,962	-	(2,155)	482,807	-	-	482,807
82	398.0	Miscellaneous Equipment-Gen	54,886	-	(2,179)	52,707	-	(174)	52,532	-	(2,086)	50,447
83		Total	158,782,985	46,967,208	(7,768,847)	197,981,347	2,607,242	(810,290)	199,778,298	30,040,719	(9,610,426)	220,208,591
84	OTH	Asset Retirement Obligation/Clearing	-	-	-	-	-	-	-	-	-	-
85		Total Gas Plant in Service (Account 101)	\$ 3,667,803,871	\$ 506,082,942	\$ (48,150,474)	\$ 4,125,736,339	\$ 54,133,635	\$ (3,733,523)	\$ 4,176,136,451	\$ 553,128,059	\$ (44,597,273)	\$ 4,684,667,237
86		CCNC (Account 106)	\$ 372,715,491			\$ 372,715,491			\$ 372,715,491			\$ 372,715,491
87		Gross Plant (Account 101 and 106)	\$ 4,040,519,363	\$ 506,082,942	\$ (48,150,474)	\$ 4,498,451,831	\$ 54,133,635	\$ (3,733,523)	\$ 4,548,851,942	\$ 553,128,059	\$ (44,597,273)	\$ 5,057,382,728

Gross Plant Rollforward
Peoples Gas Division

Line No.	Account No.	Description	HTY	Future Test Year Activity		FTY	Stub Month		Stub	Fully Projected Future Test Year Activity		FPTY
			8/31/2023	Additions	Retirements	8/31/2024	Additions	Retirements	9/30/2024	Additions	Retirements	9/30/2025
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Intangible Plant												
1	301.0	Organization	128,115	-	-	128,115	-	-	128,115	-	-	128,115
2	302.0	Franchises and Consents	71,371	-	-	71,371	-	-	71,371	-	-	71,371
3	303.0	Misc Intangible Plant	17,478,120	1,859,609	(308,092)	19,029,637	226,742	(27,953)	19,228,426	2,706,227	(338,945)	21,595,708
4	303.1	Misc Intangible Plt-10%	-	-	-	-	-	-	-	-	-	-
5		Total	17,677,607	1,859,609	(308,092)	19,229,124	226,742	(27,953)	19,427,913	2,706,227	(338,945)	21,795,195
Gas Production & Gathering Plant												
6	325.11	Producing Lands-1.44%	-	-	-	-	-	-	-	0	-	-
7	325.1	Producing Lands	-	-	-	-	-	-	-	-	-	-
8	325.21	Producing Leaseholds (Group)	-	-	-	-	-	-	-	-	-	-
9	325.2	Producing Leaseholds	-	-	-	-	-	-	-	-	-	-
10	325.3	Gas Rights	-	-	-	-	-	-	-	-	-	-
11	325.4	Rights of Way	-	-	-	-	-	-	-	-	-	-
12	325.5	Other Land and Land Rights	-	-	-	-	-	-	-	-	-	-
13	327.0	Field Comp Station-Land Impr	-	-	-	-	-	-	-	-	-	-
14	328.0	Field Meas & Regul Sta Struct	-	-	-	-	-	-	-	-	-	-
15	329.0	Other Structures-Land Impr	-	-	-	-	-	-	-	-	-	-
16	330.0	Producing Gas Wells-Well Const	-	-	-	-	-	-	-	-	-	-
17	331.0	Producing Gas Wells-Well Equip	-	-	-	-	-	-	-	-	-	-
18	332.0	Field Lines	-	-	-	-	-	-	-	-	-	-
19	333.0	Field Compressor Station Equip	-	-	-	-	-	-	-	-	-	-
20	334.0	Field Meas & Regul Sta Equip	-	-	-	-	-	-	-	-	-	-
21	337.0	Other Equipment	-	-	-	-	-	-	-	-	-	-
22		Total	-	-	-	-	-	-	-	-	-	-
Underground Storage Plant												
23	350.1	Land-Underground Storage Plant	46,820	-	-	46,820	-	-	46,820	-	-	46,820
24	350.2	Rights of Way-Undrgrnd Stor Plt	15,670	-	-	15,670	-	-	15,670	-	-	15,670
25	351.0	Struct & Imprmnt-USP-Land Imp	583,878	-	(292)	583,586	-	(24)	583,562	-	(292)	583,270
26	352.01	Well Construction-USP	613,126	1,499,168	(858)	2,111,435	13,650	(246)	2,124,839	208,572	(2,975)	2,330,436
27	352.02	Well Equipment-USP	475,821	-	(666)	475,154	-	(55)	475,099	-	(665)	474,434
28	352.11	Storage Leaseholds-USP	-	-	-	-	-	-	-	-	-	-
29	352.12	Storage Rights-USP	392,672	-	(550)	392,122	-	(46)	392,076	-	(549)	391,527
30	352.2	Reservoirs-Underground Storage	-	-	-	-	-	-	-	-	-	-
31	352.3	Nonrecoverable Natural Gas-USP	-	-	-	-	-	-	-	-	-	-
32	353.0	Lines-Underground Storage Plt	1,495,144	236,275	(2,243)	1,729,176	36,350	(216)	1,765,310	690,650	(2,648)	2,453,312
33	354.0	Compressor Stat Equip-USP-Eqp	7,726,318	-	(1,545)	7,724,773	-	(129)	7,724,644	-	(1,545)	7,723,099
34	355.0	Meas & Regul Equip-Underground	822,667	32,452	(4,360)	850,759	-	(376)	850,383	-	(4,507)	845,876
35	357.0	Other Equipment-Underground	-	-	-	-	-	-	-	-	-	-
36		Total	12,172,115	1,767,895	(10,514)	13,929,496	50,000	(1,092)	13,978,403	899,222	(13,181)	14,864,445
Transmission Plant												
37	365.1	Land and Land Rights-Trans	119,954	-	-	119,954	-	-	119,954	-	-	119,954
38	365.2	Rights of Way-Transmission	2,091,603	-	-	2,091,603	-	-	2,091,603	-	-	2,091,603
39	366.0	Structures & Impr-Trans M&R	74,773	-	(112)	74,661	-	(9)	74,652	-	(112)	74,540
40	366.1	Structures & Impr-Trans Compr	700,334	-	-	700,334	-	-	700,334	-	-	700,334
41	366.2	Structures & Impr-Trans Other	44,793	-	-	44,793	-	-	44,793	-	-	44,793
42	367.0	Mains-Transmission Plant	86,240,765	3,298,055	(25,872)	89,512,948	321,401	(2,238)	89,832,112	3,274,759	(26,950)	93,079,921
43	368.0	Compressor Station Equip-Trans	4,883,556	1,030,999	(27,836)	5,886,718	106,000	(2,796)	5,989,922	1,085,000	(34,143)	7,040,780
44	369.0	Measuring & Regul Equip-Trans	7,791,231	412,945	(12,466)	8,191,710	50,000	(1,092)	8,240,618	500,000	(13,185)	8,727,433
45	371.0	Other Equipment-Transmission	-	-	-	-	-	-	-	-	-	-
46		Total	101,947,010	4,741,998	(66,287)	106,622,722	477,401	(6,136)	107,093,988	4,859,759	(74,389)	111,879,358

Gross Plant Rollforward
Peoples Gas Division

Line No.	Account No.	Description	HTY	Future Test Year Activity		FTY	Stub Month		Stub	Fully Projected Future Test Year Activity		FPTY
			8/31/2023	Additions	Retirements	8/31/2024	Additions	Retirements	9/30/2024	Additions	Retirements	9/30/2025
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Distribution Plant												
47	374.0	Land-Distribution Plant	13,102	-	-	13,102	-	-	13,102	-	-	13,102
48	374.1	Land Right of Way-Distribution	1,263,748	-	-	1,263,748	-	-	1,263,748	-	-	1,263,748
49	375.1	Structures & Impr-Dist M&R Gen	-	-	-	-	-	-	-	-	-	-
50	375.2	Structures & Impr-Dist M&R Ind	1,056,473	-	(4,965)	1,051,508	-	(412)	1,051,096	-	(4,940)	1,046,156
51	375.3	Structures & Impr-Dist Other	-	-	-	-	-	-	-	-	-	-
52	376.1	Mains-Distribution-Low Press	126,563,400	8,804,457	(417,659)	134,950,197	774,269	(37,111)	135,687,355	7,909,211	(447,768)	143,148,798
53	376.2	Mains-Distribution-Reg Press	63,757,516	4,435,329	(210,400)	67,982,445	390,045	(18,695)	68,353,796	3,984,340	(225,568)	72,112,568
54	378.0	Meas & Regul Equip-Gen-Dist	9,665,286	2,517,181	(32,862)	12,149,605	270,108	(3,442)	12,416,270	2,856,912	(42,215)	15,230,967
55	380.0	Services-Distribution Plant	50,779,117	9,652,400	(35,545)	60,395,972	706,212	(3,523)	61,098,661	6,583,023	(42,769)	67,638,915
56	381.0	Meters-Distribution Plant	16,092,964	531,755	(284,845)	16,339,874	206,076	(24,101)	16,521,849	949,588	(292,437)	17,179,000
57	381.1	Meters ERTs-Distribution Plant	5,511,382	657,012	(97,551)	6,070,842	114,667	(8,954)	6,176,554	824,060	(109,325)	6,891,289
58	382.0	Meter Installations-Dist	4,656,738	-	(4,657)	4,652,081	-	(388)	4,651,693	-	(4,652)	4,647,041
59	385.0	Indust Meas & Regul Sta Equip	-	-	-	-	-	-	-	-	-	-
60	386.0	Other Prop on Customers' Prem	-	-	-	-	-	-	-	-	-	-
61	387.0	Other Equipment-Distribution	-	103,513	-	103,513	14,994	-	118,507	142,085	-	260,592
62		Total	279,359,725	26,701,647	(1,088,485)	304,972,886	2,476,371	(96,627)	307,352,630	23,249,218	(1,169,674)	329,432,175
General Plant												
63	389.0	Land-General Plant	164,936	-	-	164,936	-	-	164,936	-	-	164,936
64	389.1	Land Rights-General Plant	-	-	-	-	-	-	-	-	-	-
65	390.0	Structures & Impr-General Plt	6,090,413	2,295,785	(89,529)	8,296,669	2,333	(10,163)	8,288,839	21,000	(121,846)	8,187,993
66	390.1	Structures & Impr-Gen-LeasImp	-	-	-	-	-	-	-	-	-	-
67	391.1	Office F&E-Furniture	203,500	-	(7,441)	196,059	-	-	196,059	-	(18,544)	177,514
68	391.2	Office F&E-Computer Hardware	43,633	-	(57,631)	(13,998)	-	-	(13,998)	-	-	(13,998)
69	391.3	Office F&E-Equipment	61,870	-	(34,426)	27,444	-	-	27,444	-	-	27,444
70	392.1	Transportation Equip-Autos	-	-	-	-	-	-	-	-	-	-
71	392.2	Transportation Equip-Trucks	6,393,399	1,955,211	(576,685)	7,771,925	49,978	(58,419)	7,763,484	671,410	(700,266)	7,734,628
72	392.3	Transportation Equip-Trailers	502,417	41,715	(45,318)	498,814	2,183	(3,749)	497,247	34,140	(44,852)	486,536
73	392.4	Transport Equip-Trucks HEAVY	2,788,736	-	(443,344)	2,345,392	-	(17,630)	2,327,763	-	(300,903)	2,026,860
74	392.5	Transportation Equip-NGV Kits	-	-	-	-	-	-	-	-	-	-
75	393.0	Stores Equipment-General Plant	5,895	-	-	5,895	-	-	5,895	-	-	5,895
76	394.0	Tools, Shop, Garage Equip	2,322,955	-	(443,344)	1,879,611	-	(12,938)	1,866,673	-	(274,523)	1,592,150
77	394.3	Tools, Shop, Garage Equip-NGV	-	-	-	-	-	-	-	-	-	-
78	396.0	Power Operated Equipment-Gen	2,784,364	380,463	(66,268)	3,098,559	10,914	(6,145)	3,103,328	169,611	(73,859)	3,199,079
79	397.0	Communication Equipment-Gen	-	161,152	-	161,152	16,609	(768)	176,993	216,149	768	393,910
80	397.1	Communic Equip-Microwave Tower	-	299,297	-	299,297	31,649	(1,427)	329,519	360,145	1,427	691,091
81	397.5	Communic Equip-Radios	1,773,605	-	(266,231)	1,507,375	-	(18,856)	1,488,519	-	(45,766)	1,442,752
82	398.0	Miscellaneous Equipment-Gen	-	-	-	-	-	-	-	-	-	-
83		Total	23,135,723	5,133,623	(2,030,217)	26,239,129	113,666	(130,095)	26,222,700	1,472,455	(1,578,365)	26,116,790
84	OTH	Asset Retirement Obligation/Clearing	-	-	-	-	-	-	-	-	-	-
85		Total Gas Plant in Service (Account 101)	\$ 434,292,180	\$ 40,204,772	\$ (3,503,595)	\$ 470,993,356	\$ 3,344,181	\$ (261,904)	\$ 474,075,633	\$ 33,186,881	\$ (3,174,553)	\$ 504,087,961
		CCNC (Account 106)	\$ 26,436,206			\$ 26,436,206			\$ 26,436,206			\$ 26,436,206
		Gross Plant (Account 101 and 106)	\$ 460,728,386	\$ 40,204,772	\$ (3,503,595)	\$ 497,429,562	\$ 3,344,181	\$ (261,904)	\$ 500,511,839	\$ 33,186,881	\$ (3,174,553)	\$ 530,524,167

Original Tariff GAS — PA PUC No. 48
Cancels and Supersedes Tariff Gas – PA PUC No. 8 and 47

PEOPLES NATURAL GAS COMPANY LLC

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

ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

**BY: Michael Huwar
President
375 North Shore Drive
Pittsburgh, PA 15212**

NOTICE

This tariff combines Tariff Gas – PA PUC No. 8 for the Peoples Gas Division and Tariff Gas – PA PUC No. 47 for the Peoples Natural Division. Upon approval of this Tariff Gas – PA PUC No. 48, all Peoples Natural Gas customers (including the former Peoples Gas and Peoples Natural Divisions) will be subject to the rates and rules set forth herein.

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

LIST OF CHANGES

<u>Page</u>	<u>Page Description</u>	<u>Revision Description</u>
<u>2, 2A</u>	<u>List of Changes</u>	<u>List of Changes.</u>
<u>3,4</u>	<u>Summary of Rates</u>	<u>Summary of prices for each rate schedule and rider updated.</u>
<u>5</u>	<u>Table of Contents</u>	<u>Updated page numbers and added new sections.</u>
<u>12</u>	<u>Description of Territory</u>	<u>Additional cities/boroughs and townships included.</u>
<u>13</u>	<u>Description of Territory</u>	<u>Additional cities/boroughs and townships included.</u>
<u>14</u>	<u>Description of Territory</u>	<u>Additional boroughs and townships included.</u>
<u>15</u>	<u>Description of Territory</u>	<u>Additional boroughs and townships included.</u>
<u>17</u>	<u>Description of Territory</u>	<u>Additional cities/boroughs included.</u>
<u>18</u>	<u>Rules and Regulations</u>	<u>Modified language for Application of Service to include specifics from the Peoples Gas tariff.</u>
<u>19,20,21</u>	<u>Rules and Regulations</u>	<u>Modified Rules of Deposit language to include language from the Peoples Gas tariff.</u>
<u>24</u>	<u>Rules and Regulations</u>	<u>"amortization or settlement" changed to "payment".</u>
<u>25</u>	<u>Rules and Regulations</u>	<u>Modified language to Nonliability of Company/Limitation of Liability and Measure of Gas.</u>
<u>25</u>	<u>Rules and Regulations</u>	<u>Billing and Payment language modified. Added US currency to specific type of payment and modified language on meter reads.</u>
<u>26, 27</u>	<u>Rules and Regulations</u>	<u>Modified language for Billing and Payments to revise specifics using the Peoples Gas tariff.</u>
<u>27</u>	<u>Rules and Regulations</u>	<u>Modified Authority of Agents language.</u>
<u>29, 30, 31</u>	<u>Rules and Regulations</u>	<u>Modified language for Emergency Curtailment to include specifics from the Peoples Gas tariff.</u>
<u>33</u>	<u>Rules and Regulations</u>	<u>Modified language to Service Agreement and Flexible Rates.</u>
<u>36</u>	<u>Rules and Regulations</u>	<u>Modified language to Complaint Procedures to remove Alleged Slamming Complaints details.</u>
<u>39</u>	<u>Rules and Regulations</u>	<u>Modified Gas Quality details and added Nonconformance language from Peoples Gas tariff.</u>
<u>40</u>	<u>Residential Service</u>	<u>Customer and Delivery Charges updated.</u>
<u>41</u>	<u>Customer Assistance Program</u>	<u>Removed language for CAP automatic enrollment.</u>
<u>42</u>	<u>Customer Assistance Program</u>	<u>Removed language for payments towards arrearage.</u>
<u>44</u>	<u>Pilot Extended Customer Assistance Program</u>	<u>Revised description and removed language for payments towards arrearage.</u>

ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

PEOPLES NATURAL GAS COMPANY LLC

GAS—PA PUC NO. 48
ORIGINAL PAGE NO. 2ALIST OF CHANGES

<u>Page</u>	<u>Page Description</u>	<u>Revision Description</u>
<u>45</u>	<u>Small General Service</u>	<u>Customer and Delivery Charges updated. Transitional rates language removed.</u>
<u>47</u>	<u>Medium General Service</u>	<u>Customer and Delivery Charges updated. Transitional rates language removed.</u>
<u>49</u>	<u>Large General Service</u>	<u>Customer and Delivery Charges updated. Transitional rates language removed.</u>
<u>53</u>	<u>General Service - Transportation</u>	<u>"Dominion South Point" changed to " Eastern South".</u>
<u>55</u>	<u>General Service - Transportation</u>	<u>Customer Charges updated.</u>
<u>56</u>	<u>General Service - Transportation</u>	<u>Delivery Charges updated. Transitional rates language removed.</u>
<u>61,62</u>	<u>Mainline Service Rate</u>	<u>New Mainline Service Rate added.</u>
<u>64</u>	<u>Appalachian Gathering Service</u>	<u>Added Peoples Gas Division retainage rates.</u>
<u>67</u>	<u>State Tax Surcharge</u>	<u>Included details of rate calculation from Peoples Gas Tariff.</u>
<u>71</u>	<u>AVC Capacity Charge</u>	<u>AVC Capacity charges updated</u>
<u>75</u>	<u>Merchant Function Charge</u>	<u>MFC Percentage Rates updated.</u>
<u>76</u>	<u>Universal Service Rider</u>	<u>Removed Community Partnership for Weatherization and Universal Service call management.</u>
<u>78</u>	<u>Tax Repairs Surcredit</u>	<u>Updated language of Tax Repairs Surcredit.</u>
<u>79,80</u>	<u>Weather Normalization Adjustment</u>	<u>New Weather Normalization Adjustment Rider added.</u>
<u>84</u>	<u>TCJA Temporary Surcharge</u>	<u>Modified TCJA to include details that will only affect PG Division customers and updated surcharge.</u>

ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

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PEOPLES NATURAL GAS COMPANY LLC

	Rider Purchased Gas Costs				Base Rate Charges (5)	Rider STAS (6)	Rider MFC (7)	Rider Supplier Choice (8)	Rider USR (9)	Rider GPC (10)	Rider DSIC Charge (11)	Former Peoples	Former Peoples	Former Peoples	Former Peoples
	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)								Natural Gas RIDER TRS 3/ (12)	Gas Customers RIDER TCJA 4/ (13)	Natural Gas Total Rate (14=SUM 1 to 12)	Gas Customers Total Rate (15=SUM 1 to 11 & 13)
Residential Sales						0.00%					0.00%	-6.8414%	-2.2237%		
Customer Charge					\$ 21.5000			\$ 0.0037			\$ -	\$ (0.9920)	\$ (0.3502)	\$ 20.5117	\$ 21.1535
Capacity	\$ 1.0301	\$ 0.6835						\$ 0.0226						\$ 1.7362	\$ 1.7362
Price to Compare - PTC			\$ -	\$ 2.9220				\$ 0.0643		\$ 0.0865				\$ 3.0728	\$ 3.0728
GCA Refund Credit Oct-Dec 2023			\$ (3.7904)											\$ (3.7904)	\$ (3.7904)
Delivery Charge					\$ 5.6304			\$ 0.0140			\$ -	\$ (0.2710)	\$ (0.1506)	\$ 5.3734	\$ 5.4938
State Tax Surcharge								\$ -						\$ -	\$ -
Total per MCF								\$ 0.0869						\$ 6.3920	\$ 6.5124
Small General Service (SGS)															
Customer Charge															
0 to 499 MCF/Yr					\$ 25.0000			\$ 0.0037			\$ -	\$ (1.3683)	\$ (0.7783)	\$ 23.6354	\$ 24.2254
500 to 999 MCF/Yr					\$ 50.0000			\$ 0.0037			\$ -	\$ (2.7366)	\$ (1.4454)	\$ 47.2671	\$ 48.5583
1/ Capacity	\$ 0.4468	\$ 0.6604						\$ 0.0131		\$ 0.0865				\$ 1.1072	\$ 1.1072
Price to Compare - PTC	\$ 0.5833		\$ -	\$ 2.9220				\$ 0.0131		\$ 0.0865				\$ 3.6049	\$ 3.6049
GCA Refund Credit Oct-Dec 2023			\$ (3.7904)											\$ (3.7904)	\$ (3.7904)
Delivery Charge					\$ 4.5485						\$ -	\$ (0.1847)	\$ (0.1134)	\$ 4.3638	\$ 4.4351
State Tax Surcharge								\$ -						\$ -	\$ -
Total per MCF	\$ 1.0301													\$ 5.2855	\$ 5.3568
Medium General Service (MGS)															
Customer Charge															
1,000 to 2,499 MCF/Yr					\$ 105.0000						\$ -	\$ (5.8152)	\$ (1.6678)	\$ 99.1848	\$ 103.3322
2,500 to 24,999 MCF/Yr					\$ 150.0000						\$ -	\$ (8.8938)	\$ (3.8915)	\$ 141.1062	\$ 146.1085
1/ Capacity	\$ 0.4468	\$ 0.4156						\$ 0.0131		\$ 0.0865				\$ 0.8624	\$ 0.8624
Price to Compare - PTC	\$ 0.5833		\$ -	\$ 2.9220				\$ 0.0131		\$ 0.0865				\$ 3.6049	\$ 3.6049
GCA Refund Credit Oct-Dec 2023			\$ (3.7904)											\$ (3.7904)	\$ (3.7904)
Delivery Charge					\$ 3.8268						\$ -	\$ (0.1841)	\$ (0.1081)	\$ 3.6427	\$ 3.7187
State Tax Surcharge								\$ -						\$ -	\$ -
Total per MCF	\$ 1.0301													\$ 4.3196	\$ 4.3956
Large General Service (LGS)															
Customer Charge															
25,000 to 49,999 MCF/Yr					\$ 800.0000						\$ -	\$ (39.3381)	\$ (17.7896)	\$ 760.6620	\$ 782.2104
50,000 to 99,999 MCF/Yr					\$ 900.0000						\$ -	\$ (51.3105)	\$ (33.3555)	\$ 848.6895	\$ 866.6445
100,000 to 199,999 MCF/Yr					\$ 1,680.0000						\$ -	\$ (95.7796)	\$ (111.1850)	\$ 1,584.2204	\$ 1,568.8150
Over 200,000 MCF/Yr					\$ 1,920.0000						\$ -	\$ (109.4624)	\$ (166.7775)	\$ 1,810.5376	\$ 1,753.2225
1/ Capacity	\$ 0.1165	\$ 0.2047						\$ 0.0131		\$ 0.0865				\$ 0.3212	\$ 0.3212
Price to Compare - PTC	\$ 0.9136		\$ -	\$ 2.9220				\$ 0.0131		\$ 0.0865				\$ 3.9352	\$ 3.9352
GCA Refund Credit Oct-Dec 2023			\$ (3.7904)											\$ (3.7904)	\$ (3.7904)
Delivery Charge															
25,000 - 49,999 MCF/Yr					\$ 2.4602	\$ -					\$ -	\$ (0.1807)	\$ (0.0834)	\$ 2.2795	\$ 2.3768
50,000 - 99,999 MCF/Yr					\$ 2.4008	\$ -					\$ -	\$ (0.1763)	\$ (0.0834)	\$ 2.2245	\$ 2.3174
100,000 - 199,999 MCF/Yr					\$ 2.3934	\$ -					\$ -	\$ (0.1758)	\$ (0.0222)	\$ 2.2176	\$ 2.3712
200,000 to 749,999 MCF/Yr					\$ 2.3287	\$ -					\$ -	\$ (0.1710)	\$ (0.0222)	\$ 2.1577	\$ 2.3065
750,000 to 1,999,999 MCF/Yr					\$ 1.9866	\$ -					\$ -	\$ (0.1459)	\$ (0.0222)	\$ 1.8407	\$ 1.9644
Over 2,000,000 MCF/Yr					\$ 1.5319	\$ -					\$ -	\$ (0.1125)	\$ (0.0222)	\$ 1.4194	\$ 1.5097
2/ Total per MCF	\$ 1.0301													\$ 2.7455	\$ 2.8428

1/ The Price-to-Compare format as shown is applicable to a Non-Priority One customer; the Price-to-Compare Charge for a Priority One customer would not include the Capacity Charge. See the Residential - Sales section above as an example of Priority One.

2/ The Total per MCF displayed for Retail LGS is representative of the 25,000 - 49,999 MCF/Yr delivery charge tier only.

3/ The Rider TRS Surcharge applies to former Peoples Natural Gas Division customers.

4/ The Rider TJCA Temporary Surcharge applies to former Peoples Gas Division customers.

5/ In addition to the above listed rates the Weather Normalization Adjustment applies during October through May billing months.

ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

PEOPLES NATURAL GAS COMPANY LLC

PA Gas—PA PUC NO. 48
ORIGINAL PAGE NO. 4

	Base Rate Charges	Rider STAS	Rider MFC	Rider USR	Rider Purchased Gas Costs		Balancing Charge	Rider Supplier Choice	Rider DSIC Charge	Former Peoples Natural Gas RIDER TRS 3/	Former Peoples Gas Customers RIDER TCJA 4/	Former Peoples Natural Gas Total Rate	Former Peoples Gas Customers Total Rate
	(1)	(2)	(3)	(4)	Capacity (5)	AVC Capacity (6)	(7)	(8)	(9)	(10)	(11)	(12=SUM 1 to 10)	(13=SUM 1 to 9 & 11)
Rate GS-T Residential													
Customer Charge	\$ 21.5000	0.00%						\$ 0.0037	\$ -	\$ (0.9920)	\$ (0.3502)	\$ 20.5117	\$ 21.1535
Capacity			\$ 0.0226		\$ 1.0301	\$ 0.6835						\$ 1.7362	\$ 1.7362
Delivery Charge	\$ 5.6304			\$ 0.0140				\$ -	\$ (0.2710)	\$ (0.1506)		\$ 5.3734	\$ 5.4938
State Tax Surcharge		\$ -										\$ -	\$ -
Total per MCF												\$ 7.1096	\$ 7.2300
Rate GS-Transportation SGS													
Customer Charge													
0 to 499 MCF/Yr	\$ 25.0000							\$ 0.0037	\$ -	\$ (1.3683)	\$ (0.7783)	\$ 23.6354	\$ 24.2254
500 to 999 MCF/Yr	\$ 50.0000							\$ 0.0037	\$ -	\$ (2.7366)	\$ (1.4454)	\$ 47.2671	\$ 48.5583
1/ Capacity/BB&A					\$ 0.6604	\$ 0.4468						\$ 1.1072	\$ 1.1072
Delivery Charge	\$ 4.5485							\$ -	\$ (0.1847)	\$ (0.1134)		\$ 4.3638	\$ 4.4351
State Tax Surcharge		\$ -										\$ -	\$ -
Total per MCF												\$ 5.4710	\$ 5.5423
Rate GS-Transportation MGS													
Customer Charge													
1,000 to 2,499 MCF/Yr	\$ 105.0000							\$ -	\$ (5.8152)	\$ (1.6678)		\$ 99.1848	\$ 103.3322
2,500 to 24,999 MCF/Yr	\$ 150.0000							\$ -	\$ (8.8938)	\$ (3.8915)		\$ 141.1062	\$ 146.1085
1/ Capacity/BB&A					\$ 0.4156	\$ 0.4468						\$ 0.8624	\$ 0.8624
Delivery Charge	\$ 3.8268							\$ -	\$ (0.1841)	\$ (0.1081)		\$ 3.6427	\$ 3.7187
State Tax Surcharge		\$ -										\$ -	\$ -
Total per MCF												\$ 4.5051	\$ 4.5811
Rate GS-Transportation LGS													
Customer Charge													
25,000 to 49,999 MCF/Yr	\$ 800.0000							\$ -	\$ (39.3381)	\$ (17.7896)		\$ 760.6620	\$ 782.2104
50,000 to 99,999 MCF/Yr	\$ 900.0000							\$ -	\$ (51.3105)	\$ (33.3555)		\$ 848.6895	\$ 866.6445
100,000 to 199,999 MCF/Yr	\$ 1,680.0000							\$ -	\$ (95.7796)	\$ (111.1850)		\$ 1,584.2204	\$ 1,568.8150
Over 200,000 MCF/Yr	\$ 1,920.0000							\$ -	\$ (109.4624)	\$ (166.7775)		\$ 1,810.5376	\$ 1,753.2225
1/ Capacity/BB&A					\$ 0.2047	\$ 0.1165						\$ 0.3212	\$ 0.3212
Delivery Charge													
25,000 - 49,999 MCF/Yr	\$ 2.4602	\$ -						\$ -	\$ (0.1807)	\$ (0.0834)		\$ 2.2795	\$ 2.3768
50,000 - 99,999 MCF/Yr	\$ 2.4008	\$ -						\$ -	\$ (0.1763)	\$ (0.0834)		\$ 2.2245	\$ 2.3174
100,000 - 199,999 MCF/Yr	\$ 2.3934	\$ -						\$ -	\$ (0.1758)	\$ (0.0222)		\$ 2.2176	\$ 2.3712
200,000 to 749,999 MCF/Yr	\$ 2.3287	\$ -						\$ -	\$ (0.1710)	\$ (0.0222)		\$ 2.1577	\$ 2.3065
750,000 to 1,999,999 MCF/Yr	\$ 1.9866	\$ -						\$ -	\$ (0.1459)	\$ (0.0222)		\$ 1.8407	\$ 1.9644
Over 2,000,000 MCF/Yr	\$ 1.5319	\$ -						\$ -	\$ (0.1125)	\$ (0.0222)		\$ 1.4194	\$ 1.5097
2/ Total per MCF												\$ 2.6007	\$ 2.6980

1/ The Capacity Charge applies to Priority 1 ratepayers when electing transport service. All other Ratepayers are billed the Balancing Charge.
 2/ The Total per MCF displayed for Transport LGS is representative of the 25,000 - 49,999 MCF/Yr delivery charge tier only.
 3/ The Rider TRS Surcharge applies to former Peoples Natural Gas Division customers.
 4/ The Rider TJCA Temporary Surcharge applies to former Peoples Gas Division customers.
 5/ In addition to the above listed rates the Weather Normalization Adjustment applies during October through May billing months.

DEFINITIONS OF TERMS

Applicant - Any person, corporation or other entity that (i) desires to receive from the Company natural gas or any other service provided for in this Tariff, (ii) complies completely with all Company requirements for obtaining natural gas or any other service provided for in this Tariff, (iii) has filed and is awaiting Company approval of its application for service, and (iv) is not receiving from the Company any service provided for in this Tariff. An Applicant shall become a customer for purposes of this Tariff only after it actually starts receiving the applicable service(s) from the Company under this Tariff. Applicants for residential service shall be further defined as a natural person not currently receiving service who applies for residential service provided by a public utility or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

Capacity Charge – A charge designed to recover the costs that the Company incurs to reserve capacity on interstate pipelines.

Chapter 56 – The Commission regulations that govern, among other things, metering, billing and collections for residential gas and electricity service.

City Gate – The point where interstate pipelines deliver gas into natural gas distribution company facilities.

Commission – The Pennsylvania Public Utility Commission or any lawful successor thereto that provides oversight, policy, guidance and direction to public utilities and NGSS.

Commodity Charge – A charge designed to recover the cost of producing or procuring natural gas.

Commodity Service – Service provided by the Company or a natural gas supplier which involves the purchase of gas commodity by the customer.

Company – The entity doing business as Peoples Natural Gas Company LLC.

Customer – Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the customer for any premises, building, structure, etc, (iii) is primarily responsible for payment of bills, or (iv) any adult occupant whose name appears on the mortgage, deed or lease of the property. A customer includes anyone taking Supplier of Last Resort Service and/or Distribution Service under this Tariff

Customer Charge – A monthly charge to cover such natural gas distribution company costs as maintaining the gas lines, meter reading and billing.

Daily Available Volume – The total volume of gas actually delivered to the Company for the customer's account on a particular day, less an appropriate retainage percentage plus any adjustments associated with the reconciliation of monthly volumes as set forth in Rate GS-T and Rate T.

Daily Consumption Volume – The quantity of gas estimated by the Company to be consumed by the customer on any day.

Day – A 24-hour period beginning at 10 a.m. and ending at 10 a.m. or as subsequently defined by natural gas industry standards promulgated by FERC.

Delivery Charge – A charge designed to recover the costs the Company incurs in using its distribution system or local pipelines to deliver natural gas to a customer.

Distribution Charges – Various natural gas distribution charges that may include the Delivery Charge, Capacity Charge and Gas Cost Adjustment Charge.

Distribution Service – Service provided by the Company involving the delivery of gas to the customer.

Gas Cost Adjustment Charge – The amount billed or credited each month to account for differences between projected and actual gas supply costs of the Company.

Mcf – 1,000 cubic feet of gas. This is a measure of gas usage.

DEFINITIONS OF TERMS

Natural Gas Distribution Company - A public utility that provides natural gas distribution services and which may provide natural gas supply services and other services.

Natural Gas Supplier (NGS) – An entity that has received a license from the Commission and that sells natural gas to customers that is delivered through the distribution lines of the Company.

Small Business Customer – Any commercial or industrial customer with annual consumption of less than 300 Mcf.

Storage – Placing natural gas into an underground facility for removal and use at a later date.

Supplier of Last Resort – The Company or another entity that provides natural gas supply services to customers that do not elect another supplier or choose to be served by the supplier of last resort, customers that are refused service from another natural gas supplier, or customers whose natural gas supplier fails to deliver the required gas supplies. Currently, the Company is the supplier of last resort for all Priority-One customers under the terms of this tariff. Each customer may only have one supplier of last resort.

Supplier of Last Resort Service – Service that includes both Distribution Service and Commodity Service provided by the Company in its role as Supplier of Last Resort.

(C) – Indicates change.

(D) – Indicates decrease.

(I) – Indicates increase.

**CLASSIFICATION OF CUSTOMERS
TO WHOM SERVICE IS MADE AVAILABLE**

Gas service is made available under the rules, regulations, and terms and at the rates contained in this tariff, based upon the use to which such gas is put and not upon volumes consumed (except where indicated), to the following classes of customers:

RESIDENTIAL CUSTOMERS

Residential customers are customers who use gas for household purposes, including single-family dwellings, boarding and rooming houses, duplex houses, private garages appurtenant to private homes or dwellings, apartments, apartment buildings, and governmental housing in which the units are individually metered. In this class the element of human welfare and comfort in a residential setting is the distinguishing test of the customer's use of gas. Each meter represents one customer.

COMMERCIAL CUSTOMERS

Commercial customers are customers who are engaged in selling, warehousing or distributing a commodity or service, including boarding homes and personal care homes, engaged in some business activity or profession, or in some other form of economic, social, or cultural activity, not primarily involving the manufacturing or processing of a product; and any non-industrial premises where one meter is serving more than one unit. If the customer's predominant usage is for natural gas-powered vehicle service, then the customer will be classified as a Commercial customer.

INDUSTRIAL CUSTOMERS

Industrial customers include customers who are engaged in a process which creates or changes raw material or unfinished materials into another form; customers who use gas for large-volume power; customers who use gas for process steam generation; and customers who use gas for any other purpose not predominantly residential or commercial.

**CLASSIFICATION OF CUSTOMERS
TO WHOM SERVICE IS MADE AVAILABLE****NATURAL GAS DISTRIBUTION COMPANY (NGDC) CUSTOMERS**

NGDC customers are companies regulated by the Commission. Within this classification the NGDC can be acting either on its own or on its end user's behalf.

CHANGE IN CLASSIFICATION

Any customer who believes that, as a result of a change in the use of the premises served, his classification ought to be changed must contact the Company. All changes will be determined by the Company, on a prospective basis, after it has been notified of the change; however, the Company reserves the right to make changes in classification on its own initiative. The decision of the Company as to classification shall be final.

Eligibility for a particular rate schedule under this tariff and application of the appropriate monthly customer charge shall be based on a review of the customer's annual usage. This review shall not be conducted more frequently than once per year. All changes in rate schedule classification and monthly customer charges as a result of this usage review shall be implemented on a prospective basis. Rate schedule classification and the appropriate customer charge for new customers, shall be determined by the Company based on an estimate of annual usage. The Company also reserves the right to establish the appropriate rate schedule classification and monthly customer charge based on anticipated customer usage.

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

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

Rate CAP and Rate E-CAP

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

Rate SGS – Small General Service

This rate is available to commercial and industrial customers 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 customers qualifying under Rate NGPV.

Rate MGS – Medium General Service

This rate is available to commercial and industrial customers 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 customers qualifying under Rate NGPV.

Rate LGS – Large General Service

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

Rate CER - Competitive Energy Rate

This rate is available to all customers 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 customers. Commercial, industrial, and NGDC customers that consume less than 1,000 Mcf per year are classified as Small General Service customers under this tariff. Commercial, industrial, and NGDC customers that consume between 1,000 and 24,999 Mcf per year are classified as Medium General Service customers under this tariff. Commercial, industrial, and NGDC customers that consume more than 25,000 Mcf per year are classified as Large General Service customers under this tariff.

Rate GS-SB - General Standby Service

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

Rate NGPV

This rate offers service for natural gas powered vehicles.

Rate Schedule - Appalachian Gathering Service

This rate is available to any party desiring to deliver conventional well gas directly into the Company's system.

Pilot Rate MLX

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

Rate GL- Gas Lights

This rate offers service for any gas lighting where the gas is not measured by a meter.

DESCRIPTION OF TERRITORY

The Company serves as a natural gas public Company in the following cities, boroughs, and townships, all of which are in Pennsylvania:

ALLEGHENY COUNTY**Cities and Boroughs**

Aspinwall	Emsworth	Port Vue
Avalon	Etna	Rankin
Baldwin	Forest Hills	Roslyn Farms
Bellevue	Fox Chapel	Sewickley Heights
Ben Avon	Franklin Park	Sewickley Hills
Ben Avon Heights	Glassport	Sharpsburg
Bethel Park	Greentree	Springdale
Blawnox	Heidelberg	Swissvale
Braddock	Homestead	Tarentum
Braddock Hills	Ingram	Thornburg
Brackenridge	Jefferson	Trafford
Brentwood	Jefferson Hill	Turtle Creek
Bridgeville	Liberty	Verona
Carnegie	Lincoln	Versailles
Chalfant	McKeesport	Wall
Cheswick	McKees Rocks	West Elizabeth
Churchill	Millvale	West Homestead
Clairton	Monroeville	West Mifflin
Coraopolis	Mt. Oliver	West View
Crafton	Munhall	Whitaker
Dormont	North Braddock	Whitehall
Dravosburg	Oakmont	White Oak
Duquesne	Penn Hills	Wilkinsburg
East McKeesport	Pitcairn	Wilmerding
East Pittsburgh	Pittsburgh	
Edgewood	Pleasant Hills	
Elizabeth	Plum	

Townships

Aleppo	Kilbuck	Scott
Collier	Marshall	Shaler
Crescent	McCandless	South Fayette
East Deer	Moon	South Park
Elizabeth	Mt. Lebanon	South Versailles
Fawn	North Fayette	Springdale
Findlay	North Versailles	Stowe
Forward	O' Hara	Upper St. Clair
Frazer	Ohio	West Deer
Hampton	Pine	Wilkins
Harmar	Reserve	
Harrison	Richland	
Indiana	Robinson	
Kennedy	Ross	

DESCRIPTION OF TERRITORYARMSTRONG COUNTYCities and Boroughs

Apollo
 Applewold
 Atwood
 Dayton
 Elderton

Ford City
 Ford Cliff
 Freeport
 Kittanning
 Leechburg

Manorville
 North Apollo
Parker City
 Rural Valley
 West Kittanning
Worthington

Townships

Bethel
 Boggs
Bradys Bend
 Burrell
 Cadogan
 Cowanshannock
 East Franklin
 Gilpin
Hovey

Kiskiminetas
 Kittanning
 Madison
 Mahoning
 Manor
 North Buffalo
 Parks
 Pine
 Plumcreek

Rayburn
 Redbank
 South Bend
 South Buffalo
 Sugarcreek
 Valley
 Washington
 Wayne
 West Franklin

BEAVER COUNTYCities and Boroughs

Aliquippa
 Beaver
 Industry
 Midland

Monaca
 Ohioville

Shippingport
 South Heights

Townships

Brighton
 Center
 Chippewa
 Darlington
 Franklin

Hopewell
 Independence
 Marion
 New Sewickley

Potter
 Raccoon
 South Beaver
 Vanport

BLAIR COUNTYCities and Boroughs

Altoona
 Bellwood

Duncansville
 Hollidaysburg

Tyrone

Townships

Allegheny
 Antis
 Blair

Frankstown
 Greenfield

Logan
 Snyder

DESCRIPTION OF TERRITORYBUTLER COUNTYBoroughs

Bruin
Butler
Callery
Connoquenessing
East Butler
Evans City

Fairview
Harmony
Mars
Petrolia
Portersville
Prospect

Sarver
Saxonburg
Seven Fields
Slippery Rock
Valencia
Zelienople
Zelienople

Townships

Adams
Buffalo
Butler
Center
Cherry
Clinton
Clearfield
Concord
Connoquenessing
Cranberry

Donegal
Fairview
Forward
Franklin
Jackson
Jefferson
Lancaster
Marion
Middlesex

Muddycreek
Oakland
Parker
Penn
Slippery Rock
Summit
Washington
Winfield
Worth

CAMBRIA COUNTYCities and Boroughs

Brownstown
Cresson
Dale
Ebensburg
Ferndale
Franklin

Gallitzin
Geistown
Johnstown
Lorain
Loretto

Nanty-Glo
Portage
Sankertown
Southmont
Westmont

Townships

Adams
Allegheny
Blacklick
Cambria
Conemaugh
Cresson
Croyle

East Taylor
Jackson
Lower Yoder
Middle Taylor
Munster
Portage

Richland
Stonycreek
Susquehanna
Upper Yoder
Washington
West Carroll
West Taylor

PEOPLES NATURAL GAS COMPANY LLC

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ORIGINAL PAGE NO. 14DESCRIPTION OF TERRITORYCLARION COUNTYBoroughsSligoTownshipsClarion
Limestone
MadisonMonroe
Piney
PorterRedbank
TobyCLEARFIELD COUNTYTownshipsBellBurnsideFAYETTE COUNTYBoroughsBelle Vernon
Fayette CityFairchance
Masonstown

Point Marion

TownshipsFranklin
Georges
German
Jefferson
LuzerneMenallen
North Union
Perry
Saltlick
South UnionSpringhill
Stewart
Washington
WhartonGREENE COUNTYBoroughsCarmichaels
ClarksvilleJefferson
Mather

Waynesburg

TownshipsAleppo
Center
Cumberland
Dunkard
Franklin
Freeport
GilmoreGreene
Jackson
Jefferson
Monongahela
Morgan
Morris
PerryRichhill
Springhill
Washington
Wayne
WhiteleyISSUED: December 29, 2023EFFECTIVE: February 27, 2024

DESCRIPTION OF TERRITORYINDIANA COUNTYBoroughsBlairsville
Creekside
Ernest
Glen CambellHomer City
Indiana
Marion Center
PlumvilleSaltsburg
Shelocta
SmicksburgTownshipsArmstrong
Banks
Black Lick
Brush Valley
Buffington
Burrell
Canoe
CenterCherryhill
Conemaugh
East Mahoning
East Wheatfield
Grant
Home
Montgomery
North MahoningPine
Rayne
South Mahoning
Washington
West Mahoning
West Wheatfield
White
YoungJEFFERSON COUNTYBoroughsBig Run
PunxsutawneyTimblinWorthvilleTownshipsBeaver
Bell
Clover
Eldred
Gaskill
HendersonKnox
McCalmont
Oliver
Perry
Pine Creek
PorterRinggold
Rose
Union
Warsaw
Washington
Winslow
YoungLAWRENCE COUNTYBoroughs

Enon Valley

New Wilmington

Volant

TownshipsHickory
Little Beaver
NeshannockPulaski
Scott
Washington

Wilmington

DESCRIPTION OF TERRITORYMERCER COUNTYBoroughs

Grove City	Sandy Lake	Stoneboro
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Townships

East Lackawannock	Pine	Wilmington
Findley	Sandy Lake	Wolf Creek
Lake	Shenango	
Liberty	Springfield	

SOMERSET COUNTYBoroughs

Boswell	Seven Springs	
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Townships

Conemaugh	Jenner	Somerset
Jefferson	Middlecreek	

VENANGO COUNTYTownships

Clinton	Irwin	
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WASHINGTON COUNTYCities and Boroughs

Beallsville	Centerville	Finleyville
Bentleyville	Cokeburg	Monongahela
Burgettstown	Deemston	New Eagle
California	Donora	
	Ellsworth	

Townships

Amwell	Hanover	Robinson
Carroll	Jefferson	Somerset
Cecil	Monongahela	South Franklin
Chartiers	Morris	South Strabane
Cross Creek	Mt. Pleasant	Smith
East Bethlehem	North Bethlehem	Union
East Finley	North Strabane	West Bethlehem
East Pike Run	Nottingham	West Pike Run
Fallowfield	Peters	

DESCRIPTION OF TERRITORYWESTMORELAND COUNTYCities and Boroughs

Adamsburg	Jeannette	<u>New Derry</u>
Arnold	Latrobe	New Kensington
Avonmore	Ligonier	North Belle Vernon
Bolivar	Lower Burrell	North Irwin
Delmont	Manor	Oklahoma
Derry	<u>McCullough</u>	South Greensburg
East Vandergrift	Monessen	Southwest Greensburg
Export	Murrysville	Trafford
Greensburg	New Alexandria	Vandergrift
Hunker	New Florence	West Leechburg
Hyde Park		Youngstown
Irwin		Youngwood

Townships

Allegheny	Ligonier	St. Clair
Bell	Lower Burrell	Salem
Derry	Loyalhanna	South Huntingdon
Donegal	Mt. Pleasant	Unity
East Huntingdon	North Huntingdon	Upper Burrell
Fairfield	Penn	Washington
Hempfield	Rostraver	

The above-listed cities, boroughs, and townships in Pennsylvania in which the Company provides natural gas public utility service are not the only cities, boroughs, and townships in which the Company is entitled, either by charter or certificate, to provide such natural gas public utility service.

RULES AND REGULATIONS**1. APPLICATION FOR SERVICE**

Applicants desiring any type of service from the Company under this Tariff shall contact the Company and specifically request the type and nature of service. Upon request, the Company will inform the customer of the identity of those NGSs offering retail service in its service territory and either provide a list of licensed suppliers or refer the customer to the Commission for further information. In any circumstance where an application to the Company for any service under this Tariff involves or is related to an NGS, such application cannot and shall not be processed by the Company unless the Applicant and/or the Applicant's NGS provides the necessary information relating to service.

A non-residential Applicant for any service under this Tariff will be required to sign an application for natural gas service, unless the Company, in its sole discretion, accepts an oral application from a non-residential Applicant. The Company shall accept an oral application from a residential Applicant except that the Company may require a written application from a residential Applicant if the Company determines positive identification or other documentation is necessary. The application information required from a residential Applicant shall include but not be limited to complete name and contact information, including all members of the household, employment information and landlord contact information, if Applicant is renting the service address. The Company may request verification of the identity of Applicant and other adult occupants of service address in the form of government issued photo ID (i.e., driver's license) or two alternative forms of identification, one of which must be a photo ID. The Company may request driver's license, or other information as positive identification. The Company may, as a condition of furnishing service to an Applicant, require the Applicant, in accordance with applicable Commission regulations, to pay an outstanding gas service account balance, if the Company can show that the Applicant resided at, or occupied if a non-residential account, the property for which service is requested during the period of time that the outstanding balance accrued. The methods used by the Company to determine an Applicant's liability for any such previously furnished service may include reference to customer service records of the Company, including internal Company notes, service contracts, information collected from the Applicant and other members of the household in connection with any help provided by the Company in determining eligibility for and completing applications to various assistance programs. Other methods which may be used by the Company for such purposes include identity authentication services, public data and information, mortgage, deed or lease information, commercially available consumer credit reporting services, skip-tracing tools, and other methods which are or have been approved as valid by the Commission.

Upon the receipt of natural gas service, the Applicant shall become a customer of the Company. Acceptance of service by a Customer shall constitute an agreement to accept service under the Rules and Regulations of this Tariff, as amended from time to time, the orders and regulations of the Commission and the applicable laws of the Commonwealth of Pennsylvania.

The Company may decline or refuse to serve an Applicant for any of the following reasons:

- i. The Applicant has failed to comply with state and municipal regulations governing gas service, including the Commission's regulations, and the approved Rules and Regulations of the Company contained in this Tariff and any supplement thereto.
- ii. The Company does not have adequate facilities in place to render the service desired or if rendering such service would adversely affect service to the Company's existing Customers.
- iii. The Applicant's installation of piping or gas equipment is, in the Company's judgment, hazardous, not installed by qualified personnel or of such character that safe and adequate service cannot be delivered.
- iv. An extension of Company facilities is required and the Applicant refuses to pay the required contribution in-aid-of-construction as calculated in accordance with Rules and Regulations.
- v. Amounts due for service to Applicant at a previous location have not been paid or covered by a payment agreement as outlined under Commission regulations.
- vi. Where the requested service may need to be delivered from non-jurisdictional gathering pipeline facility.
- vii. The Applicant has another source of gas supply separately delivered or available to the structure(s) or building(s) where the Company's gas service is desired, such that the gas supplied by the Company would be commingled with the separately delivered gas supply, contrary to Company policy against commingled gas.

The customer shall inform the Company in advance of any proposed additions to (or decreases in) the customer's connected natural gas load.

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ORIGINAL PAGE NO. 19**RULES AND REGULATION****2. CHARACTER OF SERVICE**

The Company offers firm service, unless otherwise provided in this tariff.

3. RULES FOR DEPOSIT**RESIDENTIAL CUSTOMERS**

A. A deposit from a Customer shall conform to the requirements of all applicable Commission regulations and statutory requirements. Deposits required by the Company for services under this Tariff shall not be based on unpaid charges for gas supply services provided by an NGS.

B. The Company may also require a security deposit from an Applicant if any of the following conditions exist:

1) The Applicant was a residential distribution service Customer of the Company whose service was terminated for any of the following reasons:

- a. Nonpayment of an undisputed delinquent account.
- b. Failure to complete payment of a deposit, provide a guarantee, or establish credit.
- c. Failure to permit access to meters, service connections or other property of the Company for the purpose of replacement, maintenance, repair or meter reading.
- d. Unauthorized use of the utility service delivered on or about the affected dwelling.
- e. Failure to comply with the material terms of a settlement or payment agreement.
- f. Fraud or material misrepresentation of identity for the purpose of obtaining utility service.
- g. Tampering with meters, including, but not limited to, bypassing a meter or removal of an automatic meter reading device or other Company equipment.
- h. Violating Tariff provisions which endanger the safety of a person or the integrity of the Company's gas delivery system.

2) The Applicant is unable to establish creditworthiness to the satisfaction of the Company through the use of a generally accepted credit scoring methodology which employs standards for using the methodology that fall within the range of general industry practice.

3) The Applicant has failed to comply with any material term or condition of a settlement or payment agreement.

C. If an Applicant is required to post a security deposit, the Applicant may, in the alternative:

1) Furnish a written guaranty from a third party, which can, to the Company's satisfaction, establish credit in Applicant's favor sufficient to assure payment to the Company upon demand of an amount equal to that which would otherwise be required in a security deposit.

A written guaranty in a form acceptable to the Company must be received by the Company prior to commencement of utility service to any Applicant who elects the foregoing alternative to the posting of a security deposit.

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ORIGINAL PAGE NO. 203. RULES FOR DEPOSIT (continued)

D. The Company may require an existing or terminated Customer to post a security deposit in order to re-establish credit under any of the following circumstances, after giving the Customer due notice of its intention to require a security deposit in accordance with prevailing Commission regulations:

- 1) The existing Customer has been delinquent on any two (2) consecutive bills or three (3) or more bills within the preceding twelve (12) month period.
- 2) The existing Customer has failed to comply with a material term or condition of a settlement or payment agreement, as defined in applicable Commission regulations.
- 3) The Customer's utility service has been terminated and the Customer desires reconnection.

E. When the Company requires a security deposit from an Applicant or Customer, the due date for the payment of such security deposit will be in accordance with the applicable Commission regulations.

F. A security deposit may be required in an amount equal to twice the average estimated monthly bill of the Applicant. This estimate shall be based upon prior consumption for like service at the subject premises, wherever available. Should the character or degree of the Customer's usage materially change, or if it is established clearly that either will materially change in the immediate future, the amount of the deposit may be adjusted at the request of either the Company or the Customer.

G. All residential deposits shall bear interest at the simple annual interest rate determined by the Secretary of Revenue for interest on the underpayment of tax under section 806 of the act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code. Such interest will be credited to the Customer's account at the end of each year after the date of the deposit and if return of deposit results in a credit balance on the account, the credit may be returned to customer in the form of a refund check.

H. The Company shall refund or apply to a Customer's outstanding balance any security deposit held, plus accrued interest, under the following conditions:

- 1) Upon discontinuance or termination of service.
- 2) After a Customer has paid bills for utility service in full and on time for twelve (12) consecutive months.
- 3) At the option of the Company, a security deposit including accrued interest may be refunded in whole or in part at any time earlier than the time stated in this Rule.
- 4) After the Company has held the Customer deposit for a maximum of 24 months, if none of the above conditions are met.

I. When a security deposit is refunded or applied against an existing account balance, the Company will provide the Customer with a written statement showing the amount of the deposit, the accrued interest thereon, the application of the deposit to any prior or current utility service account balance(s) and the remaining balance(s). Any refunded deposit, together with accrued interest, shall be paid to the Customer.

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3. RULES FOR DEPOSIT (continued)**NON-RESIDENTIAL CUSTOMERS**

- A. The Company reserves the right to require a security deposit for all services to be supplied, or to require an increase in an existing deposit if there is an increase in the monthly bill for services rendered. The Company further reserves the right to apply such deposit to bills previously incurred by the Customer under the existing or any previous utility service contract with the Company.
- B. A deposit may be required from a Customer in an estimated amount equal to twice the average of the three (3) highest monthly bills anticipated during the succeeding twelve (12) month period. Such estimate shall be made from the record of service rendered to the same premises during the last twelve (12) months of use, whether by Customer or by a prior occupant of the premises, adjusted to recognize the extent of the proposed use as compared with the past use thereof. If there is no prior record of service rendered to the premises, an estimated deposit shall be calculated by the Company based upon the Customer's proposed use of utility service to be provided.
- C. All non-residential Customer security deposits shall bear interest at the rate of six percent (6%) per annum, without deduction for any taxes thereon. Interest will be credited at the end of each year after the date of the deposit to the Customer's account and applied against the oldest unpaid bill. Upon final discontinuance or termination of utility service, any security deposit and accrued interest remaining with respect to said discontinued or terminated account will be first applied against the unpaid account balance, if any, with the remainder to be refunded to the Customer restricted in accordance with the Customer's direction.

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~~d. An existing customer whose service has been terminated and desires a reconnection of service may be permitted to pay any required deposit during a 90-day period in accordance with Commission regulations.~~

~~A cash deposit will be required in an amount equal to one-sixth of the Applicant's or customer's estimated annual bill at the time the Company determines that a deposit is required. This estimate shall be based upon prior consumption for like service at the affected premises, wherever available. Should the character or degree of the customer's usage materially change, or if it can clearly be established that either will materially change in the immediate future, the amount of the cash deposit may be adjusted at the request of either the Company or the customer.~~

~~All residential deposits shall bear interest at the simple annual interest rate determined by the Secretary of Revenue for interest on the underpayment of tax under section 806 of the act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code, and such interest shall be returned with the deposit.~~

~~The Company may refund or apply to a customer's account any security deposit held, plus accrued interest, under the following conditions:~~

~~i. Upon discontinuance or termination of service.~~

~~ii. When a customer establishes credit pursuant to the Commission's regulations.~~

~~iii. When a customer substitutes a third-party guarantor, as defined in Commission's regulations, but the refund shall not exceed the guarantee.~~

~~iv. After a customer has established a timely payment history. A timely payment history is established when a customer has paid its account balance in full and on time for 12 consecutive months.~~

~~v. At the option of the Company, a cash deposit, including accrued interest, may be refunded in whole or in part at any time earlier than the time stated in i. through iv. above.~~

~~The Company shall deduct the outstanding balance on the customer's account from the deposit and return or credit any positive difference to the customer. The customer may direct to whom a refunded deposit, together with accrued interest, shall be paid.~~

Commercial and Industrial Applicant/Customer

~~The Company reserves the right to require a deposit or guaranty for all services to be supplied, or an increase in said deposit if there is an increase in the monthly bill for services rendered; also the right to apply such deposit to bills previously incurred by the Applicant under the existing or any previous contract with the Company.~~

~~A deposit may be required from an Applicant in an estimated amount equal to twice the average of the three highest monthly bills anticipated during the next 12 months. Such estimate shall be made from the record of services rendered to the same premises during the last 12 months of use, whether by Applicant or a prior occupant of the premises, adjusted to recognize the extent of the proposed use as compared with the use in the past. If there is no prior record of services rendered to the premises, the estimate shall be based upon the purposes for which services will be provided.~~

~~All commercial and industrial deposits shall bear interest at the simple annual interest rate determined by the Secretary of Revenue for interest on the underpayment of tax under section 806 of the act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code, and such interest shall be returned with the deposit.~~

~~Upon final discontinuance of service and if such cash deposit has not been theretofore refunded, the principal of and interest thereon will be applied against the final bill, or if all bills are paid in full or if the deposit and interest shall be more than sufficient to cover the same, will be refunded to the customer, in whole or in part, as the case may be, by check.~~

~~To accommodate the Applicant in case he cannot furnish a cash deposit, a written guaranty of a third person who can establish credit to the Company's satisfaction, including demonstrating that the third person is the owner of real estate already receiving service from the Company will be accepted, but such form of security is discouraged. To limit the guaranty to the lowest terms consistent with security, such guarantor is required to agree that upon default of the customer, the guarantor will make prompt payment of the charges for services rendered to the customer for a period not exceeding sixty days. In case the guarantor is required to pay, the customer then must either make a cash deposit or secure a renewal of the guaranty in order to have service maintained.~~

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

The Applicant hereby undertakes to furnish, be responsible for, and pay the necessary costs of customer-owned 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 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, installation, 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 care, maintenance or supervision of the facilities. To facilitate this process, the Company makes available a manual entitled "Service Line Installation Standards" on its website.

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 to read, maintain, remove, change, replace, inspect, and/or reclaim the meter and associated equipment.

Meters will be installed at the Company's expense only upon request and subject to the following conditions:

- a) The Company will install one (1) meter per customer service line
- b) The type, size and location of the meter will be determined by the Company.
- c) An individual service line shall be required for each unit of a newly constructed structure consisting of modules which can be sold or leased as and function as separate entities, and having within each such unit control of the total gas energy requirements of that unit, including all interior piping. The requirement of one meter per service line shall apply to renovations of existing structures which meet the aforesaid independency requirements and to which gas service has not been provided for a period of at least one (1) year. The requirement of one meter per service line may be waived for other structures. In this latter event, additional meters will be set by the Company, provided the customer shall bear the cost of all additional meter installations and house line alterations, and such cost of service line alterations as shall be permitted by law.
- d) Outlet piping from the meter shall not pass through space or property that is or could be controlled or owned by an individual or individuals other than the customer.

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RULES AND REGULATIONS

4. CONNECTIONS FOR SERVICE - EXTENSION OF FACILITIES (continued)

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, at its discretion, may extend its distribution mains up to a distance of one-hundred fifty (150) feet on any street or highway without cost to a residential applicant(s), absent any abnormal underground conditions or unusual permitting requirements. When abnormal underground conditions or unusual permitting requirements exist, as determined by the Company, the applicant(s) will be required to pay a contribution in aid of construction (CIAC) in an amount determined by the Company. The Company may also condition the extension of facilities upon the Applicant's providing a 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, eligible Applicants for an extension may be offered service under Pilot Rate MLX as an alternative to a CIAC.

If the Company requests a CIAC from an Applicant 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 rata refund during the three-year period immediately following completion of the extension.

Any CIAC, customer advance, or other like amounts received from the customer that 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 customer's premises have been tampered with, the customer shall be required to bear all costs incurred by the Company for investigations and inspections, repairs, 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 customer shall be required to pay for such natural gas service, including interest at the late-payment charge rate, and all applicable costs and fees associated with collecting such charges based on the Company's estimate, from available information, of the amount of gas used but not registered by the Company's meters.

The customer shall pay the Company for any repairs to or any loss of the Company's property on the premises when such repairs are necessitated, or loss occasioned, by the willful acts or negligence on the part of the customer or failure to comply with the rules and regulations under which service is furnished.

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RULES AND REGULATIONS**5. DISCONTINUANCE AND TERMINATION OF SERVICE**

The authorized agents of the Company shall at all reasonable times have free access to the premises of the customer with the right to shut off the gas and remove its property from the premises for any of the following reasons: failure to permit access to meters, service connections or other property of the Company for the purpose of replacement, maintenance, repair or meter reading; nonpayment of any undisputed delinquent bills due for existing or any previous service; tampering with the meter or connections; fraudulent representation in relation to the consumption of gas; removal of Applicant from the premises; selling or delivering gas to other occupants of the premises without application to the Company; failure to make or increase any deposit; failure to provide a guarantee of payment or establish credit; want of supply or waste of gas from customer's lines or appliances; failure to comply with ~~amortization or settlement~~ payment agreements; and failure to comply with or violation of Tariff Rules and Regulations. However, service may not be discontinued or terminated under any circumstances except under Commission Regulations or PA Statute(s) in effect and applicable at the time of such contemplated discontinuance.

The Company may immediately terminate service for any of the following actions by the customer: unauthorized use of the service delivered on or about the affected dwelling; fraud or material misrepresentation of the customer's identity for the purpose of obtaining service; tampering with meters or other public utility's equipment; or violating tariff provisions on file with the Commission so as to endanger the safety of a person or the integrity of the public utility's delivery system. Upon termination for such reasons, the Company will make a good faith attempt to provide a post termination notice to the customer or a responsible person at the affected premises, and, in the case of a single meter, multiunit dwelling, the Company will conspicuously post the notice at the dwelling, including in common areas when possible.

Unless otherwise authorized by the Commission, after November 30 and before April 1, the Company will not terminate service to residential customers with household incomes at or below 250% of the federal poverty level except for: 1) customers whose actions are grounds for immediate termination, as described above, and 2) any person receiving gas service as a User without Contract. The Company will use financial information from the customer provided within the ~~most~~ most recent twelve month period to determine if a customer exceeds the 250% federal poverty level.

The Company may terminate service for nonpayment of billings for service provided under this tariff or for NGS supply charges purchased by the Company under the purchase of receivables provisions set forth in Rate SBS of the Company's Supplier Tariff.

If service is terminated, the same customer, whether an Applicant or customer as defined in the Commission's regulations or PA Statutes, shall pay a reasonable turn-on fee for resumption of service at the same address after termination. The turn-on fee for Residential customers is \$56. This fee is waived for customers at or below 150% of the federal poverty level. The turn-on fee for Commercial customers is \$114. The turn-on fee for Industrial customers shall be an amount equal to the customer charge for each month of the intervening period since service was terminated.

Upon discontinuance or termination of service, the customer or its agent shall be responsible to winterize the premises to withstand winter conditions, which actions may include, but not limited to, draining plumbing systems, adding insulation and alternative heating units. The Company shall not be responsible for any damages resulting from the customer, or its agent, as a result of a failure to winterize the property.

The Company reserves its rights to use any and all remedies at law to collect any outstanding debts, including, but not limited to, filing a Complaint in civil court seeking a judgment of record for the debt, with interest and recovery of court costs, attorneys' fees and other collection expenses incurred in the process.

6. TERMINATION OF CUSTOMER'S CONTRACT

In case a writ of execution shall be issued against a customer, or in case the premises described or referred to in the contract as the place at which gas is to be delivered or consumed, or the personal property upon said premises shall be levied upon under execution, or in case of any acts of assignment, filing of involuntary or voluntary petitions in bankruptcy, or any action in court for the reorganization of any corporation, partnership, or other customer, the contract, at the option of the Company, shall cease and terminate, and all claims for retail or transportation service previously provided or amounts purchased from a NGS through the purchase of receivables provisions set forth in Rate SBS of the Company's Supplier Tariff shall become forthwith due and payable without notice from said Company to the extent permissible under applicable bankruptcy statutes and Commission regulations.

RULES AND REGULATIONS**7. LEAKS AND WASTE**

The customer shall use all due care to prevent a waste of gas. It is the responsibility of the customer to exercise all due care in the detection of defects and leaks, and in case of failure or deficiency of gas, leakage, excess pressure, or other dangerous developments incident to the handling of gas under pressure, the customer agrees to give immediate notice thereof to the Company, and his failure to do so, should loss follow, shall be conclusive evidence of his contributory or comparative negligence.

§. NONLIABILITY OF COMPANY/LIMITATION OF LIABILITY

The Company does not guarantee continuous, regular and uninterrupted supply of service. The Company may, without liability, interrupt or limit the supply of service for the purpose of making repairs, changes, or improvements in any part of its system for the general good of the service or the safety of the public or for the purpose of preventing or limiting any actual or threatened instability or disturbance of the system. The Company is also not liable for any damages due to accident, strike, storm, riot, fire, flood, legal process, state or municipal interference, or any other cause beyond the Company's control. The Company shall not be liable for any injury to person or property arising from the use of gas by or the supply of gas to the Customer which is not the result of negligence solely on the part of the Company.

In no event shall the Company be liable for incidental, indirect, special or consequential damages, including loss of use or profit or loss of business. In all other circumstances, including but not limited to failure to furnish a sufficient supply of gas or failure to transport the customer's gas to the customer, The liability of the Company to customers or other persons for damages other than incidental, indirect, special or consequential damages, including loss of use or profit or loss of business damages, direct or consequential, including damage to equipment and appliances, loss of business, or loss of production caused by any interruption or variation in supply or pressure, or any other failure in the supply of natural gas shall in no event, unless caused by the willful and/or wanton misconduct of the Company, exceed an amount in liquidated damages equivalent to the greater of \$500 or two times the charge to the customer for the service affected during the period in which the or two times the charge to the customer for the service affected during the period in which such interruption or variation in supply or pressure, or any other failure in the supply of natural gas occurs. damages occurred. These limitations shall apply whether the claim is pleaded in contract or in tort, including negligence and strict liability in tort.

The Company makes no warranty as to merchantability or fitness for a particular purpose, express or implied, by operation of law or otherwise. To the extent applicable under the Uniform Commercial Code or on any theory of contract or products liability, the Company limits its liability in accordance with the previous paragraph to any Customer or third party for claims involving and including, but not limited to, strict products liability, breach of contract, and breach of actual or implied warranties of merchantability or fitness for an intended purpose.

For the purposes of this Rule, all pipe, fittings, and appliances, and associated materials/equipment on the customer's side of the curbstop or shutoff valve, or the property or lot line if there is no curb valve, of the service pipes which connects with the Company's main line are the property and responsibility of the customer, and in no event shall the Company be liable for any injury to person or property arising there from.

9. MEASUREMENT OF GAS

All gas delivered shall be measured by meter. The term "Mcf," as used in the Company's schedule of rates, shall mean 1,000 cubic feet of gas at no more than 8 ounces above an assumed atmospheric pressure of 14.4 pounds at whatever temperature the gas may be during the period of measurement. If gas is supplied from a low-pressure distribution system in which the pressure of the gas is regulated not to exceed 8 ounces, the measurement will be at whatever pressure the gas may be during the period of measurement. If gas is delivered from a high-pressure system, measurement will be corrected to a pressure base of 14.73 psia. If measurement is corrected for temperature, measurement will be corrected to 60°F.

All meters shall be owned by the Company. All such meters and any regulators installed in connection therewith shall be open to inspection at reasonable times by both the Company and the Customer for the purpose of seeing that they are in good condition. If, at any time after installation of any meter or regulator, conditions change so that its location becomes unsuitable, the Company shall have the right to move the meter or regulator to a suitable place at the expense of the Customer or property owner. The measurement of gas by meter shall be conclusive on the customer and the Company, excepting that from the time the meter is found to be defective or ceases to register, until the meter is repaired, the gas

delivered shall be estimated by the average of another meter, or by the amount delivered by meter during a previous corresponding period under similar conditions. In the event of the customer's dissatisfaction with the registration of the meter, the Company will, upon request, accompanied by the fee specified in the regulations of the Commission, have the same removed, sealed, and tested and results of the test given to the customer upon request. If the meter so tested shall be found to be inaccurate within the limits specified in the regulations of the Commission, the Company shall refund the charge for such test.

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RULES AND REGULATIONS10. BILLING AND PAYMENT

No entity providing billing may share or use information concerning individually negotiated rates of a customer, which has been acquired only through the entity's role as a billing agent, with another customer or any third party without the prior written authorization of the Company. The Company shall offer a separate payment option for residential customers to equalize monthly payment amounts.

No entity providing billing may share or use information concerning individually negotiated rates of a customer, which has been acquired only through the entity's role as a billing agent, with another customer or any third party without the prior written authorization of the Company. The Company shall offer a separate payment option for residential customers to equalize monthly payment amounts.

Billing Options

The Company will offer two billing options: (1) the issuance of a bill by the Company which contains the NGS charges; or (2) the issuance of a bill that contains only the Company's charges, in which case the NGS will bill the customer separately for NGS charges. The right of a customer to receive a separate bill from his/her NGS for the NGS' charges is subject to the ability of the NGS to provide a separate bill and the terms under which the NGS may offer to provide a separate bill.

Allocation of Payments

Under billing option (1), the following order for the application of partial payments shall apply to all residential customers and to non-residential customers unless the contract between the non-residential customer and the NGS provides for a different method:

- a. Pre-existing Company balance;
- b. Current Company charges;
- c. NGS charges;
- d. Non-basic service charges (including but not limited to warranty charges);
- e. Hardship energy fund contribution.

Residential and Commercial Customers

Bills will be rendered and be payable once each month. Amounts due for gas services must be made using US currency in one of the following formats: cash at a valid payment center, credit card, debit card, atm card, or personal check, business check, or money order issued by a properly licensed financial institution, or other commercially acceptable form of payment as determined by the Company. The Company may strives to read any-the meter once each-every month, but ordinarily it will read meters of residential and commercial customers once every two-may read every other months. As to any customer whose meter is read once every two months, the volumes consumed for the first month of each bimonthly meter reading period shall be determined by estimation, on the basis of the customer's previous service, adjusted for weather conditions, and the volumes consumed for the second month of each bimonthly meter reading period shall be determined by subtracting the first month's estimated volumes from the total actual volumes consumed or delivered for the bimonthly period as shown by the meter. The bill for each month shall be the result of applying to the volumes consumed or delivered, the applicable rates, charges, and penalties (if any) set forth in this tariff.

Upon request, the Company will supply any customer with an option upon which he may record his meter reading at the end of the first month of each bimonthly meter reading period, and if such reading is received by the Company within two days after the close of such billing month, the bill for such month will be computed from the meter reading provided by the customer instead of by estimate. The Company will adjust estimates of bills for changes in conditions of which it has been notified in advance by a customer.

A bill will be rendered to each residential and commercial customer on account of each meter. Bills will be rendered as nearly as possible on the same day of every month and shall be payable upon presentation. The Company reserves the right to reassign customers into a different billing cycle and the timing of the issuance of the monthly bill may be altered. A bill shall be deemed delinquent if it is not paid by the due date. The due date for residential and commercial customers shall be twenty (20) days after the date of mailing the bill unless the Company agrees to an extension. Delinquent residential accounts shall be subject to a late-payment charge of one and one-half percent (1 ½%) per month for bills not paid within five days after the due date. Delinquent commercial accounts shall be subject to a late-payment charge of one and one-half percent (1 ½%) per month. Late-payment charges will be based on delinquent charges for services

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RULES AND REGULATIONS**10. BILLING AND PAYMENT (continued)**

provided under this tariff or for NGS supply charges purchased by the Company under the purchase of receivables provisions set forth in Rate SBS of the Company's Supplier Tariff. Payment of bills may be made at authorized collection offices or agencies of the Company during the regular business hours thereof. Payment may be deemed to have been made on the date it is received at any such office or, if remittance is made by mail, on the date of the official U.S. Postal Service postmark.

Industrial Customers

Bills will be rendered and be payable once each month. A bill will be rendered to each industrial account. Bills will be rendered as nearly as possible on the same day of every month and shall be payable monthly upon presentation. The Company reserves the right to reassign customers into a different billing cycle and the timing of the issuance of the monthly bill may be altered. An industrial customer's bill shall be deemed delinquent when it remains unpaid after the payment due date specified on the bill. A payment received from a customer owing a previous balance shall be applied first to the previous balance and only after such previous balance has been fully paid shall any balance of the payment be applied to the current bill. Industrial accounts shall be subject to a late-payment charge of two percent (2%) per month if the bill is not paid in its entirety on or before the payment due date specified on the bill, which shall be fifteen (15) days after the date of mailing the bill. Late-payment charges will be based on delinquency charges for services provided under this tariff or for NGS supply charges purchased by the Company under the purchase of receivables provisions set forth in Rate SBS of the Company's Supplier Tariff.

Final Bill

At the time the Company receives a notice, which notice must be received at least seven days in advance, to discontinue service, ~~The Company may estimate the final reading if the Company's actual read parameters have been met in previous months. Upon request, the customer may submit a customer meter reading, or request the Company read the meter, or transfer service from one customer to another, the Company may provide customers with the options to have the Company read the meter, have the disconnecting and reconnecting customer read the meter, or receive an estimated final reading if the Company's actual read parameters have been met in the previous months.~~ The Company will read the meter if the two customer readings are significantly different. The Company will inform the customer that if they elect the customer meter reading and the customer fails to provide the Company with an acceptable reading in a timely manner, the Company may estimate the final meter reading. The Company will make reasonable efforts to obtain actual meter readings: (a) when the Company has insufficient data to estimate the Customer's usage; (b) when, in the case of a transfer of service, disconnect and reconnect orders are executed on different days; and (c) when the customer, at least seven days prior to the disconnect order date, specifically requests that the meter be read. The Company reserves the right to establish a Customer's usage for a final bill whenever the Company is unable to gain access to its meter on the disconnect order date. The Company will accept meter readings from customers for final bills if the customer reading is provided in a timely manner and if, upon review, the Company finds the customer reading to be reasonable and consistent with prior usage levels. Notwithstanding the foregoing, the Company may not discontinue service unless in compliance with the Rules, Regulations or Orders of the Pennsylvania Public Utility Commission pertaining thereto and in effect at the time of such discontinuation.

Dishonored Payment

If the Company receives a negotiable instrument from an Applicant or customer as payment of any bill, charge or deposit due, and if the instrument (including electronic payment) is subsequently dishonored or is uncollectible for any reason, the Company may charge the Applicant or customer a fee of \$26.

11. AUTHORITY OF AGENTS

~~No agent or employee of the Company has authority to make any promise, agreement, or representation not incorporated in its rules and regulations, and no promise, agreement, or representation shall bind the Company unless in writing, signed by an officer of the Company. No agent or employee of the Company has authority to make any~~

promise, agreement or representation not consistent with this Tariff.

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RULES AND REGULATIONS**ADDITIONAL RULES FOR RETAIL CUSTOMERS ON LINES
OUTSIDE OF DISTRIBUTION SYSTEMS (RULES 12-14)****12. CONDITIONS UNDER WHICH SERVICE WILL BE RENDERED**

Applications for service from a transmission, gathering, or storage line outside of the Company's distribution system will not be accepted unless such line is being operated in a manner which will permit gas to be served to the Applicant without interference with the Company's operation. Applications will be accepted only with the understanding that the use or manner of use of the Company's line from which gas is to be supplied is not permanent and that service to the Applicant is subject to temporary or absolute change or discontinuance at the sole discretion of the Company which may at any time remove, repair, or change the use or manner of operating said line after having first canceled the service contract with the Applicant by thirty days written notice to him. The customer agrees that the Company shall have the right to discontinue service for any such reason or in accordance with any other published rule or regulation of the Company, and the customer further agrees that during the term of service the Company shall not be liable for any deficiency in the supply of gas caused by the use of compressing stations, breakage of lines, or other causes or for any claim for damages on account of any matters set forth in this paragraph, subject to the terms and conditions of Rule 8 of this tariff. Every Applicant must obtain adequate and suitable written rights-of-way and regulator sites, and permit copies thereof to be made before the Company will make any tap or connection for service or install any regulating apparatus for Applicant.

13. CONNECTION FOR SERVICE AND RESPONSIBILITY THEREFOR

The Company will furnish gas service from a transmission, gathering, or storage line, subject to the conditions of Rule 12, Rule 14, and its other rules and regulations, at the varying pressures at which the line is operated from time to time. The Applicant assumes all risks from variation in pressure, defects in pipe, connections, and appliances, from the escape and leakage of gas, from the sticking of valves and regulators, and from the burning of gas on his premises and like causes incident to the use of gas. The Applicant shall provide at his own expense and risk the necessary service line from the place of consumption or other mutually agreed upon delivery point to a point designated by the Company near the Company's pipe line from which gas is to be supplied for safely conducting the gas from the stop or shutoff valve on the connection which the Company will make with its pipe line to the place of consumption or other mutually agreed upon delivery point.

14. COST OF CONNECTION

The Company will at its own cost tap its line and furnish and lay a service line terminating with a stop or shutoff valve at or near the point designated by it under Rule 13. Connection for service will be made under Rule 4.

RULES AND REGULATIONS**SPECIAL RULES APPLICABLE TO INDUSTRIAL CUSTOMERS (RULE 15-16)**

All service to industrial customers is made subject to the following special rules. The foregoing rules are also applicable to such service unless inconsistent with the following rules.

15. METERS AND REGULATORS

All gas delivered to the customer shall be delivered at and measured by a standard meter to be placed by the Company upon the customer's premises or at another delivery point, as determined by the Company. The said meter or meters and any necessary regulators shall be owned by the Company, and the Company shall pay the cost of keeping the meters and regulators in repair; customer will furnish and maintain suitable building or buildings for same but said meters and regulators shall be at all times open to inspection of both the Company and the customer for the purpose of seeing that they are in a condition of good repair. The customer, or owner of the property where the meter is located, shall not construct any structure(s) on, or around the meter, or permit any obstruction that blocks or encumbers access to the meter. In the event a meter is obstructed and the Company is unable to obtain access, the Company may take necessary action to obtain access to the meter and the Company shall not be liable for any damage or loss to the property of the customer or the property owner.

All meters shall be owned by the Company, and said meters and any regulators in connection therewith shall be at all times open to inspection by both the Company and the customer for the purpose of seeing that they are in condition of good repair. The meter providing service to the customer's premises shall be placed on the property located on the premises. Any meter located on property owned by a third-party who is not the customer or the owner of the real property where the premises is located, shall be relocated to an appropriate location that complies with this Rule.

16. RESPONSIBILITY FOR FIRE, EXPLOSIONS, AND FAILURE OF SUPPLY

The Company shall not be responsible for any lines laid beyond the meter; shall not be held liable for any damage or loss to person or property resulting from explosions or fire or from use of gas in the works of the customer; and shall not be liable for failure to furnish a sufficient supply of gas or for failure to transport the customer's gas to the customer for his purpose arising from any cause not the result of the willful and/or wanton misconduct of the Company, subject to the terms and conditions of Rule 8 of this tariff.

17. EMERGENCY CURTAILMENT

This rule has been adopted pursuant to regulations of the Commission set forth at Pa. Code §§59.71 – 59.75 entitled 'Gas Emergency Plans'.

The definitions for terms used in this Rule 17 shall be shown in Appendix A hereto.

An emergency exists whenever the aggregate demand of firm service customers on the Company's system or confined segment of the system exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess creates an immediate threat to the Company's system operating integrity with respect to Priority-One customers. If this occurs, the Company may require each commercial and industrial customer, who is not a Priority-One customer, to reduce its consumption of gas. The reduction required shall be determined by the Company without regard to priorities of use, as necessary to minimize the potential threat to public health and safety; however, the authorized volume shall provide only the minimum volume of firm service necessary for the prevention of damage to plant equipment.

As part of the emergency planning process, the Company shall attempt to make every responsible effort to make contractual or informal arrangements with their sales Customers, transportation Customers, and others to obtain supplies or, as an alternative, to implement voluntary and/or mandatory usage reductions so that resorting to firm service

RULES AND REGULATIONS17. EMERGENCY CURTAILMENT (continued)

reductions or curtailments under applicable Commission regulations can be avoided, and severe supply or capacity disruptions can be mitigated. The Plan is designed to minimize the potential for supply shortfalls that threaten public health and safety, not to make up for inadequate performance by individual parties.

When all other service has been curtailed except for Priority-One service and the Company continues to be unable to meet Priority-One requirements, the Company shall exercise its judgment as to any further curtailment that may be necessary and shall utilize measures designed to minimize harm to customers if curtailments to plant protection use are found to be necessary.

The Company will specify in a notice of emergency curtailment the authorized daily consumption until further notice. An emergency curtailment may be made after oral notice to the customer effective when so given and confirmed in writing within 48 hours thereafter.

If a customer exceeds its authorized consumption during a period of emergency curtailment, then a customer shall be subject to penalties as set forth below:

<u>Actual Usage as a Percentage of Emergency Authorized Consumption</u>	<u>Penalty for Excess Takes (in Dollars Per Mcf)</u>
<u>Greater than 103%, but not in excess of 110%</u>	<u>The higher of \$10 per Mcf or 110% of the highest cost gas supply purchased by the Company during the month of usage.</u>
<u>Greater than 110%</u>	<u>The higher of \$25 per Mcf or 125% of the highest cost gas supply purchased by the Company during the month of usage.</u>
<u>Greater than 103% but not in excess of 110%</u>	10
<u>Greater than 110%</u>	25

The Company shall have the right to waive any penalty for unauthorized use of gas.

The number of days of emergency curtailment multiplied by the authorized daily consumption volume shall be the customer's authorized consumption for the emergency curtailment period. The Company will determine actual consumption during the emergency curtailment period by actual measurement at the beginning and end of the emergency curtailment.

Utility Liability

The Company may restrict or discontinue service in accordance with 52 PA Code, Sections 59.72 through 59.75 of the Emergency Plan Regulations without thereby incurring any penalty or liability for any loss, injury or expense that may be sustained by the Customer, except when the restriction or discontinuation of service is as a result of the Company's willful or wanton misconduct.

The Company's liability for actions taken under 52 PA Code, Section 59.73, or pursuant to any other regulation, policy statement, directive or Order issued by the Commission, or an emergency order issued by the Governor, shall be governed by the following principles:

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EFFECTIVE: February 27, 2024

RULES AND REGULATIONS**17. EMERGENCY CURTAILMENT (continued)**

- 1) If the Company appropriates natural gas during an emergency action, the Company will compensate the applicable entity, whether the Customer or the Customer's NGS, for the cost of lost, firm gas service. The compensation, in the aggregate, shall equal but not exceed the greater of the city gate cost of the appropriated natural gas, including transportation charges up to the Company's city gate, or the reasonable cost actually paid by the Customer for delivered substitute energy, as documented to the Company. The Company may provide compensation in kind only at the discretion of the affected Customer or NGS.
- 2) The Company will have the right to discontinue service, for the duration of an emergency, to a Customer that continues to take gas in violation of these rules.

Discontinuance of Service and Curtailment

When the evidence available to the Company reasonably indicates that a customer is using gas in violation of this rule or an order of the Commission, the Company will discontinue all service to such customer unless the use causing such violation is discontinued within ten days after written notice from the Company. This provision shall not affect the Company's right or obligation to discontinue service under other provisions of this tariff, the rules and regulations of the Pennsylvania Commission, or for any other lawful right or reason. The Company will inform the Commission of any termination pursuant to this rule.

RULES AND REGULATIONS17. EMERGENCY CURTAILMENT (continued)Appendix A to Rule 17DEFINITIONS FOR TERMS USED IN EMERGENCY CURTAILMENT

1. Alternate Fuel: Any fuel other than natural gas.
2. Alternate Fuel Capability: The installed and operable ability to use any fuel other than natural gas on a time sensitive basis.
3. Commercial Use: Gas usage by customers engaged primarily in the sale of goods or services including but not limited to consumption by office buildings, institutions, and governmental agencies.
4. Critical Uses: Gas usage where natural gas is the only feasible form of energy due to its combustion characteristics, controllability, or chemical properties.
5. Essential Human Needs Use: Gas usage by customers for service to any buildings where persons normally dwell, including but not limited to residences, apartment houses, dormitories, hotels, hospitals, and nursing homes.
6. Firm Service: Natural gas service offered to consumers under tariffs or contracts that anticipate no interruption.
7. Industrial Use: Gas usage by customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product, including the generation of electric power.
8. Interruptible Service: Natural gas services that can be temporarily discontinued under terms and conditions specified by tariff or contract.
9. NGDC: Natural gas distribution company.
10. NGS: Natural gas supplier.
11. Noncritical Use: Gas usage where natural gas is not the only feasible form of energy, that is, where the user has alternate fuel capability.
12. Plant Protection Use: Minimum usage of natural gas required to prevent physical harm to an industrial or commercial consumer's facility, or danger to personnel at the facility when such protection cannot be afforded through the use of an alternate fuel. Plant protection use includes usage necessary for the protection of the material in process as would otherwise be destroyed, but does not include deliveries required to maintain production.
13. Residential Use: Gas usage in a residential dwelling or unit for space heating, air-conditioning, cooking, water heating, or other domestic purposes.

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RULES AND REGULATIONS**18. PRIORITY OF SERVICE CURTAILMENT**

Upon issuance of an order to initiate priority-based curtailments, the available gas supplies to the Company shall be allocated among its customers in accordance with the priorities of use listed below. Customers in higher priority will not be curtailed until all customers falling into the lower classifications have been completely curtailed; where only partial curtailment of any one classification is required, the implementation of curtailment shall be prorated, to the extent possible under the circumstances, based upon recent consumption data. The ability to curtail a Priority-One customer is not affected by whether the customer pays for standby service under Rate GS-SB. Following are the priority categories and subcategories listed in descending order. Small commercial and industrial customers as described below are those customers that use less than 25,000 Mcf per year. Large commercial and industrial customers as described below are those customers that use 25,000 Mcf per year or more:

1. a. Residential.
1. b. Firm critical commercial essential human needs.
2. a. Firm small commercial requirements, excluding critical essential human needs requirements in category 1., firm large commercial and industrial requirements for plant protection, and operational facilities of electric distribution companies.
- 2.b. Firm small industrial requirements.
- 2.c. Firm large critical commercial and industrial requirements, excluding firm critical commercial essential human needs requirements in category 1 and excluding firm large commercial and industrial requirements for plant protection in category 2.
- 2.d. Firm large noncritical commercial and industrial requirements other than requirements for boiler fuel use.
- 2.e. Firm large noncritical commercial and industrial requirements for boiler fuel use.
- 2.f. Contractually interruptible use.

19. SALES OF GAS FOR RESALE

All gas sales to residential customers are to the ultimate purchaser and are not to be resold for profit.

20. SERVICE AGREEMENT & FLEXIBLE RATES

Service agreements for delivery services are not required unless the customer ~~consumes more than 50,000 Mcf per year~~ ~~or~~ has negotiated a delivery rate less than the maximum rate. When a service agreement is required, an agreement for a minimum of one year must be executed by each Applicant as a condition to receiving delivery service, unless the Company agrees to a shorter term. The Service Agreement, when required, shall include but not be limited to: 1) the point(s) at which the Company will receive customer's gas; 2) the points at which the Company will deliver customer's gas to customer's facilities; 3) ~~pressure,~~ maximum ~~and minimum~~ daily volumes and annual delivery service volumes. Delivery of gas will not begin until a Service Agreement is fully executed.

Specific components of a customer's rate may be lowered or waived if such an adjustment is required to meet competition from an alternative fuel source (including electricity), for economic development purposes, ~~or~~ for service to new facilities, or for existing customers that install new technologies utilizing natural gas such as but not limited to: fuel cells, gas heat pumps and cooling, and Combined Heat and Power (CHP) project(s). Determination of eligibility for a flexible rate will be made by the Company and execution of a contract by the customer. When the discount is based on competition from an alternative fuel source, the customer will be required to certify the existence of the alternative fuel source. Electricity delivered by an electric distribution company shall ~~not~~ constitute a competitive alternative ~~for purposes of natural gas flex rate eligibility or amount, unless the electric distribution company offers an electric flexed distribution rate to the customer~~. Prior to flexing distribution charges for distribution service customers, the Company may reduce charges that are for recovery of balancing charges, AVC capacity charges, and/or the retainage percentage applied to the gas received on behalf of the distribution service customer.

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RULES AND REGULATIONS**SPECIAL RULES APPLICABLE TO ALTOONA
AND JOHNSTOWN AND VICINITY (Rules 21 and 22)****21. CONNECTION FOR SERVICE**

In the city of Altoona, Blair County, and the city of Johnstown, boroughs of Ferndale, Westmont, Lorain, Dale, Southmont, and townships of Lower Yoder, Upper Yoder, and Stony creek, and vicinity in Cambria County, and not elsewhere, the following rule has been adopted and is applicable in place of Rule 4 above: The meter and all pipes, fittings, and stop cocks furnished by the Company on the premises shall remain the property of the Company which shall have the free right and privilege of ingress and egress at all reasonable times, to lay, maintain, inspect, operate, repair, and finally reclaim its property and for reading and change of meters.

22. LEAKS AND WASTE

In the city of Altoona, Blair County, and the city of Johnstown, boroughs of Ferndale, Westmont, Lorain, Dale, Southmont, and townships of Lower Yoder, Upper Yoder, and Stonycreek, and vicinity in Cambria County, and not elsewhere, the following rule has been adopted and is applicable in place of Rule 7 above: The customer shall use all due care to prevent waste of gas. It is the responsibility of the customer to exercise all due care in the detection of leaks and defects in the service pipes, meter, fittings, and stop cocks on the customer's premises and in case of failure or deficiency of gas, leakage, excess pressure, or other dangerous developments incident to the handling of gas, the customer agrees to give immediate notice thereof to the Company at its office and to take the necessary precaution to prevent explosion and fire, and the failure of the customer to do so, should loss or injury follow, shall be evidence of the customer's negligence and shall relieve the Company from liability for such loss or injury.

23. ORDER OF GAS DELIVERIES THROUGH THE METER FOR BILLING PURPOSES

For purposes of billing more than one type of service provided by the Company to a customer through one meter, the following order of application of rates shall be used:

- a. Rate GS-T
- b. Firm Retail or Standby
- c. Rate CER

24. OPERATIONAL FLOW ORDERS

To the extent the Company issues an operational flow order (OFO) pursuant to Rule 4 of its Supplier Tariff, a transportation customer shall comply (or direct its NGS to comply) with the same OFO conditions, including the penalty provisions, outlined in the Company's Supplier Tariff Rule 4. The Company may waive the penalties applicable under the Company's Supplier Tariff Rule 4, for transportation customers.

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RULES AND REGULATIONS**25. SELECTION OF NGS**

- a. When the Company receives notice that a customer has elected to switch NGSs or to return to the Company's Supplier of Last Resort service, the Company shall initiate the confirmation procedure described herein. Such changes shall coincide with the start of customer's billing cycle.
- b. Customers can obtain information at any time on the ability to select an NGS other than the Company by contacting the Company via letter, phone, e-mail, or by visiting the Company's internet web site. The Company will also periodically mail to customers information on the opportunity to choose an alternate supplier.
- c. Disclosure Requirements: If a customer selects an NGS, the customer should note that the NGS is required pursuant to the Commission's Customer Information Disclosure Guidelines at Docket No. M-00991249F0005, to disclose certain information to the customer, including but not limited to, agreed-upon pricing in the Company's standard pricing unit, conditions of pricing availability, the length of the agreement, cancellation provisions, and the three-day right of rescission.
- d. Selection and Set-up: The customer, or person or entity that is authorized to act on the customer's behalf, should contact their chosen NGS to initiate the request. When a customer, person or entity authorized to act on the customer's behalf contacts the Company with a request, the Company will inform such party to contact the NGS directly. After the Company has received notification from the NGS of the customer's request, the Company shall mail out a confirmation letter to the customer by the end of the next business day after the date the Company receives notification by the NGS of the new customer, asking the customer to notify the Company if information in the confirmation letter is inaccurate. Such confirmation letter shall include the customer's NGS, the applicable billing option, the approximate date when service from the new NGS will begin and the date that the first bill will be mailed, and notification that service may be terminated for failure to pay NGS supply charges. The confirmation letter also shall include the notice of a five (5) day waiting period in which the request may be cancelled by the customer before the change of the NGS takes place. The five (5) day waiting period shall start on the day the confirmation letter is mailed.

Should the Company receive notification from customer within the five (5) calendar days required under the confirmation letter that customer's gas service or gas supply election as described by the NGS is in error, the Company shall so notify the NGS. In case of notification by customer of such error, the Company shall continue billing customer under customer's current billing arrangement. Should the Company receive notification from customer that customer's gas service or gas supply election as described by the NGS is in error, but not receive such notification within the five (5) calendar days period, the Company shall advise the customer to contact the NGS to request cancellation and if requested by customer the Company will treat this as an alleged slamming complaint under Rule 26.

Should the Company receive notification by more than one NGS within a one-month period that the customer has elected said NGS to supply customer's natural gas, the Company shall proceed with the confirmation process using the first NGS which notifies the Company, unless the customer informs the Company such NGS is in error.

RULES AND REGULATIONS26. COMPLAINT PROCEDURES

a. General Complaints - Inquiries and complaints from any customer will be received and processed in a timely manner. Residential customer inquiries and complaints will be handled in conformance with Chapter 56 of the Commission's Rules. When a customer inquiry or complaint relates to services provided by an NGS, the Company will refer the customer to the NGS for a response. ~~If a customer inquiry or complaint involves issues or services provided by both the Company and the customer's NGS, the Company will coordinate the response to the customer inquiry or complaint from both parties.~~ If a customer is dissatisfied with the Company's response, or indicates dissatisfaction with the NGS's response to the customer with respect to the NGS's services, the Company will inform the customer of the right to file an informal appeal with the Bureau of Consumer Services (BCS) at the Commission and provide the customer with the toll-free telephone number and mailing address of the Commission.

~~b. Alleged Slamming Complaints - To the extent a customer contacts the Company and alleges that its Supplier has been changed without the customer's consent, the Company shall:~~

- ~~i. Consider the matter a customer registered dispute;~~
- ~~ii. Investigate and respond to the dispute consistent with the requirements found in §§56.151 and 56.152 (relating to utility company dispute procedures) of the Commission's regulations.~~
- ~~iii. Within 10 days of notification or mailing of a utility company report, customer may file an informal complaint with BCS at the Commission.~~
- ~~iv. Potential Remedies Available to Customer:
 - ~~1. If the customer's dispute has been registered within the first two billing periods since the customer should reasonably have known of a change of suppliers and the dispute investigation establishes that the change occurred without the customer's consent, the Company shall return the customer to the previous commodity provider. Further, the customer will not be responsible for any supplier charges rendered during that period and the company responsible for initiating the change of supplier shall issue a complete refund within 30 days of the close of the dispute. The refund or credit provision shall only apply to the supplier.~~
 - ~~2. Further, the BCS or the Commission may direct that a customer who has had a supplier changed without having consented to that change may be switched back to the original supplier for no additional fee. Any charges involved in the switch back to the prior supplier shall be the responsibility of the company that initiated the change without the customer's consent.~~~~

~~In addition to customer specific remedies, the Commission may, after investigation and decision, assess fines pursuant to Chapter 33 of the Public Utility Code, 66 Pa. C.S. §§3301, et seq., and initiate proceedings to revoke the license of any supplier that demonstrates a pattern of violating the Commission regulations. The Commission may order a particular supplier that has a pattern of violating the Commission regulations to obtain written authorization from every new customer as a condition of providing service in this Commonwealth.~~

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RULES AND REGULATIONS**27. REQUEST FOR INFORMATION**

- a. Upon customer request, the Company shall provide to its residential and small business customers appliance energy efficiency information that is readily available to the Company.
- b. Upon request, the Company shall provide to a residential or small business customer or the customer's designee, historical billing data, to the extent such information is readily available on Company's billing system. Historical billing data shall be conveyed in Mcf, and associated charges for the current billing period, and for the year preceding the current billing period. The initial request per year shall be provided at no charge to customer.

28. RELEASE OF CUSTOMER INFORMATION

- a. The Company shall notify residential and small business customers of its intent to release private customer information before it releases such information to a third party, excluding those instances noted below in paragraph (c). The notification to customer shall provide a convenient method of notifying the Company of the customer's desire to restrict the release of the private information. Customer shall be permitted to restrict information as specified in this section by returning a signed form, orally or electronically. If the customer changes its election on the restriction of the release of information, the customer must inform the Company in a signed form. The Company shall use its best efforts to ensure that any request or a change in request for restricted information be processed in a timely and expeditious manner.

For all other customers, the Company will not disclose customer information to a third party, excluding those instances noted below in paragraph (c), without the consent of the customer.

Nothing herein shall preclude the Company from releasing aggregated customer information or non-private customer information to a third-party.

- b. Residential and small business customers may request that the release of its private information be restricted based on one of the following two restrictions:
 - i. Restrict the release of only the customer's historical billing data in the Company's standard pricing unit, or
 - ii. Restrict the release of all private customer information including name, billing address, service address, rate class, rate sub-class, account number and historical billing data in the Company's standard pricing unit.

If customer does not choose to restrict the release of information based on one of the two restrictions above, then all of the customer's private information may be released to a third party except for the telephone number. Telephone numbers may not be released to third parties under any circumstances.

- iii. Nothing in this section prohibits the Company from performing its mandatory obligations to provide natural gas service as specified in the disclosure statement and in the Public Utility Code.
- c. The Company may release private information to (i) law enforcement officers, as part of a legal process (such as in response to a warrant, subpoena, or grand jury investigation issued by a court or governmental agency); (ii) to contractors providing utility-related services on behalf, of Peoples, but only to the extent necessary to render the service and subject to confidentiality and security obligations; (iii) to governmental agencies with jurisdiction over Peoples, when they require such information; (iv) to a third-party bill payment company, for the sole purpose of facilitating electronic payments to a natural gas account as requested by a customer; (v) to others as required by court order or by applicable laws, rules, or regulations governing Peoples; and (vi) to credit reporting agencies, and to collection agencies (if a natural gas account is assigned for collection).

RULES AND REGULATIONS**28. RELEASE OF CUSTOMER INFORMATION (continued)**

- d. The Company will retain Personal Information for as long as is reasonably necessary to meet its business needs and regulatory and compliance obligations.

29. AUTHORIZATION

A customer may identify persons authorized to make changes to the customer's account. To accomplish this, the customer must provide the Company with a signed document identifying, by name, those persons who have the authority to initiate any change to the customer's account, including a change of the customer's NGS.

30. RULES PART OF CONTRACT

These rules (1 to 29, inclusive), insofar as applicable, are hereby made a part of any contract for public utility service provided by the Company.

Contact Information

A Customer is responsible for providing, and updating when necessary, accurate contact information including telephone number(s), billing address and email addresses, if provided. If a customer's contact information changes and the customer does not timely provide updated contact information, the Customer agrees and understands that the Company shall not be liable for any notices, statements or other communications that are otherwise undeliverable to the Customer.

The Company may use contact information to reach the customer to discuss their natural gas account, to respond to an inquiry that the customer sent to the Company or to keep the customer informed about the services, products and programs offered by the Company, and its affiliates and partners. By providing an e-mail address to the Company, the customer consents to receive communications from the Company electronically. If the customer provides the Company with a cell phone number, the customer expressly agrees that the Company may contact the customer at this number to discuss their natural gas account. The customer also agrees to receive, from the Company and the Company's service providers, calls and messages, including prerecorded messages, calls from automated dialing systems and text messages. Normal cell phone charges may apply.

RULES AND REGULATIONS**31. GAS QUALITY**

Unless otherwise agreed to by the Company through separate agreement, gas delivered by a Customer, supplier or producer shall not contain more than:

(a) Seven (7) pounds of water per million cubic feet on an approved dew point apparatus.

~~(b) Two (2) percent by volume of carbon dioxide.~~

~~(eb)~~ Four (4) percent by volume total inerts including carbon dioxide, nitrogen, argon, and helium provided that total carbon dioxide content shall not exceed two (2) percent by volume.

~~(dc)~~ ~~Twenty-five~~ Thirty hundredths (0.3) grains of hydrogen sulfide per 100 cubic feet.

~~(ed)~~ Ten (10) grains of total sulfur per 100 cubic feet.

~~(fe)~~ Two tenths (0.2) percent by volume oxygen.

~~(f) No more than (5) percent Hydrogen.~~

Gas delivered into the Company's system should be free from oil, water, salt, gum, dust, and other foreign substances that might interfere with the marketability of the gas. Unless otherwise agreed to by the Company, the gas delivered shall contain not less than 967 Btu per cubic foot and shall not exceed 1,100 Btu per cubic foot (as determined by calorimeter test @ 60 degrees Fahrenheit and saturated with water vapor). Gas accepted by the Company that contains less than 967 Btu per cubic foot will be enhanced to ensure that gas delivered by the Company to customers shall meet Commission heating value requirements and the Company may charge for this.

Nonconformance – If the gas offered for delivery by a ~~producer~~, producer, Customer and/or its NGS shall fail at any time to conform to any of the specifications set forth herein, then the Company shall notify the Customer, producer and/or NGS of such deficiency and may at the Company's option refuse to accept delivery pending correction by the Customer, producer or NGS. Should any substances not in conformity with the quality standards specified herein enter the Company's facilities and cause damage to gas meters, regulators and/or other equipment, or interruption of service, Customer, Producer and/or NGS shall reimburse the Company for the costs to repair such damage and for any related costs which the Company may incur to restore service to, and/or repair facilities, of its Customers, including payments made by the Company to Customers in settlement of claims arising out of interruption of gas service.

32. OTHER FEES AND SERVICES

The following customer requested services will require a fee as defined below:

Temporary Customer Service Line Installation – If service to a premises would be discontinued due to a customer service line leak and gas service is required to serve essential human needs, the customer or occupant may request the installation of a temporary customer service line. If the Company is able to install such a line, at the occupant's or customer's request, the Company may charge a fee of \$300. The line shall be placed only for a temporary period and the Company reserves the right to identify the temporary period and remove the line if that period is exceeded.

Excess Flow Valve – At the Customer's request, the Company will install an excess flow valve. If the customer requests installation of the excess flow valve and the Company has not scheduled the location for a service line replacement or a new service line, or the customer requests the installation prior to the Company's scheduled installation time, the customer shall be responsible for the cost of the materials and installation to be paid prior to installation.

High Bill Investigation Fee – At the Customer's request, the Company will provide a scheduled visit to the customer's home to conduct an investigation into the usage measured and billed to the Customer for service. If the investigation identifies an error in the measurement of gas used or the customer's income is at or below 150% of the federal poverty level, the fee will be waived. The fee for this service is \$75. This fee is not applicable to foreign load investigations.

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PEOPLES NATURAL GAS COMPANY LLC

GAS—PA PUC NO. **48**
ORIGINAL PAGE NO. 40**RATE RS**
RESIDENTIAL SERVICE**AVAILABILITY**

This rate is available to residential customers (other than those that the Company determines shall acquire service under Rate GS-SB) located throughout the territory described in the "Description of Territory" in this tariff and shall be applied to consumption for each month determined in accordance with Rule 10.

This rate will be used for provision of supplier of last resort service to residential customers.

RATE TABLE

Customer Charge per meter per month	\$ <u>21.50</u>
Delivery Charge per Mcf	\$ <u>5.6304</u>

The currently effective gas cost charges under Rider Purchased Gas Cost and all charges under other applicable tariff riders are set forth on the Summary of Rates located on Page No. 3 of this tariff.

MINIMUM MONTHLY BILL

The minimum monthly bill per meter shall be the customer charge per customer per month. In the event of an emergency curtailment in the delivery of gas by the Company to a customer pursuant to Rule 17, or complete or partial suspension of operation by the customer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

The Company will assess a late payment charge of 1.50 percent per month when the Company receives the customer's full payment more than five days after the bill's due date. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the customer charge per meter for additional meters. An example of when such waiver may occur is when the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the customer's load characteristics.

ISSUED: December 29, 2023**EFFECTIVE: February 27, 2024**

CUSTOMER ASSISTANCE PROGRAM (CAP)**AVAILABILITY**

Rate CAP is a program designed to enroll residential customers who satisfy the criteria set forth below. Please refer to Peoples' Universal Service and Energy Conservation Plan on file with the PA PUC for a full description of the CAP program terms and conditions. In addition to the terms and conditions in this Tariff, Peoples' Universal Service and Energy Conservation Plan shall govern the provision of service under this rate category

1. Processing and verification by authorized agencies upon referral by the Company's offices, Customer Assistance Referral Evaluation Service (CARES) representatives, other agencies, or BCS.
2. Customer of the Company and using natural gas for space heating.
3. Annual income no greater than 150 percent of the federal poverty level. The Company will accept a customer's participation in an electric CAP program as verification of income, if the Company is satisfied that the electric company verifies income. For payment purposes, the customers will be defined as follows:
 - a. Group A - Customers whose annual income has been verified as being from 0 to 50 percent of poverty.
 - b. Group B - Customers whose annual income has been verified as being from 51 to 100 percent of poverty.
 - c. Group C - Customers whose annual income has been verified as being from 101 to 150 percent of poverty.
4. A customer who meets the eligibility criteria for the Low Income Home Energy Assistance Program (LIHEAP) should complete an application for a LIHEAP grant when available.
5. The company will monitor the usage of CAP customers on an ongoing basis. Any unjustified excess CAP usage or unjustified CAP credit (designed as the difference between the CAP payment amount, and the current charges as billed under Rate RS) that exceeds a maximum of \$1,000 per year will be billed to the CAP customer. An increase in CAP usage or annual CAP credit over \$1,000 may be justified if the CAP customer can demonstrate the household has experienced the addition of a family member; a member of the household experienced a serious illness; energy consumption was beyond the ability of the household to control; or the household is located in housing that is or has been condemned or has housing code violations that negatively affect energy consumption. Before responsibility for the excess CAP usage is imposed on the household, the Company shall notify the customer of the grounds for exemption and assure that the customer has received and understands the grounds for exemption.
6. Agreement by customer to apply for any other energy assistance programs, if available, as referred to by the Company.
- ~~7. Customers will automatically be enrolled in CAP if:
—
 - a. the customer has defaulted on a payment arrangement, and
 - b. the customer has received a LIHEAP payment within the past two years.~~

ISSUED: December 29, 2023
PEOPLES NATURAL GAS COMPANY LLC

EFFECTIVE: February 27, 2024
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CUSTOMER ASSISTANCE PROGRAM (CAP)

RATE TABLE

Customers will pay a specified percentage of their monthly income or \$25/month, whichever is greater. The applicable percentage by Group follows:

<u>Group</u> ¹	<u>Percentage</u>
A	4%
B	5%
C	6%

If the customer's monthly CAP payment, as calculated above, exceeds the otherwise applicable monthly budget payment amount, the monthly budget payment amount will be accepted as the CAP payment. The Company will review any customer account where usage exceeds 125% of the customer's annual usage. In cases where the Company determines that the increase in a CAP customer's usage is unjustified, the Company will provide the customer with conservation information, refer the customer to a usage reduction program, and bill the customer for excess usage.

~~PAYMENTS TOWARD ARREARAGE~~

~~In addition to the customer's obligation under the Rate Table above, the customer also shall make payments of \$5 per month toward any pre-program arrearage.~~

SURCHARGES

All riders to this tariff, as would otherwise be applicable to Rate RS with the exception of Rider Universal Service.

LATE-PAYMENT CHARGES

No late-payment charges shall be applied to arrearages existing at the time the customer begins receiving service under Rate Schedule CAP. Late-payment charges will not be applied during participation in the CAP program.

1/ Defined under Availability Criteria 3.

ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

CUSTOMER ASSISTANCE PROGRAM (CAP)**RULES AND REGULATIONS**

1. Customer with earned income must recertify income eligibility biennially. Customers with only certain fixed incomes, such as social security, pension and disability must recertify income eligibility triennially. Customers reporting zero income using the Company's zero income form must recertify within 6 months.
2. If, at any time after acceptance into CAP, a customer's family size or income changes, the customer must notify the Company of the change within 30 days of the change. Failure to do so may result in the Company ending the customer's opportunity to receive service under CAP.
3. If a customer no longer satisfies the criteria set forth under Availability, with the exception of Item 4, the customer will no longer be eligible to receive service under CAP.
4. At the time of application for CAP, the customer will be advised of the importance of timely payments and energy conservation. The CAP screening administrator will review relevant assistance programs and offer help in applying for programs such as weatherization or energy assistance as appropriate. Energy saving tips will be provided and all participants will be advised that usage will be reviewed on an ongoing basis. Unjustified excess CAP usage will be billed to the CAP customer.
5. If a customer fails to allow access to the Company's meter or fails to provide meter readings in four consecutive months, the customer will no longer receive service under CAP.
6. Failure to make payments will result in the Company returning the participant to the regular collection cycle and may lead to termination of service. To avoid termination, the participant must pay the amount set forth in the termination notice prior to the scheduled termination date.
7. A customer whose service has been terminated pursuant to Rule 5 may be required to pay all CAP arrearages prior to reinstatement and will be advised of appropriate energy assistance programs, including LIHEAP, LIHEAP Crisis and Dollar Energy Fund, which are available to assist in restoration of service.
8. Customers who have been dropped from CAP for the reasons outlined above will be subject to normal termination procedures. The customer will receive a communication providing an opportunity to correct the problem before being removed from CAP.

PILOT EXTENDED CUSTOMER ASSISTANCE PROGRAM (E-CAP)

This Rate is established as a Pilot ~~and will close for new participation three years after this rate is approved by the Commission in the Company's Universal Service and Energy Conservation Plan.~~ All provisions of Rate CAP will additionally apply to participants of E-CAP.

AVAILABILITY

Rate E-CAP is a program designed to enroll residential customers who satisfy the criteria set forth below.

- a. Customer of the Company, using natural gas for space heating, who has a significant delinquent balance, broken payment arrangement, termination notice or lack of utility service.
- b. Annual income verified annually as being between 151 and 200 percent of the federal poverty level.
- c. Agreement by customer to apply for any other energy assistance programs, if available, as referred to by the Company and before enrolling in E-CAP.

RATE TABLE

Customers will pay 11% of their monthly income as their E-CAP Payment. If the customer's monthly E-CAP payment exceeds the otherwise applicable monthly budget payment amount, the monthly budget payment amount will be accepted as the E-CAP payment.

PAYMENTS TOWARD ARREARAGE

~~In addition to the customer's obligation under the Rate Table above, the customer also shall make payments of \$5 per month toward any pre-program arrearage.~~

SURCHARGES

All riders are applicable to this tariff, as would otherwise be applicable to Rate RS, with the exception of Rider Universal Service.

LATE-PAYMENT CHARGES

No late-payment charges shall be applied to arrearages existing at the time the customer begins receiving service under Rate Schedule E-CAP. Late-payment charges will not be applied during participation in the E-CAP program.

ISSUED: December 29, 2023
 PEOPLES NATURAL GAS COMPANY LLC

EFFECTIVE: February 27, 2024
 GAS—PA PUC NO. 48
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RATE SGS
SMALL GENERAL SERVICE

AVAILABILITY

This rate is available to commercial, industrial, and NGDC customers consuming less than 1,000 Mcf annually (other than those that the Company determines shall acquire service under Rate GS-SB or those that use natural gas as a motor vehicle fuel), located throughout the territory described in the "Description of Territory" in this tariff and shall be applied to consumption for each month determined in accordance with Rule 10.

This rate will be used for provision of supplier of last resort service to all commercial, industrial and NGDC customers.

~~For purposes of this Rate SGS schedule, Transitional Industrial customers shall consist of Peoples Division Industrial Ratepayers that took service on the Peoples Division Rate SGS rate schedule as of October 29, 2019. No other customers will be eligible for the Transitional Industrial rates. In addition, Transitional customers will not retain their Transitional status upon any discontinuance of service and will not be able to transfer their Transitional status to any other entity. These transitional customers may switch between rate schedules based upon their usage.~~

RATE TABLE

Customer Charge per meter per month:

For customers (including Transitional Industrial) with annual consumption less than 500 Mcf	<u>\$25.00</u>
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For customers (including Transitional Industrial) with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf	<u>\$50.00</u>
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Delivery Charge per Mcf	<u>\$4.5485</u>
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Delivery Charge per Mcf—Transitional Industrial customers	\$
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The currently effective gas cost charges under Rider Purchased Gas Cost and all charges under other applicable tariff riders are set forth on the Summary of Rates on page No. 3 of this tariff.

ISSUED: December 29, 2023
PEOPLES NATURAL GAS COMPANY LLC

EFFECTIVE: February 27, 2024
GAS—PA PUC NO. 48
ORIGINAL PAGE NO. 46

RATE SGS
SMALL GENERAL SERVICE

MINIMUM MONTHLY BILL

The minimum monthly bill per meter shall be the customer charge per customer per month. In the event of an emergency, curtailment in the delivery of gas by the Company to a customer pursuant to Rule 17, or complete or partial suspension of operation by the customer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for commercial customers and 2.00 percent per month for industrial customers shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the customer charge per meter for additional meters. An example of when such waiver may occur is when the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the customer's load characteristics.

ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

RATE MGS
MEDIUM GENERAL SERVICE**AVAILABILITY**

This rate is available to commercial, industrial, and NGDC customers consuming between 1,000 and 24,999 Mcf annually (other than those that the Company determines shall acquire service under Rate GS-SB or those that use natural gas as a motor vehicle fuel), located throughout the territory described in the "Description of Territory" in this tariff, and shall be applied to consumption for each month determined in accordance with Rule 10.

The Company shall determine the annual consumption of each MGS customer in order to assess the appropriate customer charge. This rate will be used for provision of supplier of last resort service to commercial, industrial, and NGDC customers.

~~For purposes of this Rate MGS schedule, Transitional Industrial customers shall consist of Peoples Division Industrial Ratepayers that took service on the Peoples Division Rate MGS rate schedule as of October 29, 2019. No other customers will be eligible for the Transitional Industrial rates. In addition, Transitional customers will not retain their Transitional status upon any discontinuance of service and will not be able to transfer their Transitional status to any other entity. These transitional customers may switch between rate schedules based upon their usage.~~

RATE TABLE

Customer Charge per meter per month:

For customers (including Transitional Industrial) with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf	<u>\$105.00</u>
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For customers (including Transitional Industrial) with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf	<u>\$150.00</u>
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Delivery Charge per Mcf	<u>\$3.8268</u>
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Delivery Charge per Mcf—Transitional Industrial customers	\$
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The currently effective gas cost charges under Rider Purchased Gas Cost and all charges under other applicable tariff riders are set forth on the Summary of Rates located on Page No. 3 of this tariff.

ISSUED: December 29, 2023
PEOPLES NATURAL GAS COMPANY LLC

EFFECTIVE: February 27, 2024
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ORIGINAL PAGE NO. 48

RATE MGS
MEDIUM GENERAL SERVICE

MINIMUM MONTHLY BILL

The minimum monthly bill per meter shall be the customer charge per customer per month. In the event of an emergency curtailment in the delivery of gas by the Company to a customer pursuant to Rule 17, or complete or partial suspension of operation by the customer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for commercial customers and 2.00 percent per month for industrial customers shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the customer charge per meter for additional meters. An example of when this charge may be waived is if the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the load characteristics of the customer.

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RATE LGS
LARGE GENERAL SERVICE**AVAILABILITY**

This rate is available to commercial, industrial, and NGDC customers consuming greater than 25,000 Mcf annually (other than those that the Company determines shall acquire service under Rate GS-SB or those that use natural gas as a motor vehicle fuel), located throughout the territory described in the "Description of Territory" in this tariff, and shall be applied to consumption for each month determined in accordance with Rule 10.

The Company shall determine the annual consumption of each LGS customer in order to assess the appropriate customer charge. This rate will be used for provision of supplier of last resort service to commercial, industrial, and NGDC customers.

~~For purposes of this Rate LGS schedule, Transitional Industrial customers shall consist of Peoples Division Industrial Ratepayers that took service on the Peoples Division Rate LGS rate schedule as of October 29, 2019. No other customers will be eligible for the Transitional Industrial rates. In addition, Transitional customers will not retain their Transitional status upon any discontinuance of service and will not be able to transfer their Transitional status to any other entity. These transitional customers may switch between rate schedules based upon their usage.~~

RATE TABLE

Customer Charge per meter per month:

For customers (including Transitional Industrial) with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf	<u>\$800.00</u>
For customers (including Transitional Industrial) with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf	<u>\$900.00</u>
For customers (including Transitional Industrial) with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf	<u>\$1,680.00</u>
For customers (including Transitional Industrial) with annual consumption equal to or greater than 200,000 Mcf	<u>\$1,920.00</u>

Delivery Charge per Mcf

For customers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf	<u>\$2.4602</u>
For customers with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf	<u>\$2.4008</u>
For customers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf	<u>\$2.3934</u>
For customers with annual consumption equal to or greater than 200,000 Mcf but less than 750,000 Mcf	<u>\$2.3287</u>
For customers with annual consumption equal to or greater than 750,000 Mcf but less than 2,000,000 Mcf	<u>\$1.9866</u>
For customers with annual consumption equal to or greater than 2,000,000 Mcf	<u>\$1.5319</u>

Transitional Industrial Delivery Charge per Mcf

For customers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf	— \$
For customers with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf	\$
For customers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf	\$
For customers with annual consumption equal to or greater than 200,000 Mcf but less than 750,000 Mcf	\$
For customers with annual consumption equal to or greater than 750,000 Mcf but less than 2,000,000 Mcf	\$
For customers with annual consumption equal to or greater than 2,000,000 Mcf	\$

The currently effective gas cost charges under Rider Purchased Gas Cost and all charges under other applicable tariff riders are set forth on the Summary of Rates located on Page No. 3 of this tariff.

ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

RATE LGS
LARGE GENERAL SERVICE**MINIMUM MONTHLY BILL**

The minimum monthly bill per meter shall be the customer charge per customer per month. In the event of an emergency curtailment in the delivery of gas by the Company to a customer pursuant to Rule 17, or complete or partial suspension of operation by the customer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for commercial and NGDC customers and 2.00 percent per month for industrial customers shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the customer charge per meter for additional meters. An example of when this charge may be waived is if the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the load characteristics of the customer.

RATE GS-T
GENERAL SERVICE - TRANSPORTATION**AVAILABILITY**

This service is available to provide for the delivery of transportation volumes to residential, commercial, (other than those that use natural gas as a motor vehicle fuel), industrial, and natural gas distribution company customers regulated by the Commission. Priority-one customers (as defined in Rule 17), must purchase standby service in accordance with the terms and conditions of GS-SB.

RULES AND DELIVERY TERMS

- (1) The entity to whom the Company delivers the transported gas shall be considered the customer under this rate schedule. The customer is responsible for paying the Company's bill unless the Company agrees to receive payment from a third party.
- (2) Any customer consuming less than 500 Mcf per year who wishes to acquire transportation service may do so as long as the customer agrees to collectively pool supplies for balancing purposes on the Company's System, in order to make provision of transportation service to these small consumers administratively feasible.
- (3) A single-entity customer is a customer with multiple meters and/or multiple locations within the Company's service territory which, in the sole determination of the Company, shall be recognized as one customer for administrative purposes. Any retail or standby service shall be billed as if an equal amount of gas passed through each meter of the single-entity customer each month. Only one bill will be issued each month to a single-entity customer.
- (4) The customer will pay for any investment costs required to receive the customer's gas into the Company's system at agreed-upon transportation gas receipt points. The Company will own and maintain each natural gas connection's tapping tee or pipe and valve.
- (5) A Transportation Agreement, as prepared by the Company, must be executed by the customer(s) with competitive alternatives to whom Rate GS-T is made available at less than maximum rate. This Agreement shall be for a minimum term of one year, unless the Company agrees otherwise. This Agreement may set forth the maximum daily volumes that may be transported and other negotiated conditions of service.
- (6) This service will be provided by the Company only if the customer provides gas of reasonable quality to the Company. The volumes, pressures, and receipt points will be agreed upon by the parties in advance and set forth in the Transportation Agreement or in the Company's pooling agreement with the NGS providing gas supply service to the customer.
- (7) Unless otherwise agreed to by the customer and the Company, the customer or its NGS is responsible for all arrangements required to acquire and to deliver the customer's natural gas to the receipt points set forth in the Transportation Agreement.
- (8) On those days when the transportation gas of an individual industrial customer who uses at least 50,000 Mcf annually is not received into the Company's system at its nominated level, or if the said transportation customer has failed to arrange for deliveries to be made into the Company's system on its behalf, and the Company determines that it may not be able to satisfy all the demands of its firm retail and transportation customers without exceeding its pipeline contract level, then the Company may declare an "upset day."

On an upset day, those customers described in this subparagraph No. 8, whose transportation volumes are not received at all or at the nominated level into the Company's system shall be restricted to the following consumption levels:

- 1) Transportation gas volumes received by the Company on the customer's behalf on that day; and

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

- 2) All standby volumes contracted for the month by the customer.

Transportation customers whose nominated daily volume are received in whole by the Company shall not be affected by the provisions in this subparagraph No. 8.

At least six hours prior to the beginning of an "upset day," the utility will provide notice to any one of three persons designated by the customer. After contact is attempted by the Company with the three persons designated by the customer, the Company will be deemed to have satisfied its notice obligations.

- (9) Unless otherwise agreed under paragraph (17) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation customers.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of customer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail customers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies.
 - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of customer-owned gas or is available but restricted, the Company will provide its transportation customer or the customer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation customers without regard to the sources of the customers' natural gas supplies.
 - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (10) As soon as practical after the customer learns of any disruption or interruption in its supply of gas, the customer shall notify the Company.
- (11) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." A customer's gas received by the Company in Btus will be converted to Mcf using the current applicable conversion factor as determined annually in the Company's 1307(f) proceeding.
- (12) The Company shall retain 5.9 percent of the total volume of gas received into its system on behalf of all customers as gas used in Company operations and for unaccounted-for gas under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

- 1) If customer can obtain alternate transportation service via direct bypass;
- 2) If customer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
- 3) If customer has a competitive offer from a non-PUC-jurisdictional entity;
- 4) If customer can demonstrate economic development or job retention considerations are present; or
- 5) If customer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (13) Customer-owned locally produced gas received into the Company's system will be available as nominated by the customer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of the actual volumes delivered to the Company's system to nominated volumes will be made in the first month available.

(14) Monthly Balancing Provisions Applicable to Rate GS-T Customers Not Served by a Pool

The Company will bank for one month following the month that the customer's gas is available for the customer's use, up to 3.5 percent of the volumes delivered on the customer's behalf (net of the payback of advanced gas). Banked gas shall precede current deliveries of gas through the customer's meter during the month following the banking period. The Company will balance customer's daily deliveries with customer's actual daily consumption during the month. The Company will advance up to 3.5 percent of the volumes received on the customer's behalf in any month. The first gas received on the customer's behalf in the succeeding month will be deemed the payback of advanced gas. Any difference between the customer's consumption and deliveries shall be subject to the following charges:

Negative Monthly Imbalance - A negative imbalance fee will be assessed on consumption by the customer in excess of gas deliveries plus gas advanced and any contracted for standby service. The negative imbalance volume will be sold by the Company at the highest Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, ~~Dominion~~Eastern, South ~~Point~~ for the month multiplied by 120%. Volumes sold by the Company are subject to applicable taxes.

Positive Monthly Imbalance - If the customer fails to use at least 96.5 percent of the volumes delivered to the Company on customer's account in any month, then the Company may buy the gas which has remained in the bank longer than the banking period or in excess of the amount used and banked in the month from the customer. The positive imbalance volume will be purchased by the Company at the lowest Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, ~~Dominion~~Eastern, South ~~Point~~ for the month multiplied by 85%.

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PEOPLES NATURAL GAS COMPANY LLC

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RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

A balancing charge will be assessed against each Mcf of gas transported for small and medium general service customers and for large general service customers. This rate will be recalculated in each of the Company's annual 1307(f) gas cost proceedings. The currently effective balancing charges are reflected on Tariff Page Nos. 3 and 4.

The balancing charge will not be assessed if (1) the customer is already paying the standby charge under Rate Schedule GS-SB on the same volumes or (2) if the customer or pool can match its supply and actual consumption on a daily basis in a manner satisfactory to the Company.

- (15) Backup service is available to customers under this rate schedule only under Rate GS-SB, unless the customer qualifies for service under Rate CER or unless otherwise agreed under paragraph (17) below.
- (16) The Company reserves the right, as a condition of service under this rate schedule, to require any customer requesting service under this rate schedule to install and bear the costs of enhanced metering capability. The Company also reserves the right to require installation of such metering capability, at the customer's expense, as a condition of continuation of service under this rate schedule.
- (17) When the customer purchasing service under this rate is using natural gas for generating power or steam for use by third parties, customer and the Company may require a separate (operating) agreement by which the customer and the Company will agree to, among other things, set limits on hourly or daily consumption; require provision of notice of customer's specific plans concerning intent to consume natural gas, the volume that will be used, the time period of which such consumption will occur, and when usage will end; establish criteria for interruption of all or part of customer's planned consumption, whether through transportation or retail service; establish penalties for failure of customer to adhere to agreed-upon usage levels or to interrupt consumption as agreed upon by the parties; agree upon the availability of retail service; and establish and impose any other rules or restrictions necessary to ensure reliable service for all customers.
- (18) The Company will from time to time make pipeline capacity available for release to transportation customers. Each release transaction will be made in accordance with and subject to applicable pipeline tariff requirements and necessary regulatory requirements.

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 PEOPLES NATURAL GAS COMPANY LLC

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RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RATE TABLE

Customer Charge - The Company shall determine the annual consumption of each General Service customer in order to assess the appropriate customer charge.

|	<u>\$21.50</u>	Customer Charge per month per meter for all Residential customers.
|	<u>\$25.00</u>	Customer Charge per month per meter for all NGDC customers consuming less than 500 Mcf annually.
|	<u>\$50.00</u>	Customer Charge per month per meter for NGDC customers with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf.
|	<u>\$105.00</u>	Customer Charge per month per meter for NGDC customers with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf.
|	<u>\$150.00</u>	Customer Charge per month per meter for NGDC customers with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf.
|	<u>\$800.00</u>	Customer Charge per month per meter for NGDC customers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf.
|	<u>\$900.00</u>	Customer Charge per month per meter for NGDC customers with annual consumption equal to or greater than 50,000 but less than 100,000 Mcf
|	<u>\$1,680.00</u>	Customer Charge per month per meter for NGDC customers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf.
|	<u>\$1,920.00</u>	Customer Charge per month per meter for NGDC customers with annual consumption greater than 200,000 Mcf annually.

ISSUED: December 29, 2023
 PEOPLES NATURAL GAS COMPANY LLC

EFFECTIVE: February 27, 2024
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RATE GS-T
GENERAL SERVICE - TRANSPORTATION

Delivery Charge, Per Mcf - the delivery charge will be negotiated by the Company and the customer and expressed in the Transportation Agreement.

The following is the maximum charge per Mcf for transportation service:

For Residential Service Customers	<u>\$5.6304</u>
For Small General Service Customers	<u>\$4.5485</u>
For Medium General Service Customers	<u>\$3.8268</u>
For Large General Service Customers with annual consumption greater than 25,000 Mcf but less than 50,000 Mcf	<u>\$2.4602</u>
For Large General Service Customers with annual consumption greater than 50,000 Mcf. but less than 100,000 Mcf	<u>\$2.4008</u>
For Large General Service Customers with annual consumption greater than 100,000 Mcf. but less than 200,000 Mcf	<u>\$2.3934</u>
For Large General Service Customers with annual consumption greater than 200,000 Mcf. but less than 750,000 Mcf	<u>\$2.3287</u>
For Large General Service Customers with annual consumption greater than 750,000 Mcf. but less than 2,000,000 Mcf	<u>\$1.9866</u>
For Large General Service Customers with annual consumption greater than 2,000,000 Mcf	<u>\$1.5319</u>

~~The following is the maximum charge per Mcf for transportation service for Transitional Industrial Customers:~~

For Small General Service Customers	\$
For Medium General Service Customers	\$
For Large General Service Customers with annual consumption greater than 25,000 Mcf. but less than 50,000 Mcf	\$
For Large General Service Customers with annual consumption greater than 50,000 Mcf. but less than 100,000 Mcf	\$
For Large General Service Customers with annual consumption greater than 100,000 Mcf. but less than 200,000 Mcf	\$
For Large General Service Customers with annual consumption greater than 200,000 Mcf. but less than 750,000 Mcf	\$
For Large General Service Customers with annual consumption greater than 750,000 Mcf. but less than 2,000,000 Mcf	\$
For Large General Service Customers with annual consumption greater than 2,000,000 Mcf	\$

ISSUED: December 29, 2023
PEOPLES NATURAL GAS COMPANY LLC

EFFECTIVE: February 27, 2024
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RATE GS-T
GENERAL SERVICE – TRANSPORTATION

The delivery charge will be assessed on all volumes at the time of delivery to the customer, including current transportation and storage volumes withdrawn and delivered to the Company. A transportation standby charge will be applicable to all volumes transported under Rate Schedule GS-T for Priority One customers (refer to Rate Schedule GS-SB).

The currently effective gas cost charges under Rider Purchased Gas Costs and all charges under other applicable tariff riders are set forth on the Summary of Rates located on Page No. 3 of this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for residential customers will be made for failure to make payment in full for all charges billed by the Company within five days after the due date shown on the bill. A late-payment charge of 2.00 percent per industrial customers and 1.50 percent per month for commercial and NGDC customers shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges. The overdue portion of the bill may include NGS supply charges purchased by the Company under the purchase of receivables provisions set forth in Rate SBS of the Company's Supplier Tariff.

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EFFECTIVE: February 27, 2024

RATE GS-T
GENERAL SERVICE - TRANSPORTATION**SURCHARGES**

All applicable riders to this tariff.

CURTAILMENT

Service under this rate may be curtailed when gas supply shortages force the Company to invoke emergency curtailment provisions pursuant to Tariff Rule No. 17 because gas supply to Priority-One customers is threatened. Under this circumstance, the transportation customer must agree to sell its gas supply to the Company at either the customer's city gate price or at the Company's average gas cost contained in the prevailing 1307(f) rate applicable to that class of customer, whichever is greater, to be used to supply the needs of Priority-One customers.

LIABILITY

1. The Company shall not be liable for disruption of service under this rate or loss of gas of the customer as a result of any steps taken to comply with any law, regulation, or order of any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendition of service hereunder, and regardless of any defect in such law, regulation, or order.
2. Gas shall be and remain the property of the customer while transported and delivered by the Company. The customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.
3. The Company shall not be liable for any loss to the customer arising from or out of service under this rate, including loss of gas in the possession of the Company or any other cause, except upon gross negligence or willful misconduct of the Company's own employees or agents. The Company reserves the right to commingle gas of the customer with that of other suppliers and customers.
4. The Company will not be liable for disruption along upstream pipelines, or disruption caused by the Company's inability to physically receive the gas.
5. If service furnished pursuant to this rate is disrupted, the Company will notify the customer as soon as it is reasonably practicable. If delivery of volumes is disrupted for any of the above reasons, the Company shall not be liable for delivering said volumes at a later date.

ARRANGEMENT OF INTERSTATE TRANSPORTATION

At the request of a customer, other than an NGDC, the Company will act as its agent for arranging transportation of customer-owned gas by an interstate pipeline(s). The Company will bill the customer the applicable pipeline tariff rate(s) for any interstate transportation billed to the Company in its role as customer's agent for arranging interstate transportation.

ACCESS TO STORAGE SERVICE

The Company shall provide Non-Priority One customers and suppliers with access to storage capacity held by the Company on the Allegheny Valley Connector ("AVC") system, an interstate pipeline system subject to the regulation of the FERC, that was previously provided under Rate ST and ST-SW. Non-Priority One customers and suppliers shall have the annual option to accept all or a portion of such access to storage capacity offered by the Company. Unless Company and customer agree otherwise, Company shall not release more than 1/12th of the customer's annual usage. Company's release of such capacity shall, in all respects, be in accordance with the FERC Gas Tariff governing service on the AVC system and the applicable rules and regulations of FERC regarding the release of capacity, including FERC's posting and bidding requirements. The Non-Priority One customer or supplier is responsible for paying the pipeline for the capacity assigned under these provisions, which payments shall include all applicable surcharges for service on the AVC system. The Company shall not reimburse the Non-Priority One customer or supplier for these pipeline capacity charges.

RATE GS-SB
GENERAL SERVICE - STANDBY**AVAILABILITY**

This service is available to transportation service customers served under Rate GS-T and/or customers who need or use the Company as backup service to service from an alternate supplier.

RULES AND DELIVERY TERMS**Priority-One Transportation Customers**

Priority One customers must pay for standby service through a transportation standby charge applicable to all volumes transported under Rate Schedule GS-T. Backup service for Priority-One customers shall be provided pursuant to the applicable retail rate schedules.

Non-Priority-One Transportation Customers

The customer may execute a Standby Contract for a specified monthly volume. The term of the Standby Contract will be a minimum period of not less than one year. Customers that execute a Standby Contract will pay for standby service through a capacity charge applicable to contracted for monthly volumes and through a standby commodity charge applicable to all standby volumes actually purchased under Rate Schedule GS-SB.

Back-up Standby Service

If a customer is using the Company as back-up service to service from an alternative supplier, the Company shall charge the customer the standby service fees set forth in the rate table below. The Company reserves the right to determine when and the level to which a customer is using the Company as a backup supplier. In situations where the alternative supply is from local well production and before the Company provides backup standby service under the terms of this rate schedule, the Company shall have the right to inspect the pipeline and related facilities of the customer and require that the customer install, at its own expense, any necessary equipment to protect the integrity and safe operation of the Company's system.

RATE TABLE**Capacity Charges Applicable under the Rate Schedule:**

RS Capacity Charge per Mcf	\$1.0301
SGS Capacity Charge per Mcf	\$1.0301
MGS Capacity Charge per Mcf	\$1.0301
LGS Capacity Charge per Mcf	\$1.0301

Standby Charges for Priority One Transportation Customers

For customers that pay the capacity charge, the Company may release pipeline capacity, the terms of which will be pursuant to the capacity-release terms of the Company's Supplier tariff and this rate schedule.

Priority-One customers who take service under this rate schedule, or their agents, must take assignment of a pro-rata or other agreed upon share of the pipeline and storage capacity and Pennsylvania produced gas supplies ("assigned capacity") that would otherwise be utilized by the Company to meet the customer's service requirements. Assigned capacity shall be subject to recall pursuant to the conditions described in the Company's Supplier Tariff, in which case the Company will provide for the delivery of necessary gas supplies pursuant to the terms of this rate schedule. More specific terms with respect to capacity assignment requirements may be set forth in the Company's Supplier Tariff and in its contracts with Priority One NGSS. However, such additional terms with respect to capacity assignment requirements shall be subject to review in the Company's annual Section 1307(f) proceeding.

ISSUED: December 29, 2023**EFFECTIVE: February 27, 2024**

RATE GS-SB
GENERAL SERVICE - STANDBY**RATE TABLE****Standby Charges For Non Priority One Customers With a Standby Contract**

Standby volumes delivered to the customer will be billed at the applicable supplier of last resort rates, excluding the pipeline demand component that has been paid through the capacity charge up to the contracted for monthly volumes in the standby contract. Volumes consumed in excess of contracted for volumes will be billed using the imbalance fee formula shown in Rate GS-T, paragraph 13, plus applicable taxes.

Customers Using The Company as a Back-up Supplier

Any customer using the Company as back-up service to service from an alternative supplier shall be subject to the charges set forth below. The following charges shall be assessed in lieu of any other standby charges applicable under this rate schedule.

Monthly Capacity Charge – In order to recover demand related purchased gas costs incurred by the Company, the customer shall be charged a monthly capacity charge equal to the customer's projected annual natural gas usage divided by twelve and multiplied by the capacity charges set forth above in this Rate Table. The projected annual natural gas usage shall reflect the estimated volumes assuming that all of the customer's natural gas consumption is served by the Company. The Company may waive this fee if the customer is receiving gas supplies from a NGS and the customer can demonstrate that its NGS has agreed to serve its peak day usage requirements. This charge will be assessed instead of the Capacity Charge applicable under other rate schedules.

Standby Customer Charge – In order to recover the fixed non-purchased gas charges incurred by the Company, the customer shall be charged a standby customer charge on a monthly basis. The standby customer charge shall be the monthly Customer Charge otherwise applicable under other rate schedules.

SURCHARGES - All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for residential customers will be made for failure to make payment in full for all charges billed by the Company within five days after the due date shown on the bill. A late-payment charge of 1.50 percent per month for commercial and NGDC customers and 2.00 percent for industrial customers will be made for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

PEOPLES NATURAL GAS COMPANY LLC

GAS—PA PUC NO. 48
ORIGINAL PAGE NO. 61**RATE MLS**
MAINLINE SERVICE RATE**APPLICATION**

For customers throughout the territory served under this Tariff.

REQUIREMENTS

Available at one location, for the total requirements of a commercial or industrial customer when: (i) the customer does not take service under any other rate schedule; (ii) the Customer meets either one of the following qualifications:

- a) the Customer has annual throughput requirements greater than 500,000 mcf and is within 1,000 feet of an Interstate pipeline supplier of the Company;
- or
- b) the Customer has annual throughput requirements of greater than 500,000 mcf and is located within 1,000 feet of PNG Transmission class pipeline facilities.

Customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

Customers being served with this rate schedule shall have all applicable riders and surcharges applied except for DSIC.

The rate information is detailed in the Rate Summary pages of this Tariff.

The applicable Distribution Charge for all distribution quantities shall be determined based upon the Customer Charge group in which the Customer is placed, as established annually.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

Delivery Charge per Mcf _____ \$xxx _____

DETERMINATION OF CUSTOMER CHARGE

The Customer Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution if the customer previously contracted for distribution service, measured in 1,00 cubic feet of gas (mcf), for the twelve most recent billing cycles ending with the October billing cycle.

If a customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change as of the January billing cycle of each year.

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MAIN LINE EXTENSION DEPOSIT INSTALLMENT PLAN

Applicants eligible for Rate Schedule MLS who have entered into an agreement with the Company to make payments for a main line extension pursuant to the Payment Period of Deposit paragraph in the Connections for Service – Extension of Facilities section of Rule 4. Extensions of these Rules and Regulations Governing the Distribution and Sale of Gas, will have the installment amount included in the cyclical bill for service issued by the Company. The installment amount will be added to the Customer Charge for the duration of the installment payment plan.

ISSUED: December 29, 2023EFFECTIVE: February 27, 2024PEOPLES NATURAL GAS COMPANY LLCGAS—PA PUC NO. 48ORIGINAL PAGE NO. 62

RATE MLS
MAINLINE SERVICE RATE

MINIMUM CHARGE

The minimum charge shall be the Customer Charge. In the event of curtailment in the delivery of gas by the Company or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate MLS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

RIDER PGC

The Pass-through Charge and Gas Supply Charge in this rate schedule include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than twenty (20) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one half percent (1 1/2%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL MLS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule must notify the Company in writing. Transfers to or from this rate schedule will be allowed only if:
 - a) the Company can obtain any increase or decrease in its gas supplies, pipeline capacity and storage capacity, or any combination thereof that is required to accommodate such change; or
 - b) the Company, in its sole judgment, concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.
2. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual purchases are less than or equal to 500,000 mcf, the customer shall be transferred to either Rate LGS effective the immediately succeeding January billing cycle.
3. New customers or existing customers requesting a transfer to this Rate Schedule shall be permitted to take service under this Rate Schedule only if:
 - a) the Company can obtain an increase in its firm pipeline capacity with an interstate pipeline having delivery points on the Company's system where the customer's facility is located, that is required to accommodate such transfer; or
 - b) the Company, in its sole judgment, concludes that no increase in the Company's pipeline capacity under an interstate pipeline firm rate schedule or any successor rate schedule is required. The Company shall establish the date any transfer is to be effective.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

WAIVER

The Company reserves the right to waive the customer charge per meter for additional meters. An example of when this charge may be waived is if the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the load characteristics of the customer.

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PEOPLES NATURAL GAS COMPANY LLC

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ORIGINAL PAGE NO. 63

RATE NGPV

NATURAL GAS POWERED VEHICLES

AVAILABILITY

This rate schedule applies to use of natural gas retail or transportation service as a motor vehicle fuel to the operator of a public or private fueling station.

RULES AND DELIVERY TERMS

If transportation service is provided hereunder, the applicable rules and delivery terms under rate schedule GS-T apply.

RATES

Retail or Transportation service provided to an operator of a public fueling station, shall be made pursuant to a contract for service under this rate schedule. The contract may provide for a negotiated customer charge and either a fixed commodity charge or a methodology for determining the commodity charge.

If retail service is provided hereunder, the negotiated rate shall be no lower than the Company's average cost of gas, as determined from the Company's Section 1307(f) gas cost calculation. Any gas cost revenue collected as a result of providing retail service under this rate schedule will be reflected in the Company's 1307(f) mechanism.

Gas purchased under this rate schedule shall be separately metered and not used interchangeable with gas purchased under any other schedule.

SURCHARGES

All applicable riders to this tariff.

LATE PAYMENT CHARGE

A late-payment charge of 1.50 percent shall be applied for failure to make payment in full, for all charges billed by the Company, by the due date shown on the bill.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

ISSUED: December 29, 2023EFFECTIVE: February 27, 2024

PEOPLES NATURAL GAS COMPANY LLC

GAS—PA PUC NO. 48
ORIGINAL PAGE NO. 64**RATE APPALACHIAN GATHERING SERVICE****AVAILABILITY**

Service under this rate schedule is available to any party desiring to transport gas through the gathering system, as well as to deliver gas directly into the Company's distribution and transmission system*, provided that:

- (1) a Master Interconnect and Measurement Agreement ("MIMA") has been executed between the Company and the party; and
- (2) the party is in compliance the MIMA, the provisions of this Rate Schedule and with all other provisions of this Tariff.

RATES

The gathering rate is \$0.26 per Mcf, plus applicable retainage**.

If a conventional producer adds incremental conventional production to the Peoples' system, that producer's incremental production shall qualify for a reduced Rate AGS fee equal to 50% of the effective monthly Rate AGS fee.

Incremental conventional production is any conventional production that is not connected to the Company's facilities as of June 15, 2019 and shall not include any existing production delivered to Peoples' system and subsequently acquired by the producer from any other producer. Incremental conventional production shall also include increased production volumes from existing conventional wells as a result of well stimulation or similar actions. The level of incremental production volumes from existing wells shall be determined by the Company based on supporting information provided to the Company by the producer.

Gathering of natural gas from unconventional sources, including but not limited to, horizontally drilled Marcellus and Utica shale gas and landfill gas, shall be negotiated and agreed to within the MIMA.

TERM

The terms for gathering service shall be a set forth in the MIMA.

CHARACTER OF SERVICE

The Company's only obligation under this Rate Schedule shall be to receive gas from any gathering receipt point and to permit that gas to flow against the existing pressure in the Company's facilities. Peoples shall not be obligated to lower such line pressure by compression or otherwise to accommodate receipts from local Appalachian producers under this Rate Schedule.

Service under this Rate Schedule shall be subject to Operational Flow Orders pursuant to Item 24 of the Rules and Regulations of this Tariff. Nothing in this Rate Schedule shall limit the Company's right to interrupt service or to take other action as may be required to alleviate conditions, which threaten the integrity of its system.

* This applies to production into both the former Peoples Natural Gas Division and Peoples Gas Division.

* The current applicable retainage rate is 2.3% for all conventional production on the former Peoples Natural Gas Division, 3.4% on the former Peoples Gas Division and is negotiable for unconventional production.

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PEOPLES NATURAL GAS COMPANY LLC

GAS—PA PUC NO. **48**
ORIGINAL PAGE NO. **65****RATE GL - GAS LIGHTS****APPLICABILITY**

This rate shall be applicable throughout the territory served by the Company.

AVAILABILITY

Available for any gas lighting where the gas is not measured by meter.

USAGE

Consumption per light will be assumed at:

Residential 1.8 Mcf/Month
Commercial and Industrial 2.8 Mcf/Month

These volumes will be billed monthly under the customer's otherwise applicable rate schedule.

SURCHARGES AND RIDERS

Customers served under this rate schedule are subject to Rider Distribution System Improvement Charge (DSIC) except that the DSIC rate may be reduced or eliminated for any customer with competitive alternatives or negotiated contracts.

SPECIAL TERMS AND CONDITIONS

Gas will be supplied only to lamps furnished, erected, and maintained by the customer and equipped with devices satisfactory to the Company. Consumption and billing will be assumed to be continuous until customer notifies Company that gas light(s) has been permanently shut off and Company verifies to its satisfaction that service has been disconnected. Company may require gas lights to be metered except in instances where it is not economically feasible or is otherwise impractical, to be determined solely at the discretion of the Company.

ISSUED: December 29, 2023**EFFECTIVE: February 27, 2024**

RATE CER
COMPETITIVE ENERGY RATE

AVAILABILITY

This Rate Schedule CER - Competitive Energy Rate is a firm service available in the Company's sole discretion to residential, commercial, and industrial customers who would not request service from the Company but for the availability of service under this rate and whose competitive options are not solely limited to other NGDCs.

RULES AND DELIVERY TERMS

Any qualified customer taking service under this Rate Schedule shall do so by agreement.

The agreement shall set forth the percentage of consumption to be made available under this rate schedule. Volumes taken by the customer in excess of the percentage specific on this contract shall be billed at applicable retail rates.

The magnitude of service hereunder shall not exceed that service replaced or subject to replacement.

RATE

The rate will be negotiated between the customer and the Company and may be subject to periodic redetermination. The negotiated rate shall be no lower than the Company's commodity cost of gas at the time the contract is negotiated, as determined from the Company's Section 1307(f) gas cost calculation.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 2 percent per month for industrial customers and 1.50 percent for commercial customers will be made for failure to make payment in full, for all charges billed by the Company, by the due date shown on the bill. A late-payment charge of 1.50 percent per month for residential customers will be made for failure to make payment in full within five days after the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RIDER
STATE TAX SURCHARGE

There shall be added to gas bills rendered by the utility for retail gas service a surcharge percent applied to the delivery charge under all rate schedules served by this tariff to reflect changes and new taxes imposed by the General Assembly. The currently effective surcharge percentage is reflected on Tariff Page Nos. 3 and 4.

~~The utility will recompute this surcharge whenever any of the tax rates used in calculation of the surcharge are changed. Any recomputation of this surcharge will be submitted to the Commission within ten days after the occurrence of the event or date which occasions such computation. If the recomputed surcharge is less than the one then in effect, the utility will, and if the recomputed surcharge is more than the one then in effect, the utility may, accompany such recomputation with a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be ten days after filing.~~

The Company will recompute the surcharge (i) whenever any of the state tax rates upon which the surcharge is computed are changed and (ii) as of March 31 of every year. The recomputation shall take into account the changed state tax rates as prescribed by the Commission (Policy Statement at 52 Pa. Code § 69.52) in the following manner:

1. Capital Stock Tax (“CST”): To determine the amount to be recovered, the Company shall multiply the change in the CST tax rate by the CST value as reported in the most recent CST return filed with the Department of Revenue.
2. Corporate Net Income Tax (“CNIT”): To determine the amount to be recovered, the Company shall multiply the change in the CNIT tax rate by the taxable income reported in the most recent CNIT return filed with the Department of Revenue. Pursuant to Docket No. R-2023-3044549, impacts of change in the CNI rate should not be adjusted for as the company did not recover state taxes in the referenced proceeding.
3. Public Utility Realty Tax (“PURT”): To determine the amount to be recovered, the Company shall calculate the difference between the PURT liability as stated in the most recent Notice of Determination issued by the Department of Revenue and the current amount of PURT recovered in base rates.

Every recomputation made pursuant to the above paragraph shall be submitted to the Commission within ten (10) days after the occurrence of the event or effective date of such state tax rate change, which occasioned such recomputation. If the recomputed surcharge is less than the one then in effect then the Company will, and if the recomputed surcharge is more than the one then in effect then the Company may, accompany such recomputation with a Tariff or Supplement to reflect such recomputed surcharge - the effective date of which shall be ten (10) days after filing.

SPECIAL PROVISION – This Rider shall not apply to Customers receiving discounted retail or discounted transportation service.

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PEOPLES NATURAL GAS COMPANY LLC

GAS—PA PUC NO. 48
ORIGINAL PAGE NO. 68**RIDER**
PURCHASED GAS COST (1307(f) RATES)**COMPUTATION OF PURCHASED GAS COSTS**

The purchased gas cost rates for Residential, Commercial, and Industrial Service customers shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formula set forth below:

$$\text{Demand} = \frac{\text{DC} - \text{B} - \text{R} - \text{DOU}}{\text{S} + \text{P1AC} + \text{SBC}}$$

$$\text{Commodity} = \frac{\text{CC}}{\text{S} + \text{SBR}}$$

$$\text{Over/Under Collection} = \frac{\text{E}}{\text{S} + \text{SBR}}$$

$$\text{AVC Capacity } 1/ = \frac{\text{AVC} - \text{AVCOU}}{\text{S} + \text{P1AC} + \text{NP1}}$$

(For definitions of "DC", "CC", "E", "S", "AVC", "AVCOU", "SBC", "SBR", "NP1", "P1AC", "R", "B", and "DOU" refer to Section below this rider).

The currently effective purchased gas cost rates are reflected on Tariff Pages 3 and 4.

1/ The AVC Capacity Charge will be subject to adjustment through the ongoing 1307(f) mechanism as a result of a modernization and compliance tracker for system improvements on the AVC system.

ISSUED: December 29, 2023EFFECTIVE: February 27, 2024

RIDER
PURCHASED GAS COST (1307(f) RATES)**DEFINITIONS**

"AVC":	The projected capacity costs associated with the Allegheny Valley Connector Interstate Pipeline System.
"AVCOU":	Experienced net overcollection or undercollection of the AVC Capacity costs.
"DC":	The projected demand or capacity cost of purchased gas (excluding AVC Capacity Charges).
"CC":	The projected commodity cost of purchased gas.
"DOU":	Experienced net overcollection or undercollection of the demand or capacity cost (excluding the AVC Capacity Charges) of purchased gas, including any interstate pipeline refunds of demand costs. Any changes in demand costs will be reflected in this calculation. ¹
"E":	Experienced net overcollection or undercollection of the commodity cost of purchased gas ¹ .
"S":	Projected retail sales in Mcf during the application period.
"NP1":	Projected volumes in Mcf for NP-1 transportation customers and any customer served by a NP-1 Supplier.
"P1AC":	Projected volumes in Mcf for P-1 transportation customers who are assigned capacity.
"SBC":	Projected contracted standby volumes in Mcf by NP-1 transportation customers.
"SBR":	Projected retail commodity standby volumes in Mcf.
"R":	Shared (savings) or costs for demand charge recovery from the capacity-release program.
"B":	Balancing recovery.

"Projected" refers to the twelve-month period beginning with October 1 of the year that the calculation is made.

ADJUSTMENT TO BASE RATES

Whenever a change occurs in the calculation rates for collection of purchased gas costs, a corresponding change will occur in the base rates of applicable rate schedules.

FILING WITH THE COMMISSION

The Company shall meet all the filing requirements set forth in the regulations implementing Section 1307(f) of the Public Utility Code.

REPORTING REQUIREMENTS

The Company shall file quarterly reports within thirty (30) days following the conclusion of each computation year quarter. These reports will be in such form as the Commission shall have prescribed.

¹Interest will be applied in accordance with the applicable law.

RIDER
AVC CAPACITY CHARGE

The AVC Capacity Charge is applicable to all customers with the exceptions defined below under Discounted Rate Customers and relates to the recovery of capacity costs incurred by the Company for firm transportation and storage service provided on the Allegheny Valley Connector ("AVC") System. The AVC system represents certain transmission and storage assets formerly owned and operated by the Company that are necessary to provide services by the Company to its customers. ~~Upon Commission approval and implementation of the AVC Capacity charge, all customers shall receive an initial and one-time reduction to rates related to the elimination of costs for the transmission and storage assets formerly owned and operated by the Company.~~

The AVC Capacity Charge shall recover fixed demand charges and applicable surcharges assessed to the Company under the FERC Gas Tariff for firm transportation and storage services on the AVC System. The AVC Capacity Charge shall be adjusted to reflect ongoing changes in charges assessed to the Company. The AVC Capacity Charge shall not recover fixed demand charges related to storage capacity on the AVC system that is released to and paid for by Non-Priority One customers or suppliers. Applicable volumetric and fuel charges for service on the AVC System shall not be recovered through the AVC charge and such charges shall be paid for by the shipper utilizing the AVC capacity.

RATES

Refer to Tariff Page Nos. 3 and 4 for the currently effective AVC Capacity Charge rates.

These rates will be recalculated on an annual basis in conjunction with the other Rider Purchase Gas costs and reported on as applicable in the annual filing as required in the regulations implementing Section 1307(f) of the Public Utility Code. The rates shall be calculated by customer class based on the results of the allocation factors set forth below and applicable billing determinants for each class.

ALLOCATION OF AVC CAPACITY COSTS

The fixed demand and applicable surcharges assessed to the Company for services on the AVC system shall be allocated to customer classes based on the allocation factors below.

The AVC Capacity Charge allocation factors are as follows:

<u>Rate Class</u>	<u>Allocation</u>
Residential	66.25%
SGS	11.94%
MGS	12.99%
LGS	8.82%

The Company will review the appropriateness of the AVC Capacity Charge allocation factors on an annual basis and such factors will be subject to review in the Company's 1307(f) gas cost proceeding.

ANNUAL RECONCILIATION

The AVC Capacity Charge costs will be subject to over/undercollection tracking and reconciled annually.

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RIDER
AVC CAPACITY CHARGE

DISCOUNTED RATE CUSTOMERS

Upon Commission approval and implementation of the AVC Capacity Charge, all customers receiving a negotiated discount delivery charge under Rate GS-T shall: 1) receive an initial and one-time delivery charge reduction equal to the reduction applicable to all customers within its rate class; and 2) be assessed an initial AVC Capacity Charge equal to the AVC charges set forth immediately below. To the extent that a customer is receiving a discounted delivery rate that is less than the initial AVC charge set for below, such customer shall receive a delivery charge reduction that is equal to its discounted delivery charge and be assessed an initial AVC charge that is equal to its discounted delivery charge.

Rate Class	Initial AVC Charge
Residential	\$0. <u>6835</u>
SGS	\$0. <u>6604</u>
MGS	\$0. <u>4156</u>
LGS	\$0. <u>2047</u>

To the extent permitted under the customer's discounted rate contract, the Company may recover ongoing increases to the initial AVC charge from such customers.

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RIDER
TRANSITION COST RECOVERY MECHANISM

1. This Rider establishes a mechanism for the recovery of nongas transition costs from the Company's customers, except to the extent that a customer uses transportation service under Rate GS-T for the delivery of gas transported solely on intrastate pipeline facilities. Nongas transition costs are defined as pipeline gas supply realignment costs and stranded costs.
2. For purposes of nongas transition costs recovery, the Company will assign its recoverable transition costs and any reconciliations of transition costs between two groups of customers--those customers whom the Company designates as "competitive" and those customers whom the Company designates as "noncompetitive." For purposes of this recovery mechanism, competitive customers shall include all customers to whom the Company charges less than its maximum tariffed retail or transportation rates in order to gain or maintain the customers' patronage in the face of competitive pressures. For purposes of this recovery mechanism, noncompetitive customers shall include all of the Company's customers who are not competitive.
3. The assignment of nongas transition cost responsibility to the Company's competitive customers shall be equal to that portion of the revenues that those customers contribute under the Company's program for the release of firm transportation pipeline capacity as set forth in this tariff, and that is designated, either through prearrangement or open bidding, as "transition costs." Notwithstanding the foregoing, the Company may charge a volumetric surcharge to competitive customers. Any additional recovery from competitive customers shall be credited against the nongas transition costs allocated to the Company's noncompetitive customers. The assignment of transition cost responsibility to the Company's noncompetitive customers shall be equal to the difference between the Company's total nongas transition cost liability and the amount of that liability that is allocated to competitive customers.
4. A surcharge for the recovery of nongas transition costs from noncompetitive customers will be recalculated every three months, with the recalculations to be effective on or around January 1, April 1, July 1, and October 1 of each year. The Company will file the January 1, April 1, and July 1 recalculations on one day's notice to the Commission, and these filings are referred to in this rider as the "quarterly recalculation," and will file the October 1 recalculation on thirty days' notice to the Commission.
5. The surcharge will be designed to recover (a) those nongas transition costs that have been billed to the Company by interstate pipelines and (b) those costs that have been approved by the Federal Energy Regulatory Commission to be billed to the Company during the 12-month period following the surcharge filing date.
6. At the time of each quarterly recalculation of the surcharge, the Company will reconcile its actual billed costs over the three-month period that ends one month prior to the filing of the recalculation against the costs that had been projected for that same period and will incorporate the reconciliation within its recalculations; however, no adjustment will be made to reflect variations in billed throughput during such periods. The Company will accompany its recalculation of the surcharge that will become effective on October 1, 1994, with a reconciliation of actual transition cost revenues recovered from the Company's customers from the effective date of the surcharge through July 31, 1994, against the revenues projected to have been recovered over the same period, including adjustments to reflect volumetric variations. The Company will accompany its recalculations of the surcharges that will become effective on or around each October 1 after 1994 with a reconciliation of actual transition cost revenues recovered from its customers over the 12 months ending July 31 of the particular year against the revenues projected to have been recovered over the same 12-month period.

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RIDER
TRANSITION COST RECOVERY MECHANISM

7. The Company will reduce the recoverable nongas transition costs allocated to its noncompetitive customers by the portion of the revenues that those customers are projected to contribute under the Company's program for the release of firm transportation pipeline capacity as set forth in this tariff and that is designated, either through prearrangement or open bidding, as transition costs. The Company will calculate the unit surcharge rates applicable to noncompetitive customers by dividing the recoverable nongas transition costs allocated to them, net of any reconciliations (including any additional nongas transition costs recovered by the Company from competitive customers under paragraph 3), and net of capacity release revenues as described in this paragraph, by the retail and transportation volumes projected to be consumed by noncompetitive customers, exclusive of those volumes of Pennsylvania-produced natural gas supplies transported by noncompetitive customers.
8. The surcharge rates applicable to noncompetitive customers are as follows:

Retail	\$0.0000/Mcf
Transportation	\$0.0000/Mcf

The surcharge rates, if any, applied to competitive customers will be determined on an individual customer basis.

RIDER SUPPLIER CHOICE

This Rider has been established to recover costs associated with Supplier Choice. The initial filing includes costs related to implementation and administration of the Account Number Access Mechanism per the Commission's Final Order at Docket No. M-2015-2468991 entered June 30, 2016 and costs associated with the implementation and administration of the Supplier Bill in accordance the Commission's Final Order entered August 20, 2015 at Docket No. M-2015-2474802.

The charges assessed per this rider shall be assessed to customers served under rate schedules RS, Commercial SGS, Industrial SGS, Rate GS-T – Residential, Rate GS-T Commercial SGS, and Rate GS-T Industrial SGS. Charges assessed per this rider shall not be applicable to customers served in the Company's CAP or Pilot E-CAP (E-CAP) program.

The Company shall provide a reconciliation of actual costs with actual revenues recovered under Rider – Supplier Choice for the twelve month period ended August 31. The rate will be adjusted annually for the resulting over/undercollection to be effective October 1.

Application of the Supplier Choice Charge shall be subject to review and audit by the Commission at intervals that it shall determine. The Commission shall review the level of charges produced by the Supplier Choice Charge and the costs included therein.

No interest shall be included in the Supplier Choice Charge.

The Supplier Choice Rider shall become effective upon Commission approval and shall remain in effect until otherwise directed by the Commission and until the final reconciliation statement is approved and charges fully recovered.

The currently effective Supplier Choice Charge per Month is reflected on Tariff Page Nos. 3 and 4.

RIDER
MERCHANT FUNCTION CHARGE (MFC)

The Merchant Function Charge (MFC) shall be added to the gas cost charges applicable under rate schedules Rate RS, Rate SGS, Rate MGS, LGS and GS-T. The gas costs charges include the Capacity Charge, Gas Cost Adjustment Charge and Commodity Charge.

The MFC shall be updated quarterly effective with each 1307(f) rate change. The write-off factor used to calculate the quarterly MCF shall only be determined in a base rate case filing.

For residential customers receiving service under Rate RS and Rate GS-T, the MFC shall equal the write-off factor of 2.200% times the gas cost charges as set forth in Peoples' Rider Purchase Gas Cost. The current MFC applicable to Rate RS customers is shown on Tariff Page Nos. 3 and 4.

For Small, Medium, and Large General Service customers receiving service under Rate SGS, MGS, LGS and Rate GS-T, the MFC shall equal the write-off factor of 0.332% times the gas cost charges as set forth in Peoples' Rider Purchase Gas Cost. The current MFC applicable to these customers is shown on Tariff Page Nos. 3 and 4.

RIDER
UNIVERSAL SERVICE

This rider shall be applicable to all residential customers except for any residential customer served in the Company's Customer Assistance Program (CAP). This rider recovers costs related to the Company's universal service programs.

The charges assessed per this rider shall be assessed to residential customers served under rate schedules Rate RS and Rate GS-T. Charges assessed per this rider shall not be applicable to customers served in the Company's CAP or Pilot E-CAP (E-CAP).

The currently effective Rider Universal Service Charge is reflected on Tariff Page Nos. 3 and 4.

Costs related to the following universal service programs shall be calculated and recovered per this rider: CAP; Low Income Usage Reduction Program (LIURP); Community Partnership for Weatherization; and the Emergency Furnace and Houseline Repair Program.

CAP Costs will be calculated to include the following components:

1. Projected CAP Credit – The difference between the total Rate RS bill, excluding Rider Universal Service, and the CAP or E-CAP payment amount which is comprised of the sum of the percentage of income payment or minimum bill, whichever is greater. The projected CAP Credit shall be calculated based on current rates, current CAP or E-CAP payment amounts and projected normalized annual volumes for CAP and E-CAP participants. Separate CAP credit costs will be calculated for: 1) current active CAP and E-CAP participants; and 2) the projected average net change in the number of CAP and E-CAP participants for the projected quarter.
2. Pre-Program Arrearage Forgiveness – Projected CAP and E-CAP pre-program arrearage forgiveness costs for the projected annual period.

Costs for the LIURP, ~~Community Partnership for Weatherization~~ and Emergency Furnace and Houseline Repair programs will be calculated based on the projected number of eligible participants for the projected annual period. Recoverable CAP credit and arrearage forgiveness amounts will be reduced by 3.86% times the average CAP credit and arrearage forgiveness of existing CAP customers times the incremental number of CAP participants in excess of 32,300 CAP customers. Historical payment statistics will be utilized in the development of projected CAP credit and arrearage forgiveness amounts. Third party costs for the purposes of CAP administration ~~and Universal Service call management~~ will be included in the calculation of the Rider.

The applicable unit for this rider shall be determined by dividing the total costs universal service plan costs by the annual projected non-CAP residential volumes established in the most recent 1307(f) gas cost recovery proceeding. For bill display purposes, the unit rate calculated under this rider shall be included in a single delivery charge that also includes the residential delivery charge set forth in rate schedules Rate RS and Rate GS-T.

QUARTERLY ADJUSTMENT

Effective with each quarterly 1307(f) gas cost change, the unit rate under this rider shall be recalculated to reflect current cost data for the cost components outlined above. The updated rate will be filed to be effective one day after the filing.

ANNUAL RECONCILIATION

As part of the quarterly adjustment filing effective on April 1 of each year, the Company shall include a reconciliation of actual revenues recovered under Rider Universal Service and actual universal service costs incurred for the twelve month period ended December 31. The resulting over/undercollection will be included in the quarterly Rider Universal Service rate adjustment to be effective April 1.

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RIDER
GAS PROCUREMENT CHARGE

For bill presentment purposes, the Gas Procurement Charge (GPC) shall be added to the Commodity Gas Cost Charge applicable to sales rate schedules Rate RS, Rate SGS, Rate MGS, Rate LGS and any other applicable sales service rate schedule under this tariff.

Recoverable Costs

The GPC shall include gas procurement costs incurred by the Company solely on behalf of its sales service customers. The GPC shall exclude any costs recovered through Rider Purchased Gas Cost - 1307(f) gas cost recovery mechanism. The GPC shall exclude any gas procurement costs incurred by the Company in support of transportation or shopping customers or programs.

Recalculation of the GPC

The costs to be included in the GPC shall be calculated in accordance with Commission regulations and shall be determined and updated in each base rate case filed by the Company. The GPC shall not be subject to reconciliation for any prior-period or over-or-under collections.

The currently effective Rider GPC Charge is reflected on Tariff Page No. 3.

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RIDER
TAX REPAIRS SURCREDIT (TRS)

Pursuant to Docket Nos. P-2020-3021191, A-2021-3029831 and A-2021-3029833, as amended at Docket No. R-2023-3044549, there shall be a surcredit of negative 6.8414% percent applied to the customer charge and the base rate delivery charge under all rate schedules served by this tariff. Any customer receiving a discounted flexible delivery charge rate will not be eligible for the surcredit.

Purpose: The purpose of this surcredit is to refund, over a tenfive-year period beginning January 1, 2025, the ~~entire~~ tax benefits of certaina catch-up tax deduction resulting from the Company's defining its unit of property under the Internal Revenue Service's Treasury Regulations 1.263(a)-3 and 1.162-4 and IRS Rev. Proc. 2023-15. Specifically, the surcredit shall reflect:

- ~~— This catch-up deduction or "look-back" represents~~ the difference between
 - o federal and state income tax depreciation claimed versus the repair deductions that would have been claimed for the tax years ended December 31, 2012 through March 15, 2020 for Peoples Natural Gas Company, net of amounts refunded prior to January 1, 2025;
 - o the difference between federal and state income tax depreciation claimed versus the repair deductions that would have been claimed for the tax years ended December 31, 2013 through December 31, 2020 for the former Peoples Gas Company;
 - o the difference between federal and state income tax depreciation claimed versus the repair deductions that would have been claimed for mandatory relocation projects for the tax years ended December 31, 2012 through December 31, 2021 for Peoples Natural Gas Company; and December 31, 2013 through December 31, 2021 for the former Peoples Gas Company.
 - o the amortization of excess deferred taxes that are no longer protected under the IRS normalization rules due to the change in tax accounting methods.
 - o adjustments to reflect reduced state income tax benefits resulting from changes to the state Corporate Net Income Tax rate.-

Effective Date: Beginning with service rendered August January 1, 20251.

Calculation: The annual amount of the surcredit will be approximately \$29.431-Million, equal to 100% of the tax benefit from the catch-up tax deductionafore-mentioned items of approximately -\$391-million refunded over a five-year~~ten-year~~ period.

Reconciliation: In accordance with Section 1307(e) of the Public Utility Code, the Company shall provide a reconciliation of the amount refunded and one-tenth of the projected tax benefit of the afore-mentioned items ~~catch-up deduction~~ for the twelve month~~twelve-month~~ period ended December 31. The rate will be adjusted annually for the resulting over/undercollection to be effective April 1. The annual reconciliation will be filed by March 21 for the preceding calendar year.

Interest on over or under collections shall be computed monthly at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.) from the month that the over or under collection occurs to the mid-point of the recoup or refund period.

This surcredit will remain in place for six-eleven years (~~tenfive~~ years of refund period and one year for a final reconciliation period). In the final year, the Company also shall include the difference between the actual tax benefits received and the projected tax benefits previously reflected in calculating the surcredit, as provided by the Order at Docket No. P-2020-3021191. Any over or under ratepayer surcredit amounts remaining at the end of year five-eleven shall be flowed through to Customers in the Company's next quarterly 1307(f) gas cost filing. Within 60 days of termination of the distribution of the rate credit, the Company shall file with the Commission and provide a copy to all parties to Docket No. P-2020-3021191, A-2021-3029831 and A-2021-3029833, as amended at Docket No. R-2023-3044549 a final reconciliation of all surcredit amounts.

Upon determination that this surcredit, if left unchanged, would result in a material over or under collection, the Company may file with the Commission, on at least 10 days' notice, for an interim revision of this surcredit.-

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RIDER
WEATHER NORMALIZATION ADJUSTMENT (WNA)

APPLICATION AND PURPOSE

A Weather Normalization Adjustment (“WNA”) shall be applied to Residential, Commercial SGS, and Commercial MGS customers receiving service under Rate Schedules RS, CAP, SGS, and MGS for service rendered during the heating season of October 1st through May 31st.

WNA is a distribution charge adjustment and is considered a basic service charge.

Calculated WNA amounts shall be subject to Rider DSIC, Rider STAS, Rider Tax Repairs Surcredit, and Rider TCJA. No additional riders or surcharges will be applied to the calculated WNA.

CALCULATION

The WNA will be applied to service rendered October 1st through May 31st and shall be calculated on a customer account specific basis in accordance with the formula below:

$$\underline{WNBM = BLMM + [(NHDD/AHDD) \times (AMUM - BLMM)]}$$

$$\underline{WNAM = WNBM - AMUM}$$

$$\underline{WNAM = WNAC \times \text{Distribution Charge}}$$

- a) Weather Normalized Billing Mcfs (“WNBM”) will be calculated as the Base Load Monthly Mcfs (“BLMM”) added to the product of the [Normal Heating Degree Days (“NHDD”) divided by the Actual Heating Degree Days (“AHDD”)] and the [Actual Monthly Usage Mcfs (“AMUM”) less the BLMM]. Weather Normalized Billing Mcfs (WNBM) will only be calculated if the AMUM exceeds the BLMM. WNA will not be applicable for the billing period if AMUM is less than the BLMM.
- b) BLMM shall be established for each customer by averaging the actual daily consumption from the billing system, measured in Mcf, for service rendered July 1st thru August 31st of the most recent period.^[SC1]
- c) AMUM shall be measured for each customer and billing cycle.

- d) NHDD shall be based upon the heating degree days utilized to develop the revenue requirement in the Company's general rate case proceeding at Docket No. R-2023-3044549. NHDD shall be updated in future general rate case proceedings.
- e) AHDD shall be the actual experienced heating degree days during the billing cycle days for the customer based upon experienced actual temperatures as reported by the National Oceanic and Atmospheric Administration (NOAA) for weather stations utilized by the Company for the area.
- f) AMUM will be subtracted from the WNBM to compute the Weather Normalized Adjustment Mcfs ("WNAM").

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RIDER
WEATHER NORMALIZATION ADJUSTMENT (WNA)

- g) The WNAM shall then be multiplied by the applicable Rate Schedule Distribution Charge based on service rendered to compute the WNA amount that will be charged or credited to each Residential, SGS, and MGS customer receiving service under Rate Schedules RS, CAP, SGS, and MGS.
- h) In the event a customer's bill needs to be canceled and rebilled at any time, the WNA will be recalculated using the most recently available data for the billing period. In some cases, updates in data used in the calculation, may result in a different WNA for the billing period.
- i) WNA amounts will be included in the Delivery Charge line item on the customer's bill.
- j) The Company will file a report annually with the Commission on or before September 1st for the 12-month period ending June of the same year. The filing will contain WNA details as defined in the Company's most recent general rate case proceeding.

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RIDER
Distribution System Improvement Charge (DSIC)

In addition to the net charges provided for in this Tariff, a charge of 5.00% will apply consistent with the Commission Order dated May 23, 2013 at Docket No. P-2013-2346161 approving the DSIC.

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.

Eligible Property:

- Gathering Lines (account 332);
- Storage Lines (account 353);
- Transmission Lines (account 367);
- Piping (account 376);
- Couplings (account 376);
- Gas service 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 (accounts 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; and
- Other related capitalized costs (accounts 303, 387, 391.02 and 392)

Effective Date: The DSIC will become effective for bills rendered on and after 7/1/2013.

Computation of the DSIC

The initial DSIC, effective July 1, 2013, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service during the (*three-month period ending one month prior to effective date*). Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month period ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

Effective Date of Change	Date to which DSIC-Eligible Plant Additions Reflected
July 1	March 1 through May 31
October 1	June 1 through August 31
January 1	September 1 through November 30
April 1	December 1 through February 28

Determination of Fixed Costs: The fixed costs of eligible distribution system improvements will consist of depreciation and pre-tax return, calculated as follows:

1. Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.

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RIDER**Distribution System Improvement Charge (DSIC)**

2. Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for Rider State Tax Adjustment, Rider Purchased Gas Cost and Rider AVC Capacity Charge. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by one-fourth of the Company's annual projected revenue for distribution service (including all applicable clauses and riders), exclusive of Rider State Tax Adjustment Surcharge, Rider Purchased Gas Cost and Rider AVC Capacity Charge. **(C)**

Formula: The formula for calculation of the DSIC is as follows

$$\text{DSIC} = \frac{(\text{DSI} * \text{PTRR}) + \text{STFT} + \text{Dep} + \text{S}}{\text{PQR}} + \frac{e}{\text{PQR}}$$

Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation and associated accumulated deferred income taxes pertaining to property-related book/tax depreciation timing differences resulting from the use of accelerated depreciation per Internal Revenue Code, 26 U.S. Code § 168.

- PTRR = Pre-tax return rate applicable to DSIC-eligible property.
- STFT = (State Tax Flow Through) Pre-tax flow through calculated on book-tax timing differences between accelerated tax depreciation and book depreciation net of federal tax. **[NOTE: UTILITY MAY ELECT TO INCLUDE THE STFT IN THE PTRR COMPONENT.]**
- Dep = Depreciation expense related to DSIC-eligible property.
- e = Amount calculated under the annual reconciliation feature or Commission audit, as described below.
- S = Synergy fees/(revenues); cost assessed (revenue received) for serving customers of another legal entity approved at G-2014-2448803.
- PQR = Projected annual revenues for distribution service (excluding Rider State Tax Adjustment, Rider Purchased Gas Cost and Rider AVC Capacity Charge) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period will be divided by four to arrive at a quarterly revenue figure.

Quarterly Updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, Office of Small Business Advocate, and Commission's Bureau of Audits at least (10) days prior to the effective date of the update.

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RIDER
Distribution System Improvement Charge (DSIC)

Customer Safeguards:

1. **Cap:** The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.
2. **Audit/Reconciliation:** The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq.*, shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year or the utility may elect to subject the DSIC to quarterly reconciliation but only upon request and approval by the Commission. The revenue received under the DSIC including Synergy fees received, for the reconciliation period will be compared to the Company's eligible costs, including Synergy fees paid, for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year, or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq.*) and will be refunded in the same manner as an over-collection. The utility is not permitted to accrue interest on under collections.
3. **New Base Rates:** The DSIC will be reset to zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
4. **Customer Notice:** Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

5. **All Customer Classes:** The DSIC shall be applied equally to all customer classes, except that the Company may reduce or eliminate the Rider DSIC to any customer with competitive alternatives or potential competitive alternatives and customers having negotiated contracts with the Company, if it is reasonably necessary to do so.
6. **Earnings Reports:** The DSIC will also be reset to zero, if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company would earn a rate of return that would exceed the allowable rate of rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section. The utility shall file a tariff supplement implementing the reset to zero due to overearning on one-day's notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Utility has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed costs.
7. **Residual E-Factor Recovery Upon Reset to Zero:** The utility shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The utility can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The utility shall refund any overcollection to customers and is entitled to recover any undercollections as set forth in Section 4.B. Once the utility determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the utility shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.

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Rider TCJA - TCJA TEMPORARY SURCHARGE FOR FORMER PG DIVISION CUSTOMERS

To implement the effects of the Tax Cuts and Jobs Act (TCJA), on March 15, 2018 the Pennsylvania Public Utility Commission (Commission) issued a Temporary Rates Order at Docket No. M-2018-2641242 directing the utility to file its current base rates and riders as temporary rates, pursuant to Section 1310(d) of the Public Utility Code. 66 Pa. C.S. § 1310(d). Subsequently, on May 17, 2018 and June 14, 2018, the Commission entered Orders superseding the March 15, 2018 Temporary Rates Order directing the utility to establish temporary rates and required utilities to implement negative surcharges as a credit for intrastate service to all customer bills to reflect reduced taxes under the TCJA. This negative surcharge was distributed equally among the utility's various customer classes, exclusive of STAS and automatic adjustment clause revenues.

This negative surcharge was reconciled at the end of each calendar year and remained in place until the utility filed and the Commission approved new base rates for the utility pursuant to Section 1308(d) that include the effects of the TCJA tax rate changes. The effects of the TCJA for Peoples Natural Gas Division were fully reflected in the Company's rate case at Docket No. R-2018-3006818. The effects of the TCJA for Peoples Gas Division customers were reflected in the Company's base rate case at Docket No. R-2023-3044549, except for the remaining over/under collection as of the effective date of new rates.

Rider TCJA will remain in effect for former PG Division customers until the remaining TCJA over/under collection is refunded or recovered from customers.

Interest on over or under collections shall be computed monthly at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.) from the month that the over or under collection occurs to the mid-point of the recovery period.

Upon determination that the negative surcharge, if left unchanged, would result in a material over or under collection, the Company may file with the Commission, on at least 10 days' notice, for an interim revision of the TCJA Temporary Surcharge.

The TCJA Temporary Surcharge will be filed with the Commission by December 1 of each year to become effective the following January 1.

The TCJA rate is currently suspended. Within 60 days of the effective date of the new base rates, established in Docket No. R-2018-3006818, the Company will calculate the final refund due to customers including the:

- 1) refund of the tax savings and interest associated with TCJA for the period January 1, 2018 through June 30, 2018 and
- 2) accumulated over or under collection while rate TCJA was in effect.

The interest will be calculated at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101 et seq.) in effect on the last day of the month prior to the refund to customers.

These above amounts due to customers will be refunded by means of a one-time bill credit within 120 days of the effective date of the new base rates. Once the one-time bill credit is provided to customers, Rider TCJA will terminate.

RATE CHART—

TCJA Surcharge per meter per month:

<u>Residential</u>	<u>\$(0.3502)</u>
<u>SGS with annual consumption less than 500 Mcf</u>	<u>\$(0.7783)</u>
<u>SGS with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf</u>	<u>\$(1.4454)</u>
<u>MGS with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf</u>	<u>\$(1.6678)</u>
<u>MGS with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf</u>	<u>\$(3.8915)</u>
<u>LGS with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf</u>	<u>\$(17.7896)</u>
<u>LGS with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf</u>	<u>\$(33.3555)</u>
<u>LGS with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf</u>	<u>\$(111.1850)</u>
<u>LGS with annual consumption greater than 200,000 Mcf</u>	<u>\$(166.7775)</u>

TCJA Surcharge per MCF:

<u>Residential</u>	<u>\$(0.1506)</u>
<u>SGS</u>	<u>\$(0.1134)</u>
<u>MGS</u>	<u>\$(0.1081)</u>

LGS with annual consumption less than 1000,000 Mcf \$(0.0834)

LGS with annual consumption greater than 1000,000 Mcf \$(0.0222)

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ISSUED: December 29, 2023

EFFECTIVE: February 27, 2024

Original Tariff Gas - PA PUC No. S-4
Cancel and Supersedes Tariff Gas – PA PUC No. S-3

PEOPLES NATURAL GAS COMPANY LLC

RATES AND RULES GOVERNING THE FURNISHING OF SERVICE TO NATURAL GAS SUPPLIERS

ISSUED: **December 29, 2023**

EFFECTIVE: **February 27, 2024**

By: **Michael Huwar**
President
375 North Shore Drive
Pittsburgh, PA 15212

NOTICE

This tariff cancels and supersedes Tariff Gas – PA PUC No. S-3. Upon approval of this Tariff Gas – PA PUC No. S-4, all Peoples Natural Gas customers (including the former Peoples Gas and Peoples Natural Divisions) will be subject to the rates and rules set forth herein.

PEOPLES NATURAL GAS COMPANY LLC

GAS—PA PUC NO. S-4
ORIGINAL PAGE NO. 2**LIST OF CHANGES**

<u>Page</u>	<u>Page Description</u>	<u>Revision Description</u>
<u>2</u>	<u>List of Changes</u>	<u>List of Changes</u>
<u>3</u>	<u>Table of Contents</u>	<u>Updated page numbers</u>
<u>7</u>	<u>Rules and Regulations</u>	<u>Source of Supply Section - removed "Imbalance Trading"</u>
<u>7</u>	<u>Rules and Regulations</u>	<u>Gas Quality Section - Modified Gas Quality Metrics and added Nonconformance language</u>
<u>9</u>	<u>Rules and Regulations</u>	<u>Operational Flow Order Section - added language to include "hourly consumption levels"</u>
<u>10</u>	<u>Rules and Regulations</u>	<u>Operational Flow Order Section - added "Direct End User"</u>
<u>22</u>	<u>Rate P-1</u>	<u>"Dominion Transmission" changed to "Texas Eastern Transmission"</u>
<u>25</u>	<u>Rate P-1</u>	<u>"Dominion Transmission" changed to "Texas Eastern Transmission"</u>
<u>27</u>	<u>Rate P-1</u>	<u>"Dominion South Point" changed to " Eastern South"</u>
<u>28</u>	<u>Rate NP-1</u>	<u>remove Assignment storage AVC capacity</u>
<u>29</u>	<u>Rate NP-1</u>	<u>remove Assignment storage AVC capacity</u>
<u>29</u>	<u>Rate NP-1</u>	<u>"Dominion Transmission" changed to "Texas Eastern Transmission"</u>
<u>30</u>	<u>Rate NP-1</u>	<u>Changed timeline from February to January</u>
<u>31</u>	<u>Rate NP-1</u>	<u>clarification of language and "Dominion South Point" changed to " Eastern South"</u>
<u>33</u>	<u>Rate LGA</u>	<u>"Dominion South Point" changed to " Eastern South"</u>

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DEFINITION OF TERMS

The following is a list of some of the most commonly used terms in this Tariff. In the event of a conflict between any of the definitions set forth below or those contained in a more specific provision of this Tariff, the definition contained in the more specific provision shall prevail.

Aggregate Daily Consumption Volume - The aggregate quantity of gas estimated by the Company to be consumed by all Customers served by the NGS on any day or the direct end user in an OFO situation under Rule 4 of the Tariff.

Aggregate Monthly Consumption Volume - The aggregate quantity of gas actually consumed by all Customers of Pool Operator's pool over their respective Billing Cycles for the month as determined by the Company through actual or estimated meter readings.

Aggregator - A broker, marketer or producer of natural gas which aggregates locally produced gas, injected directly into the Company's lines, into a pool.

Billing Cycle - The period that occurs between actual or estimated meter readings taken by the Company for billing purposes.

Calendar Month Pool Sendout - The sum of (1) the Aggregate Monthly Consumption Volumes plus (2) Pool-to-Pool Volumes nominated for the month.

Calendar Month Pool Supply - The sum of the Daily Available Volumes during the month as adjusted for any gas received from other Pool Operators during the month and any imbalance sales to or purchases from the Company.

Chapter 56 – The Commission regulations that govern, among other things, metering, billing and collections for residential gas and electricity service.

Commodity Charge – A charge designed to recover the cost of producing or procuring natural gas.

Commodity Service – Service provided by the Company or a natural gas Supplier which involves the purchase of gas commodity by the Customer.

Company – The entity doing business as Peoples Natural Gas Company LLC.

Customer – Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the Customer for any premises, building, structure, etc. or (iii) is primarily responsible for payment of bills. A Customer includes anyone taking Supplier of Last Resort Service and/or Distribution Service under the Company's Retail Tariff.

Daily Available Volume - The total quantity of gas available to be allocated by the NGS for delivery by the Company to all Customers on any day. This quantity is equal to the total volume of gas actually delivered to the Company for the NGS's account on that day, less an appropriate retainage percentage, plus any adjustments associated with the reconciliation of local gas volumes and/or the reconciliation of monthly volumes as set forth in Rates P-1 and NP-1.

Day – A 24-hour period beginning at 10 a.m. and ending at 10 a.m. or as subsequently defined by natural gas industry standards promulgated by FERC.

Dekatherm (Dth) – 10 therms or 1,000,000 British thermal units ("Btu")

Direct End User – A Customer that receives distribution service from the Company and purchases commodity service from a natural gas Supplier who does not pool supplies under the Company's Rate P-1 or Rate NP-1.

ISSUED: **December 29, 2023**

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DEFINITION OF TERMS (continued)

Local Gas Aggregation Agreement - The Local Gas Aggregation Agreement between the Company and the NGS.

Mcf – 1,000 cubic feet of gas. This is a measure of gas usage.

Measurement Operating Agreement - The agreement between a producer of natural gas and the Company which sets forth the obligations and responsibilities for owning and operating measurement equipment for designated measuring stations.

Monthly Available Volume - The total quantity of gas available to be allocated by the NGS for delivery by the Company to all Customers for the applicable month. This quantity is equal to the total volume of gas actually delivered to the Company for the NGS's account for the applicable month, less an appropriate retainage percentage, plus any adjustments associated with the reconciliation of local gas volumes.

Natural Gas Supplier (NGS) – An entity that has received a license from the Commission and that sells natural gas to Customers that is delivered through the distribution lines of the Company.

Non-Priority One Pool Operator – A pool operator which aggregates natural gas supplies needed to satisfy the full requirements of one or more Non-Priority One transportation Customers of the Company.

Non-Priority One Pooling Agreement - The Non-Priority-One Pooling Agreement between the Company and the Pool Operator.

Pool Operator – A broker, marketer or producer of natural gas licensed as a gas Supplier by the Pennsylvania Public Utility Commission which has executed a Priority-One or Non-Priority One Pooling Agreement with the Company.

Priority One Pool Operator – A pool operator which aggregates natural gas supplies needed to satisfy the full requirements of Priority One transportation Customers of the Company.

Small Business Customer – A Customer receiving natural gas service for commercial or industrial use whose annual usage is equal to or less than 300 MCF.

Supplier – Shall include, but is not limited to, aggregators, brokers, marketers, natural gas distribution companies, natural gas suppliers or producers.

Supplier of Last Resort – The Company or another entity that provides natural gas supply services to Customers that do not elect another Supplier or choose to be served by the Supplier of last resort, Customers that are refused service from another natural gas supplier, or Customers whose natural gas Supplier fails to deliver the required gas supplies. Currently, the Company is the Supplier of last resort for all Priority-One Customers under the terms of this tariff. Each Customer may only have one Supplier of last resort.

RATES AVAILABLE UNDER THIS TARIFF

Service is made available to NGSs under the rules, regulations, rates and terms contained in this tariff. The following rates are made available to NGSs:

Rate P-1 - Priority One Pooling Service

This rate is available to any broker, marketer or producer of natural gas which aggregates natural gas supplies needed to satisfy the full requirements of Priority One (P-1) transportation Customers of the Company.

Rate NP-1 - Non-Priority One Pooling Service

This rate is available to any broker, marketer or producer of natural gas which aggregates natural gas supplies needed to satisfy the full requirements of Non-Priority One (NP-1) transportation Customers of the Company.

Rate LGA - Local Gas Aggregation Service

This rate is available to any broker, marketer or producer of natural gas which aggregates locally produced gas injected directly into the Company's pipeline system.

Rate SBS – NGS Billing Service

This rate is available to the NGS which receives service under Rate P-1 or Rate NP-1 and elects to have the Company bill Customers for natural gas sold by the NGS.

RULES AND REGULATIONS**1. Sources of Supply**

The Company agrees to receive, for the NGS's account, upstream pipeline transportation volumes, local gas volumes, storage volumes, and Pool-to-Pool Volumes ~~and Imbalance Trading Volumes~~.

In determining the volumes available for delivery to Customers in the applicable month, the Company may retain an appropriate percentage, as set forth in the Company's Retail Tariff, of gas used in Company operations and unaccounted for gas from upstream pipeline transportation volumes and local gas volumes as they are received by the Company. For purposes of determining storage inventory volumes, the retainage percentage shall be applied to volumes at the time the volumes are nominated for injection into storage. Pool-to-Pool Volumes ~~and Imbalance Trading Volumes~~ shall be added to the adjusted volumes.

Suppliers will pay for any investment costs and any other agreed-upon fees relating to the delivery of gas into the Company's system. The Company will own and maintain each natural gas connection's tapping tee or pipe and valve.

2. Measurement and Quality of Gas

All gas delivered shall be measured by meter. The term "mcf" as used in the Company's schedule of rates, shall mean 1,000 cubic feet of gas at no more than 8 ounces above an assumed atmospheric pressure of 14.4 pounds at whatever temperature the gas may be during the period of measurement. If gas is supplied from a low-pressure distribution system in which the pressure of the gas is regulated not to exceed 8 ounces, the measurement will be at whatever pressure the gas may be during the period of measurement. If gas is delivered from a high-pressure system, measurement will be corrected to a pressure base of 14.73 psia. If measurement is corrected for temperature, measurement will be corrected to 60°F.

Gas delivered into the Company's system should be free from oil, water, salt, gum, dust, and other foreign substances that might interfere with the marketability of the gas. Unless otherwise agreed to by the Company, the gas delivered shall contain not less than 967 Btu per cubic foot and shall not exceed 1,100 Btu per cubic foot (as determined by calorimeter test @ 60 degrees Fahrenheit and saturated with water vapor). Gas accepted by the Company that contains less than 967 Btu per cubic foot will be enhanced to ensure that gas delivered by the Company to Customers shall meet Commission heating value requirements, and the Company may charge for this.

Unless otherwise agreed to by the Company through separate agreement, gas delivered by a Supplier shall not contain more than:

- (a) Seven (7) pounds of water per million cubic feet on an approved dew point apparatus.
- ~~(b) Four (4) percent by volume total inerts including carbon dioxide, nitrogen, argon, and helium provided that total carbon dioxide content shall not exceed two (2) percent by volume.~~
- ~~(b) Two (2) percent by volume of carbon dioxide.~~
- (c) ~~Twenty-five~~ Thirty hundredths (0.253) grains of hydrogen sulfide per 100 cubic feet.
- (d) Ten (10) grains of total sulfur per 100 cubic feet.
- ~~(e) Two tenths (0.2) percent by volume oxygen.~~
- ~~(f) No more than (5) percent Hydrogen.~~

The Company may enter into agreements with suppliers whereby the Company will agree to treat gas on behalf of a Supplier in order to meet such gas quality requirements outlined above. Should the Supplier not enter into such an agreement and fail to meet these gas quality requirements, the Company may refuse to accept gas delivered by the Supplier and should a Supplier cause damage to any metering, regulating and/or other equipment or interruption of service, the Supplier shall reimburse the Company for the costs to repair such damage and for any related costs which the Company may incur to restore service to Customers and/or repair facilities, including payments made by the Company to Customers in settlement of claims arising out of interruption of gas service. The Supplier agrees to allow the Company

to make necessary gas samples to permit testing of the delivered gas to determine quality of gas delivered by the supplier.

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RULES AND REGULATIONS**2. Measurement and Quality of Gas (continued)**

Nonconformance – If the gas offered for delivery by the NGS shall fail at any time to conform to any of the specifications set forth herein, then the Company shall notify the NGS of such deficiency and may at the Company's option refuse to accept delivery pending correction by the NGS. Should any substances not in conformity with the quality standards specified herein enter the Company's facilities and cause damage to gas meters, regulators and/or other equipment, or interruption of service, NGS shall reimburse the Company for the costs to repair such damage and for any related costs which the Company may incur to restore service to, and/or repair facilities, of its Customers, including payments made by the Company to Customers in settlement of claims arising out of interruption of gas service.

3. Critical Day Planning

As events occur that could develop into system emergencies or lead to a threatening of system integrity, the Company may request and/or require NGSs or Customers to take certain actions to protect, maintain, or reestablish the safe operation of the system.

- a. Maintenance Alerts (MA) – A maintenance alert is an announcement of actual or pending events related to various physical connections to the Company's system. These communications shall occur on an as needed basis and shall be communicated via the electronic bulletin board as soon as practical.
- b. Operational Alert (OA) – An operational alert may be called during periods of projected increased or decreased consumer demand for natural gas. An "OA" is a request for specific action on the part of an individual NGS, or all NGSs. The NGSs are expected to respond to "OAs" as soon as practical by giving notice to the Company of their intended action. These communications shall occur on an as needed basis and shall be communicated via the electronic bulletin board and/or through email as soon as practical.
- c. Operational Flow Order (OFO) – An OFO is defined in paragraph 4 of the Supplier Tariff. NGSs are expected to comply with an OFO.
- d. Curtailment – In the event of an emergency curtailment of Customer consumption, the Company will alert the appropriate NGSs, and if appropriate, will coordinate with them responses to media and elected officials.

RULES AND REGULATIONS**4. Operational Flow Orders (continued)**c. OFO Penalties

Failure to comply with an OFO may result in the following:

- i. The immediate recall of capacity assigned by the Company to the NGS or a Direct End User, if any, throughout the remainder of the OFO period. Further, in the event the NGS/Direct End User's failure to comply with an OFO contributes to the Company using other Customers' flowing supplies to meet the needs of end-use Customers of the NGS/Direct End User's and/or the Company's Retail Sales Demand, the Company may, at its sole discretion, recall or otherwise withdraw any capacity rights assigned to the NGS/Direct End User upon five (5) days written notice to the NGS/Direct End User (unless already recalled under the provisions of this section).
- ii. The billing of the incremental charges set forth below times the OFO shortfall which is defined as the imbalance between Daily Available Volume and its Aggregate Daily Consumption Volume as calculated by the Company, on those days subject to the OFO.

The OFO incremental charges shall equal:

- (1) the payment of a gas cost equal to the highest incremental cost paid by the Company on the date of noncompliance;
- (2) one month's demand charges and/or otherwise applicable storage and overrun costs. This charge shall not be imposed more frequently than twelve times in any thirty-day period;
- (3) the payment of all other charges incurred by the Company on the date of the OFO shortfall that are associated with the OFO shortfall; and
- (4) in the Company's discretion, an appropriate penalty charge, not to exceed \$15/Mcf.

The penalties set forth herein shall be billed to NGSs serving Customers under Rates P-1 or NP-1, or to Direct End Users (or a Supplier that the Direct End User has arranged with and designated to the Company to receive notification of the OFO).

- iii. In the event the NGS/Direct End User's failure to comply with an OFO contributes to the Company using other Customers' flowing supplies to meet the needs of any Customer and/or the Company's retail sales demand, the Company may terminate the NGS's/Direct End User's rights to operate on the Company's system under the applicable pooling and/or transportation agreements upon ten (10) days written notice to the NGS.

5. Billing and Payment

Each calendar month the Company shall render a statement of account to the NGS summarizing the charges due the Company, including any purchases by the Company.

The NGS shall pay the Company by wire transfer of federal funds unless the NGS and the Company mutually agree upon a method of payment other than wire transfer which will result in timely receipt of payment by the Company.

RULES AND REGULATIONS**5. Billing and Payment (continued)**

Charges previously billed to the NGS by the Company, for which payment has not been received by the Company by the due date, will be assessed a late-payment charge of two percent (2%) per month on the unpaid balance.

If the Company has not received payment from the NGS for any services or charges, including late-payment charges, within fifteen (15) days of the statement date, the Company may deduct this unpaid amount from any payments accruing to the NGS under any agreement between the NGS and the Company or take gas in kind from the NGS in satisfaction of obligations and/or terminate the agreement with the NGS upon ten (10) days written notice to the NGS.

6. Creditworthiness

The Company shall not commence service or continue service to the NGS if the NGS fails to meet the creditworthiness criteria outlined in this Section.

The Company will base its creditworthiness evaluation on the financial information provided in response to the "Financial Information" and "Certificate" sections below.

- a. Financial Information - In consideration of the opportunity to supply gas to the Company's Customers and in order for the Company to accept the NGS as the Supplier of gas to Customers of the Company, the NGS must provide the following financial information, provided, however, that such financial information will not be required by the Company if the NGS has obtained a Natural Gas Supplier License from the Commission within one year prior to the date it submits an application to the Company for approval to become a NGS of gas to Customers of the Company and that such information has been provided to the Company:
 - i. Financial statements, annual report or Form 10-K for the most recent fiscal year-end.
 - ii. Current interim financial statements.
 - iii. Listing of parent company, affiliates and subsidiaries.
 - iv. Any reports from credit reporting and bond rating agencies which are available.
 - v. A bank reference and at least two trade references.
- b. Certificate: The NGS shall deliver a certificate of a duly elected officer or authorized representative certifying the following:
 - i. The NGS is not operating under any chapter of the bankruptcy laws and is not subject to liquidation under any state law.
 - ii. The NGS is not subject to the uncertainty of pending or threatened litigation in state or federal courts or regulatory proceedings which could (1) cause a substantial deterioration in its financial condition, (2) cause a condition of insolvency, or (3) endanger its ability to exist as an ongoing business.
 - iii. The NGS does not have outstanding lawsuits, actions or judgments, which, individually or in the aggregate, could jeopardize its ability to remain solvent.

RULES AND REGULATIONS**6. Creditworthiness (continued)**

- iv. The NGS has the power and authority to transact the business it transacts and proposes to transact, has obtained and holds a Natural Gas Suppliers License from the Commission and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which failure to be in good standing would not, individually or in the aggregate, reasonably be expected to jeopardize its ability to transact the business it transacts or to remain solvent.
 - v. The NGS has no delinquent balances outstanding for billings made previously by the Company or its affiliate, and the NGS must have paid its account in the past according to the established terms and not made deductions or withheld payment for claims not authorized by contract.
- c. The NGS has a continuing obligation to notify the Company in writing, within two business days, of the occurrence of any event which would render the NGS unable to provide the certificate required in paragraph (b) of this “Creditworthiness” section, as of the date such event occurred and within two business days of any other significant deterioration of its financial fitness or creditworthiness, including if the NGS’s Credit Rating is downgraded below Ba3 from Moody’s or BB- from S&P or Fitch. “Credit Rating” means the rating assigned to the NGS’s unsecured, senior long-term debt obligations (not supported by third party security) by Moody’s, S&P, or Fitch. The NGS shall also provide the Company a copy of the financial statements as specified in paragraph (a) of this “Creditworthiness” section upon request by the Company.

d. Evaluation Process to Determine Financial Fitness:

To the extent the Company determines that the NGS’s financial condition under paragraph (a) is questionable or the NGS cannot supply the certificate required under paragraph (b) above, the Company will require the establishment of a security enhancement based on the financial exposure imposed on the Company by the NGS for all service fees applicable per the rate schedules governed by this tariff. The amount of the security enhancement shall include the following components and shall be calculated based on the projected peak winter month usage served by the NGS:

1. All applicable pooling and aggregation fees;
2. All applicable billing fees; and
3. Projected imbalance fees using the maximum imbalance price multipliers and assuming that the NGS fails to delivery gas supplies during the peak month.

The Company shall consider the forms of security enhancements as set forth in 52 Pa. Code §§ 62.102 – 62.114. The Company may also consider as a form of security such amounts collected by the Company on behalf of the NGS under Rate SBS of this tariff or such other security as is mutually acceptable to both the Company and the NGS. The Company reserves the right to determine which of these financial instruments shall be established as a security enhancement.

All information submitted or provided to the Company will remain confidential and be used solely for the purpose of evaluating the financial fitness or creditworthiness of the NGS. The amount of the security enhancement may be reviewed and modified based on the criteria established at 52 Pa. Code §§ 62.102 – 62.114.

RULES AND REGULATIONS**7. Bonding Requirement**

In addition to any creditworthiness requirements as set forth in Rule 6, the Company may also require that the NGS post a performance bond or any other security suitable to the Company, to cover any costs associated with the NGS prematurely discontinuing service to Customers or the NGS default of payments of Commission imposed financial penalties and restitution to Customers. The amount of the performance bond or other security shall be equal to \$2 times the volumes the NGS is expected to serve during the month of January. The level of the bond shall be recalculated annually.

The bonding requirement will be waived for that portion of the NGS's load used to serve Non-Priority One Customers whose annual consumption is 300 Mcf or more, but in such circumstance, the Company shall not be responsible to provide those Customers service as Supplier of last resort and the Company shall have none of the obligations arising under Section 2207(a) and (k) of the Public Utility Code. The Company may waive the bonding requirement related to delivery failure for the NGS that demonstrates to the Company's satisfaction that it will assign the gas supply contract to the Company in the event of a default. With regard to the latter, the Company, in its sole discretion, which shall not be unreasonably exercised, may waive the bonding requirement related to delivery failure if the NGS assigns its gas supply contracts acquired for purposes of serving its Customers on the Company's system (and if applicable, any related financial risk management contracts) to the Company in the event the NGS prematurely discontinues service to its Customers. Such waiver shall be subject to the following conditions:

- a. The NGS's Supplier agrees to assign applicable gas supply to the Company.
- b. The Company is satisfied with the relevant contract assignment language and applicable reasonable terms and conditions.
- c. The Company is satisfied with the NGS's Supplier's credentials or the security of supply.
- d. The NGS agrees to reimburse the Company for any losses the Company suffers as a result of agreeing to the assignment of contracts, including, but not limited to, losses from a differential in the assigned gas prices and the NGS's contracted price with its Customers and losses resulting from the NGS's Supplier refusing to assign the relevant gas supply.

8. Procedures when a NGS Exits the System

Prior to exiting the Company's system the NGS shall provide the Company with two months prior notice. Upon the NGS's exit from the Company's system, the Company will serve the NGS's former Customers at the Company's Supplier of last resort rates, or at the agreed-to NGS price for the remainder of the billing cycle if the NGS discontinues service prior to the beginning of the next billing cycle. Any differences between the cost incurred by the Company and the NGS's price shall be recovered from the NGS. Any capacity or supplies previously assigned to the NGS will revert to the Company, including gas held in storage. If the NGS had used capacity not assigned by the Company to bring gas on to the Company's system, then the NGS agrees to offer to assign said capacity, including gas held in storage, to the Company, which the Company may, at its sole discretion, accept or reject.

Balancing for NP-1 and P-1 pools of both interstate and local supplies for the exiting NGS's final month of service shall be performed in accordance with the Balancing provisions under Rate NP-1. No imbalance price multipliers will be applied.

RULES AND REGULATIONS**9. Dispute Resolution Process**

The Company and each NGS will designate specific personnel for responding to complaints and disputes under this process.

The Company and the NGS shall use good faith and commercially reasonable efforts to informally and timely resolve all disputes that may develop between them. Failing such informal resolution, either party may initiate this Dispute Resolution Process by presenting a written Notice of Dispute that includes the names of the Parties and Customer(s), if any, involved and a brief description of the matters in dispute.

Within five (5) days of the Company's and/or the NGS's receipt of a Notice of Dispute, a designated senior representative of each of the Parties shall attempt to resolve the dispute on an informal basis.

In the event the designated representatives are unable to resolve the dispute by mutual agreement within thirty (30) days of said referral, the dispute shall be referred for mediation through the Commission's Office of Administrative Law Judge. A party may request mediation prior to that time if it appears that informal resolution is not productive.

If mediation is not successful, then the matter shall be converted to a formal proceeding before a Commission Administrative Law Judge.

Any party may file a complaint concerning the dispute with the Commission under relevant provisions of the Public Utility Code.

10. Standards of Conduct

- a. The Company shall apply its tariffs in a nondiscriminatory manner to its affiliated NGS and any nonaffiliated NGS.
- b. The Company shall not apply a tariff provision in any manner that would give its affiliated NGS an unreasonable preference over other NGSs with regard to matters such as scheduling, balancing, transportation, storage, curtailment, capacity release and assignment, or nondelivery, and all other services provided to its affiliated NGS.
- c. Mandatory tariff provisions shall not be waived by the Company for any NGS absent prior approval of the Commission.
- d. If a tariff provision is not mandatory or provides for waivers, the Company shall grant the waivers without preference to its affiliated NGS or non-affiliated NGS.
- e. The Company shall maintain a chronological log of tariff provisions for which it has granted waivers. Entries shall include the name of the party receiving the waiver, the date and time of the request, the specific tariff provision waived and the reason for the waiver. The chronological log shall be open for public inspection during normal business hours and the Company shall post the log on its website for a period of at least three (3) months.
- f. The Company shall process requests for distribution services promptly and in a nondiscriminatory fashion with respect to other requests received in the same or a similar period. The Company shall maintain a chronological log showing the processing of requests for transportation services. The chronological log shall be open for public inspection during normal business hours.

RULES AND REGULATIONS**10. Standards of Conduct (continued)**

- g. If the Company provides a distribution service discount, fee waiver or rebate to its favored Customers, or to the favored Customers of its affiliated NGS, the Company shall offer the same distribution service discount, fee waiver or rebate to other similarly situated Customers. Offers shall not be tied to any unrelated service, or incentive or offer on behalf of either the natural gas distribution company or its affiliated NGS. A chronological log shall be maintained showing the date, party, time and rationale for the action. The chronological log shall be open for public inspection during normal business hours.
- h. Subject to Customer privacy or confidentiality constraints, the Company shall not disclose, directly or indirectly, any Customer proprietary information to its affiliated NGS unless authorized by the Customer. To the extent that the Company does disclose Customer information without Customer authorization, it shall first seek the permission of the Customer consistent with the Company's tariff, any contractual obligations with the Customer and Section 62.78 of the Pennsylvania Code, and if the Customer grants permission, the Company shall contemporaneously provide this same information to other similarly situated NGSs in a similar fashion so as not to selectively disclose, delay disclosure, or give itself or its affiliated NGS any advantage related to the disclosure. A chronological log shall be maintained showing the date, time and rationale for the disclosure. The chronological log shall be open for public inspection during normal business hours. This provision does not apply to the disclosure of Customer information made under a Customer assistance program mandated by state law or regulation.
- i. The Company shall justly and reasonably allocate to its affiliated NGS the costs or expenses for general administration or support services provided to its affiliated NGS.
- j. The Company shall not condition or tie the provision of any product, service or price agreement by the Company (including release of interstate pipeline capacity) to the provision of any product or service by its affiliated NGS.
- k. The Company shall not give its affiliated NGS preference over a nonaffiliated NGS in the provision of goods and services including processing requests for information, complaints and responses to service interruptions. The Company shall provide comparable treatment in its provision of such goods and services without regard to a Customer's chosen NGS.
- l. The Company and its affiliated NGS shall maintain separate books and records. Further, transactions between the Company and its affiliated NGS shall not involve cross-subsidies. Any shared facilities shall be fully and transparently allocated between the Company function and the affiliated NGS function. The Company accounts and records shall be maintained such that the costs incurred on behalf of an affiliated NGS may be clearly identified.
- m. The Company employees who have responsibility for operating the distribution system, including natural gas delivery or billing and metering, as well as those responsible for marking and Customer service, shall not be shared with an affiliated NGS, and their offices shall be physically separated from the office(s) used by those working for the affiliated NGS. Such Company employees may transfer to an affiliated NGS provided such transfer is not used as a means to circumvent these interim standards of conduct.

RULES AND REGULATIONS**10. Standards of Conduct (continued)**

- n. Neither the Company nor its affiliated NGS shall directly or by implication, falsely and unfairly represent to any Customer, the NGS or third party that an advantage may accrue to any party through use of the Company's affiliates or subsidiary, such as:
- i. That the Commission regulated services provided by the Company are of a superior quality when services are purchased from its affiliated NGS;
 - ii. That the merchant services (for natural gas) are being provided by the Company when they are in fact being provided by an affiliated NGS;
 - iii. That the natural gas purchased from a nonaffiliated NGS may not be reliably delivered; or
 - iv. That natural gas must be purchased from an affiliated NGS to receive Commission regulated services.
- o. When affiliated NGSs market or communicate to the public using the Company's name or logo, it shall include a legible disclaimer that states:
- i. That the affiliated NGS is not the same company as the Company;
 - ii. That the prices of the affiliated NGS are not regulated by the Commission; and
 - iii. That a Customer does not have to buy natural gas or other products from the affiliated NGS in order to receive the same quality service from the Company.

When an affiliated NGS advertises or communicates verbally through radio or television to the public using the Company name or log, the affiliated NGS shall include at the conclusion of any such communication a legible disclaimer that includes all of the disclaimers listed in this paragraph.

- p. Except in competitive bid situations, the Company shall not (a) jointly market or jointly package its Commission regulated services with the services of an affiliated NGS or (b) offer or provide to its affiliated NGS products or services, including bill inserts in its Company bills promoting an affiliated NGS's services or a link from the Company's web site, unless the Company offers or provides the products or service to all nonaffiliated NGSs on the same terms and conditions.
- q. The Company shall not offer to sell natural gas commodity or capacity to its affiliated NGS without simultaneously posting the offering electronically on a source generally available to the market or otherwise making a sufficient offer to the market. The Company shall maintain a chronological log of these public disseminations. The chronological log shall be open for public inspection during normal business hours.
- r. The Company shall utilize, unless otherwise agreed to by the affected parties, the following complaint and dispute resolution procedure for dealing with any alleged violations of any of the standards of conduct, with the exception of paragraph (r)(i), which are exclusively under the purview of the Commission:

RULES AND REGULATIONS**10. Standards of Conduct (continued)**

- i. In the event a NGS alleges a violation of any of these Standards of Conduct provisions, the NGS must provide the Company with a written Notice of Dispute that includes the names of the Parties and Customer(s), if any, involved and a brief description of the matters in dispute. The dispute procedures in Section 9 shall apply to any Notice of Dispute issued per Section 10(i). A complainant bears the burden of proof consistent with 66 Pa. C.S. Section 332 (relating to Public Utility Code) in regard to the allegations, and the Commission may impose penalties for such violations pursuant to 66 Pa. C.S. Section 3301.

- s. The Company shall keep a chronological log of any complaints, excepting paragraph (r)(i), regarding discriminatory treatment of NGS. This chronological log shall include the date and nature of the complaint and the resolution of the complaint. The chronological log shall be open for inspection during normal business hours.

11. Nomination Procedures**a. General Procedures**

- i. All Transportation Volumes received for NGS's pool account at upstream pipeline transportation receipt points, local production volumes received for NGS's or Aggregator's account at local production receipt points and Pool-to-Pool transfer volumes shall be nominated to the Company in advance according to the procedures outlined in this section.
- ii. Nominations are to be transmitted to the Company via the Company's Electronic Nominations System and are to be received by the Company by the dates and times specified on the Company's Electronic Nomination System.

b. Nomination of Upstream Pipeline Volumes

- i. Upstream pipeline nominations must conform, in content and format, with Company specifications for transportation volume nominations, which shall include, at a minimum: NGS's contract number; upstream pipeline contract number; and requested daily transportation volume.

RULES AND REGULATIONS**b. Nomination of Upstream Pipeline Volumes (cont.)**

- ii. The Company will either confirm, in total or in part, or reject NGS's transportation volume nomination based on the Company's operating conditions, the limits and requirements of the Company's system and facilities, previously confirmed nominations and timely confirmation by upstream pipelines. Accepted transportation volumes will be posted on Company's Electronic Nomination System. In order to support system operations, maintain system integrity, and minimize positive or negative imbalance volumes, the Company may request NGS to nominate and deliver transportation volumes to designated transportation receipt points. Such request shall be posted in advance on Company's Electronic Nomination System or through direct communication with the NGS. If, in Company's sole discretion, voluntary compliance by NGS fails to correct operational deficiencies, the Company may exercise its authority under Rule 4 of the Rules and Regulations to issue NGS specific and/or system wide OFOs.
- iii. Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, subject to continued receipt by the Company from upstream pipeline of the confirmed volume, unless superseded by a subsequent transportation volume nomination or limited by operational conditions as mentioned above.
- iv. Nominations made in accordance with this Section do not relieve NGS of the obligation to submit corresponding nominations for service with an upstream pipeline.

c. Nomination and Reconciliation of Local Production Volumes

- i. No later than five days prior to the end of each month, the Company will set a Gross Production Projection (GPP) nomination for the following month for the metering stations identified in the agreement or other point of interconnection into the Company's System. The initial GPP nomination shall be based on recent available production data but may be subject to adjustment by the Company to reflect known and anticipated production changes provided (within 2 days) by the NGS or Local Gas Aggregator and confirmed by the Company. The confirmed GPP volume shall be used for reconciling local gas nominations and actual production.
- ii. The NGS or Local Gas Aggregator may request to change its GPP nomination during the month in accordance with the Company's Operating Rules for Local Gas Aggregation Service. The Company may, at its discretion, ask for additional justification for any nomination, which may result in an adjustment to the nomination.
- iii. Confirmed GPP nominations will be credited to the NGS's or Local Gas Aggregator's account on the date specified in the GPP nomination. When actual local gas aggregation volumes delivered into the Company's system are known, any discrepancies between actual and GPP nominations will be reconciled, in the first full calendar month following the determination of actual local gas aggregation volumes (the "Adjustment Month").
- iv. The volumetric discrepancy between the actual local gas aggregation volumes and the local gas aggregation nominations will be reconciled in the Adjustment Month by adjusting the NGS's or Local Gas Aggregator's monthly available volume or by other methods as made available by the Company, including, but not limited to, selling or purchasing additional supplies, transferring gas in storage, or pool-to-pool transfer.
- v. In the event that a pool ceases its existence and due to this, a negative imbalance results, the pool will be cashed out at the first of the month IFERC DTI Appalachia Index.
- vi. Unless otherwise agreed upon by the Company, monthly volumes delivered out of the pool must be baseloaded proportionately with regard to the number of days in the month.

RULES AND REGULATIONS**d. Nomination of Pool-to-Pool Volumes**

- i. Nominations must conform, in content and format, with the Company's specifications for Pool-to-Pool Volume nominations, as specified in the Company's Electronic Nominations System.
- ii. Such transfers may be used to resolve current daily imbalances created by the NGS's inability to match Daily Available volumes with the projected Aggregate Daily Consumption Volume and shall not be used to resolve daily imbalances occurring for any prior day or days.
- iii. Subject to the limits of the Company's operating conditions and facilities, and the reasonableness of the NGS's nomination as determined solely by the Company, the Company will either confirm, in total or in part, or reject the NGS's Pool-to-Pool Volume nomination.

e. Nomination of Assigned Pennsylvania-Produced Supplies

- i. All Pennsylvania-produced supplies assigned or sold to the NGS for a given month will be divided by the number of days of that month and automatically credited to the pool operator's Daily Available Volumes.

12. Confirmation of Customer Enrollment

When the Company receives notice that a Customer has elected to switch NGSs or return to the Company's Supplier of Last Resort service, the Company shall initiate the confirmation procedure described herein. Such changes shall coincide with the start of Customer's next billing cycle.

- a. The NGS must maintain either a mainframe computer or a personal computer that meets the processing capabilities required by the Company.
- b. The NGS shall notify the Company of new or deleted Customers via e-mail file in approved spreadsheet format. The NGS should notify the Company only of additions or deletions to its Customer list; existing Customers shall not be included.

RULES AND REGULATIONS**12. Confirmation of Customer Enrollment (continued)**

- c. Notification from the NGS of a new or deleted Customer shall consist of the following information: Customer name, Service Address, the Company Account Number, Date and Time of file preparation, the NGS's assigned Pool Code (rather than the NGS name) and the NGS's assigned Rate Numbers, if the Company is billing on behalf of the NGS.
- d. The NGS may submit additions, changes or deletions from its Customer list to the Company on a daily basis. Such additions, changes or deletions from the Customer list will become effective for the service period reflected in the second bill issued following the date such additions, changes or deletions are submitted to the Company.
- e. The Company shall notify the NGS with a report via the Internet if a new Customer is not processed. The circumstances in which a Customer will not be processed may include, but are not limited to, the information provided by the NGS does not match the Company's required data elements, the Customer submitted by the NGS is not eligible for the requested service, and the Customer is no longer receiving service from the Company. Such report will be issued on the Company's web site following processing and will include the reason the Customer has not been processed.
- f. Once a prospective Customer's request has been processed, the Company shall mail out a confirmation letter to each Customer by the end of the next business day after the date the Company receives notification from the NGS that the Customer has elected to switch NGSs or return to the Company's Supplier of last resort service, asking the Customer to notify the Company if information in the confirmation letter is inaccurate. Such confirmation letter shall include, if appropriate, the Customer's pool operator choice as stated by the NGS, the applicable billing option, the approximate date when transportation service is to begin and the date that the first bill will be mailed.
- g. Should the Company receive notification from a Customer within the five (5) calendar days required under the confirmation letter that the Customer's gas service or gas supply election as described by the NGS is in error, the Company shall so notify the NGS. In case of notification by Customer of such error, the Company shall continue billing the Customer under the Customer's current billing arrangement. Should the Company receive notification from the Customer that the Customer's gas service or gas supply election as described by the NGS is in error, but not receive such notification within the five (5) calendar days period, the Company shall advise the Customer to contact the NGS to request cancellation, and if requested by the Customer, the Company will treat this as an alleged slamming complaint.
- h. On or about the eighteenth (18th) of the month, the Company will post on its web site, a list of Customers for the forthcoming month. Additions and removals from the NGS will also be reported on a daily basis in an activity file.
- i. Should the Company receive notification by more than one NGS within a one-month period that the Customer has elected said NGS to supply Customer's natural gas, the Company shall proceed with the confirmation process using the first NGS which notifies the Company, unless the Customer informs the Company otherwise.
- j. The Company will issue, at a minimum, a monthly report of Customers who have discontinued service with the NGS via Internet, which shall include discontinuances initiated by the incumbent NGS, the Customer or Customer's new NGS.

RULES AND REGULATIONS**13. Customer Service, Information Requirements and Slamming Complaints**

- a. NGSs shall refer to the Commission's Guidelines for Maintaining Customer Services at the Same Level of Quality Pursuant to 66 Pa. C.S. §2206 (a), Assuring Conformance with 52 Pa. Code Chapter 56 Pursuant to 66 Pa. C.S. §§2207 (b), 2208 (e) and (f) and Addressing the Application of Partial Payments at Docket No. M-00991249F0003, for requirements relating to credit determination, deposits, initiation and disconnection of service.
- b. NGSs shall refer to the Commission's Customer Information Disclosure Guidelines at Docket No. M-00991249F0005, for requirements relating to disclosure of terms of service, marketing, advertising and sales practices, and privacy of Customer information.
- c. NGSs shall refer to the Commission's Guidelines to Ensure Customer Consent to a Change of Natural Gas Suppliers at Docket No. M-00991249F0006, for requirements on handling Customer slamming complaints.

14. Customer Contact

The NGS must maintain a twenty-four (24) hour answering service or a telephone answering machine which informs all callers that if they smell gas or there is any other emergency regarding gas service, the callers should call their gas utility immediately.

If the NGS receives a telephone call from a Customer which should be directed to the Company, the NGS shall direct the Customer to the appropriate contact within the Company.

The NGS shall handle all calls regarding commodity charges and associated rates.

NGSs must coordinate with the Company in resolving Customer inquiries or complaints which involve services provided by both the Company and NGSs.

15. Miscellaneous

- a. The NGS shall be deemed to be in control and possession of the gas transported to Company until the gas has been delivered to Company at the agreed-upon delivery point.
- b. The NGS warrants the title of the gas delivered to Company and shall indemnify the Company for and save Company harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or attributable to the adverse claims of any and all other persons or parties to the gas delivered to Company.
- c. The NGS shall be subject to the Liability provisions contained in Company's Retail Gas Tariff.

PEOPLES NATURAL GAS COMPANY LLC

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ORIGINAL PAGE NO. 22**RATE P-1**
PRIORITY ONE POOLING SERVICE**AVAILABILITY**

Unless otherwise agreed to by the Company, an NGS that operates a P-1 and a NP-1 pool must serve its P-1 Customers from its P-1 pool and serve its NP-1 Customers from its NP-1 pool. Service under this rate schedule is available to any Priority One Pool Operator who has entered into a Priority One Pooling Agreement with the Company and demonstrates to the Company's satisfaction that it has met the Company's creditworthiness standards and bonding requirements. Customers must assign their rights provided under the applicable transportation rate schedules to said Pool Operators.

RULES AND CONDITIONS**1. Assignment of Capacity****Pool Operators with Peak Day Demand < 2,000 Dth per Day**

Pool Operators who take service under this rate schedule and have a peak day demand of 2,000 Dth per day or less may choose to decline their pro-rata share of the pipeline and storage capacity. In lieu of such capacity assignment, the Company will deliver the Pool Operator's required daily gas supplies. The Company will bill the Pool Operator monthly at the first of the month IFERC DTI Appalachia Index plus associated delivery charges. Pool operators may change their election to accept or decline capacity each April.

Pool Operators with Peak Day Demand > 2,000 Dth per Day

Pool Operators who take service under this rate schedule must take assignment of a pro-rata or other agreed upon share of the pipeline and storage capacity and Pennsylvania produced gas supplies ("assigned capacity") that would otherwise be utilized by the Company to meet the Customer's commodity service requirements. Assigned capacity shall be subject to recall to the extent that the Pool Operator is unable to deliver necessary gas supplies, in which case the Company will provide for the delivery of necessary gas supplies pursuant to the terms of the standby rate schedule. More specific terms with respect to capacity assignment requirements are set forth in the following sections. However, such additional terms with respect to capacity assignment requirements shall be subject to review in the Company's annual Section 1307(f) proceeding.

Assignment of Pennsylvania –Produced Supplies

Pennsylvania gas produced from wells under gas purchase contracts for sale to the Company and for ultimate delivery into the Company's system may be assigned or sold to the NGS as agent for the Customer of the NGS's Priority-One Pool. The assignment shall be structured at a monthly weighted average purchase cost of the assigned Pennsylvania-produced supplies. Such purchased gas cost shall include any volumetric delivery and fuel charges incurred by the Company for local production volumes delivered to the Company via interstate pipelines. The term of the assignment shall be from the first month in which the NGS renders commodity service to the Customer until the NGS's supply agreement with Customer expires, or as otherwise provided herein.

Assigned Pennsylvania-produced supplies shall be recallable by the Company only under the following circumstances:

- (1) the Customer on whose behalf the supplies have been assigned is no longer served by the NGS; or
- (2) the NGS has failed to comply with terms and conditions set forth herein.

Assignment of Upstream Pipeline Capacity

This section applies to the Company's upstream pipeline capacity on Eastern Gas Transmission and Storage Dominion Transmission, Inc. ("EGTSDTI"), Texas Eastern ("TETCO"), Equitrans, and any other pipelines on which the Company may contract for capacity from time to time, excluding National Fuel Gas Supply Corporation.

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PRIORITY ONE POOLING SERVICE

1. Assignment of Capacity (continued)

Consistent with FERC rules and regulations for capacity releases under state retail choice programs, upstream pipeline firm transportation capacity held by the Company shall be assigned to the NGS as agent for the Customers of the NGS's Priority-One Pool. The assignment shall be structured as a zero cost release of capacity provided, however, that the NGS should be responsible for paying all usage based pipeline charges. The term of the release shall be on a monthly basis, commencing with the first month in which the NGS rendered commodity service to the Customer to the earlier of the end of the seasonal period (Winter releases shall terminate March 31 and summer releases shall terminate October 31) or the termination date of the contract(s) between the Company and the upstream pipeline or the last month in which the NGS renders commodity service to the Customer on whose behalf the capacity had been assigned; provided however, the Company may in its discretion release such capacity on a monthly basis. The NGS must comply with all upstream pipeline requirements to become an eligible shipper on the upstream pipeline system. The NGS is responsible for paying all upstream pipeline variable charges incurred on the upstream pipeline.

The firm transportation capacity released pursuant to the previous section shall be recallable by the Company only under the following circumstances:

- a. the Customer on whose behalf the capacity has been assigned is no longer served by the NGS; or
- b. the NGS has failed to comply with the terms and conditions set forth herein.

Consistent with FERC rules and regulations for capacity releases under state retail choice programs, upstream pipeline storage capacity held by the Company shall be assigned to the NGS as agent for the Customers of the NGS's Priority-One Pool. The assignment shall be structured as a release of capacity at zero cost and may be subject to conditions of release (including, but not limited to, injection and withdrawal rights) that differ from the applicable upstream pipeline storage service. The release shall terminate at the end of the then-current storage season pursuant to the applicable upstream pipeline rate schedule terms and conditions; provided, however, the Company may in its discretion release such capacity on a monthly basis.

Capacity released pursuant to this section shall be recallable by the Company only upon failure of the NGS to comply with the terms and conditions set forth herein or in connection with a buyback of gas by the Company as set forth in paragraph 2 of this rate schedule.

Assignment of Other Supplies

The Company reserves the right to assign or sell other gas supplies that are under contract with the Company and used to satisfy its Supplier of last resort obligation to Priority-One Customers. To the extent that a Priority-One Supplier receives an assignment of the Company's capacity it holds on the Equitrans System, the Company shall provide Priority-One suppliers with an option to purchase from the Company a pro-rata share of the firm gas supplies available to the Company under its gas supply agreement with EQT Energy, LLC. Such purchase shall also occur if the Company determines that, as a result of the Priority One Customer's migration from supply service provided by the Company to supply service provided by P-1 NGSs, the amount of gas supplies under long term firm purchase contracts are in excess of the usage requirements of Supplier of last resort Customers currently served by the Company.

RATE P-1
PRIORITY ONE POOLING SERVICE**Assignment of Other Supplies (continued)**

Such gas shall be sold to the NGS as agent for the Customer of the NGS's Priority One Pool. The sale shall be structured at the actual purchase cost of the supplies associated with firm purchase contracts.

Supplies sold under this section shall be discontinued by the Company under the following conditions:

1. The Customer on whose behalf the supplies have been sold is no longer served by the NGS;
or
2. The NGS has failed to comply with terms and conditions set forth herein.

Determination of Assignment Quantities

Unless provided otherwise herein, assignments of Pennsylvania-produced and other supplies, upstream pipeline firm transportation capacity and upstream pipeline storage capacity shall be assigned on a *pro rata* basis in accordance with the supply portfolio held by the Company at the time of assignment to serve its Priority-One Customers; provided, however, the Company shall not be required to assign capacity that is de minimis in nature. The Company will endeavor to accommodate a Priority-One supplier's request for particular upstream pipeline capacity on a first-come first-served basis.

The Company will evaluate the capacity and supply assignments made to the NGS as agent for Customers of the NGS's Priority-One Pool monthly based on the methodology set forth above. The evaluation will include an assessment of whether the upstream pipeline storage capacity assignments are adequate to serve the needs of the Customers of the Pool Operator at that time. To the extent that the evaluation so indicates, revisions to the upstream pipeline storage and storage capacity assignments will be made effective with the summer period. To the extent that the winter evaluation so indicates, the Company may require the NGS to secure additional reliable natural gas commodity, capacity and delivery service to meet the needs of the NGS's Customers. In addition to the preceding, the Company will evaluate the capacity assignments made pursuant to this section from time to time to ensure adequate compliance with its provisions.

Capacity assigned to the NGS hereunder by the Company may be traded with other Priority-One NGSs as long as each NGS retains an aggregate amount determined by the Company to be necessary to satisfy the total demands of the NGS's Customers. Such trading may occur no more frequently than twice per calendar year unless otherwise agreed to by the Company. Any capacity trades must be reduced to writing and provided to the Company for final approval.

Any assignments made pursuant to this tariff are made subject to any order of the Commission. Should the Commission, or anybody authorized by law require a disallowance in the Company's rates that is directly attributable to the Company's assigning or transferring gas supplies to the NGS pursuant to these procedures, the NGS agrees to reimburse to the Company within 30 days of notification of any monies disallowed by the Commission or such other body that are directly attributable to the NGS. The Company shall provide such notification no later than thirty (30) days after a final order is entered by the Commission or other such body.

RATE P-1
PRIORITY ONE POOLING SERVICE**2. Nomination Procedures**

Refer to Rule 11 of the Rules and Regulations.

3. Storage Gas Transfers**Storage Gas Sold by the Company**

- a. Storage gas transfers may be required by the Company under the following conditions:
 - i. The NGS is unable to attain the storage inventory level required by the upstream storage service as a result of Customers initially receiving service from the NGS after the commencement of the Summer Period; or
 - ii. The NGS is assigned upstream pipeline storage capacity during the Winter Period as a result of Customers initially receiving service from the NGS during the Winter Period.
- b. The maximum volume of storage gas transfers for the applicable month shall be determined as follows:
 - i. For assigned upstream pipeline storage capacity, the maximum storage gas transfer shall be the upstream pipeline storage capacity incrementally assigned for the month multiplied by the estimated beginning of the month percentage of the Company's upstream pipeline storage inventory level to the Company's upstream pipeline storage capacity.

Storage gas transfers shall not be allowed if in the Company's sole discretion it determines such transfers would be detrimental to the operation of the Company's system or its ability to meet Retail Sales Demand in a cost effective manner.

The storage gas transfer price each month shall be at the Company's estimated commodity cost of storage gas for the year, plus any applicable taxes. The storage gas transfer price shall be reconciled each calendar year to take into account the actual commodity cost of gas injected into storage net of withdrawals for the current year and, as applicable, the commodity cost of gas from previous years' LIFO inventory layers. The Company shall bill such additional costs as soon as practicable. With respect to storage gas transfers from upstream pipeline storage capacity, the NGS will pay an additional charge equal to the upstream pipeline storage capacity injection and storage fuel charges.

Storage Gas Purchased by the Company

In the event 1) the NGS's Priority-One Pooling Agreement is terminated or canceled or 2) the NGS is no longer serving Customers on whose behalf the storage capacity has been assigned and to the extent the Company in its sole judgment determines it operationally requires such storage capacity to serve the returning Customers, the Company shall have the right, but not the obligation to purchase up to the remaining storage gas in upstream pipeline storage inventories or up to the volumes in storage attributable to the NGS's load loss, respectively. The buyback rate shall be the lower of 1) Storage Gas Transfer Price or 2) the midpoint index price for gas delivered to Eastern Gas Transmission and Storage Dominion Transmission, Inc.'s ("DTI") Appalachian Eastern Gas South Point index as published on the effective date of the buyback plus firm transportation charges to bring the gas to the Company's system, including applicable fuel retainage.

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PRIORITY ONE POOLING SERVICE

3. Storage Gas Transfers (Cont.)

To the extent this provision is invoked and the NGS's storage gas in inventory is below the minimum inventory levels required by these procedures and the Company is required to purchase additional gas supplies on the open market, the NGS agrees to pay the Company an amount equal to the deficiency in volumes from the required inventory levels multiplied by the difference between the price the Company paid and the buyback rate.

4. Load Forecasting

The Company will provide the Pool Operator with a daily projection of the amount of gas to be delivered to the Company to satisfy the estimated daily consumption of all the Customers in the pool (Aggregate Daily Consumption Volume) at least two days in advance of when Pool Operators must deliver volumes to the Company. The Company may issue OFOs consistent with the terms of the Company's tariff and, as a result, may provide the Pool Operator with daily projections less than two days in advance.

In a format suitable to the Company, the Pool Operator will provide sufficient information about the Priority-One transportation Customers, whose natural gas requirements shall be supplied by the Pool, for the Company to identify them in the Company's billing system. In the event that those Customers shall vary during the term of the Priority One Agreement, Pool Operator shall provide an updated list of Customers to the Company as soon as reasonably possible.

Each of the Customers of Pool Operator's Priority-One Pool must have all of their natural gas consumption over the entire Customer Billing Cycle supplied by Priority-One Pool volumes nominated by Pool Operator. Seven business days prior to the first nomination period, the Company shall provide Pool Operator an initial listing of the end-use Customer accounts to be served by the Pool Operator's Priority-One Pool during the period to which the nominations apply and one week prior to the nomination period for each subsequent month, a listing with additions and deletions from the initial list.

Each Monday through Friday before 10:00 a.m., the Company will provide a projection of the Aggregate Daily Consumption Volume of the Customers of the Pool Operator's Priority-One Pool for the current and subsequent two days. During periods in which no Operational Flow Orders have been issued, the Company will use the following schedule to establish the Aggregate Daily Consumption Volume for which the Pool Operator will be held accountable:

<u>The Projection Provided On:</u>	<u>Will Be Used to Establish the Aggregate Daily Consumption Volume Accountability for the Following:</u>
Monday	Wednesday
Tuesday	Thursday
Wednesday	Friday
Thursday	Saturday
Friday	Sunday, Monday and Tuesday

- a. During periods in which an OFO is in effect, the Company shall establish the Aggregate Daily Consumption Volume no later than 10:00 a.m. of the same Day; or
- b. During periods when the mean average temperature is projected to be below 20 degrees Fahrenheit and the mean average temperature projection changes to be colder by at least 4 degrees Fahrenheit, the Company may establish the Aggregate Daily Consumption Volume for a particular day by giving 24 hour notice to the Pool Operator.

RATE P-1
PRIORITY ONE POOLING SERVICE**5. Daily Gas Deliveries and Balancing**

The Pool Operator must acquire an adequate supply of natural gas (including any assigned volumes) of a quality acceptable to the Company, including allowances for any retention required by upstream pipelines and the Company, and arrange for the delivery of such gas supply to delivery points specified by the Company.

Any differences between the Aggregate Daily Consumption Volume and the Daily Available Volumes during periods in which no OFOs have been issued shall be subject to the following balancing charges:

Negative Daily Imbalance - The negative imbalance volume will be sold by the Company at the Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, ~~Eastern Dominion~~, South ~~Point~~ on the day the shortfall occurs multiplied by 120%. Volumes sold by the Company are subject to applicable taxes

Positive Daily Imbalance - The positive imbalance volume will be purchased by the Company at Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, ~~Eastern Dominion~~, South ~~Point~~ on the day the excess occurs multiplied by 85%.

In the event Pool Operator fails to provide cumulative Daily Available Volumes plus pool-to-pool transferred volumes equal to at least 75% of cumulative daily pool requirements over two or more consecutive months, the Company may, at its sole discretion in accordance with reasonable and standard industry practice, recall or otherwise withdraw any capacity rights assigned to the Pool Operator upon five (5) days written notice to the Pool Operator and terminate the Agreement upon ten (10) days written notice to Pool Operator.

In the event the Pool Operator fails to provide Daily Available Volumes plus pool-to-pool transferred volumes equal to at least 50% of daily pool requirements for five or more days in each of two consecutive month the Company may, at its sole discretion in accordance with reasonable and standard industry practice, recall or otherwise withdraw any capacity rights assigned to the Pool Operator upon five (5) days written notice to the Pool Operator and terminate the Agreement upon ten (10) days written notice to Pool Operator.

6. Reconciliation of Monthly Volumes

The difference between aggregate monthly consumption volume and the sum of the aggregate daily consumption volume, as adjusted for any prior month billing corrections, shall be reconciled monthly. The difference shall be reconciled in the next calendar month following its determination (the "Adjustment Month") by adjusting the NGS's aggregate daily consumption volume on each day in the Adjustment Month by an amount equal to the difference divided by the number of days in the Adjustment Month or by other methods as made available by the Company, including, but not limited to, selling or purchasing additional supplies, transferring gas in storage, or pool-to-pool transfer.

RATE NP-1
NON-PRIORITY ONE POOLING SERVICE**AVAILABILITY**

Service under this rate schedule is available to any Non-Priority One Pool Operator who has entered into a Non-Priority One Pooling Agreement with the Company and demonstrates to the Company's satisfaction that it has met the Company's creditworthiness standards and bonding requirements. Customers must assign their rights provided under the applicable transportation rate schedules to said Pool Operators.

Unless otherwise agreed to by the Company, an NGS that operates both a P1 and NP-1 pool must serve its P1 Customers from its P1 pool and serve its NP-1 Customers from its NP-1 pool. If the Non-Priority One Pool Operator supplies Priority One Customers with a total annual consumption greater than 30,000 mcf and does not operate a P1 pool, then the Non-Priority One Pool Operator shall establish a separate Priority One Pool for these Customers or eliminate sufficient Priority One Customers from the Non-Priority One Pool to reduce the total annual consumption by Priority One Customers to an amount less than 30,000 mcf.

RULES AND CONDITIONS**1. Scheduling of Service**

All transportation volumes received for Pool Operator's account at transportation receipt points shall be nominated in advance according to the procedures set forth below. Pool Operators may not nominate volumes in excess of the total maximum daily volumes of its Customers as determined by the Company or as set forth in a Customer's transportation contract with the Company, times the number of days in the month. The Company may issue Operational Flow Orders consistent with the terms of the Company's tariff.

2. AVC Capacity

Consistent with FERC's rules and regulations for capacity releases under state retail choice programs, upstream pipeline firm transportation capacity held by the Company on the Allegheny Valley Connector ("AVC") pipeline system may be assigned to the NGS as agent for the Customers of the NGS's Non-Priority One Pool. The assignment shall be structured as a zero cost release of capacity, provided, however, that the NGS should be responsible for paying all usage based pipeline charges. Assigned capacity shall be subject to recall to at the Company's discretion.

~~3. Assignment of AVC Storage Capacity~~

~~Upstream pipeline firm storage capacity held by the Company on the AVC pipeline system may be assigned to the NGS as agent for the ratepayers of the NGS's Non-Priority One Pool. With regard to capacity that represents storage service formerly provided under Rate ST and Rate ST-SW, the Company may release storage capacity on the AVC system at less than maximum rates. The release shall terminate at the end of the then-current storage season pursuant to the applicable rate schedule terms and conditions for service on the AVC system; provided, however, the Company may at its discretion release such capacity on a monthly basis. Company's release of such capacity shall, in all respects, be in accordance with the FERC Gas Tariff governing service on the AVC system and the applicable rules and regulations of FERC regarding the release of capacity, including FERC's rules for capacity releases occurring as part of a state retail choice program.~~

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RATE NP-1
NON-PRIORITY ONE POOLING SERVICE

3. Assignment of AVC Storage Capacity (continued)

~~The NGS must comply with all pipeline tariff requirements to become an eligible shipper on the AVC pipeline system. The NGS is responsible for paying the pipeline directly for capacity assigned under these provisions, which payments shall include all applicable surcharges for service on the AVC system. To the extent that the NGS's Customers are paying equivalent capacity charges in accordance with the Company's Retail Tariff, the Company will reimburse the NGS for these pipeline capacity charges.~~

~~The capacity released under this section shall be recallable by the Company under the following conditions:~~

- ~~1. The ratepayer on whose behalf the supplies have been assigned is no longer served by the NGS; or~~
- ~~2. The NGS has failed to comply with terms and conditions set forth herein.~~

4. Supply Option

The Company may make available gas supplies to Non-Priority One pools upon request. Supplies sold under this section may be recalled by the Company upon 24-hour notice.

5. Nomination Procedures

Refer to Section 11 of the Rules and Regulations.

6. Terms and Conditions for Non-Priority One Pool Access to Balancing Volumes

AVAILABILITY

The Company will make available for purchase by Non-Priority One pool volumes used by the Company to provide balancing services for Non-Priority One Customers.

The Company will purchase balancing volumes based on the Summer Period schedule set forth below. Such volumes shall be purchased by the Company at the first of the month Eastern Transmission and Storage ("EGTS") Dominion Transmission Inc. Appalachia Index price as published in *Inside FERC's Gas Market Report*. The Company will sell balancing volumes on the Winter Period schedule set forth below. Such monthly volumes shall be sold to Non-Priority One pools at a price equal to the sum of:

1. Weighted average cost of balancing volumes purchased during the summer season;
2. The Company's carrying costs associated with balancing volumes purchased by the Company to be sold to Non-Priority One pools. The rate used to calculate the carrying costs shall be based on the Company's actual short-term debt cost rate; and
3. Any applicable interstate pipeline volumetric charges and fuel associated with the delivery of any balancing volumes to the Company's system.

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RATE NP-1
NON-PRIORITY ONE POOLING SERVICE

6. Terms and Conditions for Non-Priority One Pool Access to Balancing Volumes (continued)

All of the revenues generated by the sale of balancing gas to the Non-Priority One pools shall be credited to Customers through the 1307(f) mechanism.

The amount of balancing volumes to be made available for purchase by each Non-Priority One pool will be determined based on the percentage of projected balancing fee revenues served by each Non-Priority One pool to total projected balancing fee revenues served by all Non-Priority One pools, based on ~~February~~ January business of each year. The Company will inform each Non-Priority One pool of its allocation of balancing volumes available for purchase no later than nine business days before the end of March and each Non-Priority One pool must inform the Company of the amount of balancing volumes to be purchased, up to 100 percent of its allocated volumes, no later than six business days before the end of March. Any balancing volumes not accepted for purchase by a Non-Priority One pool shall be utilized by the Company and will not be made available to other Non-Priority One pools throughout the winter season. The amount of balancing volumes accepted by a Non-Priority One pool shall be final for the ensuing winter period and shall fix the volume of balancing to be purchased and which the Non-Priority One pool is obligated to utilize throughout the entire winter period.

SUMMER PERIOD PURCHASE

Balancing volumes will be purchased by the Company according to the following schedule, with daily purchase volumes in a given month determined by dividing the monthly amount by the number of days in the month:

April and October -	1/12 th of allocated balancing volumes
May – September -	1/6 th of allocated balancing volumes

WINTER PERIOD SALE

Balancing volumes shall be sold by the Company according to the following schedule, with daily volumes in a given month determined by dividing the monthly amount by the number of days in the month:

November -	9 percent of allocated balancing volumes
December -	17 percent of allocated balancing volumes
January -	27 percent of allocated balancing volumes
February -	27 percent of allocated balancing volumes
March -	20 percent of allocated balancing volumes

OTHER PROVISIONS**Annual Level of Balancing Volumes to be Made Available for Purchase**

On an ongoing annual basis, the Company shall review the total level of balancing volumes made available for sale to Non-Priority One pools and, based on changes in the total annual volumes served by all Non-Priority One pools, may revise from year to year the total level of available balancing volumes. Any proposed revisions to the total level of balancing volumes shall be reflected in the Company's annual 1307(f) filings and will be determined by multiplying a factor of 46.7% times forecasted January Non-Priority One transportation usage. The Company shall, for a period of three years, notify active Non-Priority One suppliers of any proposed revision to the total level of balancing volumes at the time of any annual 1307(f) filing containing such a revision.

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RATE NP-1
NON-PRIORITY ONE POOLING SERVICE

6. Terms and Conditions for Non-Priority One Pool Access to Balancing Volumes (continued)Calendar Month Pool Supply

Balancing gas volumes purchased will be considered as part of the Monthly Available Volumes during periods in which no OFOs have been issued and will have the first priority, immediately following pay-back of prior month advanced and banked volumes.

All Supplier Tariff provisions shall apply to Non-Priority One pool access to balancing volumes unless otherwise modified herein.

7. Daily Load Forecasting and Balancing

The Company will provide the Pool Operator with a daily projection of the amount of gas to be delivered to the Company to satisfy the estimated daily consumption of all the Customers in the pool (Aggregate Daily Consumption Volume) at least 7 days in advance of the start of the month. This projection will be based on estimated monthly usage divided by the number of days within the month. The Aggregate Daily Consumption Volume will remain the same throughout the month and any difference in actual monthly usage will be reflected in the calculation of the following month's Aggregate Daily Consumption Volume. The Company reserves the right to adjust the Aggregate Daily Consumption Volume due to weather or large known consumption variations.

Any difference between the Customers' Aggregate Daily Consumption Volume and the Daily Available Volumes, during periods in which no OFOs have been issued, shall be subject to the following balancing charges:

Negative Daily Imbalance - The negative imbalance volume will be sold by the Company at the Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, Eastern Gas Dominion, South Point on the day the shortfall occurs multiplied by 120%. Volumes sold by the Company are subject to applicable taxes.

Positive Daily Imbalance - The positive imbalance volume will be purchased by the Company at Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, Eastern Gas Dominion, South Point on the day the excess occurs multiplied by 85%.

In the event Pool Operator fails to provide cumulative Daily Available Volumes plus pool-to-pool transferred volumes equal to at least 75% of cumulative daily pool requirements over two or more consecutive months, the Company may, at its sole discretion, in accordance with reasonable and standard industry practice, terminate the Pooling Agreement.

The difference between Calendar Month Pool Supply and Calendar Month Pool Sendout, as adjusted for any prior month billing corrections, may be reconciled monthly. The difference shall be reconciled in the next calendar month following its determination (the "Adjustment Month") by adjusting the NGS's Daily Available Volume on each day in the Adjustment Month by an amount equal to the difference divided by the number of days in the Adjustment Month or by other methods made available by the Company including, but not limited to, the selling or purchasing additional supplies, transferring gas in storage, or pool-to-pool transfer.

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RATE NP-1
NON-PRIORITY ONE POOLING SERVICE (cont.)

8. Local Gas Volumes

Refer to Rule11, part (c), for nomination and reconciliation details.

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RATE LGA
LOCAL GAS AGGREGATION SERVICE

AVAILABILITY

Service under this rate schedule is available to any Aggregator who has entered into a Local Gas Aggregation Agreement with the Company and demonstrates to the Company's satisfaction that it has met the Company's creditworthiness standards and bonding requirements.

The locally produced gas nominated out of the Local Gas Aggregation Pool will be balanced monthly with actual production delivered into the Company's system.

RULES AND CONDITIONS**1. Points of Receipt**

The points of receipt for local gas aggregation shall be those metering stations identified by the Aggregator in its Measurement Operating Agreement with the Company or any other designated point where gas is delivered into the Company's system. The Aggregator will pay for any investment costs required to receive gas into the Company's system at agreed-upon transportation gas receipt points. The Company will own and maintain each natural gas connection's tapping tee or pipe and valve.

2. Nomination of Aggregated Production

Refer to Rule 11 of the Rules and Regulations.

3. Aggregation Balancing

Volumes nominated into a Local Gas Aggregation Pool shall equal the volumes delivered out of the Local Gas Aggregation Pool. Aggregators will not be permitted to deliver more gas out of the pool than is nominated into the pool in any given month. If daily volumes nominated into a Local Gas Aggregation Pool are greater than the daily volumes delivered out of the Local Gas Aggregation Pool, those volumes shall be sold to the Company at the Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, ~~Eastern Dominion~~, South ~~Point~~ on the day the excess occurs multiplied by 85%.

4. Procedures When a Local Gas Aggregator Exits the System

Refer to Rule 11, part (c).

**RATE SBS
SUPPLIER BILLING SERVICE****AVAILABILITY**

Service under this rate schedule is available to the NGS which receives service under Rate P-1 or Rate NP-1 and elects to have the Company bill Customers for natural gas supplied by the NGS.

RULES AND CONDITIONS**1. Limitations**

The Company shall provide service under this rate schedule provided that its billing systems have the capacity and capability to bill the rate plans offered by the NGS. The Company shall maintain a limited amount of billing system space and accordingly, shall offer only a limited number of price plans per NGS. The Company shall not be required to make programming changes to accommodate the NGS's rate structure.

2. Notifications

Prior to the NGS commencing marketing, the NGS shall provide a written copy of its rate structure to the Company. All rate information received by the Company shall be confidential.

The NGS shall be notified within ten (10) business days after the Company receives a written copy of the NGS's rate structure if such rate structure can (or cannot) be accommodated by the Company's billing system. The NGS shall not commence marketing until it receives a positive affirmation that its rate structure can be accommodated by the Company.

The NGS must provide fifteen (15) day's notice to the Company of any rate changes, which changes shall be subject to the Company's approval based on the Company's ability to accommodate such changes in its programming. Approved rate changes shall be effective on the Customer's next billing date.

3. Bill Content

The bill sent to the Customer shall be provided under the following conditions:

- a. The NGS's name, phone number, business address and internet address shall appear on the bill so the NGS can answer any Customer questions regarding commodity charges.
- b. The billing envelope shall not provide space for inserts from the NGS. The bill shall not include messages from the NGS.
- c. The bill shall contain the NGS's Commodity charges. The Company shall not be required to bill any charges other than gas commodity charges.
- d. The Company will house, bill and display sales tax on the commodity and remit sales tax to the state. The NGS appoints the Company as its agent for the limited purpose of collecting and remitting the NGS's sales tax, and further agrees to indemnify and hold the Company harmless for any claims, suits and/or damages that arise due to the Company acting as the NGS's agent in collecting and remitting such taxes.
- e. The Company shall offer a separate billing option for residential Customers to equalize monthly payments.

RATE SBS
SUPPLIER BILLING SERVICE

4. Purchase of Receivables

NGSs that receive service under this rate schedule may elect to have the Company purchase its accounts receivables. The NGS's option to participate or not participate in the Purchase of Receivables (POR) program is limited to once per year. If an existing NGS elects to participate in the POR program, the Company will not purchase accounts receivable balances that existed prior to the NGS's election to participate in the POR program.

Purchase of Receivables Option

The following operating rules will apply to any NGS electing to participate in the POR program:

1. The POR program is only available to NGSs that operate a P-1 or NP-1 pool. The Company shall purchase receivables for all Customers in a participating pool. All Customers served from a P-1 pool are eligible to have their receivables purchased by the Company. If an NP-1 pool opts to participate in the POR program, the Company shall purchase receivables for only residential and small business Customers consuming less than 1,000 Mcf annually. NGSs serving NP-1 Customers and participating in the POR program must operate a separate NP-1 pool for residential and small business Customers (POR pool) and a separate NP-1 pool for all other Customers;
2. The NGS must include all of its accounts receivable related to commodity sales in its P-1 pool or its NP-1 POR pool (Refer to Availability under Rate P-1 and Rate NP-1);
3. Only receivables associated with basic gas supply will be eligible for purchase by the Company. Basic gas supply does not include a non-gas supply product, carbon-neutral products not tied to the actual provision of natural gas to Customers or security deposits assessed by a natural gas supplier. For residential accounts, basic gas supply shall also not include early contract cancellation fees or late fees;
4. In order to participate in the POR program, the NGS must use consolidated billing services under this rate schedule. Should the NGSs participating in the POR program wish to offer products that are bundled with non-basic services, or where the Company's billing service cannot accommodate the NGS's charge for basic supply, the NGS may issue a separate bill for such service or product for that Customer. NGS separately billed items will not be included in the POR program;
5. The Company will purchase NGS receivables at a discount rate equal to the write-off factor used to derive the Merchant Function Charge. The discount rate for residential Customer receivables is 2.20%. The discount rate for commercial and industrial Customer receivables is 0.332%. The discount rate applicable to each POR pool (Pool Discount Rate) shall be established by the Company and shall be based on the weighted average of the class specific accounts receivables and the class specific discount rates stated above. The Company shall have the right to review and adjust the Pool Discount Rate on a monthly basis to reflect the actual mix of Customers served by the pool;
6. An administrative adder of 0.0213% will also be applicable to purchased receivables. The administrative adder will be eliminated once actual costs of establishing the POR program are recovered;
7. The Company shall terminate for the full amount of purchased receivables and require full payment for reconnection in accordance with the service termination provisions of Chapter 14 of the PA Public Utility Code and Chapter 56 of the Commission's regulations;
8. The Company shall inform all eligible Customers by separate bill insert of the policy for termination of service and that service may be terminated for failure to pay NGS supply charges. Further, the enrollment letter sent to Customers selecting a NGS shall state that service may be terminated for failure to pay NGS supply charges;
9. The NGS must confirm to the Company that their Customer terms and conditions are appropriately revised to reflect their collection rights; and

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**RATE SBS
SUPPLIER BILLING SERVICE****Purchase of Receivables (continued)**

10. The NGS will not deny service to residential Customers whose accounts are included in POR for credit-related reasons and will not ask residential Customers for deposits separate from any deposit required by the Company pursuant to Commission regulations.

Non-Purchase of Receivables Option

The Company will remit to the NGS on a monthly basis all amounts actually paid to the Company by the Customer relating to the charges billed to the Customer on behalf of the NGS, net of amounts due to the Company from the NGS. The amounts remitted to the NGS shall also conform to requirements on the Application of Partial Payments – Rule 5.

5. Application of Partial Payments

The Company will apply partial payments in accordance with Commission guidelines. The following order for the application of partial payments shall apply to all residential Customers and for other Customers whose gas supply contract does not specify the application of partial payments:

- a. Payment agreement for pre-existing balance;
- b. Current company charges;
- c. NGS charges;
- d. Non-basic service charges; and
- e. Hardship energy fund contribution.

RATE TABLE

Billing Fee: \$0.15 billing charge per Customer per month.

To the extent the NGS has provided the Company with inaccurate or erroneous information which requires an adjustment to Customer's bills, the NGS agrees to pay the Company \$2.00 per bill for bill credits and \$4.00 per bill for any Customer's bill that must be canceled and rebilled. The Company may assess a nominal fee to a NGS for reproduction copies of any daily or monthly file previously provided by the Company.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

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v.

Docket No. R-2023-3044549

Peoples Natural Gas Company LLC

**PREPARED DIRECT TESTIMONY OF
KRISTA SNYDER
FINANCIAL ANALYST
ON BEHALF OF
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: December 29, 2023
DATE ADMITTED: _____

Peoples Statement No. 12

**PREPARED DIRECT TESTIMONY OF
KRISTA SNYDER**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Krista Snyder and my business address is 375 North Shore Drive, Pittsburgh,
3 Pennsylvania 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by PNG Companies LLC (“PNG Companies” or “PNG”) as a Financial
7 Rates Analyst. I provide rates and regulatory services for Peoples Natural Gas Company
8 LLC, a direct subsidiary of PNG.

9

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK
11 EXPERIENCE.**

12 A. I received my Master of Business Administration from Point Park University in 2019, and
13 a Bachelor of Science in Business Administration in Finance from West Virginia
14 University in 2014. After receiving my Bachelor’s degree, I was employed at The Bank of
15 New York Mellon as a Regulatory and Reporting Lead Analyst. In October 2022, I
16 accepted my current position as a Financial Rates Analyst in the Rates and Regulatory
17 Affairs Department.

18

19 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN ANY REGULATORY
20 PROCEEDING?**

21 A. I have not.

22

1 **Q. ARE YOU SPONSORING ANY FILING REQUIREMENTS OR OTHER**
2 **EXHIBITS?**

3 A. Yes, I am. Attached to this Direct Testimony as Appendix A is a complete list of the
4 exhibits for which I am the responsible witness.

5
6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

7 A. I am responsible for developing the value of Cash Working Capital. I have also prepared
8 **Peoples Exhibit No. KMS-1**, which includes the lead-lag study in support of the
9 Company's cash working capital requirement pursuant to Section 53.53 III. A.15 of the
10 Commission's standard filing requirements.

11
12 **Q. HAS THE COMPANY PERFORMED A STUDY TO DETERMINE THE LEVEL**
13 **OF CASH WORKING CAPITAL THE COMPANY REQUIRES TO FINANCE ITS**
14 **DAY-TO-DAY OPERATIONS?**

15 A. Yes, the Company performed a lead-lag study by analyzing the Company's cash
16 transactions and invoices for the twelve months ended August 31, 2023.

17
18 **Q. PLEASE DEFINE WHAT YOU MEAN BY THE PHRASE "CASH WORKING**
19 **CAPITAL".**

20 A. Cash working capital is the amount of funds required to finance the day-to-day operations
21 of the Company.

22

1 **Q. HOW SHOULD THE RESULTS OF THE CASH WORKING CAPITAL ANALYSIS**
2 **BE TREATED FOR RATEMAKING PURPOSES?**

3 A. The cash working capital requirements should be included as part of the Company’s rate
4 base for ratemaking purposes.

5
6 **Q. DID YOU PREPARE A SEPARATE STUDY FOR THE PEOPLES NATURAL GAS**
7 **DIVISION AND THE PEOPLES GAS DIVISION?**

8 A. No. The study to develop the lead/lag day was performed on a combined basis as the
9 Company finances its day-to-day operations on a combined basis. Therefore, it would be
10 inappropriate to segment the study. However, the results were applied to the divisional
11 operations to show the cash working capital claim by division.

12
13 **Q. WHAT IS A LEAD-LAG STUDY?**

14 A. A lead-lag study is an analysis of the differences between the revenue “lags” and the expense
15 “leads” of a utility. The revenue lag reflects the time between the date customers receive
16 service and the date that customers’ payments are available to the utility. This revenue lag
17 is offset by an expense lead time during which the utility receives goods and services, but
18 pays for them at a later date. The leads and lags are both measured in days. The dollar-
19 weighted lead and lag days are then divided by 365 to determine a daily cash working capital
20 factor (“CWC factor”) for each specified expense category in the study. These CWC factors
21 are then multiplied by the applicable annual test year cash expenses to determine the amount
22 of cash working capital required for operations. The resulting amount of cash working
23 capital is then included as part of the utility’s rate base.

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Q. WHAT ARE THE VARIOUS LEADS AND LAGS THAT SHOULD BE CONSIDERED IN A CASH WORKING CAPITAL ANALYSIS?

A. Two broad categories of leads and lags should be considered: 1) lag times associated with the collection of revenues owed to the utility; and 2) lead times associated with the payments for goods and services received by the utility.

Q. WHAT WAS THE SOURCE OF INFORMATION YOU EMPLOYED TO DETERMINE THE LEADS AND LAGS IN YOUR CASH WORKING CAPITAL ANALYSIS?

A. Data from the Company’s Accounts Payable, Accounts Receivable (“A/R”), Payroll, and Tax accounts were utilized. The information derived from these sources, together with analyses of specific invoices, led to the determination of the appropriate number of lead-lag days for the Company.

Q. WHAT IS A REVENUE LAG AND HOW IS IT DETERMINED?

A. The revenue lag measures the number of days from the date service was rendered by the Company until the date payment was received from customers and such funds were available to the Company. In this study, the revenue lag was divided into three distinct components: 1) service lag; 2) billing lag; and 3) collections lag. Considered together, these three components of retail revenue lag totaled a weighted average of 59.44 lag days. An explanation of each component of the base revenue lag follows.

1 **Q. WHAT IS MEANT BY SERVICE LAG?**

2 A. The service lag refers to the period of time from when service is rendered to the time the
3 customer's meter is read. Using the mid-point methodology, the average service lag
4 associated with meter reading was 15.21 days (365 days in the year divided by 12 months
5 divided by 2). Twelve months was appropriate to use for purposes of determining the service
6 lag because the Company bills its customers monthly.

7
8 **Q. WHAT IS THE MID-POINT METHODOLOGY?**

9 A. For purposes of determining the service lead or lag, the Company's methodology presumes
10 that the service was provided (or received) evenly over a given period (i.e., a month).
11 Adding the one-half month to the derivation of the lead or lag is referred to as the mid-point
12 methodology.

13
14 **Q. WHAT IS MEANT BY BILLING LAG?**

15 A. Billing lag refers to the average number of days from the date on which the meter was read
16 until the date a customer is billed. Based upon the percentage weighted distribution of the
17 mailing of the bills, the Company determined the billing lag to be 1.0 day.

18
19 **Q. WHAT IS MEANT BY COLLECTIONS LAG?**

20 A. The collections lag refers to the average amount of time from the date when the Company
21 mailed a bill to the date that the Company received payment from its customers. As shown
22 on page 4 of Exhibit KMS-1, the Company calculated collections lag using the days in
23 accounts receivable methodology. First, average monthly accounts receivable is calculated
24 by adding the end of month accounts receivable balances for each month in the preceding

1 12 months to the historic test year and dividing the total by 12. Then, A/R Turnover is
2 calculated by taking the trailing twelve months sales divided by the average accounts
3 receivable balance. Finally, we calculate the collection days lag by taking 365 divided by
4 the A/R Turnover previously calculated. Based on this approach, the average collection lag
5 at the Company was determined to be 43.23 days.

6

7 **Q. PLEASE SUMMARIZE THE CALCULATION OF REVENUE LAG DAYS.**

8 A. The calculation of the overall revenue lag, by lag component is summarized in the following
9 table:

Revenue Lag Component	Lag Days
Service Lag	15.21
Billing Lag	1.0
Collections Lag	43.23
Total Lag Days	59.44

10

11 **Q. WHAT EXPENSE-RELATED LEADS WERE CONSIDERED IN THE LEAD LAG**
12 **ANALYSIS?**

13 A. Lead times associated with the following expense categories were considered in the study:
14 a) Gas Purchase Costs; b) Payroll; c) Pensions and Benefits, d) Other Operations and
15 Maintenance Expenses, e) Taxes other than Income Taxes; f) Federal Income taxes; g) State
16 Income Taxes; h) Interest on Long-term Debt; and i) Interest on Short-term Debt.

17

1 **Q. WHAT TYPES OF LEADS WERE ASSOCIATED WITH THE COMPANY'S**
2 **PURCHASES OF NATURAL GAS?**

3 A. Pipeline companies typically send out invoices around the 10th of the month following the
4 service month with payments due 10 days later. Payments to suppliers were made
5 electronically. The Company also purchases gas from local producers. The Company reads
6 the meters at the end of each month and cuts a check to the producer on the last day of the
7 following month. As shown on pages 5 through 11 of Exhibit KMS-1; the Company used
8 payment data for the twelve months ended August 31, 2023, and determined that the
9 expense lead time associated with payments for natural gas and pipeline services, including
10 15.21 days of service lead time, was 35.49 days.

11
12 **Q. PROVIDE AN EXPLANATION OF THE LEAD ASSOCIATED WITH THE**
13 **COMPANY'S PAYROLL EXPENSES.**

14 A. The Company's payroll records were analyzed to measure the number of lead days between
15 the Company's receipt of services from its employees and the payment for those services.
16 As shown on page 12 through 14 of Exhibit KMS-1, payroll lead days were calculated by:
17 a) calculating the unweighted (or nominal) lead time by pay day and pay-cycle including a
18 mid-point of the pay period as indicative of a service lead time and weighting the resulting
19 lead days by the amounts paid out by the Company to cover its payroll obligations. The
20 Company's pay-roll cycles are bi-weekly; resulting in a total average payroll expense lag of
21 15.55 days.

22

1 **Q. WHAT TYPE OF LEADS ASSOCIATED WITH THE COMPANY’S EMPLOYEE**
2 **BENEFIT PROGRAMS WERE CONSIDERED IN THE ANALYSIS?**

3 A. As shown on page 15 of Exhibit KMS-1, the estimated lead times associated with the
4 following major categories of the Company’s employee benefit programs were considered:
5 a) pensions; and b) employee benefits including group life, group health, and other
6 employee programs. The medical benefits calculation is for lead time of premium payments
7 is based off of an estimated monthly premium amount. These premiums will be paid in full
8 before the next month of coverage begins. All of these benefits and programs taken
9 together, had a dollar-weighted lead time of 30.63 days.

10

11 **Q. DID THE COMPANY MAKE CONTRIBUTIONS TO THE DEFINED BENEFIT**
12 **PENSION FUND (“DB”) DURING THE HISTORIC TEST YEAR?**

13 A. Yes. The Company made quarterly contributions to the pension fund for its unionized
14 employees. The contributions were typically made around the 15th day of the month
15 following the end of a quarter. The costs are accrued monthly which helps to appropriately
16 align the costs to the appropriate service period for both the pension and post-retirement
17 benefits.

18

19 **Q. HOW WAS THE EXPENSE LEAD TIME ASSOCIATED WITH THE COMPANY’S**
20 **OTHER BENEFIT PROGRAMS DETERMINED?**

21 A. The Company is billed monthly by each of its benefit providers. The bill may consist of
22 service costs and/or administrative fees. The invoices are typically paid within one week

1 following the receipt of the invoice. Funds for 401K accounts are sent the day following
2 pay day.

3
4 **Q. WHAT ARE OTHER OPERATIONS AND MAINTENANCE EXPENSES AND**
5 **WHAT LEAD TIMES WERE ASSOCIATED WITH SUCH EXPENSES?**

6 A. The Company engages in transactions with other vendors (not associated with pensions,
7 benefits, payroll, natural gas and pipeline services, or taxes) for a variety of purposes
8 including facility maintenance, maintenance of system reliability, and customer service. As
9 shown on pages 16 through 21 of Exhibit KMS-1, a random sample of invoices from
10 providers of such services were analyzed in order to estimate a lead time associated with
11 payment for services related to other operations and maintenance activities. The analysis
12 indicates that on average, invoices were paid by the Company 42.40 days after receipt.

13
14 **Q. WHAT ARE THE GENERAL TAXES CONSIDERED IN THE ANALYSIS OF**
15 **EXPENSE LEADS?**

16 A. As shown on page 22 through 24 of Exhibit KMS-1, the following general taxes and similar
17 assessments were considered in the study: a) property taxes; b) State & Federal Alternative
18 Fuel Taxes; c) U.S. DOT Fees; d) Federal Heavy Highway Taxes; e) PUC assessments; f)
19 WV Gas Stored Tax; g) PURTA; and h) Sales and use taxes. Payroll-related taxes were not
20 considered in the analysis because the funds associated with those taxes are forwarded to
21 our payroll processor, at the same time as the payroll funds. The payroll processor is then
22 responsible for remitting the funds to the appropriate taxing bodies. When dollar-weighted
23 using twelve months ended August 31, 2023 actual payments, the weighted expense lead

1 time for all categories of these general taxes was determined to be 51.86 days. This weighted
2 lead time was then used in computing the cash working capital requirement associated with
3 taxes other than income taxes

4
5 **Q. HOW DID YOUR STUDY ADDRESS INCOME TAXES?**

6 A. As shown on page 25 of Exhibit KMS-1, for Federal and State income taxes, the statutory
7 payment schedules relative to each tax were utilized to arrive at 37.00 and 54.78 lag days,
8 respectively.

9
10 **Q. PROVIDE A DESCRIPTION OF HOW LEAD TIMES ASSOCIATED WITH THE**
11 **COMPANY'S INTEREST EXPENSE ON LONG-TERM AND SHORT -TERM**
12 **DEBT WERE ADDRESSED BY THE STUDY.**

13 A. As shown on page 26 of Exhibit KMS-1, interest expense on long term debt was assigned
14 expense lag days based on the semi-annual payments of the Company's installment
15 promissory notes to arrive at an average of 67.26 days. Short term debt is not applicable to
16 this study as the Company is not making contributions.

17
18 **Q. HAVE YOU PREPARED AN EXHIBIT THAT SUMMARIZES THE RESULTS OF**
19 **YOUR ANALYSIS OF THE COMPANY'S CASH WORKING CAPITAL**
20 **REQUIREMENTS?**

21 A. Yes. The results of the cash working capital study are presented in Peoples Exhibit No.
22 KMS-1, pages 1 to 3. As shown on page 1, the total cash working capital claim is

1 \$36,256,917. This amount is included in rate base in Peoples Exhibit No. 2. Peoples Exhibit
2 No KMS-1 is attached following my testimony.

3

4 **Q. DOES THIS COMPLETE YOUR PREPARED DIRECT TESTIMONY?**

5 A. Yes, it does. I reserve the right to submit additional testimony as issues arise during the
6 course of the proceeding. Thank you.

Filing Requirements Sponsored by
Krista Snyder

Exhibit

Exhibit 8, Schedule 17

Filing Requirement

53.53.III.A.15

Line No.	Description (A)	Revenue Lag (B)	Expense Lead (C)	Net Lag (D)	CWC Factor (E)	Adjusted Historic Test Year Expenses (F)	Historic Test Year Cash Working Capital Requirement (G)	Future Test Year Expenses	Future Test Year Cash Working Capital Requirement	Fully Projected Future Test Year Expenses	Fully Projected Future Test Year Cash Working Capital Requirement
1	Gas Purchase Costs	59.44	(35.49)	23.95	0.0656	317,606,717	20,835,917	317,734,843	20,844,322	317,688,615	20,841,289
2	Payroll	59.44	(15.55)	43.89	0.1202	67,817,447	8,154,415	71,826,769	8,636,499	75,087,605	9,028,584
3	Pensions and Benefits	59.44	(30.63)	28.81	0.0789	24,642,192	1,944,857	27,642,633	2,181,663	29,066,537	2,294,043
4	Taxes Other Than Income Taxes	59.44	(51.86)	7.58	0.0208	12,636,610	262,459	14,433,429	299,779	15,353,167	318,882
5	Other O&M Expenses	59.44	(42.40)	17.03	0.0467	111,504,586	5,203,357	107,570,221	5,019,760	119,444,563	5,573,876
	Income Taxes										
6	State	59.44	(54.78)	4.66	0.0128	674,317	8,614	31,327	400	-	-
7	Federal	59.44	(37.00)	22.44	0.0615	-	-	-	-	-	-
	Interest Expense										
8	Long Term Debt	59.44	(67.26)	(7.82)	(0.0214)	60,606,300	(1,298,935)	65,570,364	(1,405,326)	83,973,864	(1,799,756)
9	Short Term Debt	59.44	-	59.44	0.1628	-	-	-	-	-	-
10	Total					<u>\$ 595,488,169</u>	<u>\$ 35,110,684</u>	<u>\$ 604,809,586</u>	<u>\$ 35,577,097</u>	<u>\$ 640,614,349</u>	<u>\$ 36,256,917</u>

Line No.	Description (A)	Revenue Lag (B)	Expense Lead (C)	Net Lag (D)	CWC Factor (E)	Adjusted Historic Test Year Expenses (F)	Historic Test Year Cash Working Capital Requirement (G)	Future Test Year Expenses	Future Test Year Cash Working Capital Requirement	Fully Projected Future Test Year Expenses	Fully Projected Future Test Year Cash Working Capital Requirement
1	Gas Purchase Costs	59.44	(35.49)	23.95	0.0656	291,416,000	19,117,730	291,499,330	19,123,197	291,418,538	19,117,897
2	Payroll	59.44	(15.55)	43.89	0.1202	50,794,622	6,107,579	54,224,018	6,519,932	56,995,561	6,853,184
3	Pensions and Benefits	59.44	(30.63)	28.81	0.0789	18,771,866	1,481,548	21,342,958	1,684,469	22,491,611	1,775,125
4	Taxes Other Than Income Taxes	59.44	(51.86)	7.58	0.0208	10,349,635	214,959	12,074,920	250,793	12,930,136	268,556
5	Other O&M Expenses	59.44	(42.40)	17.03	0.0467	98,675,363	4,604,682	94,599,711	4,414,492	105,271,935	4,912,511
	Income Taxes										
6	State	59.44	(54.78)	4.66	0.0128	-	-	241,139	3,080	58,200	743
7	Federal	59.44	(37.00)	22.44	0.0615	(70,009,296)	(4,303,682)	(89,342,484)	(5,492,151)	(88,685,698)	(5,451,776)
	Interest Expense										
8	Long Term Debt	59.44	(67.26)	(7.82)	(0.0214)	55,013,446	(1,179,067)	59,734,601	(1,280,252)	77,003,607	(1,650,367)
9	Short Term Debt	59.44	-	59.44	0.1628	-	-	-	-	-	-
10	Total					<u>\$ 455,011,635</u>	<u>\$ 26,043,750</u>	<u>\$ 444,374,193</u>	<u>\$ 25,223,560</u>	<u>\$ 477,483,891</u>	<u>\$ 25,825,872</u>

Line No.	Description (A)	Revenue Lag (B)	Expense Lead (C)	Net Lag (D)	CWC Factor (E)	Adjusted Historic Test Year Expenses (F)	Historic Test Year Cash Working Capital Requirement (G)	Future Test Year Expenses	Future Test Year Cash Working Capital Requirement	Fully Projected Future Test Year Expenses	Fully Projected Future Test Year Cash Working Capital Requirement
1	Gas Purchase Costs	59.44	(35.49)	23.95	0.0656	26,190,717	1,718,187	26,235,512	1,721,125	26,270,077	1,723,393
2	Payroll	59.44	(15.55)	43.89	0.1202	17,022,826	2,046,836	17,602,751	2,116,567	18,092,044	2,175,399
3	Pensions and Benefits	59.44	(30.63)	28.81	0.0789	5,870,326	463,309	6,299,675	497,195	6,574,926	518,919
4	Taxes Other Than Income Taxes	59.44	(51.86)	7.58	0.0208	2,286,975	47,500	2,358,509	48,986	2,423,031	50,326
5	Other O&M Expenses	59.44	(42.40)	17.03	0.0467	12,829,223	598,675	12,970,510	605,268	14,172,627	661,365
	Income Taxes										
6	State	59.44	(54.78)	4.66	0.0128	674,317	8,614	(209,813)	(2,680)	(76,914)	(983)
7	Federal	59.44	(37.00)	22.44	0.0615	(6,386,832)	(392,618)	(2,502,323)	(153,825)	(2,640,023)	(162,290)
	Interest Expense										
8	Long Term Debt	59.44	(67.26)	(7.82)	(0.0214)	5,592,855	(119,868)	5,835,763	(125,074)	6,970,256	(149,389)
9	Short Term Debt	59.44	-	59.44	0.1628	-	-	-	-	-	-
10	Total					<u>\$ 64,080,406</u>	<u>\$ 4,370,635</u>	<u>\$ 68,590,586</u>	<u>\$ 4,707,561</u>	<u>\$ 71,786,024</u>	<u>\$ 4,816,740</u>

Calculation of Revenue Lag Time

<u>Line No.</u>	<u>Description</u>	<u>(A) Reference or Factor</u>	<u>(B) Accounts Receivable Balance End of Month</u>	<u>(C) Total Monthly Sales</u>	<u>(D) A/R Turnover (C) / (B)</u>	<u>(E) Days Lag 365 / (D) <u>365</u></u>
1	Annual Number of Days					<u>365</u>
2	August, 2022		\$ 59,670			
3	September		\$ 55,669	\$ 34,249		
4	October		\$ 62,479	\$ 69,507		
5	November		\$ 76,407	\$ 101,366		
6	December		\$ 124,460	\$ 161,132		
7	January		\$ 148,218	\$ 131,758		
8	February		\$ 162,211	\$ 111,818		
9	March		\$ 163,405	\$ 113,310		
10	April		\$ 135,879	\$ 46,953		
11	May		\$ 105,002	\$ 36,479		
12	June		\$ 83,129	\$ 24,294		
13	July		\$ 70,614	\$ 22,503		
14	August, 2023		\$ <u>62,113</u>	\$ 25,855		
15	Total	Sum Ln3 to Ln14	\$ <u>1,249,587</u>			
16	Average A/R Balance		\$ <u>104,132</u>	\$ <u>879,224</u>		
17	Factor				<u>8.44</u>	<u>43.23</u>
18	Collection Days Lag					43.23
19	Billing Lag					1.00
20	Service Lag			365 / 12 * 0.5		<u>15.21</u>
21	Total Revenue Lag Days	Sum Ln17 to Ln19				<u>59.44</u>

Calculation of Purchased Gas Costs

Weighted Expense Lead Time:

35.49 days

Line No.	(A) Company	(B) Period Start	(C) Period End	(D) Payment Amount	(E) Payment Date	(F) Service Lead Time	(G) Payment Lead Time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time
1	Eastern Gas Transmission and Storage, Inc.	9/1/2022	9/30/2022	\$ (1,255,477.15)	10/13/2022	14.5	13.00	27.50	0.359%	0.10
2	Equitrans	9/1/2022	9/30/2022	\$ (6,429,112.69)	10/5/2022	14.5	5.00	19.50	1.837%	0.36
3	Eastern Gas Transmission and Storage, Inc.	9/1/2022	9/30/2022	\$ (26,427.51)	10/17/2022	14.5	17.00	31.50	0.008%	0.00
4	Texas Eastern Transmission, LP	9/1/2022	9/30/2022	\$ (336,756.70)	10/20/2022	14.5	20.00	34.50	0.096%	0.03
5	Tennessee Gas Pipeline	9/1/2022	9/30/2022	\$ (19,014.81)	10/24/2022	14.5	24.00	38.50	0.005%	0.00
6	EQT Energy (PNG NAESB)	9/1/2022	9/30/2022	\$ (26,037,847.00)	10/25/2022	14.5	25.00	39.50	7.440%	2.94
7	Mpower	9/1/2022	9/30/2022	\$ 27,298.14	10/25/2022	14.5	25.00	39.50	-0.008%	(0.00)
8	National Fuel Gas Supply	9/1/2022	9/30/2022	\$ (149,457.53)	10/25/2022	14.5	25.00	39.50	0.043%	0.02
9	NextEra Energy	9/1/2022	9/30/2022	\$ (5,412,453.20)	10/25/2022	14.5	25.00	39.50	1.546%	0.61
10	Sequent Energy Management	9/1/2022	9/30/2022	\$ (3,740,793.12)	10/25/2022	14.5	25.00	39.50	1.069%	0.42
11	SFE Energy	9/1/2022	9/30/2022	\$ 13,018.28	10/25/2022	14.5	25.00	39.50	-0.004%	(0.00)
12	SouthStar	9/1/2022	9/30/2022	\$ 108,072.00	10/25/2022	14.5	25.00	39.50	-0.031%	(0.01)
13	XTO	9/1/2022	9/30/2022	\$ (857,995.30)	10/25/2022	14.5	25.00	39.50	0.245%	0.10
14	Eastern Gas Transmission and Storage, Inc.	9/1/2022	9/30/2022	\$ (171,583.00)	10/13/2022	14.5	13.00	27.50	0.049%	0.01
15	Equitrans	9/1/2022	9/30/2022	\$ (361,949.69)	10/5/2022	14.5	5.00	19.50	0.103%	0.02
16	Eastern Gas Transmission and Storage, Inc.	9/1/2022	9/30/2022	\$ (2,675.46)	10/17/2022	14.5	17.00	31.50	0.001%	0.00
17	Texas Eastern Transmission, LP	9/1/2022	9/30/2022	\$ (108,393.89)	10/20/2022	14.5	20.00	34.50	0.031%	0.01
18	Columbia Gas Transmission LLC	9/1/2022	9/30/2022	\$ (59,986.95)	10/24/2022	14.5	24.00	38.50	0.017%	0.01
19	Range Resources	9/1/2022	9/30/2022	\$ (2,238,850.00)	10/25/2022	14.5	25.00	39.50	0.640%	0.25
20	Sequent Energy Management	9/1/2022	9/30/2022	\$ (2,529,327.24)	10/25/2022	14.5	25.00	39.50	0.723%	0.29
21	Eastern Gas Transmission and Storage, Inc.	10/1/2022	10/31/2022	\$ (1,270,271.64)	11/14/2022	15.0	14.00	29.00	0.363%	0.11
22	Equitrans	10/1/2022	10/31/2022	\$ (6,744,594.08)	11/15/2022	15.0	15.00	30.00	1.927%	0.58
23	Tennessee Gas Pipeline	10/1/2022	10/31/2022	\$ 17.81	11/21/2022	15.0	21.00	36.00	0.000%	(0.00)
24	EQT Energy	10/1/2022	10/31/2022	\$ (8,270,900.00)	11/25/2022	15.0	25.00	40.00	2.363%	0.95
25	EQT Energy (PNG NAESB)	10/1/2022	10/31/2022	\$ (14,074,000.00)	11/25/2022	15.0	25.00	40.00	4.021%	1.61
26	Mpower	10/1/2022	10/31/2022	\$ 29,048.88	11/25/2022	15.0	25.00	40.00	-0.008%	(0.00)
27	National Fuel Gas Supply	10/1/2022	10/31/2022	\$ (148,845.14)	11/25/2022	15.0	25.00	40.00	0.043%	0.02
28	Sequent Energy Management	10/1/2022	10/31/2022	\$ (7,023,271.58)	11/25/2022	15.0	25.00	40.00	2.007%	0.80
29	SFE Energy	10/1/2022	10/31/2022	\$ 17,292.09	11/25/2022	15.0	25.00	40.00	-0.005%	(0.00)
30	SouthStar	10/1/2022	10/31/2022	\$ 64,177.44	11/25/2022	15.0	25.00	40.00	-0.018%	(0.01)
31	Texas Eastern Transmission, LP	10/1/2022	10/31/2022	\$ (336,756.70)	12/20/2022	15.0	50.00	65.00	0.096%	0.06
32	Eastern Gas Transmission and Storage, Inc.	10/1/2022	10/31/2022	\$ (174,289.58)	11/14/2022	15.0	14.00	29.00	0.050%	0.01
33	Equitrans	10/1/2022	10/31/2022	\$ (369,115.91)	11/15/2022	15.0	15.00	30.00	0.105%	0.03
34	Columbia Gas Transmission LLC	10/1/2022	10/31/2022	\$ (69,643.13)	11/21/2022	15.0	21.00	36.00	0.020%	0.01
35	Texas Eastern Transmission, LP	10/1/2022	10/31/2022	\$ (109,913.00)	11/21/2022	15.0	21.00	36.00	0.031%	0.01
36	Range Resources	10/1/2022	10/31/2022	\$ (603,450.00)	11/25/2022	15.0	25.00	40.00	0.172%	0.07
37	Sequent Energy Management	10/1/2022	10/31/2022	\$ (3,297,078.55)	11/25/2022	15.0	25.00	40.00	0.942%	0.38
38	Eastern Gas Transmission and Storage, Inc.	11/1/2022	11/30/2022	\$ (1,261,989.15)	12/12/2022	14.5	12.00	26.50	0.361%	0.10
39	Eastern Gas Transmission and Storage, Inc.	11/1/2022	11/30/2022	\$ (20,095.36)	12/15/2022	14.5	15.00	29.50	0.006%	0.00

Line No.	(A) Company	(B) Period Start	(C) Period End	(D) Payment Amount	(E) Payment Date	(F) Service Lead Time	(G) Payment Lead Time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time
40	Equitrans	11/1/2022	11/30/2022	\$ (12,312,915.46)	12/15/2022	14.5	15.00	29.50	3.518%	1.04
41	Texas Eastern Transmission, LP	11/1/2022	11/30/2022	\$ (464,618.56)	12/20/2022	14.5	20.00	34.50	0.133%	0.05
42	Tennessee Gas Pipeline	11/1/2022	11/30/2022	\$ 3,992.75	12/22/2022	14.5	22.00	36.50	-0.001%	(0.00)
43	Colonial Energy	11/1/2022	11/30/2022	\$ (22,000.00)	12/28/2022	14.5	28.00	42.50	0.006%	0.00
44	EQT Energy (EGC NAESB)	11/1/2022	11/30/2022	\$ (863,929.53)	12/21/2022	14.5	21.00	35.50	0.247%	0.09
45	EQT Energy (PNG NAESB)	11/1/2022	11/30/2022	\$ (21,341,715.62)	12/21/2022	14.5	21.00	35.50	6.098%	2.16
46	IGS	11/1/2022	11/30/2022	\$ 1,252,083.00	12/27/2022	14.5	27.00	41.50	-0.358%	(0.15)
47	Mid Atlantic Energy Services	11/1/2022	11/30/2022	\$ 6,144.63	12/15/2022	14.5	15.00	29.50	-0.002%	(0.00)
48	Mpower	11/1/2022	11/30/2022	\$ 39,156.41	12/28/2022	14.5	28.00	42.50	-0.011%	(0.00)
49	Sequent Energy Management	11/1/2022	11/30/2022	\$ (3,326,535.22)	12/27/2022	14.5	27.00	41.50	0.950%	0.39
50	SFE Energy	11/1/2022	11/30/2022	\$ 26,506.26	12/23/2022	14.5	23.00	37.50	-0.008%	(0.00)
51	UGI Energy Services	11/1/2022	11/30/2022	\$ 1,139,046.28	12/23/2022	14.5	23.00	37.50	-0.325%	(0.12)
52	National Fuel Gas Supply	11/1/2022	11/30/2022	\$ (151,627.71)	12/27/2022	14.5	27.00	41.50	0.043%	0.02
53	Eastern Gas Transmission and Storage, Inc.	11/1/2022	11/30/2022	\$ (230,960.90)	12/12/2022	14.5	12.00	26.50	0.066%	0.02
54	Eastern Gas Transmission and Storage, Inc.	11/1/2022	11/30/2022	\$ (3,278.51)	12/15/2022	14.5	15.00	29.50	0.001%	0.00
55	Equitrans	11/1/2022	11/30/2022	\$ (379,015.22)	12/15/2022	14.5	15.00	29.50	0.108%	0.03
56	Texas Eastern Transmission, LP	11/1/2022	11/30/2022	\$ (92,492.88)	12/20/2022	14.5	20.00	34.50	0.026%	0.01
57	Tennessee Gas Pipeline Company, LLC	11/1/2022	11/30/2022	\$ 3.39	12/21/2022	14.5	21.00	35.50	0.000%	(0.00)
58	Columbia Gas Transmission LLC	11/1/2022	11/30/2022	\$ (69,081.05)	12/22/2022	14.5	22.00	36.50	0.020%	0.01
59	Eastern Gas Transmission and Storage, Inc.	12/1/2022	12/31/2022	\$ (1,260,309.57)	1/13/2023	15.0	13.00	28.00	0.360%	0.10
60	Equitrans	12/1/2022	12/31/2022	\$ (12,554,287.40)	1/13/2023	15.0	13.00	28.00	3.587%	1.00
61	Eastern Gas Transmission and Storage, Inc.	12/1/2022	12/31/2022	\$ (39,186.39)	1/17/2023	15.0	17.00	32.00	0.011%	0.00
62	Texas Eastern Transmission, LP	12/1/2022	12/31/2022	\$ (359,762.55)	1/20/2023	15.0	20.00	35.00	0.103%	0.04
63	Tennessee Gas Pipeline	12/1/2022	12/31/2022	\$ 4,278.61	1/23/2023	15.0	23.00	38.00	-0.001%	(0.00)
64	Colonial Energy	12/1/2022	12/31/2022	\$ (288,965.00)	1/25/2023	15.0	25.00	40.00	0.083%	0.03
65	Direct Energy	12/1/2022	12/31/2022	\$ 226,183.90	1/25/2023	15.0	25.00	40.00	-0.065%	(0.03)
66	EQT Energy (EGC NAESB)	12/1/2022	12/31/2022	\$ (17,914,788.54)	1/25/2023	15.0	25.00	40.00	5.119%	2.05
67	EQT Energy (PNG NAESB)	12/1/2022	12/31/2022	\$ (18,067,621.82)	1/25/2023	15.0	25.00	40.00	5.162%	2.06
68	IGS	12/1/2022	12/31/2022	\$ 1,204,349.69	1/25/2023	15.0	25.00	40.00	-0.344%	(0.14)
69	Mid Atlantic Energy Services	12/1/2022	12/31/2022	\$ 279,892.65	1/25/2023	15.0	25.00	40.00	-0.080%	(0.03)
70	Mpower	12/1/2022	12/31/2022	\$ 79,124.35	1/25/2023	15.0	25.00	40.00	-0.023%	(0.01)
71	National Fuel Gas Supply	12/1/2022	12/31/2022	\$ (153,098.09)	1/25/2023	15.0	25.00	40.00	0.044%	0.02
72	Sequent Energy Management	12/1/2022	12/31/2022	\$ (5,666,164.25)	1/25/2023	15.0	25.00	40.00	1.619%	0.65
73	SFE Energy	12/1/2022	12/31/2022	\$ 69,352.24	1/25/2023	15.0	25.00	40.00	-0.020%	(0.01)
74	Snyder	12/1/2022	12/31/2022	\$ (414,252.48)	1/25/2023	15.0	25.00	40.00	0.118%	0.05
75	SouthStar	12/1/2022	12/31/2022	\$ 94,679.50	1/25/2023	15.0	25.00	40.00	-0.027%	(0.01)
76	UGI Energy Services	12/1/2022	12/31/2022	\$ 2,673,022.52	1/25/2023	15.0	25.00	40.00	-0.764%	(0.31)
77	United Energy Trading	12/1/2022	12/31/2022	\$ 1,428,957.50	1/25/2023	15.0	25.00	40.00	-0.408%	(0.16)
78	Eastern Gas Transmission and Storage, Inc.	12/1/2022	12/31/2022	\$ (235,191.36)	1/13/2023	15.0	13.00	28.00	0.067%	0.02
79	Equitrans	12/1/2022	12/31/2022	\$ (401,672.31)	1/13/2023	15.0	13.00	28.00	0.115%	0.03
80	Eastern Gas Transmission and Storage, Inc.	12/1/2022	12/31/2022	\$ (7,227.20)	1/17/2023	15.0	17.00	32.00	0.002%	0.00
81	Texas Eastern Transmission, LP	12/1/2022	12/31/2022	\$ (97,788.00)	1/20/2023	15.0	20.00	35.00	0.028%	0.01

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82	Columbia Gas Transmission LLC	12/1/2022	12/31/2022	\$ (70,348.02)	1/23/2023	15.0	23.00	38.00	0.020%	0.01
83	Sequent Energy Management	12/1/2022	12/31/2022	\$ (122,800.00)	1/25/2023	15.0	25.00	40.00	0.035%	0.01
84	Eastern Gas Transmission and Storage, Inc.	1/1/2023	1/31/2023	\$ 139,844.12	2/13/2023	15.0	13.00	28.00	-0.040%	(0.01)
85	Equitrans	1/1/2023	1/31/2023	\$ (12,344,069.69)	2/15/2023	15.0	15.00	30.00	3.527%	1.06
86	Tennessee Gas Pipeline	1/1/2023	1/31/2023	\$ 12,176.12	2/21/2023	15.0	21.00	36.00	-0.003%	(0.00)
87	Texas Eastern Transmission, LP	1/1/2023	1/31/2023	\$ (401,209.80)	2/21/2023	15.0	21.00	36.00	0.115%	0.04
88	Colonial Energy	1/1/2023	1/31/2023	\$ (22,000.00)	2/24/2023	15.0	24.00	39.00	0.006%	0.00
89	EQT Energy (EGC NAESB)	1/1/2023	1/31/2023	\$ (10,582,587.55)	2/24/2023	15.0	24.00	39.00	3.024%	1.18
90	EQT Energy (PNG NAESB)	1/1/2023	1/31/2023	\$ (1,683,951.25)	2/24/2023	15.0	24.00	39.00	0.481%	0.19
91	IGS	1/1/2023	1/31/2023	\$ 1,004,400.00	2/24/2023	15.0	24.00	39.00	-0.287%	(0.11)
92	Mid Atlantic Energy Services	1/1/2023	1/31/2023	\$ 216,997.94	2/24/2023	15.0	24.00	39.00	-0.062%	(0.02)
93	Mpower	1/1/2023	1/31/2023	\$ 34,543.71	2/24/2023	15.0	24.00	39.00	-0.010%	(0.00)
94	Sequent Energy Management	1/1/2023	1/31/2023	\$ (1,937,623.33)	2/24/2023	15.0	24.00	39.00	0.554%	0.22
95	SFE Energy	1/1/2023	1/31/2023	\$ 52,949.39	2/24/2023	15.0	24.00	39.00	-0.015%	(0.01)
96	UGI Energy Services	1/1/2023	1/31/2023	\$ 1,695,798.73	2/24/2023	15.0	24.00	39.00	-0.485%	(0.19)
97	United Energy Trading	1/1/2023	1/31/2023	\$ 1,403,593.95	2/24/2023	15.0	24.00	39.00	-0.401%	(0.16)
98	National Fuel Gas Supply	1/1/2023	1/31/2023	\$ (155,973.33)	2/23/2023	15.0	23.00	38.00	0.045%	0.02
99	Eastern Gas Transmission and Storage, Inc.	1/1/2023	1/31/2023	\$ (225,223.06)	2/13/2023	15.0	13.00	28.00	0.064%	0.02
100	Equitrans	1/1/2023	1/31/2023	\$ (377,190.27)	2/15/2023	15.0	15.00	30.00	0.108%	0.03
101	Columbia Gas Transmission LLC	1/1/2023	1/31/2023	\$ (70,240.31)	2/21/2023	15.0	21.00	36.00	0.020%	0.01
102	Tennessee Gas Pipeline Company, LLC	1/1/2023	1/31/2023	\$ (1,169.12)	2/21/2023	15.0	21.00	36.00	0.000%	0.00
103	Texas Eastern Transmission, LP	1/1/2023	1/31/2023	\$ (106,928.00)	2/21/2023	15.0	21.00	36.00	0.031%	0.01
104	Eastern Gas Transmission and Storage, Inc.	2/1/2023	2/28/2023	\$ (1,154,434.47)	3/13/2023	13.5	13.00	26.50	0.330%	0.09
105	Equitrans	2/1/2023	2/28/2023	\$ (12,335,378.00)	3/15/2023	13.5	15.00	28.50	3.525%	1.00
106	Tennessee Gas Pipeline	2/1/2023	2/28/2023	\$ 5,111.13	3/20/2023	13.5	20.00	33.50	-0.001%	(0.00)
107	Texas Eastern Transmission, LP	2/1/2023	2/28/2023	\$ (358,987.98)	3/20/2023	13.5	20.00	33.50	0.103%	0.03
108	Colonial Energy	2/1/2023	2/28/2023	\$ (102,000.00)	3/24/2023	13.5	24.00	37.50	0.029%	0.01
109	EQT Energy (EGC NAESB)	2/1/2023	2/28/2023	\$ (8,508,164.89)	3/24/2023	13.5	24.00	37.50	2.431%	0.91
110	EQT Energy (PNG NAESB)	2/1/2023	2/28/2023	\$ (1,672,271.90)	3/24/2023	13.5	24.00	37.50	0.478%	0.18
111	IGS	2/1/2023	2/28/2023	\$ 692,023.38	3/24/2023	13.5	24.00	37.50	-0.198%	(0.07)
112	Mid Atlantic Energy Services	2/1/2023	2/28/2023	\$ 173,950.50	3/24/2023	13.5	24.00	37.50	-0.050%	(0.02)
113	Mpower	2/1/2023	2/28/2023	\$ 17,187.76	3/24/2023	13.5	24.00	37.50	-0.005%	(0.00)
114	Sequent Energy Management	2/1/2023	2/28/2023	\$ (1,351,325.97)	3/24/2023	13.5	24.00	37.50	0.386%	0.14
115	SFE Energy	2/1/2023	2/28/2023	\$ 34,553.33	3/24/2023	13.5	24.00	37.50	-0.010%	(0.00)
116	SouthStar	2/1/2023	2/28/2023	\$ 4,082.48	3/24/2023	13.5	24.00	37.50	-0.001%	(0.00)
117	UGI Energy Services	2/1/2023	2/28/2023	\$ 994,425.60	3/24/2023	13.5	24.00	37.50	-0.284%	(0.11)
118	United Energy Trading	2/1/2023	2/28/2023	\$ 591,920.00	3/24/2023	13.5	24.00	37.50	-0.169%	(0.06)
119	National Fuel Gas Supply	2/1/2023	2/28/2023	\$ (154,446.37)	3/27/2023	13.5	27.00	40.50	0.044%	0.02
120	Eastern Gas Transmission and Storage, Inc.	2/1/2023	2/28/2023	\$ (98,927.56)	3/13/2023	13.5	13.00	26.50	0.028%	0.01
121	Equitrans	2/1/2023	2/28/2023	\$ (385,675.81)	3/15/2023	13.5	15.00	28.50	0.110%	0.03
122	Columbia Gas Transmission LLC	2/1/2023	2/28/2023	\$ (70,095.78)	3/20/2023	13.5	20.00	33.50	0.020%	0.01
123	Texas Eastern Transmission, LP	2/1/2023	2/28/2023	\$ (95,302.00)	3/20/2023	13.5	20.00	33.50	0.027%	0.01

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124	Sequent Energy Management	2/1/2023	2/28/2023	\$ (8,700.00)	3/24/2023	13.5	24.00	37.50	0.002%	0.00
125	Eastern Gas Transmission and Storage, Inc.	3/1/2023	3/31/2023	\$ (1,120,943.93)	4/13/2023	15.0	13.00	28.00	0.320%	0.09
126	Equitrans	3/1/2023	3/31/2023	\$ (12,413,960.59)	4/13/2023	15.0	13.00	28.00	3.547%	0.99
127	Eastern Gas Transmission and Storage, Inc.	3/1/2023	3/31/2023	\$ (29,580.06)	4/17/2023	15.0	17.00	32.00	0.008%	0.00
128	Texas Eastern Transmission, LP	3/1/2023	3/31/2023	\$ 297,987.21	4/20/2023	15.0	20.00	35.00	-0.085%	(0.03)
129	Tennessee Gas Pipeline	3/1/2023	3/31/2023	\$ (2,888.52)	4/24/2023	15.0	24.00	39.00	0.001%	0.00
130	Colonial Energy	3/1/2023	3/31/2023	\$ (22,000.00)	4/25/2023	15.0	25.00	40.00	0.006%	0.00
131	EQT Energy (EGC NAESB)	3/1/2023	3/31/2023	\$ (8,792,887.07)	4/25/2023	15.0	25.00	40.00	2.512%	1.00
132	EQT Energy (PNG NAESB)	3/1/2023	3/31/2023	\$ (1,362,351.42)	4/25/2023	15.0	25.00	40.00	0.389%	0.16
133	IGS	3/1/2023	3/31/2023	\$ 329,918.00	4/25/2023	15.0	25.00	40.00	-0.094%	(0.04)
134	Mpower	3/1/2023	3/31/2023	\$ 11,705.51	4/25/2023	15.0	25.00	40.00	-0.003%	(0.00)
135	National Fuel Gas Supply	3/1/2023	3/31/2023	\$ (152,606.61)	4/25/2023	15.0	25.00	40.00	0.044%	0.02
136	Sequent Energy Management	3/1/2023	3/31/2023	\$ (1,424,652.01)	4/25/2023	15.0	25.00	40.00	0.407%	0.16
137	SFE Energy	3/1/2023	3/31/2023	\$ 25,338.53	4/25/2023	15.0	25.00	40.00	-0.007%	(0.00)
138	UGI Energy Services	3/1/2023	3/31/2023	\$ 634,081.24	4/25/2023	15.0	25.00	40.00	-0.181%	(0.07)
139	Eastern Gas Transmission and Storage, Inc.	3/1/2023	3/31/2023	\$ (221,001.00)	4/13/2023	15.0	13.00	28.00	0.063%	0.02
140	Equitrans	3/1/2023	3/31/2023	\$ (373,433.34)	4/13/2023	15.0	13.00	28.00	0.107%	0.03
141	Eastern Gas Transmission and Storage, Inc.	3/1/2023	3/31/2023	\$ (1,208.10)	4/17/2023	15.0	17.00	32.00	0.000%	0.00
142	Texas Eastern Transmission, LP	3/1/2023	3/31/2023	\$ (93,705.52)	4/20/2023	15.0	20.00	35.00	0.027%	0.01
143	Columbia Gas Transmission LLC	3/1/2023	3/31/2023	\$ (70,132.07)	4/24/2023	15.0	24.00	39.00	0.020%	0.01
144	Tennessee Gas Pipeline Company, LLC	3/1/2023	3/31/2023	\$ 18.22	4/24/2023	15.0	24.00	39.00	0.000%	(0.00)
145	Eastern Gas Transmission and Storage, Inc.	4/1/2023	4/30/2023	\$ (1,120,131.43)	5/11/2023	14.5	11.00	25.50	0.320%	0.08
146	Eastern Gas Transmission and Storage, Inc.	4/1/2023	4/30/2023	\$ (28,239.07)	5/12/2023	14.5	12.00	26.50	0.008%	0.00
147	Equitrans	4/1/2023	4/30/2023	\$ (6,481,423.53)	5/15/2023	14.5	15.00	29.50	1.852%	0.55
148	Texas Eastern Transmission, LP	4/1/2023	4/30/2023	\$ (263,124.45)	5/22/2023	14.5	22.00	36.50	0.075%	0.03
149	Dynegy Marketing and Trade	4/1/2023	4/30/2023	\$ (36,503.85)	5/25/2023	14.5	25.00	39.50	0.010%	0.00
150	EQT Energy (EGC NAESB)	4/1/2023	4/30/2023	\$ (4,718,850.00)	5/25/2023	14.5	25.00	39.50	1.348%	0.53
151	National Fuel Gas Supply	4/1/2023	4/30/2023	\$ (148,555.66)	5/25/2023	14.5	25.00	39.50	0.042%	0.02
152	NextEra Energy	4/1/2023	4/30/2023	\$ (1,599,125.52)	5/25/2023	14.5	25.00	39.50	0.457%	0.18
153	Sequent Energy Management	4/1/2023	4/30/2023	\$ (718,651.61)	5/25/2023	14.5	25.00	39.50	0.205%	0.08
154	Tennessee Gas Pipeline	4/1/2023	4/30/2023	\$ 2,069.90	5/25/2023	14.5	25.00	39.50	-0.001%	(0.00)
155	Eastern Gas Transmission and Storage, Inc.	4/1/2023	4/30/2023	\$ (214,371.00)	5/11/2023	14.5	11.00	25.50	0.061%	0.02
156	Equitrans	4/1/2023	4/30/2023	\$ (309,660.33)	5/15/2023	14.5	15.00	29.50	0.088%	0.03
157	Columbia Gas Transmission LLC	4/1/2023	4/30/2023	\$ (63,636.44)	5/22/2023	14.5	22.00	36.50	0.018%	0.01
158	Texas Eastern Transmission, LP	4/1/2023	4/30/2023	\$ (77,562.25)	5/22/2023	14.5	22.00	36.50	0.022%	0.01
159	EQT Energy (EGC NAESB)	4/1/2023	4/30/2023	\$ (562,350.00)	5/25/2023	14.5	25.00	39.50	0.161%	0.06
160	Sequent Energy Management	4/1/2023	4/30/2023	\$ (23,562.50)	5/25/2023	14.5	25.00	39.50	0.007%	0.00
161	Tomorrow Energy	5/1/2023	5/31/2023	\$ (8,266.59)	5/25/2023	15.0	(6.00)	9.00	0.002%	0.00
162	Eastern Gas Transmission and Storage, Inc.	5/1/2023	5/31/2023	\$ (1,144,684.19)	6/12/2023	15.0	12.00	27.00	0.327%	0.09
163	Equitrans	5/1/2023	5/31/2023	\$ (6,552,939.12)	6/15/2023	15.0	15.00	30.00	1.872%	0.56
164	Texas Eastern Transmission, LP	5/1/2023	5/31/2023	\$ (260,995.05)	6/20/2023	15.0	20.00	35.00	0.075%	0.03
165	Tennessee Gas Pipeline	5/1/2023	5/31/2023	\$ 1,033.03	6/22/2023	15.0	22.00	37.00	0.000%	(0.00)

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166	EQT Energy (EGC NAESB)	5/1/2023	5/31/2023	\$ (4,522,782.51)	6/22/2023	15.0	22.00	37.00	1.292%	0.48
167	NextEra Energy	5/1/2023	5/31/2023	\$ (1,312,207.50)	6/22/2023	15.0	22.00	37.00	0.375%	0.14
168	Range Resources	5/1/2023	5/31/2023	\$ (362,895.00)	6/22/2023	15.0	22.00	37.00	0.104%	0.04
169	Sequent Energy Management	5/1/2023	5/31/2023	\$ 97,362.88	6/28/2023	15.0	28.00	43.00	-0.028%	(0.01)
170	SouthStar	5/1/2023	5/31/2023	\$ 16,932.51	6/23/2023	15.0	23.00	38.00	-0.005%	(0.00)
171	National Fuel Gas Supply	5/1/2023	5/31/2023	\$ (151,100.27)	6/26/2023	15.0	26.00	41.00	0.043%	0.02
172	Eastern Gas Transmission and Storage, Inc.	5/1/2023	5/31/2023	\$ (198,249.00)	6/12/2023	15.0	12.00	27.00	0.057%	0.02
173	Eastern Gas Transmission and Storage, Inc.-usage	5/1/2023	5/31/2023	\$ (3,750.32)	6/12/2023	15.0	12.00	27.00	0.001%	0.00
174	Equitrans	5/1/2023	5/31/2023	\$ (389,092.88)	6/15/2023	15.0	15.00	30.00	0.111%	0.03
175	Texas Eastern Transmission, LP	5/1/2023	5/31/2023	\$ (78,628.00)	6/20/2023	15.0	20.00	35.00	0.022%	0.01
176	Columbia Gas Transmission LLC	5/1/2023	5/31/2023	\$ (63,256.73)	6/22/2023	15.0	22.00	37.00	0.018%	0.01
177	Colonial Energy	5/1/2023	5/31/2023	\$ (130,579.75)	6/22/2023	15.0	22.00	37.00	0.037%	0.01
178	EQT Energy (EGC NAESB)	5/1/2023	5/31/2023	\$ (1,233,180.00)	6/22/2023	15.0	22.00	37.00	0.352%	0.13
179	Range Resources	5/1/2023	5/31/2023	\$ (83,626.00)	6/22/2023	15.0	22.00	37.00	0.024%	0.01
180	Sequent Energy Management	5/1/2023	5/31/2023	\$ (3,496.50)	6/28/2023	15.0	28.00	43.00	0.001%	0.00
181	Eastern Gas Transmission and Storage, Inc.	6/1/2023	6/30/2023	\$ (1,073,350.45)	7/13/2023	14.5	13.00	27.50	0.307%	0.08
182	Eastern Gas Transmission and Storage, Inc.	6/1/2023	6/30/2023	\$ (22,819.86)	7/14/2023	14.5	14.00	28.50	0.007%	0.00
183	Equitrans	6/1/2023	6/30/2023	\$ (6,512,874.53)	7/13/2023	14.5	13.00	27.50	1.861%	0.51
184	Texas Eastern Transmission, LP	6/1/2023	6/30/2023	\$ (260,995.05)	7/20/2023	14.5	20.00	34.50	0.075%	0.03
185	Tennessee Gas Pipeline	6/1/2023	6/30/2023	\$ 4,917.07	7/24/2023	14.5	24.00	38.50	-0.001%	(0.00)
186	Colonial Energy	6/1/2023	6/30/2023	\$ (632,390.55)	7/25/2023	14.5	25.00	39.50	0.181%	0.07
187	EQT Energy (EGC NAESB)	6/1/2023	6/30/2023	\$ (1,498,355.10)	7/25/2023	14.5	25.00	39.50	0.428%	0.17
188	EQT Energy (PNG NAESB)	6/1/2023	6/30/2023	\$ (2,180,904.00)	7/25/2023	14.5	25.00	39.50	0.623%	0.25
189	National Fuel Gas Supply	6/1/2023	6/30/2023	\$ (149,804.42)	7/25/2023	14.5	25.00	39.50	0.043%	0.02
190	NextEra Energy	6/1/2023	6/30/2023	\$ (776,936.69)	7/25/2023	14.5	25.00	39.50	0.222%	0.09
191	Sequent Energy Management	6/1/2023	6/30/2023	\$ 393,522.89	7/25/2023	14.5	25.00	39.50	-0.112%	(0.04)
192	SouthStar	6/1/2023	6/30/2023	\$ 12,959.10	7/25/2023	14.5	25.00	39.50	-0.004%	(0.00)
193	Eastern Gas Transmission and Storage, Inc.	6/1/2023	6/30/2023	\$ (196,713.02)	7/13/2023	14.5	13.00	27.50	0.056%	0.02
194	Eastern Gas Transmission and Storage, Inc.	6/1/2023	6/30/2023	\$ (3,629.34)	7/14/2023	14.5	14.00	28.50	0.001%	0.00
195	Equitrans	6/1/2023	6/30/2023	\$ (446,722.14)	7/13/2023	14.5	13.00	27.50	0.128%	0.04
196	Texas Eastern Transmission, LP	6/1/2023	6/30/2023	\$ (82,138.00)	7/20/2023	14.5	20.00	34.50	0.023%	0.01
197	Columbia Gas Transmission LLC	6/1/2023	6/30/2023	\$ (63,333.05)	7/24/2023	14.5	24.00	38.50	0.018%	0.01
198	Colonial Energy	6/1/2023	6/30/2023	\$ (121,954.00)	7/25/2023	14.5	25.00	39.50	0.035%	0.01
199	EQT Energy (EGC NAESB)	6/1/2023	6/30/2023	\$ (1,306,800.00)	7/25/2023	14.5	25.00	39.50	0.373%	0.15
200	Range Resources	6/1/2023	6/30/2023	\$ (31,622.50)	7/25/2023	14.5	25.00	39.50	0.009%	0.00
201	Eastern Gas Transmission and Storage, Inc.	7/1/2023	7/31/2023	\$ (1,120,767.80)	8/11/2023	15.0	11.00	26.00	0.320%	0.08
202	Eastern Gas Transmission and Storage, Inc.	7/1/2023	7/31/2023	\$ (29,892.44)	8/14/2023	15.0	14.00	29.00	0.009%	0.00
203	Equitrans	7/1/2023	7/31/2023	\$ (6,577,235.25)	8/15/2023	15.0	15.00	30.00	1.879%	0.56
204	Tennessee Gas Pipeline	7/1/2023	7/31/2023	\$ (7,581.62)	8/21/2023	15.0	21.00	36.00	0.002%	0.00
205	Texas Eastern Transmission, LP	7/1/2023	7/31/2023	\$ (265,603.04)	8/21/2023	15.0	21.00	36.00	0.076%	0.03
206	Colonial Energy	7/1/2023	7/31/2023	\$ (259,230.00)	8/25/2023	15.0	25.00	40.00	0.074%	0.03
207	EQT Energy (PNG NAESB)	7/1/2023	7/31/2023	\$ (3,976,470.00)	8/25/2023	15.0	25.00	40.00	1.136%	0.45

Line No.	(A) Company	(B) Period Start	(C) Period End	(D) Payment Amount	(E) Payment Date	(F) Service Lead Time	(G) Payment Lead Time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time
208	National Fuel Gas Supply	7/1/2023	7/31/2023	\$ (150,025.83)	8/25/2023	15.0	25.00	40.00	0.043%	0.02
209	NextEra Energy	7/1/2023	7/31/2023	\$ (1,287,303.24)	8/25/2023	15.0	25.00	40.00	0.368%	0.15
210	Sequent Energy Management	7/1/2023	7/31/2023	\$ 498,840.87	8/25/2023	15.0	25.00	40.00	-0.143%	(0.06)
211	SouthStar	7/1/2023	7/31/2023	\$ 1,470.00	8/25/2023	15.0	25.00	40.00	0.000%	(0.00)
212	Eastern Gas Transmission and Storage, Inc.	7/1/2023	7/31/2023	\$ (206,895.40)	8/11/2023	15.0	11.00	26.00	0.059%	0.02
213	Eastern Gas Transmission and Storage, Inc.	7/1/2023	7/31/2023	\$ (3,750.32)	8/14/2023	15.0	14.00	29.00	0.001%	0.00
214	Equitrans	7/1/2023	7/31/2023	\$ (463,828.13)	8/15/2023	15.0	15.00	30.00	0.133%	0.04
215	Columbia Gas Transmission LLC	7/1/2023	7/31/2023	\$ (62,879.94)	8/21/2023	15.0	21.00	36.00	0.018%	0.01
216	Texas Eastern Transmission, LP	7/1/2023	7/31/2023	\$ (82,038.00)	8/21/2023	15.0	21.00	36.00	0.023%	0.01
217	Colonial Energy	7/1/2023	7/31/2023	\$ (133,935.50)	8/25/2023	15.0	25.00	40.00	0.038%	0.02
218	EQT Energy (PNG NAESB)	7/1/2023	7/31/2023	\$ (1,450,000.00)	8/25/2023	15.0	25.00	40.00	0.414%	0.17
219	Sequent Energy Management	7/1/2023	7/31/2023	\$ (37,112.74)	8/25/2023	15.0	25.00	40.00	0.011%	0.00
220	Eastern Gas Transmission and Storage, Inc.	8/1/2023	8/31/2023	\$ (1,118,708.51)	9/11/2023	15.0	11.00	26.00	0.320%	0.08
221	Eastern Gas Transmission and Storage, Inc.	8/1/2023	8/31/2023	\$ (23,887.43)	9/15/2023	15.0	15.00	30.00	0.007%	0.00
222	Equitrans	8/1/2023	8/31/2023	\$ (6,309,610.93)	9/15/2023	15.0	15.00	30.00	1.803%	0.54
223	Texas Eastern Transmission, LP	8/1/2023	8/31/2023	\$ (261,339.35)	9/20/2023	15.0	20.00	35.00	0.075%	0.03
224	Colonial Energy	8/1/2023	8/31/2023	\$ (122,307.50)	9/25/2023	15.0	25.00	40.00	0.035%	0.01
225	EQT Energy (PNG NAESB)	8/1/2023	8/31/2023	\$ (970,920.00)	9/25/2023	15.0	25.00	40.00	0.277%	0.11
226	National Fuel Gas Supply	8/1/2023	8/31/2023	\$ (149,833.43)	9/25/2023	15.0	25.00	40.00	0.043%	0.02
227	NextEra Energy	8/1/2023	8/31/2023	\$ (977,061.00)	9/25/2023	15.0	25.00	40.00	0.279%	0.11
228	Range Resources	8/1/2023	8/31/2023	\$ (438,025.00)	9/25/2023	15.0	25.00	40.00	0.125%	0.05
229	Sequent Energy Management	8/1/2023	8/31/2023	\$ 241,570.50	9/25/2023	15.0	25.00	40.00	-0.069%	(0.03)
230	Tennessee Gas Pipeline	8/1/2023	8/31/2023	\$ 1.50	9/25/2023	15.0	25.00	40.00	0.000%	(0.00)
231	Eastern Gas Transmission and Storage, Inc.	8/1/2023	8/31/2023	\$ (217,041.00)	9/11/2023	15.0	11.00	26.00	0.062%	0.02
232	Eastern Gas Transmission and Storage, Inc.	8/1/2023	8/31/2023	\$ (3,051.49)	9/15/2023	15.0	15.00	30.00	0.001%	0.00
233	Equitrans	8/1/2023	8/31/2023	\$ (448,040.83)	9/15/2023	15.0	15.00	30.00	0.128%	0.04
234	Texas Eastern Transmission, LP	8/1/2023	8/31/2023	\$ (94,518.00)	9/20/2023	15.0	20.00	35.00	0.027%	0.01
235	Colonial Energy	8/1/2023	8/31/2023	\$ (87,237.50)	9/25/2023	15.0	25.00	40.00	0.025%	0.01
236	Columbia Gas Transmission LLC	8/1/2023	8/31/2023	\$ (62,784.20)	9/25/2023	15.0	25.00	40.00	0.018%	0.01
237	EQT Energy (PNG NAESB)	8/1/2023	8/31/2023	\$ (1,171,800.00)	9/25/2023	15.0	25.00	40.00	0.335%	0.13
238	Sequent Energy Management	8/1/2023	8/31/2023	\$ (24,831.00)	9/25/2023	15.0	25.00	40.00	0.007%	0.00
239	Local Producer Gas Payments - Ensyte	9/1/2022	9/30/2022	\$ (5,291,524.75)	10/31/2022	14.5	31.00	45.50	1.512%	0.69
240	Local Producer Gas Payments - Ensyte	10/1/2022	10/31/2022	\$ (2,951,946.61)	11/30/2022	15.0	30.00	45.00	0.843%	0.38
241	Local Producer Gas Payments - Ensyte	11/1/2022	11/30/2022	\$ (2,285,063.54)	12/30/2022	14.5	30.00	44.50	0.653%	0.29
242	Local Producer Gas Payments - Ensyte	12/1/2022	12/31/2022	\$ (2,739,747.50)	1/31/2023	15.0	31.00	46.00	0.783%	0.36
243	Local Producer Gas Payments - Ensyte	1/1/2023	1/31/2023	\$ (1,822,668.67)	2/28/2023	15.0	28.00	43.00	0.521%	0.22
244	Local Producer Gas Payments - Ensyte	2/1/2023	2/28/2023	\$ (1,156,679.74)	3/31/2023	13.5	31.00	44.50	0.330%	0.15
245	Local Producer Gas Payments - Ensyte	3/1/2023	3/31/2023	\$ (1,021,095.38)	4/28/2023	15.0	28.00	43.00	0.292%	0.13
246	Local Producer Gas Payments - Ensyte	4/1/2023	4/30/2023	\$ (783,507.94)	5/31/2023	14.5	31.00	45.50	0.224%	0.10
247	Local Producer Gas Payments - Ensyte	5/1/2023	5/31/2023	\$ (790,378.37)	6/30/2023	15.0	30.00	45.00	0.226%	0.10
248	Local Producer Gas Payments - Ensyte	6/1/2023	6/30/2023	\$ (637,858.05)	7/31/2023	14.5	31.00	45.50	0.182%	0.08
249	Local Producer Gas Payments - Ensyte	7/1/2023	7/31/2023	\$ (716,132.66)	8/31/2023	15.0	31.00	46.00	0.205%	0.09

Line No.	(A) Company	(B) Period Start	(C) Period End	(D) Payment Amount	(E) Payment Date	(F) Service Lead Time	(G) Payment Lead Time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time
250	Local Producer Gas Payments - Ensyte	8/1/2023	8/31/2023	\$ (689,239.40)	9/30/2023	15.0	30.00	45.00	0.197%	0.09
251				<u>\$ (349,988,398.75)</u>						

Calculation of Payroll Lead Time

Weighted Expense Lead Time:

15.55 days

Line No.	(A) Type	(B) Pay Period End Date	(C) Pay Date	(D) Payroll Amount	(E) Pay Period Begin	(F) Mid Point of Pay Period	(G) Payment Lead Time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time	
1	1M4	Union Payroll	8/27/2022	9/7/2022	\$ 3,021,634.09	8/14/2022	6.5	11.00	17.50	2.25%	0.39
2	1M4	Union Payroll	9/10/2022	9/21/2022	\$ 2,923,246.51	8/28/2022	6.5	11.00	17.50	2.17%	0.38
3	1M4	Union Payroll	9/24/2022	10/5/2022	\$ 3,036,298.23	9/11/2022	6.5	11.00	17.50	2.26%	0.39
4	1M4	Union Payroll	10/8/2022	10/19/2022	\$ 3,050,487.41	9/25/2022	6.5	11.00	17.50	2.27%	0.40
5	1M4	Union Payroll	10/22/2022	11/2/2022	\$ 3,123,004.54	10/9/2022	6.5	11.00	17.50	2.32%	0.41
6	1M4	Union Payroll	11/5/2022	11/16/2022	\$ 3,098,721.40	10/23/2022	6.5	11.00	17.50	2.30%	0.40
7	1M4	Union Payroll	11/19/2022	11/30/2022	\$ 3,165,378.16	11/6/2022	6.5	11.00	17.50	2.35%	0.41
8	1M4	Union Payroll	12/3/2022	12/14/2022	\$ 3,118,444.57	11/20/2022	6.5	11.00	17.50	2.32%	0.41
9	1M4	Union Payroll	12/17/2022	12/28/2022	\$ 3,117,968.11	12/4/2022	6.5	11.00	17.50	2.32%	0.41
10	1M4	Union Payroll	12/31/2022	1/11/2023	\$ 3,605,944.43	12/18/2022	6.5	11.00	17.50	2.68%	0.47
11	1M4	Union Payroll	1/14/2023	1/25/2023	\$ 3,133,009.57	1/1/2023	6.5	11.00	17.50	2.33%	0.41
12	1M4	Union Payroll	1/28/2023	2/8/2023	\$ 3,168,077.13	1/15/2023	6.5	11.00	17.50	2.35%	0.41
13	1M4	Union Payroll	2/11/2023	2/22/2023	\$ 3,279,269.60	1/29/2023	6.5	11.00	17.50	2.44%	0.43
14	1M4	Union Payroll	2/25/2023	3/8/2023	\$ 3,160,467.55	2/12/2023	6.5	11.00	17.50	2.35%	0.41
15	1M4	Union Payroll	3/11/2023	3/22/2023	\$ 3,106,737.35	2/26/2023	6.5	11.00	17.50	2.31%	0.40
16	1M4	Union Payroll	3/25/2023	4/5/2023	\$ 3,133,107.82	3/12/2023	6.5	11.00	17.50	2.33%	0.41
17	1M4	Union Payroll	4/8/2023	4/19/2023	\$ 3,144,143.38	3/26/2023	6.5	11.00	17.50	2.34%	0.41
18	1M4	Union Payroll	4/22/2023	5/3/2023	\$ 3,084,845.30	4/9/2023	6.5	11.00	17.50	2.29%	0.40
19	1M4	Union Payroll	5/6/2023	5/17/2023	\$ 3,050,327.22	4/23/2023	6.5	11.00	17.50	2.27%	0.40
20	1M4	Union Payroll	5/20/2023	5/31/2023	\$ 3,110,983.19	5/7/2023	6.5	11.00	17.50	2.31%	0.40
21	1M4	Union Payroll	6/3/2023	6/14/2023	\$ 3,091,574.46	5/21/2023	6.5	11.00	17.50	2.30%	0.40
22	1M4	Union Payroll	6/17/2023	6/28/2023	\$ 3,083,458.80	6/4/2023	6.5	11.00	17.50	2.29%	0.40
23	1M4	Union Payroll	7/1/2023	7/12/2023	\$ 3,115,733.94	6/18/2023	6.5	11.00	17.50	2.32%	0.41
24	1M4	Union Payroll	7/15/2023	7/26/2023	\$ 3,079,566.00	7/2/2023	6.5	11.00	17.50	2.29%	0.40
25	1M4	Union Payroll	7/29/2023	8/9/2023	\$ 3,137,538.48	7/16/2023	6.5	11.00	17.50	2.33%	0.41
26	1M4	Union Payroll	8/12/2023	8/23/2023	\$ 3,159,114.19	7/30/2023	6.5	11.00	17.50	2.35%	0.41
27	CWA	Union Payroll	9/4/2022	9/14/2022	\$ 54,392.73	8/22/2022	6.5	10.00	16.50	0.04%	0.01
28	CWA	Union Payroll	9/18/2022	9/28/2022	\$ 53,128.06	9/5/2022	6.5	10.00	16.50	0.04%	0.01
29	CWA	Union Payroll	10/2/2022	10/12/2022	\$ 56,527.51	9/19/2022	6.5	10.00	16.50	0.04%	0.01
30	CWA	Union Payroll	10/16/2022	10/26/2022	\$ 56,730.65	10/3/2022	6.5	10.00	16.50	0.04%	0.01
31	CWA	Union Payroll	10/30/2022	11/9/2022	\$ 53,685.08	10/17/2022	6.5	10.00	16.50	0.04%	0.01
32	CWA	Union Payroll	11/13/2022	11/23/2022	\$ 66,581.54	10/31/2022	6.5	10.00	16.50	0.05%	0.01
33	CWA	Union Payroll	11/27/2022	12/7/2022	\$ 55,174.21	11/14/2022	6.5	10.00	16.50	0.04%	0.01
34	CWA	Union Payroll	12/11/2022	12/21/2022	\$ 57,003.13	11/28/2022	6.5	10.00	16.50	0.04%	0.01
35	CWA	Union Payroll	12/25/2022	1/4/2023	\$ 57,326.01	12/12/2022	6.5	10.00	16.50	0.04%	0.01
36	CWA	Union Payroll	1/8/2023	1/18/2023	\$ 53,702.08	12/26/2022	6.5	10.00	16.50	0.04%	0.01
37	CWA	Union Payroll	1/22/2023	2/1/2023	\$ 55,096.74	1/9/2023	6.5	10.00	16.50	0.04%	0.01
38	CWA	Union Payroll	2/5/2023	2/15/2023	\$ 54,621.63	1/23/2023	6.5	10.00	16.50	0.04%	0.01
39	CWA	Union Payroll	2/19/2023	3/1/2023	\$ 57,378.70	2/6/2023	6.5	10.00	16.50	0.04%	0.01
40	CWA	Union Payroll	3/5/2023	3/15/2023	\$ 54,841.90	2/20/2023	6.5	10.00	16.50	0.04%	0.01
41	CWA	Union Payroll	3/19/2023	3/29/2023	\$ 51,576.37	3/6/2023	6.5	10.00	16.50	0.04%	0.01
42	CWA	Union Payroll	4/2/2023	4/12/2023	\$ 48,860.70	3/20/2023	6.5	10.00	16.50	0.04%	0.01
43	CWA	Union Payroll	4/16/2023	4/26/2023	\$ 50,055.99	4/3/2023	6.5	10.00	16.50	0.04%	0.01
44	CWA	Union Payroll	4/30/2023	5/10/2023	\$ 51,576.78	4/17/2023	6.5	10.00	16.50	0.04%	0.01

Line No.	(A) Type	(B) Pay Period End Date	(C) Pay Date	(D) Payroll Amount	(E) Pay Period Begin	(F) Mid Point of Pay Period	(G) Payment Lead Time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time	
45	CWA	Union Payroll	5/14/2023	5/24/2023	\$ 53,423.80	5/1/2023	6.5	10.00	16.50	0.04%	0.01
46	CWA	Union Payroll	5/28/2023	6/7/2023	\$ 55,436.29	5/15/2023	6.5	10.00	16.50	0.04%	0.01
47	CWA	Union Payroll	6/11/2023	6/21/2023	\$ 54,856.23	5/29/2023	6.5	10.00	16.50	0.04%	0.01
48	CWA	Union Payroll	6/25/2023	7/5/2023	\$ 57,416.08	6/12/2023	6.5	10.00	16.50	0.04%	0.01
49	CWA	Union Payroll	7/9/2023	7/19/2023	\$ 52,784.91	6/26/2023	6.5	10.00	16.50	0.04%	0.01
50	CWA	Union Payroll	7/23/2023	8/2/2023	\$ 55,595.27	7/10/2023	6.5	10.00	16.50	0.04%	0.01
51	CWA	Union Payroll	8/6/2023	8/16/2023	\$ 54,450.30	7/24/2023	6.5	10.00	16.50	0.04%	0.01
52	CWA	Union Payroll	8/20/2023	8/30/2023	\$ 52,267.98	8/7/2023	6.5	10.00	16.50	0.04%	0.01
53	1M6	Salaried Payroll	9/3/2022	9/9/2022	\$ 717,548.07	8/21/2022	6.5	6.00	12.50	0.53%	0.07
54	1M6	Salaried Payroll	9/17/2022	9/23/2022	\$ 724,898.47	9/4/2022	6.5	6.00	12.50	0.54%	0.07
55	1M6	Salaried Payroll	10/1/2022	10/7/2022	\$ 715,375.83	9/18/2022	6.5	6.00	12.50	0.53%	0.07
56	1M6	Salaried Payroll	10/15/2022	10/21/2022	\$ 720,203.67	10/2/2022	6.5	6.00	12.50	0.54%	0.07
57	1M6	Salaried Payroll	10/29/2022	11/4/2022	\$ 715,663.12	10/16/2022	6.5	6.00	12.50	0.53%	0.07
58	1M6	Salaried Payroll	11/12/2022	11/18/2022	\$ 722,281.50	10/30/2022	6.5	6.00	12.50	0.54%	0.07
59	1M6	Salaried Payroll	11/26/2022	12/2/2022	\$ 729,200.64	11/13/2022	6.5	6.00	12.50	0.54%	0.07
60	1M6	Salaried Payroll	12/10/2022	12/16/2022	\$ 719,395.65	11/27/2022	6.5	6.00	12.50	0.53%	0.07
61	1M6	Salaried Payroll	12/24/2022	12/30/2022	\$ 728,003.25	12/11/2022	6.5	6.00	12.50	0.54%	0.07
62	1M6	Salaried Payroll	1/7/2023	1/13/2023	\$ 736,734.93	12/25/2022	6.5	6.00	12.50	0.55%	0.07
63	1M6	Salaried Payroll	1/21/2023	1/27/2023	\$ 716,677.38	1/8/2023	6.5	6.00	12.50	0.53%	0.07
64	1M6	Salaried Payroll	2/4/2023	2/10/2023	\$ 709,757.74	1/22/2023	6.5	6.00	12.50	0.53%	0.07
65	1M6	Salaried Payroll	2/18/2023	2/24/2023	\$ 715,150.23	2/5/2023	6.5	6.00	12.50	0.53%	0.07
66	1M6	Salaried Payroll	3/4/2023	3/10/2023	\$ 712,511.56	2/19/2023	6.5	6.00	12.50	0.53%	0.07
67	1M6	Salaried Payroll	3/18/2023	3/24/2023	\$ 718,336.00	3/5/2023	6.5	6.00	12.50	0.53%	0.07
68	1M6	Salaried Payroll	4/1/2023	4/6/2023	\$ 731,388.31	3/19/2023	6.5	5.00	11.50	0.54%	0.06
69	1M6	Salaried Payroll	4/15/2023	4/21/2023	\$ 741,819.95	4/2/2023	6.5	6.00	12.50	0.55%	0.07
70	1M6	Salaried Payroll	4/29/2023	5/5/2023	\$ 749,984.82	4/16/2023	6.5	6.00	12.50	0.56%	0.07
71	1M6	Salaried Payroll	5/13/2023	5/19/2023	\$ 747,458.78	4/30/2023	6.5	6.00	12.50	0.56%	0.07
72	1M6	Salaried Payroll	5/27/2023	6/2/2023	\$ 738,219.00	5/14/2023	6.5	6.00	12.50	0.55%	0.07
73	1M6	Salaried Payroll	6/10/2023	6/16/2023	\$ 751,684.22	5/28/2023	6.5	6.00	12.50	0.56%	0.07
74	1M6	Salaried Payroll	6/24/2023	6/30/2023	\$ 734,655.03	6/11/2023	6.5	6.00	12.50	0.55%	0.07
75	1M6	Salaried Payroll	7/8/2023	7/14/2023	\$ 739,217.14	6/25/2023	6.5	6.00	12.50	0.55%	0.07
76	1M6	Salaried Payroll	7/22/2023	7/28/2023	\$ 725,360.60	7/9/2023	6.5	6.00	12.50	0.54%	0.07
77	1M6	Salaried Payroll	8/5/2023	8/11/2023	\$ 726,934.09	7/23/2023	6.5	6.00	12.50	0.54%	0.07
78	1M6	Salaried Payroll	8/19/2023	8/25/2023	\$ 795,710.80	8/6/2023	6.5	6.00	12.50	0.59%	0.07
79	7TY	Salaried Payroll	9/3/2022	9/9/2022	\$ 1,396,726.44	8/21/2022	6.5	6.00	12.50	1.04%	0.13
80	7TY	Salaried Payroll	9/17/2022	9/23/2022	\$ 1,441,205.47	9/4/2022	6.5	6.00	12.50	1.07%	0.13
81	7TY	Salaried Payroll	10/1/2022	10/7/2022	\$ 1,397,981.95	9/18/2022	6.5	6.00	12.50	1.04%	0.13
82	7TY	Salaried Payroll	10/15/2022	10/21/2022	\$ 1,314,417.34	10/2/2022	6.5	6.00	12.50	0.98%	0.12
83	7TY	Salaried Payroll	10/29/2022	11/4/2022	\$ 1,475,913.42	10/16/2022	6.5	6.00	12.50	1.10%	0.14
84	7TY	Salaried Payroll	11/12/2022	11/18/2022	\$ 1,301,339.93	10/30/2022	6.5	6.00	12.50	0.97%	0.12
85	7TY	Salaried Payroll	11/26/2022	12/2/2022	\$ 1,332,186.90	11/13/2022	6.5	6.00	12.50	0.99%	0.12
86	7TY	Salaried Payroll	12/10/2022	12/16/2022	\$ 1,318,329.95	11/27/2022	6.5	6.00	12.50	0.98%	0.12
87	7TY	Salaried Payroll	12/24/2022	12/30/2022	\$ 1,355,433.54	12/11/2022	6.5	6.00	12.50	1.01%	0.13
88	7TY	Salaried Payroll	1/7/2023	1/13/2023	\$ 1,146,073.71	12/25/2022	6.5	6.00	12.50	0.85%	0.11
89	7TY	Salaried Payroll	1/21/2023	1/27/2023	\$ 1,195,528.03	1/8/2023	6.5	6.00	12.50	0.89%	0.11
90	7TY	Salaried Payroll	2/4/2023	2/10/2023	\$ 1,164,282.69	1/22/2023	6.5	6.00	12.50	0.87%	0.11
91	7TY	Salaried Payroll	2/18/2023	2/24/2023	\$ 1,464,705.65	2/5/2023	6.5	6.00	12.50	1.09%	0.14

Line No.	(A) Type	(B) Pay Period End Date	(C) Pay Date	(D) Payroll Amount	(E) Pay Period Begin	(F) Mid Point of Pay Period	(G) Payment Lead Time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time	
92	7TY	Salaried Payroll	3/4/2023	3/10/2023	\$ 1,138,918.46	2/19/2023	6.5	6.00	12.50	0.85%	0.11
93	7TY	Salaried Payroll	3/18/2023	3/24/2023	\$ 1,158,886.96	3/5/2023	6.5	6.00	12.50	0.86%	0.11
94	7TY	Salaried Payroll	4/1/2023	4/6/2023	\$ 1,146,945.19	3/19/2023	6.5	5.00	11.50	0.85%	0.10
95	7TY	Salaried Payroll	4/15/2023	4/21/2023	\$ 1,202,105.58	4/2/2023	6.5	6.00	12.50	0.89%	0.11
96	7TY	Salaried Payroll	4/29/2023	5/5/2023	\$ 1,159,532.98	4/16/2023	6.5	6.00	12.50	0.86%	0.11
97	7TY	Salaried Payroll	5/13/2023	5/19/2023	\$ 1,201,746.48	4/30/2023	6.5	6.00	12.50	0.89%	0.11
98	7TY	Salaried Payroll	5/27/2023	6/2/2023	\$ 1,215,013.93	5/14/2023	6.5	6.00	12.50	0.90%	0.11
99	7TY	Salaried Payroll	6/10/2023	6/16/2023	\$ 1,211,685.08	5/28/2023	6.5	6.00	12.50	0.90%	0.11
100	7TY	Salaried Payroll	6/24/2023	6/30/2023	\$ 1,189,125.82	6/11/2023	6.5	6.00	12.50	0.88%	0.11
101	7TY	Salaried Payroll	7/8/2023	7/14/2023	\$ 1,212,633.76	6/25/2023	6.5	6.00	12.50	0.90%	0.11
102	7TY	Salaried Payroll	7/22/2023	7/28/2023	\$ 1,265,934.24	7/9/2023	6.5	6.00	12.50	0.94%	0.12
103	7TY	Salaried Payroll	8/5/2023	8/11/2023	\$ 1,198,413.24	7/23/2023	6.5	6.00	12.50	0.89%	0.11
104	7TY	Salaried Payroll	8/19/2023	8/25/2023	\$ 1,225,389.22	8/6/2023	6.5	6.00	12.50	0.91%	0.11
105				<u>\$ 134,538,198.84</u>							

Calculation of Pension & Benefits Lead Time

Weighted Expense Lead Time:

30.63 days

Line No.	(A) Pensions & Benefits	(B) End of Period	(C) Paid Date	(D) Amount	(E) Service Lead Time	(F) Payment Lead Time	(G) Total Lead Time	(H) Weighting Factor	(I) Weighted Lead Time
1	Benefits - Medical - Salary & Union	9/30/2022	8/19/2022	\$ 1,201,091.32	15.21	(42.00)	(26.79)	5.752%	(1.54)
2	Benefits - Medical - Salary & Union	10/31/2022	9/16/2022	\$ 1,240,522.49	15.21	(45.00)	(29.79)	5.941%	(1.77)
3	Benefits - Medical - Salary & Union	11/30/2022	11/1/2022	\$ 1,093,712.30	15.21	(29.00)	(13.79)	5.238%	(0.72)
4	Benefits - Medical - Salary & Union	12/31/2022	11/17/2022	\$ 1,162,104.90	15.21	(44.00)	(28.79)	5.565%	(1.60)
5	Benefits - Medical - Salary & Union	1/31/2023	12/16/2022	\$ 1,200,231.36	15.21	(46.00)	(30.79)	5.748%	(1.77)
6	Benefits - Medical - Salary & Union	2/28/2023	1/20/2023	\$ 1,440,420.83	15.21	(39.00)	(23.79)	6.898%	(1.64)
7	Benefits - Medical - Salary & Union	3/31/2023	2/16/2023	\$ 1,337,595.39	15.21	(43.00)	(27.79)	6.406%	(1.78)
8	Benefits - Medical - Salary & Union	4/30/2023	3/17/2023	\$ 1,338,249.76	15.21	(44.00)	(28.79)	6.409%	(1.85)
9	Benefits - Medical - Salary & Union	5/31/2023	4/14/2023	\$ 1,240,474.53	15.21	(47.00)	(31.79)	5.940%	(1.89)
10	Benefits - Medical - Salary & Union	6/30/2023	5/13/2023	\$ 1,343,660.29	15.21	(48.00)	(32.79)	6.435%	(2.11)
11	Benefits - Medical - Salary & Union	7/31/2023	6/16/2023	\$ 1,304,415.12	15.21	(45.00)	(29.79)	6.247%	(1.86)
12	Benefits - Medical - Salary & Union	8/31/2023	7/17/2023	\$ 1,284,320.54	15.21	(45.00)	(29.79)	6.150%	(1.83)
13	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	9/30/2022	10/4/2022	\$ 374,354.91	15.21	4.00	19.21	1.793%	0.34
14	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	10/31/2022	10/18/2022	\$ (119,290.88)	15.21	(13.00)	2.21	-0.571%	(0.01)
15	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	11/30/2022	11/23/2022	\$ 53,142.27	15.21	(7.00)	8.21	0.254%	0.02
16	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	12/31/2022	1/9/2023	\$ 59,605.64	15.21	9.00	24.21	0.285%	0.07
17	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	1/31/2023	2/17/2023	\$ 138,922.66	15.21	17.00	32.21	0.665%	0.21
18	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	2/28/2023	4/3/2023	\$ 92,211.53	15.21	34.00	49.21	0.442%	0.22
19	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	3/31/2023	4/17/2023	\$ 96,109.93	15.21	17.00	32.21	0.460%	0.15
20	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	4/30/2023	5/10/2023	\$ 96,047.40	15.21	10.00	25.21	0.460%	0.12
21	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	5/31/2023	5/24/2023	\$ 711,154.74	15.21	(7.00)	8.21	3.406%	0.28
22	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	6/30/2023	6/20/2023	\$ 144,124.08	15.21	(10.00)	5.21	0.690%	0.04
23	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	7/31/2023	7/25/2023	\$ 149,545.80	15.21	(6.00)	9.21	0.716%	0.07
24	Benefits - Dental, Life, LTD, IDI, Voluntary Benefits	8/31/2023	8/29/2023	\$ 147,187.36	15.21	(2.00)	13.21	0.705%	0.09
25	Pension Contribution	12/31/2021	8/3/2022	\$ 2,571,430.00	182.50	215.00	397.50	12.314%	48.95
26	Health Equity - HSA Employer Amortization	9/30/2022		\$ 105,856.98	7.02	1.00	8.02	0.507%	0.04
27	Health Equity - HSA Employer Amortization	10/31/2022		\$ 107,893.37	7.02	1.00	8.02	0.517%	0.04
28	Health Equity - HSA Employer Amortization	11/30/2022		\$ 108,146.25	7.02	1.00	8.02	0.518%	0.04
29	Health Equity - HSA Employer Amortization	12/31/2022		\$ 134,033.37	7.02	1.00	8.02	0.642%	0.05
30	Health Equity - HSA Employer Amortization	1/31/2023		\$ 89,194.58	7.02	1.00	8.02	0.427%	0.03
31	Health Equity - HSA Employer Amortization	2/28/2023		\$ 89,194.50	7.02	1.00	8.02	0.427%	0.03
32	Health Equity - HSA Employer Amortization	3/31/2023		\$ 89,683.11	7.02	1.00	8.02	0.429%	0.03
33	Health Equity - HSA Employer Amortization	4/30/2023		\$ 89,683.11	7.02	1.00	8.02	0.429%	0.03
34	Health Equity - HSA Employer Amortization	5/31/2023		\$ 90,133.53	7.02	1.00	8.02	0.432%	0.03
35	Health Equity - HSA Employer Amortization	6/30/2023		\$ 92,896.39	7.02	1.00	8.02	0.445%	0.04
36	Health Equity - HSA Employer Amortization	7/31/2023		\$ 91,774.65	7.02	1.00	8.02	0.439%	0.04
37	Health Equity - HSA Employer Amortization	8/31/2023		\$ 92,145.80	7.02	1.00	8.02	0.441%	0.04
38				<u>\$ 20,881,979.91</u>					

Calculation of Other O&M Lead Time

Weighted Expense Lead Time: 42.40 days

Line No.	(A) Name	(B) Inv Amount	(C) Invoice Date	(D) Paid Date	(E) Service Lead Time	(F) Payment Lead Time	(G) Total Lead Time	(H) Weighting Factor	(I) Weighed Lead Time
1	Selection Item 1	\$ (645.30)	1/10/2023	2/9/2023	15.21	30.00	45.21	0.022%	0.01
2	Selection Item 2	\$ (233.78)	1/10/2023	2/9/2023	15.21	30.00	45.21	0.008%	0.00
3	Selection Item 3	\$ (182.72)	1/10/2023	2/9/2023	15.21	30.00	45.21	0.006%	0.00
4	Selection Item 4	\$ (213.96)	1/10/2023	2/9/2023	15.21	30.00	45.21	0.007%	0.00
5	Selection Item 5	\$ (62.22)	1/10/2023	2/9/2023	15.21	30.00	45.21	0.002%	0.00
6	Selection Item 6	\$ (635.27)	1/2/2023	1/12/2023	15.21	10.00	25.21	0.022%	0.01
7	Selection Item 7	\$ (143.48)	1/3/2023	1/12/2023	15.21	9.00	24.21	0.005%	0.00
8	Selection Item 8	\$ (19,848.00)	1/10/2023	1/19/2023	15.21	9.00	24.21	0.680%	0.16
9	Selection Item 9	\$ (6.67)	1/7/2023	2/2/2023	15.21	26.00	41.21	0.000%	0.00
10	Selection Item 10	\$ (13.66)	1/7/2023	2/2/2023	15.21	26.00	41.21	0.000%	0.00
11	Selection Item 11	\$ (445.17)	1/16/2023	2/9/2023	15.21	24.00	39.21	0.015%	0.01
12	Selection Item 12	\$ (5,441.12)	1/10/2023	1/19/2023	15.21	9.00	24.21	0.186%	0.05
13	Selection Item 13	\$ (48.04)	1/10/2023	1/19/2023	15.21	9.00	24.21	0.002%	0.00
14	Selection Item 14	\$ (42.80)	1/10/2023	1/19/2023	15.21	9.00	24.21	0.001%	0.00
15	Selection Item 15	\$ (47.15)	1/10/2023	1/19/2023	15.21	9.00	24.21	0.002%	0.00
16	Selection Item 16	\$ (12,793.33)	1/10/2023	1/19/2023	15.21	9.00	24.21	0.438%	0.11
17	Selection Item 17	\$ (7,616.91)	1/10/2023	1/19/2023	15.21	9.00	24.21	0.261%	0.06
18	Selection Item 18	\$ (18,445.00)	1/3/2023	1/19/2023	15.21	16.00	31.21	0.632%	0.20
19	Selection Item 19	\$ (73.87)	1/10/2023	2/7/2023	15.21	28.00	43.21	0.003%	0.00
20	Selection Item 20	\$ (18,000.00)	1/5/2023	2/2/2023	15.21	28.00	43.21	0.616%	0.27
21	Selection Item 21	\$ (242.00)	1/18/2023	2/15/2023	15.21	28.00	43.21	0.008%	0.00
22	Selection Item 22	\$ (83.12)	1/18/2023	2/15/2023	15.21	28.00	43.21	0.003%	0.00
23	Selection Item 23	\$ (41.16)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.001%	0.00
24	Selection Item 24	\$ (43.27)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.001%	0.00
25	Selection Item 25	\$ (41.62)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.001%	0.00
26	Selection Item 26	\$ (61.73)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00
27	Selection Item 27	\$ (48.21)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00
28	Selection Item 28	\$ (156.72)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.005%	0.00
29	Selection Item 29	\$ (48.98)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00
30	Selection Item 30	\$ (44.12)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00
31	Selection Item 31	\$ (49.15)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00
32	Selection Item 32	\$ (199.92)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.007%	0.00
33	Selection Item 33	\$ (58.23)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00
34	Selection Item 34	\$ (47.04)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00
35	Selection Item 35	\$ (64.65)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.002%	0.00

Line No.	(A) Name	(B) Inv Amount	(C) Invoice Date	(D) Paid Date	(E) Service Lead Time	(F) Payment Lead Time	(G) Total Lead Time	(H) Weighting Factor	(I) Weighed Lead Time
36	Selection Item 36	\$ (87.52)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.003%	0.00
37	Selection Item 37	\$ (85.05)	1/14/2023	1/26/2023	15.21	12.00	27.21	0.003%	0.00
38	Selection Item 38	\$ (20,967.00)	2/7/2023	5/4/2023	15.21	86.00	101.21	0.718%	0.73
39	Selection Item 39	\$ (10,190.00)	11/30/2022	6/15/2023	15.21	197.00	212.21	0.349%	0.74
40	Selection Item 40	\$ (500.00)	2/21/2023	5/25/2023	15.21	93.00	108.21	0.017%	0.02
41	Selection Item 41	\$ (32.50)	2/28/2023	3/9/2023	15.21	9.00	24.21	0.001%	0.00
42	Selection Item 42	\$ (1,970.00)	2/20/2023	3/16/2023	15.21	24.00	39.21	0.067%	0.03
43	Selection Item 43	\$ (3,050.00)	2/20/2023	3/16/2023	15.21	24.00	39.21	0.104%	0.04
44	Selection Item 44	\$ (102.50)	2/20/2023	3/16/2023	15.21	24.00	39.21	0.004%	0.00
45	Selection Item 45	\$ (86.00)	2/20/2023	3/16/2023	15.21	24.00	39.21	0.003%	0.00
46	Selection Item 46	\$ (10,557.50)	2/28/2023	3/23/2023	15.21	23.00	38.21	0.362%	0.14
47	Selection Item 47	\$ (100.00)	3/2/2023	3/9/2023	15.21	7.00	22.21	0.003%	0.00
48	Selection Item 48	\$ (68.00)	2/21/2023	3/23/2023	15.21	30.00	45.21	0.002%	0.00
49	Selection Item 49	\$ (233.19)	3/7/2023	4/6/2023	15.21	30.00	45.21	0.008%	0.00
50	Selection Item 50	\$ (679,061.50)	2/28/2023	3/30/2023	15.21	30.00	45.21	23.258%	10.51
51	Selection Item 51	\$ (1,142.42)	3/18/2023	4/13/2023	15.21	26.00	41.21	0.039%	0.02
52	Selection Item 52	\$ (362.66)	3/13/2023	4/6/2023	15.21	24.00	39.21	0.012%	0.00
53	Selection Item 53	\$ (403.00)	3/10/2023	4/6/2023	15.21	27.00	42.21	0.014%	0.01
54	Selection Item 54	\$ (104.00)	3/15/2023	4/13/2023	15.21	29.00	44.21	0.004%	0.00
55	Selection Item 55	\$ (13,485.00)	3/1/2023	3/30/2023	15.21	29.00	44.21	0.462%	0.20
56	Selection Item 56	\$ (67.42)	3/15/2023	3/23/2023	15.21	8.00	23.21	0.002%	0.00
57	Selection Item 57	\$ (59.32)	3/15/2023	3/23/2023	15.21	8.00	23.21	0.002%	0.00
58	Selection Item 58	\$ (100.00)	3/15/2023	3/23/2023	15.21	8.00	23.21	0.003%	0.00
59	Selection Item 59	\$ (23.94)	3/22/2023	4/20/2023	15.21	29.00	44.21	0.001%	0.00
60	Selection Item 60	\$ (117.00)	3/23/2023	4/20/2023	15.21	28.00	43.21	0.004%	0.00
61	Selection Item 61	\$ (50.74)	3/23/2023	4/20/2023	15.21	28.00	43.21	0.002%	0.00
62	Selection Item 62	\$ (39.98)	3/23/2023	4/20/2023	15.21	28.00	43.21	0.001%	0.00
63	Selection Item 63	\$ (5.99)	3/23/2023	4/20/2023	15.21	28.00	43.21	0.000%	0.00
64	Selection Item 64	\$ (456.00)	3/22/2023	6/8/2023	15.21	78.00	93.21	0.016%	0.01
65	Selection Item 65	\$ (995.87)	3/22/2023	4/20/2023	15.21	29.00	44.21	0.034%	0.02
66	Selection Item 66	\$ (482.50)	3/22/2023	4/20/2023	15.21	29.00	44.21	0.017%	0.01
67	Selection Item 67	\$ (482.50)	3/22/2023	4/20/2023	15.21	29.00	44.21	0.017%	0.01
68	Selection Item 68	\$ (982.15)	3/20/2023	4/13/2023	15.21	24.00	39.21	0.034%	0.01
69	Selection Item 69	\$ (3,000.00)	2/3/2023	4/6/2023	15.21	62.00	77.21	0.103%	0.08
70	Selection Item 70	\$ (1,170.00)	2/22/2023	3/30/2023	15.21	36.00	51.21	0.040%	0.02
71	Selection Item 71	\$ (14,363.38)	3/6/2023	5/4/2023	15.21	59.00	74.21	0.492%	0.37
72	Selection Item 72	\$ (990.00)	3/9/2023	6/15/2023	15.21	98.00	113.21	0.034%	0.04
73	Selection Item 73	\$ (1,023.15)	3/7/2023	6/8/2023	15.21	93.00	108.21	0.035%	0.04

Line No.	(A) Name	(B) Inv Amount	(C) Invoice Date	(D) Paid Date	(E) Service Lead Time	(F) Payment Lead Time	(G) Total Lead Time	(H) Weighting Factor	(I) Weighed Lead Time
74	Selection Item 74	\$ (87.94)	4/1/2023	4/6/2023	15.21	5.00	20.21	0.003%	0.00
75	Selection Item 75	\$ (24,000.00)	4/6/2023	5/4/2023	15.21	28.00	43.21	0.822%	0.36
76	Selection Item 76	\$ (19,800.00)	3/31/2023	4/27/2023	15.21	27.00	42.21	0.678%	0.29
77	Selection Item 77	\$ (44,960.65)	4/4/2023	4/13/2023	15.21	9.00	24.21	1.540%	0.37
78	Selection Item 78	\$ (40.76)	4/1/2023	4/13/2023	15.21	12.00	27.21	0.001%	0.00
79	Selection Item 79	\$ (74.28)	4/1/2023	4/13/2023	15.21	12.00	27.21	0.003%	0.00
80	Selection Item 80	\$ (31.80)	4/3/2023	4/13/2023	15.21	10.00	25.21	0.001%	0.00
81	Selection Item 81	\$ (7.95)	4/3/2023	4/13/2023	15.21	10.00	25.21	0.000%	0.00
82	Selection Item 82	\$ (112.30)	4/3/2023	4/13/2023	15.21	10.00	25.21	0.004%	0.00
83	Selection Item 83	\$ (4,918.42)	3/27/2023	4/13/2023	15.21	17.00	32.21	0.168%	0.05
84	Selection Item 84	\$ (588.04)	4/2/2023	4/13/2023	15.21	11.00	26.21	0.020%	0.01
85	Selection Item 85	\$ (121.00)	4/11/2023	5/11/2023	15.21	30.00	45.21	0.004%	0.00
86	Selection Item 86	\$ (295.00)	4/4/2023	5/4/2023	15.21	30.00	45.21	0.010%	0.00
87	Selection Item 87	\$ (18.49)	4/10/2023	5/4/2023	15.21	24.00	39.21	0.001%	0.00
88	Selection Item 88	\$ (23.36)	4/7/2023	5/4/2023	15.21	27.00	42.21	0.001%	0.00
89	Selection Item 89	\$ (60.65)	3/29/2023	4/27/2023	15.21	29.00	44.21	0.002%	0.00
90	Selection Item 90	\$ (1,622.00)	4/5/2023	5/4/2023	15.21	29.00	44.21	0.056%	0.02
91	Selection Item 91	\$ (544.52)	3/30/2023	4/27/2023	15.21	28.00	43.21	0.019%	0.01
92	Selection Item 92	\$ (170.03)	3/27/2023	4/20/2023	15.21	24.00	39.21	0.006%	0.00
93	Selection Item 93	\$ (181.18)	3/27/2023	4/20/2023	15.21	24.00	39.21	0.006%	0.00
94	Selection Item 94	\$ (1,155.87)	4/7/2023	5/4/2023	15.21	27.00	42.21	0.040%	0.02
95	Selection Item 95	\$ (5,796.80)	4/13/2023	5/11/2023	15.21	28.00	43.21	0.199%	0.09
96	Selection Item 96	\$ (10,800.00)	3/20/2023	5/4/2023	15.21	45.00	60.21	0.370%	0.22
97	Selection Item 97	\$ (10,800.00)	4/3/2023	5/4/2023	15.21	31.00	46.21	0.370%	0.17
98	Selection Item 98	\$ (10,800.00)	4/17/2023	5/11/2023	15.21	24.00	39.21	0.370%	0.15
99	Selection Item 99	\$ (691.23)	3/31/2023	4/27/2023	15.21	27.00	42.21	0.024%	0.01
100	Selection Item 100	\$ (128,304.00)	3/31/2023	4/27/2023	15.21	27.00	42.21	4.394%	1.85
101	Selection Item 101	\$ (120.00)	4/12/2023	4/27/2023	15.21	15.00	30.21	0.004%	0.00
102	Selection Item 102	\$ (120.00)	4/12/2023	4/27/2023	15.21	15.00	30.21	0.004%	0.00
103	Selection Item 103	\$ (120.00)	4/12/2023	4/27/2023	15.21	15.00	30.21	0.004%	0.00
104	Selection Item 104	\$ (182.00)	4/10/2023	5/4/2023	15.21	24.00	39.21	0.006%	0.00
105	Selection Item 105	\$ (665,102.00)	3/31/2023	4/27/2023	15.21	27.00	42.21	22.780%	9.61
106	Selection Item 106	\$ (550.00)	4/20/2023	5/18/2023	15.21	28.00	43.21	0.019%	0.01
107	Selection Item 107	\$ (413.00)	4/20/2023	5/18/2023	15.21	28.00	43.21	0.014%	0.01
108	Selection Item 108	\$ (420.00)	4/20/2023	5/18/2023	15.21	28.00	43.21	0.014%	0.01
109	Selection Item 109	\$ (402.50)	4/20/2023	5/18/2023	15.21	28.00	43.21	0.014%	0.01
110	Selection Item 110	\$ (4,961.25)	3/3/2023	5/4/2023	15.21	62.00	77.21	0.170%	0.13
111	Selection Item 111	\$ (169.00)	4/26/2023	5/25/2023	15.21	29.00	44.21	0.006%	0.00

Line No.	(A) Name	(B) Inv Amount	(C) Invoice Date	(D) Paid Date	(E) Service Lead Time	(F) Payment Lead Time	(G) Total Lead Time	(H) Weighting Factor	(I) Weighed Lead Time
112	Selection Item 112	\$ (107.17)	5/1/2023	5/4/2023	15.21	3.00	18.21	0.004%	0.00
113	Selection Item 113	\$ (200.00)	5/4/2023	5/11/2023	15.21	7.00	22.21	0.007%	0.00
114	Selection Item 114	\$ (100.00)	5/4/2023	5/11/2023	15.21	7.00	22.21	0.003%	0.00
115	Selection Item 115	\$ (1,000.00)	4/27/2023	5/25/2023	15.21	28.00	43.21	0.034%	0.01
116	Selection Item 116	\$ (10,874.23)	4/30/2023	5/25/2023	15.21	25.00	40.21	0.372%	0.15
117	Selection Item 117	\$ (4,365.60)	4/21/2023	5/18/2023	15.21	27.00	42.21	0.150%	0.06
118	Selection Item 118	\$ (35.21)	4/28/2023	5/11/2023	15.21	13.00	28.21	0.001%	0.00
119	Selection Item 119	\$ (132.15)	4/30/2023	5/11/2023	15.21	11.00	26.21	0.005%	0.00
120	Selection Item 120	\$ (114.30)	5/1/2023	5/11/2023	15.21	10.00	25.21	0.004%	0.00
121	Selection Item 121	\$ (4,774.88)	3/17/2023	5/11/2023	15.21	55.00	70.21	0.164%	0.11
122	Selection Item 122	\$ (515.00)	1/12/2023	5/11/2023	15.21	119.00	134.21	0.018%	0.02
123	Selection Item 123	\$ (500.00)	1/12/2023	5/11/2023	15.21	119.00	134.21	0.017%	0.02
124	Selection Item 124	\$ (482.50)	1/12/2023	5/11/2023	15.21	119.00	134.21	0.017%	0.02
125	Selection Item 125	\$ (515.00)	1/12/2023	5/11/2023	15.21	119.00	134.21	0.018%	0.02
126	Selection Item 126	\$ (9,820.00)	4/26/2023	5/11/2023	15.21	15.00	30.21	0.336%	0.10
127	Selection Item 127	\$ (1.50)	5/5/2023	6/1/2023	15.21	27.00	42.21	0.000%	0.00
128	Selection Item 128	\$ (5,437.32)	5/8/2023	5/25/2023	15.21	17.00	32.21	0.186%	0.06
129	Selection Item 129	\$ (2,051.71)	5/4/2023	5/25/2023	15.21	21.00	36.21	0.070%	0.03
130	Selection Item 130	\$ (1,881.68)	5/7/2023	5/25/2023	15.21	18.00	33.21	0.064%	0.02
131	Selection Item 131	\$ (7,048.50)	5/4/2023	5/25/2023	15.21	21.00	36.21	0.241%	0.09
132	Selection Item 132	\$ (281.00)	5/22/2023	6/15/2023	15.21	24.00	39.21	0.010%	0.00
133	Selection Item 133	\$ (120.00)	5/15/2023	6/8/2023	15.21	24.00	39.21	0.004%	0.00
134	Selection Item 134	\$ (15,219.00)	4/28/2023	5/23/2023	15.21	25.00	40.21	0.521%	0.21
135	Selection Item 135	\$ (41.98)	5/12/2023	6/8/2023	15.21	27.00	42.21	0.001%	0.00
136	Selection Item 136	\$ (21,390.00)	5/17/2023	5/25/2023	15.21	8.00	23.21	0.733%	0.17
137	Selection Item 137	\$ (10,800.00)	5/1/2023	6/8/2023	15.21	38.00	53.21	0.370%	0.20
138	Selection Item 138	\$ (10,800.00)	5/15/2023	6/8/2023	15.21	24.00	39.21	0.370%	0.15
139	Selection Item 139	\$ (33.99)	5/23/2023	6/22/2023	15.21	30.00	45.21	0.001%	0.00
140	Selection Item 140	\$ (6,360.00)	5/22/2023	6/15/2023	15.21	24.00	39.21	0.218%	0.09
141	Selection Item 141	\$ (115.25)	5/22/2023	6/8/2023	15.21	17.00	32.21	0.004%	0.00
142	Selection Item 142	\$ (350.00)	4/7/2023	6/8/2023	15.21	62.00	77.21	0.012%	0.01
143	Selection Item 143	\$ (115.75)	5/25/2023	6/22/2023	15.21	28.00	43.21	0.004%	0.00
144	Selection Item 144	\$ (1,800.24)	5/4/2023	6/1/2023	15.21	28.00	43.21	0.062%	0.03
145	Selection Item 145	\$ (366.29)	5/5/2023	6/1/2023	15.21	27.00	42.21	0.013%	0.01
146	Selection Item 146	\$ (18,000.00)	5/15/2023	6/8/2023	15.21	24.00	39.21	0.616%	0.24
147	Selection Item 147	\$ (17,250.00)	4/28/2023	6/1/2023	15.21	34.00	49.21	0.591%	0.29
148	Selection Item 148	\$ (12,840.00)	5/1/2023	6/8/2023	15.21	38.00	53.21	0.440%	0.23
149	Selection Item 149	\$ (4,365.60)	3/31/2023	6/8/2023	15.21	69.00	84.21	0.150%	0.13

Line No.	(A) Name	(B) Inv Amount	(C) Invoice Date	(D) Paid Date	(E) Service Lead Time	(F) Payment Lead Time	(G) Total Lead Time	(H) Weighting Factor	(I) Weighed Lead Time
150	Selection Item 150	\$ (142.00)	5/23/2023	6/22/2023	15.21	30.00	45.21	0.005%	0.00
151	Selection Item 151	\$ (154.72)	5/22/2023	6/15/2023	15.21	24.00	39.21	0.005%	0.00
152	Selection Item 152	\$ (52.97)	5/30/2023	6/29/2023	15.21	30.00	45.21	0.002%	0.00
153	Selection Item 153	\$ (79.37)	5/30/2023	6/29/2023	15.21	30.00	45.21	0.003%	0.00
154	Selection Item 154	\$ (57,500.00)	5/8/2023	6/8/2023	15.21	31.00	46.21	1.969%	0.91
155	Selection Item 155	\$ (5,188.00)	5/26/2023	6/15/2023	15.21	20.00	35.21	0.178%	0.06
156	Selection Item 156	\$ (23.00)	6/1/2023	6/8/2023	15.21	7.00	22.21	0.001%	0.00
157	Selection Item 157	\$ (39.70)	5/26/2023	6/8/2023	15.21	13.00	28.21	0.001%	0.00
158	Selection Item 158	\$ (34.87)	5/31/2023	6/8/2023	15.21	8.00	23.21	0.001%	0.00
159	Selection Item 159	\$ (5,470.00)	1/31/2023	6/8/2023	15.21	128.00	143.21	0.187%	0.27
160	Selection Item 160	\$ (65.45)	5/31/2023	6/29/2023	15.21	29.00	44.21	0.002%	0.00
161	Selection Item 161	\$ (2,295.00)	5/31/2023	6/8/2023	15.21	8.00	23.21	0.079%	0.02
162	Selection Item 162	\$ (41.15)	6/1/2023	6/29/2023	15.21	28.00	43.21	0.001%	0.00
163	Selection Item 163	\$ (57,500.00)	6/7/2023	7/6/2023	15.21	29.00	44.21	1.969%	0.87
164	Selection Item 164	\$ (28.98)	6/7/2023	7/6/2023	15.21	29.00	44.21	0.001%	0.00
165	Selection Item 165	\$ (21,600.00)	5/31/2023	6/29/2023	15.21	29.00	44.21	0.740%	0.33
166	Selection Item 166	\$ (25,200.00)	6/2/2023	6/29/2023	15.21	27.00	42.21	0.863%	0.36
167	Selection Item 167	\$ (315.70)	2/8/2023	6/22/2023	15.21	134.00	149.21	0.011%	0.02
168	Selection Item 168	\$ (21.99)	6/9/2023	7/6/2023	15.21	27.00	42.21	0.001%	0.00
169	Selection Item 169	\$ (307.50)	4/5/2023	6/15/2023	15.21	71.00	86.21	0.011%	0.01
170	Selection Item 170	\$ (605.82)	6/1/2023	6/15/2023	15.21	14.00	29.21	0.021%	0.01
171	Selection Item 171	\$ (113.49)	6/1/2023	6/15/2023	15.21	14.00	29.21	0.004%	0.00
172	Selection Item 172	\$ (6,747.29)	6/6/2023	6/15/2023	15.21	9.00	24.21	0.231%	0.06
173	Selection Item 173	\$ (6,373.75)	6/7/2023	6/15/2023	15.21	8.00	23.21	0.218%	0.05
174	Selection Item 174	\$ (2,186.31)	6/7/2023	6/15/2023	15.21	8.00	23.21	0.075%	0.02
175	Selection Item 175	\$ (1,899.53)	6/5/2023	6/15/2023	15.21	10.00	25.21	0.065%	0.02
176	Selection Item 176	\$ (413.00)	6/5/2023	6/29/2023	15.21	24.00	39.21	0.014%	0.01
177	Selection Item 177	\$ (437.50)	6/5/2023	6/29/2023	15.21	24.00	39.21	0.015%	0.01
178	Selection Item 178	\$ (375.00)	6/5/2023	6/29/2023	15.21	24.00	39.21	0.013%	0.01
179	Selection Item 179	\$ (437.50)	6/5/2023	6/29/2023	15.21	24.00	39.21	0.015%	0.01
180	Selection Item 180	\$ (440.00)	6/5/2023	6/29/2023	15.21	24.00	39.21	0.015%	0.01
181	Selection Item 181	\$ (817.88)	6/6/2023	7/6/2023	15.21	30.00	45.21	0.028%	0.01
182	Selection Item 182	\$ (437.50)	6/6/2023	7/6/2023	15.21	30.00	45.21	0.015%	0.01
183	Selection Item 183	\$ (2,200.00)	6/30/2023	7/27/2023	15.21	27.00	42.21	0.075%	0.03
184	Selection Item 184	\$ (64.99)	7/10/2023	8/3/2023	15.21	24.00	39.21	0.002%	0.00
185	Selection Item 185	\$ (16,800.00)	6/30/2023	7/27/2023	15.21	27.00	42.21	0.575%	0.24
186	Selection Item 186	\$ (43.55)	6/16/2023	7/13/2023	15.21	27.00	42.21	0.001%	0.00
187	Selection Item 187	\$ (2,200.00)	6/1/2023	7/27/2023	15.21	56.00	71.21	0.075%	0.05

Line No.	(A) Name	(B) Inv Amount	(C) Invoice Date	(D) Paid Date	(E) Service Lead Time	(F) Payment Lead Time	(G) Total Lead Time	(H) Weighting Factor	(I) Weighed Lead Time
188	Selection Item 188	\$ (281.00)	7/12/2023	8/10/2023	15.21	29.00	44.21	0.010%	0.00
189	Selection Item 189	\$ (69.19)	6/28/2023	7/13/2023	15.21	15.00	30.21	0.002%	0.00
190	Selection Item 190	\$ (554.83)	7/2/2023	7/13/2023	15.21	11.00	26.21	0.019%	0.00
191	Selection Item 191	\$ (9,994.00)	7/7/2023	7/20/2023	15.21	13.00	28.21	0.342%	0.10
192	Selection Item 192	\$ (182,451.50)	6/30/2023	7/20/2023	15.21	20.00	35.21	6.249%	2.20
193	Selection Item 193	\$ (495,083.00)	6/30/2023	7/20/2023	15.21	20.00	35.21	16.956%	5.97
194	Selection Item 194	\$ (12.00)	6/16/2023	7/20/2023	15.21	34.00	49.21	0.000%	0.00
195	Selection Item 195	\$ (1,756.00)	6/15/2023	7/20/2023	15.21	35.00	50.21	0.060%	0.03
196	Selection Item 196	\$ (403.00)	6/15/2023	7/20/2023	15.21	35.00	50.21	0.014%	0.01
197	Selection Item 197	\$ (19,316.00)	6/15/2023	7/20/2023	15.21	35.00	50.21	0.662%	0.33
198	Selection Item 198	\$ (5,000.00)	4/14/2023	7/13/2023	15.21	90.00	105.21	0.171%	0.18
199	Selection Item 199	\$ (24,222.00)	6/22/2023	7/20/2023	15.21	28.00	43.21	0.830%	0.36
200		<u>\$ (2,919,734.05)</u>							

Calculation of Taxes Other than Income Lead Time

Weighted Expense Lead Time:

51.86 days

Line No.	(A) Type of Tax	(B) Begin of Period	(C) MidPoint Method	(D) End of Period	(E) Payment Date	(F) Amount	(G) Service Lead Time	(H) Payment Lead Time	(I) Total Lead time	(J) Weighting Factor	(K) Weighted Lead Time
1	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	9/6/2022	\$ 394.54	182.00	(177.00)	5.00	0.00%	0.00
2	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	11/2/2022	\$ 4,754.93	182.00	(120.00)	62.00	0.03%	0.02
3	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	12/15/2022	\$ 2,800.00	182.00	(77.00)	105.00	0.02%	0.02
4	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	12/22/2022	\$ 13,091.13	182.00	(70.00)	112.00	0.08%	0.09
5	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	2/8/2023	\$ 1,375.03	182.00	(22.00)	160.00	0.01%	0.01
6	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	2/20/2023	\$ 331.18	182.00	(10.00)	172.00	0.00%	0.00
7	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	3/7/2023	\$ 5,709.97	182.00	5.00	187.00	0.03%	0.06
8	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	3/22/2023	\$ 215.55	182.00	20.00	202.00	0.00%	0.00
9	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	4/14/2023	\$ 9,284.71	182.00	43.00	225.00	0.05%	0.12
10	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	5/4/2023	\$ 4,196.98	182.00	63.00	245.00	0.02%	0.06
11	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	5/10/2023	\$ 14,260.66	182.00	69.00	251.00	0.08%	0.21
12	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	5/11/2023	\$ 1,312.75	182.00	70.00	252.00	0.01%	0.02
13	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	6/13/2023	\$ 2,036.27	182.00	103.00	285.00	0.01%	0.03
14	PA Local Property Taxes	9/1/2022	3/2/2023	8/31/2023	8/15/2023	\$ 1,100.60	182.00	166.00	348.00	0.01%	0.02
15	PA and Local Sales Tax	9/1/2022	9/15/2022	9/30/2022	9/20/2022	\$ 115,285.00	14.50	4.50	19.00	0.68%	0.13
16	PA and Local Sales Tax	9/1/2022	9/15/2022	9/30/2022	10/11/2022	\$ 240,931.80	14.50	25.50	40.00	1.42%	0.57
17	PA and Local Sales Tax	10/1/2022	10/16/2022	10/31/2022	10/11/2022	\$ 136,188.00	15.00	(5.00)	10.00	0.80%	0.08
18	PA and Local Sales Tax	10/1/2022	10/16/2022	10/31/2022	11/14/2022	\$ 470,326.79	15.00	29.00	44.00	2.77%	1.22
19	PA and Local Sales Tax	11/1/2022	11/15/2022	11/30/2022	11/14/2022	\$ 259,849.00	14.50	(1.50)	13.00	1.53%	0.20
20	PA and Local Sales Tax	11/1/2022	11/15/2022	11/30/2022	12/14/2022	\$ 594,770.75	14.50	28.50	43.00	3.51%	1.51
21	PA and Local Sales Tax	12/1/2022	12/16/2022	12/31/2022	12/14/2022	\$ 638,197.00	15.00	(2.00)	13.00	3.76%	0.49
22	PA and Local Sales Tax	12/1/2022	12/16/2022	12/31/2022	1/18/2023	\$ 1,230,071.01	15.00	33.00	48.00	7.25%	3.48
23	PA and Local Sales Tax	1/1/2023	1/16/2023	1/31/2023	1/18/2023	\$ 742,864.00	15.00	2.00	17.00	4.38%	0.74
24	PA and Local Sales Tax	1/1/2023	1/16/2023	1/31/2023	2/15/2023	\$ 1,396,665.16	15.00	30.00	45.00	8.24%	3.71
25	PA and Local Sales Tax	2/1/2023	2/14/2023	2/28/2023	2/15/2023	\$ 929,816.00	13.50	0.50	14.00	5.48%	0.77
26	PA and Local Sales Tax	2/1/2023	2/14/2023	2/28/2023	3/17/2023	\$ 928,266.47	13.50	30.50	44.00	5.47%	2.41
27	PA and Local Sales Tax	3/1/2023	3/16/2023	3/31/2023	3/17/2023	\$ 707,770.00	15.00	1.00	16.00	4.17%	0.67
28	PA and Local Sales Tax	3/1/2023	3/16/2023	3/31/2023	4/18/2023	\$ 967,693.45	15.00	33.00	48.00	5.71%	2.74
29	PA and Local Sales Tax	4/1/2023	4/15/2023	4/30/2023	4/18/2023	\$ 477,347.00	14.50	2.50	17.00	2.82%	0.48
30	PA and Local Sales Tax	4/1/2023	4/15/2023	4/30/2023	5/16/2023	\$ 485,800.40	14.50	30.50	45.00	2.86%	1.29
31	PA and Local Sales Tax	5/1/2023	5/16/2023	5/31/2023	5/16/2023	\$ 294,485.00	15.00	-	15.00	1.74%	0.26
32	PA and Local Sales Tax	5/1/2023	5/16/2023	5/31/2023	6/13/2023	\$ 173,281.55	15.00	28.00	43.00	1.02%	0.44
33	PA and Local Sales Tax	6/1/2023	6/15/2023	6/30/2023	6/13/2023	\$ 162,242.00	14.50	(2.50)	12.00	0.96%	0.11
34	PA and Local Sales Tax	6/1/2023	6/15/2023	6/30/2023	7/18/2023	\$ 139,950.45	14.50	32.50	47.00	0.83%	0.39
35	PA and Local Sales Tax	7/1/2023	7/16/2023	7/31/2023	7/18/2023	\$ 143,787.00	15.00	2.00	17.00	0.85%	0.14
36	PA and Local Sales Tax	7/1/2023	7/16/2023	7/31/2023	8/15/2023	\$ 90,731.80	15.00	30.00	45.00	0.54%	0.24
37	PA and Local Sales Tax	8/1/2023	8/16/2023	8/31/2023	8/15/2023	\$ 182,574.00	15.00	(1.00)	14.00	1.08%	0.15
38	PA and Local Sales Tax	8/1/2023	8/16/2023	8/31/2023	9/12/2023	\$ 39,237.82	15.00	27.00	42.00	0.23%	0.10
39	PA and Local Use Tax	9/1/2022	9/15/2022	9/30/2022	9/20/2022	\$ 74,050.00	14.50	4.50	19.00	0.44%	0.08
40	PA and Local Use Tax	9/1/2022	9/15/2022	9/30/2022	10/11/2022	\$ 16,957.11	14.50	25.50	40.00	0.10%	0.04
41	PA and Local Use Tax	10/1/2022	10/16/2022	10/31/2022	10/11/2022	\$ 85,976.00	15.00	(5.00)	10.00	0.51%	0.05

Line No.	(A) Type of Tax	(B) Begin of Period	(C) MidPoint Method	(D) End of Period	(E) Payment Date	(F) Amount	(G) Service Lead Time	(H) Payment Lead Time	(I) Total Lead time	(J) Weighting Factor	(K) Weighted Lead Time
42	PA and Local Use Tax	10/1/2022	10/16/2022	10/31/2022	11/14/2022	\$ 75,844.03	15.00	29.00	44.00	0.45%	0.20
43	PA and Local Use Tax	11/1/2022	11/15/2022	11/30/2022	11/14/2022	\$ 89,203.00	14.50	(1.50)	13.00	0.53%	0.07
44	PA and Local Use Tax	11/1/2022	11/15/2022	11/30/2022	12/14/2022	\$ 79,459.38	14.50	28.50	43.00	0.47%	0.20
45	PA and Local Use Tax	12/1/2022	12/16/2022	12/31/2022	12/14/2022	\$ 206,325.00	15.00	(2.00)	13.00	1.22%	0.16
46	PA and Local Use Tax	12/1/2022	12/16/2022	12/31/2022	1/18/2023	\$ 61,865.79	15.00	33.00	48.00	0.36%	0.18
47	PA and Local Use Tax	1/1/2023	1/16/2023	1/31/2023	1/18/2023	\$ 109,045.00	15.00	2.00	17.00	0.64%	0.11
48	PA and Local Use Tax	1/1/2023	1/16/2023	1/31/2023	2/15/2023	\$ (10,437.96)	15.00	30.00	45.00	-0.06%	(0.03)
49	PA and Local Use Tax	2/1/2023	2/14/2023	2/28/2023	2/15/2023	\$ 76,896.00	13.50	0.50	14.00	0.45%	0.06
50	PA and Local Use Tax	2/1/2023	2/14/2023	2/28/2023	3/17/2023	\$ 22,161.16	13.50	30.50	44.00	0.13%	0.06
51	PA and Local Use Tax	3/1/2023	3/16/2023	3/31/2023	3/17/2023	\$ 90,245.00	15.00	1.00	16.00	0.53%	0.09
52	PA and Local Use Tax	3/1/2023	3/16/2023	3/31/2023	4/18/2023	\$ 68,863.40	15.00	33.00	48.00	0.41%	0.19
53	PA and Local Use Tax	4/1/2023	4/15/2023	4/30/2023	4/18/2023	\$ 151,525.00	14.50	2.50	17.00	0.89%	0.15
54	PA and Local Use Tax	4/1/2023	4/15/2023	4/30/2023	5/16/2023	\$ (48,265.37)	14.50	30.50	45.00	-0.28%	(0.13)
55	PA and Local Use Tax	5/1/2023	5/16/2023	5/31/2023	5/16/2023	\$ 33,184.00	15.00	-	15.00	0.20%	0.03
56	PA and Local Use Tax	5/1/2023	5/16/2023	5/31/2023	6/13/2023	\$ 160,245.79	15.00	28.00	43.00	0.94%	0.41
57	PA and Local Use Tax	6/1/2023	6/15/2023	6/30/2023	6/13/2023	\$ 39,203.00	14.50	(2.50)	12.00	0.23%	0.03
58	PA and Local Use Tax	6/1/2023	6/15/2023	6/30/2023	7/18/2023	\$ 116,462.88	14.50	32.50	47.00	0.69%	0.32
59	PA and Local Use Tax	7/1/2023	7/16/2023	7/31/2023	7/18/2023	\$ 30,445.00	15.00	2.00	17.00	0.18%	0.03
60	PA and Local Use Tax	7/1/2023	7/16/2023	7/31/2023	8/15/2023	\$ 125,235.99	15.00	30.00	45.00	0.74%	0.33
61	PA and Local Use Tax	8/1/2023	8/16/2023	8/31/2023	8/15/2023	\$ 63,528.00	15.00	(1.00)	14.00	0.37%	0.05
62	PA and Local Use Tax	8/1/2023	8/16/2023	8/31/2023	9/12/2023	\$ 148,050.40	15.00	27.00	42.00	0.87%	0.37
63	PA Excise Alternative Fuel Tax	9/1/2022	9/15/2022	9/30/2022	10/11/2022	\$ 1,231.07	14.50	25.50	40.00	0.01%	0.00
64	PA Excise Alternative Fuel Tax	10/1/2022	10/16/2022	10/31/2022	11/14/2022	\$ 1,201.83	15.00	29.00	44.00	0.01%	0.00
65	PA Excise Alternative Fuel Tax	11/1/2022	11/15/2022	11/30/2022	12/14/2022	\$ 1,097.41	14.50	28.50	43.00	0.01%	0.00
66	PA Excise Alternative Fuel Tax	12/1/2022	12/16/2022	12/31/2022	1/18/2023	\$ 1,188.62	15.00	33.00	48.00	0.01%	0.00
67	PA Excise Alternative Fuel Tax	1/1/2023	1/16/2023	1/31/2023	2/17/2023	\$ 1,154.37	15.00	32.00	47.00	0.01%	0.00
68	PA Excise Alternative Fuel Tax	2/1/2023	2/14/2023	2/28/2023	3/17/2023	\$ 1,057.61	13.50	30.50	44.00	0.01%	0.00
69	PA Excise Alternative Fuel Tax	3/1/2023	3/16/2023	3/31/2023	4/18/2023	\$ 1,408.12	15.00	33.00	48.00	0.01%	0.00
70	PA Excise Alternative Fuel Tax	4/1/2023	4/15/2023	4/30/2023	5/16/2023	\$ 844.02	14.50	30.50	45.00	0.00%	0.00
71	PA Excise Alternative Fuel Tax	5/1/2023	5/16/2023	5/31/2023	6/13/2023	\$ 766.74	15.00	28.00	43.00	0.00%	0.00
72	PA Excise Alternative Fuel Tax	6/1/2023	6/15/2023	6/30/2023	7/18/2023	\$ 985.19	14.50	32.50	47.00	0.01%	0.00
73	PA Excise Alternative Fuel Tax	7/1/2023	7/16/2023	7/31/2023	8/15/2023	\$ 642.59	15.00	30.00	45.00	0.00%	0.00
74	PA Excise Alternative Fuel Tax	8/1/2023	8/16/2023	8/31/2023	9/12/2023	\$ 907.30	15.00	27.00	42.00	0.01%	0.00
75	U.S DOT Pipeline Safety User Fee	1/1/2023	7/2/2023	12/31/2023	5/11/2023	\$ 60,006.60	182.00	(52.00)	130.00	0.35%	0.46
76	U.S DOT Pipeline Safety User Fee	1/1/2023	7/2/2023	12/31/2023	7/12/2023	\$ 3,934.65	182.00	10.00	192.00	0.02%	0.04
77	U.S DOT Underground Natural Gas Storage Fee	1/1/2023	7/2/2023	12/31/2023	7/6/2023	\$ 59,231.00	182.00	4.00	186.00	0.35%	0.65
78	Federal Excise - Alternative Fuels Tax	7/1/2022	8/15/2022	9/30/2022	10/10/2022	\$ (1,864.55)	45.50	55.50	101.00	-0.01%	(0.01)
79	Federal Excise - Alternative Fuels Tax	10/1/2022	11/15/2022	12/31/2022	1/24/2023	\$ (2,041.73)	45.50	69.50	115.00	-0.01%	(0.01)
80	Federal Excise - Alternative Fuels Tax	1/1/2023	2/14/2023	3/31/2023	4/18/2023	\$ (1,998.07)	44.50	62.50	107.00	-0.01%	(0.01)
81	Federal Excise - Alternative Fuels Tax	4/1/2023	5/16/2023	6/30/2023	7/12/2023	\$ (1,432.92)	45.00	57.00	102.00	-0.01%	(0.01)
82	Federal Heavy Highway Tax	7/1/2022	12/30/2022	6/30/2023	7/5/2023	\$ 15,039.42	182.00	187.00	369.00	0.09%	0.33
83	PURTA	1/1/2023	7/2/2023	12/31/2023	5/1/2023	\$ 866,025.00	182.00	(62.00)	120.00	5.11%	6.13
84	PURTA	1/1/2023	7/2/2023	12/31/2023	5/1/2023	\$ 93,000.00	182.00	(62.00)	120.00	0.55%	0.66
85	PA PUC Assessment	7/1/2022	12/30/2022	6/30/2023	10/10/2022	\$ 2,235,182.50	182.00	(81.00)	101.00	13.18%	13.31

Line No.	(A) Type of Tax	(B) Begin of Period	(C) MidPoint Method	(D) End of Period	(E) Payment Date	(F) Amount	(G) Service Lead Time	(H) Payment Lead Time	(I) Total Lead time	(J) Weighting Factor	(K) Weighted Lead Time
86	WV Gas Stored	1/1/2022	7/2/2022	12/31/2022	2/9/2023	\$ 72,309.00	182.00	222.00	404.00	0.43%	1.72
87	WV Gas Stored	1/1/2022	7/2/2022	12/31/2022	8/17/2023	\$ 72,309.00	182.00	411.00	593.00	0.43%	2.53
88						<u>\$ 16,957,248.12</u>					

Calculation of Income Tax Lead Time - State & Federal

Line No.	Period Covered		Mid-Point of Period	Date Paid	(Lead) / Lag Days (D) - (C)	Payment Schedule	Dollar Weighted Days
	Beginning (A)	End (B)					
Federal Income Tax							
1	1/1/2022	12/31/2022	7/2/2022	9/15/2022	75.00	25.0%	18.75
2	1/1/2022	12/31/2022	7/2/2022	12/15/2022	166.00	25.0%	41.50
3	1/1/2023	12/31/2023	7/2/2023	4/17/2023	(76.00)	25.0%	(19.00)
4	1/1/2023	12/31/2023	7/2/2023	6/15/2023	(17.00)	25.0%	(4.25)
						100.0%	37.00
State Income Tax							
5	1/1/2022	12/31/2022	7/2/2022	9/15/2022	75.00	22.5%	16.88
6	1/1/2022	12/31/2022	7/2/2022	12/15/2022	166.00	22.5%	37.35
7	1/1/2022	12/31/2022	7/2/2022	4/17/2023	289.00	10.0%	28.90
8	1/1/2023	12/31/2023	7/2/2023	3/15/2023	(109.00)	22.5%	(24.53)
9	1/1/2023	12/31/2023	7/2/2023	6/15/2023	(17.00)	22.5%	(3.83)
						100.0%	54.78

Calculation of Interest Expense Lead Time - Both Short Term and Long Term

Line No.	(A) Date of Issuance	(B) Date of Maturity	(C) Payment Date	(D) Start of Period	(E) End of Period	(F) Mid Point of Half	(G) Payment Lead Time	(H) Principal	(I) Interest	(J) Payment	(K) Nominal Net Lead	(L) Weighting Factor	(M) Weighted Lead
1	12/19/2013	12/19/2023	6/19/2023	12/19/2022	6/19/2023	3/20/2023	90.75	\$ 144,746,400	4.10%	\$ 2,967,301	90.75	11.59%	10.52
2	12/19/2013	12/19/2025	6/19/2023	12/19/2022	6/19/2023	3/20/2023	90.75	\$ 110,007,200	4.25%	\$ 2,337,653	90.75	8.81%	8.00
3	12/18/2017	12/18/2027	6/18/2023	12/19/2022	6/19/2023	3/20/2023	89.75	\$ 178,911,000	3.38%	\$ 3,023,596	89.75	14.33%	12.86
4	12/18/2017	12/18/2032	6/18/2023	12/19/2022	6/19/2023	3/20/2023	89.75	\$ 178,911,000	3.63%	\$ 3,247,235	89.75	14.33%	12.86
5	10/31/2021	4/15/2030	9/30/2023	8/1/2023	8/31/2023	8/16/2023	45.00	\$ 183,149,854	2.70%	\$ 2,476,186	45.00	14.67%	6.60
6	10/31/2021	4/15/2050	9/30/2023	8/1/2023	8/31/2023	8/16/2023	45.00	\$ 219,779,827	3.35%	\$ 3,682,411	45.00	17.60%	7.92
7	12/31/2021	5/31/2031	9/30/2023	8/1/2023	8/31/2023	8/16/2023	45.00	\$ 65,364,587	2.40%	\$ 784,375	45.00	5.24%	2.36
8	12/31/2021	5/31/2052	9/30/2023	8/1/2023	8/31/2023	8/16/2023	45.00	\$ 81,705,732	5.30%	\$ 2,165,202	45.00	6.54%	2.94
9	10/31/2021	4/15/2030	9/30/2023	8/1/2023	8/31/2023	8/16/2023	45.00	\$ 38,636,364	2.70%	\$ 522,364	45.00	3.09%	1.39
10	10/31/2021	4/15/2050	9/30/2023	8/1/2023	8/31/2023	8/16/2023	45.00	\$ 46,363,636	3.34%	\$ 773,137	45.00	3.71%	1.67
11	10/31/2017	10/31/2023	7/31/2023	10/31/2022	7/31/2023	1/30/2023	181.75	\$ 909,090	5.99%	\$ 27,227	181.75	0.07%	0.13

12 **Historical Test Year - Long Term Debt Outstanding** **\$ 1,248,484,690** **\$ 22,006,686** **LT DEBT**

1.76% **Weighted Expense Lead Time:** **67.26**

ST Debt from previous month; est invoice on 25th of the month, int "paid" by month end

(A) ST Debt	(B) End of Period	(C) Posting Date	(D) Paid Date	(E) Amount	(F) Service Lead Time	(G) Payment Lead time	(H) Total Lead Time	(I) Weighting Factor	(J) Weighted Lead Time
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NOT APPLICABLE

ST DEBT
Weighted Expense Lead Time: **-**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	
Complainant	:	
	:	
v.	:	Docket No. R-2023-3044549
	:	
Peoples Natural Gas Company LLC,	:	
	:	
Respondent	:	

**DIRECT TESTIMONY OF
PAUL R. MOUL, MANAGING CONSULTANT
P. MOUL & ASSOCIATES
ON BEHALF OF
PEOPLES NATURAL GAS COMPANY LLC**

Concerning
Rate of Return

DATE SERVED:

Peoples Statement No. 13

Peoples Natural Gas Company LLC
Direct Testimony of Paul R. Moul
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GLOSSARY OF ACRONYMS AND DEFINED TERMS

ACRONYM	DEFINED TERM
AFUDC	Allowance for Funds Used During Construction
β	Beta
b	Represents the retention rate that consists of the fraction of earnings that are not paid out as dividends
$b \times r$	Represents internal growth
CAPM	Capital Asset Pricing Model
CCR	Corporate Credit Rating
CE	Comparable Earnings
DCF	Discounted Cash Flow
FERC	Federal Energy Regulatory Commission
FOMC	Federal Open Market Committee
FPFTY	Fully Projected Future Test Year
g	Growth rate
IGF	Internally Generated Funds
LDC	local distribution companies
Lev	Leverage modification
LT	Long Term
M&M	Modigliani & Miller
MLP	Master Limited Partnerships
OCI	Other Comprehensive Income
PPUC	Pennsylvania Public Utility Commission
PUC	Public Utility Commission
r	represents the expected rate of return on common equity
Rf	Risk-free rate of return
Rm	Return on the market
RP	Risk Premium
s	Represents the new common shares expected to be issued by a firm
$s \times v$	Represents external growth

GLOSSARY OF ACRONYMS AND DEFINED TERMS

ACRONYM	DEFINED TERM
S&P	Standard & Poor's
v	Represents the value that accrues to existing shareholders from selling stock at a price different from book value
WNA	Weather Normalization Adjustment Mechanism
YTM	Yield to Maturity

DIRECT TESTIMONY OF PAUL R. MOUL

1 INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

2 **Q. Please state your name, occupation and business address.**

3 A. My name is Paul Ronald Moul. My business address is 251 Hopkins Road,
4 Haddonfield, New Jersey 08033-3062. I am Managing Consultant at the firm P.
5 Moul & Associates, an independent financial and regulatory consulting firm. My
6 educational background, business experience and qualifications are provided in
7 Appendix A, which follows my direct testimony.

8 **Q. What is the purpose of your direct testimony?**

9 A. My testimony presents evidence, analysis and a recommendation concerning the
10 appropriate cost of equity and overall rate of return that the Pennsylvania Public
11 Utility Commission (“PPUC” or the “Commission”) should recognize in
12 determining the revenues that Peoples Natural Gas Company LLC (“Peoples” or
13 the “Company”) should realize as a result of this proceeding. My analysis and
14 recommendation are supported by the detailed financial data contained in Exhibit
15 PRM-1, which is a multi-page document divided into fourteen (14) schedules.

16 **Q. Based upon your analysis, what is your conclusion concerning the**
17 **appropriate rate of return for the Company in this case?**

18 A. My conclusion is that the Company’s cost of common equity is 11.75%. The
19 11.75% cost of equity includes recognition of the exemplary performance of the
20 Company’s management, as a provider of high quality customer service and as a
21 leader in the replacement of cast iron mains and the rehabilitation of its
22 infrastructure. That is to say, the cost of equity that I am proposing is comprised

DIRECT TESTIMONY OF PAUL R. MOUL

1 of an 11.50% market-determined rate plus 0.25% for management performance.
2 My cost of equity determination should be viewed in the context of increased
3 capital costs revealed by the highest interest rates that have been seen in the past
4 fifteen (15) years. Moreover, supportive regulation is essential, especially at a
5 time of increased infrastructure improvements now underway by the Company.
6 As shown on page 1 of Schedule 1, I have presented the weighted average cost of
7 capital for the Company, which is calculated with the September 30, 2025 Fully
8 Projected Future Test Year (“FPFTY”). The Company’s proposed rate of return
9 is shown below:

<u>Type of Capital</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Debt	45.33%	4.37%	1.98%
Common Equity	<u>54.67%</u>	11.75%	<u>6.42%</u>
Total	<u>100.00%</u>		<u>8.40%</u>

10 The resulting overall cost of capital, which is the product of weighting the
11 individual capital costs by the proportion of each respective type of capital,
12 should establish a compensatory level of return for the use of capital and, if
13 achieved, will provide the Company with the ability to attract capital on
14 reasonable terms.

15 **Q. What background information have you considered in reaching a conclusion**
16 **concerning the Company’s cost of capital?**

17 A. The Company provides natural gas service to over 700,000 customers in
18 Pittsburgh and surrounding counties in western Pennsylvania. The Company

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1 consists of its legacy operations and those of T. W. Phillips Gas and Oil Company
2 and Equitable Gas Company. For the Historic Test Year (“HTY”), gas
3 throughput (both sales and transportation) for Peoples was comprised of
4 approximately 45% to residential, 27% to commercial, 28% to industrial
5 customers. The Company’s top ten customers represent approximately 15 million
6 MCF, or approximately 13% of total throughput, but less than 1% of revenue.
7 Further, the Company provides discounted service to commercial and industrial
8 accounts that have access to competitive sources of supply. The Company
9 obtains its natural gas supply from both local Pennsylvania producers and
10 purchases that are delivered by interstate pipelines. The Company supplements
11 flowing natural gas with gas withdrawn from underground storage. Peoples is a
12 wholly-owned subsidiary of PNG Companies, LLC, which is ultimately owned by
13 Essential Utilities, Inc., a New York Stock Exchange listed company. Essential
14 also owns water and wastewater utilities and is categorized as a water utility
15 holding company by The Value Line Investment Survey.

16 **Q. How have you determined the cost of common equity in this case?**

17 A. The cost of common equity is established using capital market and financial data
18 relied upon by investors to assess the relative risk, and hence the cost of equity,
19 for a gas distribution utility, such as the Company. In this regard, I have
20 considered four (4) well-recognized models. These methods include: the
21 Discounted Cash Flow (“DCF”) model, the Risk Premium (“RP”) analysis, the
22 Capital Asset Pricing Model (“CAPM”), and the Comparable Earnings (“CE”) approach.
23 The results of a variety of approaches indicate that the Company’s rate

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1 of return on common equity is 11.75%, including recognition of exemplary
2 management performance.

3 **Q. In your opinion, what factors should the Commission consider when**
4 **determining the Company's cost of capital in this proceeding?**

5 A. The Commission's rate of return allowance must be set to cover the Company's
6 interest and dividend payments, provide a reasonable level of earnings retention,
7 produce an adequate level of internally generated funds to meet capital
8 requirements, be commensurate with the risk to which the Company's capital is
9 exposed, assure confidence in the financial integrity of the Company, support
10 reasonable credit quality, and allow the Company to raise capital on reasonable
11 terms. The return that I propose fulfills these established standards of a fair rate
12 of return set forth by the landmark Bluefield and Hope cases.¹ That is to say, my
13 proposed rate of return is commensurate with returns available on investments
14 having corresponding risks.

15 **Q. How have you measured the cost of equity in this case?**

16 A. The models that I used to measure the cost of common equity for the Company
17 were applied with market and financial data developed from a group of eight (8)
18 gas companies. The companies are identified on page 2 of Schedule 3. I will
19 refer to these companies as the "Gas Group" throughout my testimony. In the
20 Quarterly Earnings Report approved by the Commission on July 13, 2023, the
21 Gas Distribution Company group included all eight companies that are part of my
22 Gas Group.

¹Bluefield Water Works & Improvement Co. v. P.S.C. of West Virginia, 262 U.S. 679 (1923) and
F.P.C. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

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1 **Q. Please explain the selection process used to assemble the Gas Group?**

2 A. I began with all of the gas utilities contained in The Value Line Investment
3 Survey, which consists of nine companies. Value Line is an investment advisory
4 service that is a widely used source in public utility rate cases. Through the
5 application of my screening process, I eliminated one company. UGI Corp. was
6 removed due to its diversified businesses consisting of six reportable segments,
7 including propane, two international LPG segments, natural gas utility, energy
8 services, and electric generation. The elimination was attributed to operational
9 differences and diversification. The remaining eight companies are identified in
10 page 2 of Schedule 3.

11 **Q. How have you performed your cost of equity analysis with the market data**
12 **for the Gas Group?**

13 A. I have applied the models/methods for estimating the cost of equity using the
14 average data for the Gas Group. I have not measured separately the cost of equity
15 for the individual companies within the Gas Group, because the determination of
16 the cost of equity for an individual company can be problematic. The use of
17 group average data will reduce the effect of potentially anomalous results for an
18 individual company if a company-by-company approach were utilized.

19 **Q. What noteworthy factors have influenced your cost of equity analysis?**

20 A. My cost of equity analysis reflects the impact of high levels of inflation, which
21 have not been seen for four decades. Indeed, the rate of inflation spiked upward
22 to 9.1% in June 2022, and as of October 2023, it was 3.2%. High levels of
23 inflation, i.e., those above the Federal Open Market Committee (“FOMC”) policy

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1 goal of 2%, have an impact on the level of economic activity, the cost of capital –
2 particularly the interest cost of debt, and the need for more cautious financial
3 practices, such as a prudent level of borrowing. While short-term interest rates
4 were at historically low levels during much of the Pandemic, longer term interest
5 rates began to rise in February 2021 and have continued at high levels throughout
6 2022 and 2023. Indeed, accommodative policy by the FOMC has ended and
7 higher interest rates have occurred and will prevail in the future. The FOMC uses
8 its open market operations to control the Fed Funds rate as a means of
9 implementing its dual mandate of healthy employment and price stability. This
10 was shown by the Fed Funds rate, which has increased 525 basis points since the
11 beginning of 2022 through eleven (11) increases in 20 months. The FOMC
12 paused its rate increase cycle and held rates steady at its meeting on June 14,
13 2023. Thereafter another rate increase occurred on July 26, 2023. The FOMC
14 has paused again at its meeting on September 20 and November 1. The chairman
15 of the FOMC indicated that additional rate increases could be forthcoming, but at
16 a slowing pace, until its policy goal is achieved according to comments at his
17 press conference on November 1, 2023.

18 **Q. Please summarize your cost of equity analysis.**

19 A. My cost of equity determination was derived from the results of the
20 methods/models identified above. In general, the use of more than one method
21 provides a superior foundation to arrive at the cost of equity. At any point in
22 time, a single method can provide an incomplete measure of the cost of equity.
23 The specific application of these methods/models will be described later in my

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1 testimony. The following table provides a summary of the indicated costs of
2 equity using each of these approaches.

	<u>Gas Group</u>
DCF	11.88%
Risk Premium	11.50%
CAPM	15.42%
Comparable Earnings	12.70%

3 The range of equity cost rates is 11.50% to 15.42%. By focusing on the lower
4 part of the range, the Company's cost of equity is at least 11.50%. As I will
5 discuss later, Peoples has more risk than the Gas Group and Subgroup attributed
6 to its smaller size and other factors. To the 11.50% minimum cost of equity,
7 twenty-five (25) basis points has been added in recognition of the exemplary
8 performance of the Company's management. The exemplary performance of the
9 Company's management is described in the direct testimony of Mr. Michael
10 Huwar. Mr. Huwar describes the many initiatives that the Company has
11 undertaken, which have produced high quality service at reasonable prices. The
12 combined 11.75% (11.50% + 0.25%) rate of return on common equity is
13 reasonable and cost based because it is within the range of returns (i.e., 11.50% to
14 15.42%) and recognizes the Company's greater risk as compared to the Barometer
15 group. My recommended rate of return on common equity of 11.75% is likewise
16 conservative because it makes no provision for the prospect that the rate of return
17 may not be achieved due to unforeseen events, such as unexpected spikes in the

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1 cost of purchased products and other expenses. To obtain new capital and retain
2 existing capital, the rate of return on common equity must be high enough to
3 satisfy investors' requirements. From these measures, I recommend a cost of
4 equity of 11.75%, which includes recognition of the exemplary performance of
5 the Company's management.

NATURAL GAS RISK FACTORS

7 **Q. What factors currently affect the business risk of natural gas utilities?**

8 A. Gas utilities face risks arising from competition, economic regulation, the
9 business cycle, and customer usage patterns. Their business profile is influenced
10 by market-oriented pricing for the commodity distributed to customers and open
11 access for the transportation of natural gas for customers.

12 Natural gas utilities have focused increased attention on safety and
13 reliability issues, energy conservation and efficiency, and the reduction of
14 greenhouse gas emissions. In order to address these issues and to comply with
15 new and pending pipeline safety regulations, natural gas companies are now
16 allocating more of their resources to addressing aging infrastructure.

17 Finally, the existence of local gas production in the Company's service
18 territory and potential access to interstate pipelines provide a bypass threat to the
19 Company, especially with production from the Marcellus Shale formation.
20 Overall, the Company's risk of competition is considerably higher than that faced
21 by many LDCs, including the members of the Gas Group that I used to measure
22 the Company's cost of equity.

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1 **Q. Are there other features of the Company's business that should be**
2 **considered when assessing the Company's risk?**

3 A. Yes. Most of the Company's residential and commercial customers use natural
4 gas for space heating purposes. This indicates that a large proportion of the
5 Company's residential and commercial customers present a low load factor
6 profile and their energy demands are significantly influenced by temperature
7 conditions, over which the Company has absolutely no control. I should note that
8 for the Gas Group, rate stabilization mechanisms (e.g., weather normalization
9 adjustments, decoupling, infrastructure trackers/riders) provide a common
10 characteristic of most of these companies. In the LDC industry, rate stabilization
11 mechanisms are frequently expected by investors for gas distribution utilities.

12 **Q. Is Peoples proposing to adjust its rates to deal with this issue?**

13 A. Yes. The Company is proposing an increase in its monthly customer charge to
14 more closely align it with its fixed costs. If the Commission does not adopt the
15 Company's proposal, then the Company will continue to have higher risk that
16 would mandate a higher required return in the future. Failing to approve the
17 Company's proposal would miss the opportunity to mitigate one of the high-risk
18 traits of Peoples.

19 **Q. Is the Company also proposing a revenue decoupling feature in its tariff in**
20 **this case?**

21 A. Yes. Most of the Company's residential customers use natural gas for space
22 heating purposes. Indeed, 81% of residential throughput is to customers with
23 natural gas space heating. This indicates that the energy requirements of a large

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1 proportion of the Company's residential customers are significantly influenced by
2 temperature conditions over which the Company has absolutely no control. If
3 weather patterns in the future do not align with rate case test period data, a
4 weather normalization adjustment ("WNA") feature enables a company to adjust
5 its revenue collections to account for those variations. My cost of equity analysis
6 takes into account the Company's proposed WNA mechanism proposal.

7 **Q. Please explain.**

8 A. My analysis reflects the impact of the WNA on investor expectations through the
9 use of market-determined models. All of the companies in my Gas Group have
10 some form of WNA mechanism that is intended to accomplish the same result as
11 the Company's proposal in this case. As a group, the market prices of these
12 companies' common equity reflect the expectations of investors that the
13 companies' revenues are stabilized to some extent by a WNA. Therefore, my
14 analysis reflects the impacts of decoupling on investor expectations through the
15 use of market-determined models.

16 As such, the market prices of these companies' common stocks reflect the
17 expectations of investors related to a regulatory mechanism that adjusts revenues
18 for conservation, abnormal weather, and other items. The trend in the industry is
19 to stabilize the recovery of fixed costs, which are unaffected by usage. Indeed,
20 there has been a proliferation of these mechanisms in the LDC business. Because
21 the Gas Group that I use to measure the cost of equity has the risk attributes
22 related to the revenue decoupling mechanism "baked in" to their stock prices, the

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1 absence of the benefit of the WNA would increase the cost of equity as
2 determined by the models that are applied with the Gas Group data.

3 **Q. How does the Company's throughput to large volume users or those with**
4 **competitive alternatives affect its risk profile?**

5 A. The Company's risk profile is influenced by natural gas delivered to its large
6 industrial and commercial customers and those customers with competitive
7 alternatives. Generally speaking, there are four primary threats to throughput to
8 the Company's largest volume users. First, the Company can and has experienced
9 attrition in this large customer group. Second, the Company's largest customers,
10 which have traditionally used transportation service, have the ability to bypass the
11 Company's system to other gas supply sources such as interstate pipelines, other
12 local distribution companies, and/or nonregulated pipeline contractors providing
13 access to local supplies. Third, in addition to the bypass threat, a material portion
14 of the large customer throughput can be exposed to fuel switching to coal, oil,
15 propane, or other energy sources depending on the cost of natural gas as
16 compared to the cost of these fuels. Finally, in its effort to retain load, the
17 Company is vulnerable to the impacts of business cycles, competition within its
18 customers' industries, and other external factors that can result in shifts of
19 production to customer facilities that are not served by the Company. All of these
20 risks put fixed cost recovery for this class of customers at risk.

21 **Q. Are you aware that a DSIC is available to natural gas utilities in**
22 **Pennsylvania, and does the DSIC affect the Company's cost of capital?**

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1 A. I am aware that the Company has utilized the DSIC in the past. The cost of
2 capital for Peoples, however, is not affected by the DSIC. I say this because most
3 of the proxy group companies (i.e., six of eight companies) whose data has been
4 used to develop the cost of equity for Peoples in this proceeding have a DSIC or
5 similar infrastructure rehabilitation mechanisms. Indeed, Atmos Energy, New
6 Jersey Resources, Northwest Natural Gas, South Jersey Industries, Southwest
7 Gas, and Spire make use of a DSIC or similar infrastructure rehabilitation
8 mechanisms. Hence, whatever the benefit of a DSIC, or other regulatory
9 mechanisms, that impact is already reflected in the market evidence of the cost of
10 equity for the proxy group.

11 **Q. Please indicate how the Company's construction program affects its risk**
12 **profile.**

13 A. The Company is faced with the requirement to undertake investments to maintain
14 and upgrade existing facilities in its service territory. To maintain safe and
15 reliable service to existing customers, the Company must invest to upgrade its
16 infrastructure. The rehabilitation of the Company's infrastructure represents
17 capital expenditures that do not increase the Company's customer base. Although
18 the Company (including TNP) has made significant strides in reducing its
19 percentage of cast iron and unprotected steel pipe, these facilities still represent
20 2,889.5 miles (or approximately 22%) of its distribution mains as of year-end
21 2022. The Company also has 44,832 (or approximately 6%) of its services
22 constructed of unprotected steel. In addition, the Company's gathering lines are

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1 represented by 1,094 miles (or approximate 73%) of unprotected steel pipe. For
2 the future, the Company expects its net capital expenditures to be:

<u>Year</u>	<u>Capital Expenditures</u> (\$ 000)
2024	\$ 581,600
2025	\$ 591,700
2026	\$ 572,500
2027	\$ 610,700
2028	\$ 677,600
Total	<u>\$ 3,034,100</u>

3 The incremental capital expenditures for the next five years of \$3,034.1 million
4 represents approximately 108% ($\$3,034.100 \div \$2,804.280$) of the Company's net
5 utility plant at December 31, 2022. These levels of capital expenditures and
6 ongoing expenditures illustrate the significant capital requirements that the
7 Company must fund going forward.

8 **Q. How should the Commission respond to the issues facing the natural gas**
9 **utilities and in particular Peoples?**

10 A. The Commission should recognize and take into account the need to replace
11 infrastructure and the competitive environment in the natural gas business in
12 determining the cost of capital for the Company and provide a reasonable
13 opportunity for the Company to actually achieve its cost of capital. A fair rate of
14 return also represents a key to a financial profile that will provide the Company
15 with the ability to raise the significant amount of capital necessary to meet its
16 capital needs on reasonable terms.

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FUNDAMENTAL RISK ANALYSIS

1

2 **Q. Is it necessary to conduct a fundamental risk analysis to provide a**
3 **framework for a determination of a utility's cost of equity?**

4 A. Yes, it is. It is necessary to establish a company's relative risk position within its
5 industry through a fundamental analysis of various quantitative and qualitative
6 factors that bear upon investors' assessment of overall risk. The qualitative
7 factors that bear upon Company risk have already been discussed previously. The
8 quantitative risk analysis follows. The items that influence investors' evaluation
9 of risk and their required returns were described above. For this purpose, I
10 compared the Company to the S&P Public Utilities, an industry-wide proxy
11 consisting of various regulated businesses, and to the Gas Group.

12 **Q. What are the components of the S&P Public Utilities?**

13 A. The S&P Public Utilities is a widely recognized index that is comprised of
14 electric power and natural gas companies. These companies are identified on
15 page 3 of Schedule 4.

16 **Q. What companies comprise the gas group?**

17 A. My Gas Group consists of the following companies: Atmos Energy Corp.,
18 Chesapeake Utilities Corporation, New Jersey Resources Corp., NiSource, Inc.,
19 Northwest Natural Holding Co., ONE Gas, Inc., Southwest Gas Holdings, and
20 Spire, Inc.

21 **Q. Is knowledge of a utility's bond rating an important factor in assessing its**
22 **risk and cost of capital?**

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1 A. Yes. Knowledge of a company's credit quality rating is important because the
2 cost of each type of capital is directly related to the associated risk of the firm.
3 So, while a company's credit quality risk is shown directly by the rating and yield
4 on its bonds, these relative risk assessments also bear upon the cost of equity.
5 This is because a firm's cost of equity is represented by its borrowing cost, plus
6 compensation to recognize the higher risk of an equity investment compared to
7 debt.

8 **Q. How do the credit quality ratings compare for the Company, the Gas Group,
9 and the S&P Public Utilities?**

10 A. The Company obtains its external capital from PNG Companies, and as such it
11 has no rating on its debt. Presently, the credit quality ratings for PNG Companies
12 are Baa1 from Moody's Investors Service ("Moody's") and A from Standard &
13 Poor's Corporation ("S&P"). These ratings represent the Long Term ("LT")
14 issuer rating by Moody's and the corporate credit rating ("CCR") designation by
15 S&P, which focuses upon the credit quality of the issuer of the debt rather than
16 upon the debt obligation itself.

17 For the Gas Group, the average LT issuer rating is A3 by Moody's and the
18 average CCR is A- by S&P, as displayed on page 2 of Schedule 3. For the S&P
19 Public Utilities, the average credit quality rating is A3 by Moody's and BBB+ by
20 S&P, as displayed on page 3 of Schedule 4. Many of the financial indicators that
21 I will subsequently discuss are considered during the rating process.

22 **Q. How do the financial data compare for the Company, the Gas Group, and
23 the S&P Public Utilities?**

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1 A. The broad categories of financial data that I will discuss are shown on Schedules
2 2, 3, and 4. The data cover the five-year period 2018-2022. The important
3 categories of relative risk may be summarized as follows:

4 Size. In terms of capitalization, the Company is smaller than the average
5 size of the Gas Group, and smaller still than the average size of the S&P Public
6 Utilities. Indeed, the Company is approximately one-third the average size of the
7 Gas Group. All other things being equal, a smaller company is riskier than a
8 larger company because a given change in revenue and expense has a
9 proportionately greater impact on a small firm. As I will demonstrate later, the
10 size of a firm can impact its cost of equity.

11 Market Ratios. Market-based financial ratios, such as earnings/price ratios
12 and dividend yields, provide a partial measure of the investor-required cost of
13 equity. If all other factors are equal, investors will require a higher rate of return
14 for companies that exhibit greater risk, in order to compensate for that risk. That
15 is to say, a firm that investors perceive to have higher risks will experience a
16 lower price per share in relation to expected earnings.²

17 There are no market ratios available for the Company because its stock is
18 owned by PNG Companies, whose stock is also not traded. The five-year average
19 price-earnings multiple were equivalent for the Gas Group and the S&P Public
20 Utilities. The five-year average dividend yield was lower for the Gas Group as

²For example, two otherwise similarly situated firms each reporting \$1.00 in earnings per share would have different market prices at varying levels of risk (i.e., the firm with a higher level of risk will have a lower share value, while the firm with a lower risk profile will have a higher share value).

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1 compared to the S&P Public Utilities. The five-year average market-to-book ratio
2 was somewhat lower for the Gas Group as compared to the S&P Public Utilities.

3 Common Equity Ratio. The level of financial risk is measured by the
4 proportion of long-term debt and other senior capital that is contained in a
5 company's capitalization. Financial risk is also analyzed by comparing common
6 equity ratios (the complement of the ratio of debt and other senior capital). That
7 is to say, a firm with a high common equity ratio has lower financial risk, while a
8 firm with a low common equity ratio has higher financial risk. The five-year
9 average common equity ratios, based on permanent capital, were 58.8% for
10 Peoples, 49.0% for the Gas Group, and 40.5% for the S&P Public Utilities. The
11 historic common equity ratio for Peoples was higher than the Gas Group, thereby
12 indicating lower financial risk.

13 Return on Book Equity. Greater variability (i.e., uncertainty) of a firm's
14 earned returns signifies relatively greater levels of risk, as shown by the
15 coefficient of variation (standard deviation ÷ mean) of the rate of return on book
16 common equity. The higher the coefficients of variation, the greater degree of
17 variability. For the five-year period, the coefficients of variation were 0.045
18 (2.3% ÷ 11.5%) for the Company, 0.113 (1.1% ÷ 9.7%) for the Gas Group, and
19 0.040 (0.4% ÷ 10.0%) for the S&P Public Utilities. The variability of the
20 Company's rates of return was much higher than the Gas Group and the S&P
21 Public Utilities, thereby signifying higher risk for the Company.

22 Operating Ratios. I have also compared operating ratios (the percentage
23 of revenues consumed by operating expense, depreciation, and taxes other than

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1 income).³ The five-year average operating ratios were 77.3% for the Company,
2 82.7% for the Gas Group, and 81.0% for the S&P Public Utilities. The
3 Company's average operating ratio was somewhat lower than the Gas Group,
4 thereby indicating lower risk.

5 Coverage. The level of fixed charge coverage (i.e., the multiple by which
6 available earnings cover fixed charges, such as interest expense) provides an
7 indication of the earnings protection for creditors. Higher levels of coverage, and
8 hence earnings protection for fixed charges, are usually associated with superior
9 grades of creditworthiness. Excluding Allowance for Funds Used During
10 Construction ("AFUDC"), the five-year average pre-tax interest coverage was
11 4.63 times for the Company, 4.33 times for the Gas Group, and 2.94 times for the
12 S&P Public Utilities. The average interest coverages were highest for Peoples,
13 followed by the Gas Group and the S&P Public Utilities. As compared to the Gas
14 Group, the Company has slightly higher credit risk.

15 Quality of Earnings. Measures of earnings quality usually are revealed by
16 the percentage of AFUDC related to income available for common equity, the
17 effective income tax rate, and other cost deferrals. These measures of earnings
18 quality usually influence a firm's internally generated funds because poor quality
19 of earnings would not generate high levels of cash flow. Quality of earnings has
20 not been a significant concern for the Company, the Gas Group and the S&P
21 Public Utilities.

³The complement of the operating ratio is the operating margin which provides a measure of profitability. The higher the operating ratio, the lower the operating margin.

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1 Internally Generated Funds. Internally generated funds (“IGF”) provide
2 an important source of new investment capital for a utility and represent a key
3 measure of credit strength. Historically, the five-year average percentage of IGF
4 to capital expenditures was 37.4% for the Company, 56.3% for the Gas Group and
5 62.3% for the S&P Public Utilities. The Company’s average IGF to construction
6 percentage has been extremely variable historically.

7 Betas. The financial data that I have been discussing relate primarily to
8 company-specific risks. Market risk for firms with publicly-traded stock is
9 measured by beta coefficients. Beta coefficients attempt to identify systematic
10 risk, i.e., the risk associated with changes in the overall market for common
11 equities.⁴ Value Line publishes such a statistical measure of a stock’s relative
12 historical volatility to the rest of the market. A comparison of market risk is
13 shown by the Value Line beta of 0.86 as the average for the Gas Group (see page
14 2 of Schedule 3) and 0.90 as the average for the S&P Public Utilities (see page 3
15 of Schedule 4).

16 **Q. Please summarize your risk evaluation.**

17 A. The risk of Peoples is greater than that of the Gas Group. Peoples has higher
18 credit risk, which is shown by the Company’s small size. Further, based on the
19 Company’s business risk characteristics, especially with regard to the threat of
20 bypass from the interstate pipelines, the availability of other sources of gas, its

⁴Beta is a relative measure of the historical sensitivity of the stock’s price to overall fluctuations in the New York Stock Exchange Composite Index. The “Beta coefficient” is derived from a regression analysis of the relationship between weekly percentage changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. The betas are adjusted for their long-term tendency to converge toward 1.00. A common stock that has a beta less than 1.0 is considered to have less systematic risk than the market as a whole and would be expected to rise and fall more slowly than the rest of the market. A stock with a beta above 1.0 would have more systematic risk.

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1 higher percentage of throughput to its top ten customers, and its infrastructure
2 needs, the Company's overall risk is above that of the Gas Group that is used as a
3 basis to measure the Company's cost of equity.

CAPITAL STRUCTURE RATIOS

4
5 **Q. Please explain the selection of capital structure ratios for Peoples.**

6 A. In this case, the capital structure ratios of Peoples have been proposed to calculate
7 the rate of return. I will show that the Company's capital structure ratios
8 proposed in this case are reasonable. Furthermore, consistency requires that the
9 embedded cost rate of the Company's senior securities also be employed.

10 **Q. Does Schedule 5 provide the Company's capitalization and capital structure**
11 **ratios?**

12 A. Yes. Schedule 5 presents the Company's capitalization and related capital
13 structure ratios. The August 31, 2023 capitalization corresponds with the end of
14 the HTY in this case. The August 31, 2024 capital structure is estimated at the
15 end of the future test year ("FTY"), and the September 30, 2025 capital structure
16 is estimated at the end of the FPFTY. The September 30, 2025 forecast capital
17 structure reflects the issuance of \$814 million (\$547.4 million in the FTY and
18 \$266.6 million in the FPFTY of new long-term debt in five series, maturities of
19 \$370.071 million of long-term debt and Intercompany Demand Note, equity
20 contributions of \$107.409 million and the build-up of retained earnings.

21 **Q. How do the capital structure ratios compare for Peoples and the Gas Group?**

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1 A. I have verified the reasonableness of the Company’s common equity ratio by
2 considering the historical comparison to the Gas Group. For the historical
3 comparison, the Gas Group had a 45.7% common equity ratio at year-end 2022.
4 The range of ratios was 34.7% to 58.2%. Over the past five years, the range of
5 common equity ratios was 35.2% to 57.8% for the Gas Group. Based on the
6 Value Line forecasts, the range is 32.5% to 60.0%. For the Company, its FPPTY
7 common equity ratio is 54.67%, thereby indicating that the Company’s common
8 equity ratio is reasonable because it is within the range of the Gas Group.

9 **Q. Have you included short-term debt in the capital structure for Peoples?**

10 A. No. In reaching this conclusion, I have analyzed the 12-month average balances
11 of short-term debt for the HTY and compared those amounts to the Company’s
12 construction work in progress (“CWIP”). I have done this because the Company
13 follows the FERC formula to calculate its AFUDC rate. That formula assigns
14 short-term debt first to CWIP, with any excess balance of CWIP receiving the
15 Company’s overall rate of return. In order to avoid double-counting the amount
16 of short-term debt that finances CWIP, those amounts must be removed from the
17 average short-term debt amounts for rate case purposes. For the HTY, the CWIP
18 balances of \$144.1 million exceeds the average amount of 24.3 million short-term
19 debt. Therefore, the short-term debt is not considered in the capital structure.

20 **Q. What capital structure ratios do you recommend be adopted for rate of**
21 **return purposes in this proceeding?**

22 A. Since ratesetting is prospective, the rate of return should, at a minimum, reflect
23 known or reasonably foreseeable changes which will occur during the course of

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1 the FPFTY. As a result, I will adopt the Company's FPFTY capital structure
2 ratios of 45.33%% long-term debt and 54.67% common equity at September 30,
3 2025. These capital structure ratios are the best approximation of the mix of
4 capital the Company will employ to finance its rate base during the period new
5 rates are in effect.

COSTS OF SENIOR CAPITAL

7 **Q. What cost rate have you assigned to the debt portion of Peoples' capital**
8 **structure?**

9 A. The determination of the long-term debt cost rate is essentially an arithmetic
10 exercise. This is due to the fact that the Company has contracted for the use of
11 this capital for a specific period of time at a specified cost rate. As shown on page
12 1 of Schedule 6, I have computed the actual embedded cost rate of debt at August
13 31, 2023. And on page 3 of Schedule 6, the embedded cost of debt is shown at
14 September 30, 2025. By September 30, 2025, the embedded long-term debt cost
15 rate is estimated to be 4.37%. The FPFTY embedded cost of long-term debt
16 reflects a 7.00% stated interest rate on the proposed issue of \$378 million in the
17 FTY and FPFTY. There was a previous issue of \$193.584 million of long-term
18 debt in 2023 that carried a stated rate of 2.40%, established when interest rates
19 were low, followed by 5.30% on a \$242.416 million issue, after rates moved up as
20 I previously explained. In the FPFTY, the rate is estimated to be 7.00%. The
21 details leading to the development of the individual effective cost rates for each
22 series of long-term debt, using the cost rate to maturity technique, are shown on

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1 page 4 of Schedule 6. The cost rate, or yield to maturity (“ytm”), is the rate of
2 discount that equates the present value of all future interest and principal
3 payments with the net proceeds of the bond.

4 **Q. What overall debt cost rate have you determined for rate of return purposes?**

5 A. As shown on page 3 of Schedule 6, the combined cost of long- and short-term
6 debt is 4.37% for the FPFTY. The 4.37% debt cost rate is related to the amount
7 of total debt shown on Schedule 5 which provides the basis for the 45.33% debt
8 ratio.

COST OF EQUITY – GENERAL APPROACH

10 **Q. Please describe how you determined the cost of equity for the Company.**

11 A. Although my fundamental financial analysis provides the required framework to
12 establish the risk relationships among Peoples, the Gas Group, and the S&P Public
13 Utilities, the cost of equity must be measured by standard financial models that I
14 identified above. Differences in risk traits, such as size, business diversification,
15 geographical diversity, regulatory policy, financial leverage, and bond ratings must
16 be considered when analyzing the cost of equity.

17 It is also important to reiterate that no one method or model of the cost of
18 equity can be applied in an isolated manner. Rather, informed judgment must be
19 used to take into consideration the relative risk traits of the firm. It is for this reason
20 that I have used more than one method to measure the Company’s cost of equity.
21 As I describe below, each of the methods used to measure the cost of equity
22 contains certain incomplete and/or overly restrictive assumptions and constraints

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1 that are not optimal. Therefore, I favor considering the results from a variety of
2 methods. In this regard, I applied each of the methods with data taken from the Gas
3 Group and arrived at a cost of equity of 11.75% for the Company, which includes
4 an increment for exemplary management performance.

DISCOUNTED CASH FLOW

5
6 **Q. Please describe the DCF model.**

7 A. The DCF model seeks to explain the value of an asset as the present value of future
8 expected cash flows discounted at the appropriate risk-adjusted rate of return. In its
9 simplest form, the DCF-determined return on common stock consists of a current
10 cash (dividend) yield and future price appreciation (growth) of the investment. The
11 dividend discount equation is the familiar DCF valuation model, which assumes
12 that future dividends are systematically related to one another by a constant growth
13 rate. The DCF formula is derived from the standard valuation model: $P = D/(k-g)$,
14 where P = price, D = dividend, k = the cost of equity, and g = growth in cash flows.
15 By rearranging the terms, we obtain the familiar DCF equation: $k = D/P + g$. All of
16 the terms in the DCF equation represent investors' assessment of expected future
17 cash flows that they will receive in relation to the value that they set for a share of
18 stock (P). The DCF equation is sometimes referred to as the "Gordon" model.⁵ My
19 DCF results are provided on Schedule 1, page 2, for the Gas Group. The DCF
20 return is 11.88% with the leverage adjustment and 10.47% without the leverage

⁵ Although the popular application of the DCF model is often attributed to the work of Myron J. Gordon in the mid-1950s, J.B. Williams explicated the DCF model in its present form nearly two decades earlier.

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1 adjustment for the Gas Group. The leverage adjustment is discussed more fully
2 below.

3 Among the limitations of the model, there is a certain element of circularity
4 in the DCF method when applied in rate cases. This is because investors'
5 expectations for the future depend upon regulatory decisions. In turn, when
6 regulators depend upon the DCF model to set the cost of equity, they rely upon
7 investor expectations that include an assessment of how regulators will decide rate
8 cases. Due to this circularity, the DCF model may not fully reflect the true risk of a
9 utility. Other limitations of the DCF include the constant P-E multiple assertion
10 that does not conform with actual stock market performance. And, indeed, the
11 FERC has moved to using multiple methods for measuring the cost of equity due to
12 the limitations of the DCF.

13 **Q. What is the dividend yield component of a DCF analysis?**

14 A. The dividend yield reveals the portion of investors' cash flow that is generated by
15 the return provided by the dividends an investor receives. It is measured by the
16 dividends per share relative to the price per share. The DCF methodology requires
17 the use of an expected dividend yield to establish the investor-required cost of
18 equity. For the twelve months ended September 2023, the monthly dividend yields
19 are shown on Schedule 7. The month-end prices were adjusted to reflect the
20 buildup of the dividend in the price that has occurred since the last ex-dividend date
21 (i.e., the date by which a shareholder must own the shares to be entitled to the
22 dividend payment – usually about two to three weeks prior to the actual payment).

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1 For the twelve months ended September 2023, the average dividend yield
2 was 3.43% for the Gas Group based upon a calculation using annualized dividend
3 payments and adjusted month-end stock prices. The dividend yields for the more
4 recent six-month and three-month periods were 3.59% and 3.70%, respectively.
5 For applying the DCF model, I have used the six-month average dividend yield of
6 3.59% for the Gas Group. The use of this dividend yield will reflect current capital
7 costs while avoiding spot yields. For the purpose of a DCF calculation, the average
8 dividend yield must be adjusted to reflect the prospective nature of the dividend
9 payments, i.e., the higher expected dividends for the future. Recall that the DCF is
10 an expectational model that must reflect investors' anticipated cash flows. I have
11 adjusted the six-month average dividend yield in three different but generally
12 accepted manners and used the average of the three adjusted values as calculated in
13 the lower panel of data presented on Schedule 7.⁶ This adjustment adds thirteen
14 basis points to the six-month average historical yield, thus producing the 3.72%
15 adjusted dividend yield for the Gas Group.

16 **Q. What factors influence investors' growth expectations?**

17 A. As noted previously, investors are interested principally in the dividend yield and
18 future growth of their investment (i.e., the price per share of the stock). Future

⁶ These adjustments are the 1/2 growth approach, the discrete approach, and the quarterly approach. Under the 1/2 approach, the procedure to adjust the average dividend yield for the expectation of a dividend increase during the initial investment period will be at a rate of one-half the growth component, which assumes that half of the dividend payments will be at the expected higher rate during the initial investment period. Under the discrete approach, the "g" in the DCF model reflects the discrete growth in the quarterly dividend, which is required for the periodic form of the DCF to properly recognize that dividends are expected to grow on a discrete basis. The quarterly approach takes into account that investors have the opportunity to reinvest quarterly dividend receipts. Recognizing the compounding of the periodic quarterly dividend payments (D_0) results in this third DCF formulation. This DCF equation provides no further recognition of growth in the quarterly dividend. A compounding of the quarterly dividend yield recognizes the necessity for an adjusted dividend yield.

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1 growth in earnings per share is the DCF model's primary focus because, under the
2 model's assumption that the P-E multiple remains constant, the price per share of
3 stock will grow at the same rate as earnings per share. A growth rate analysis
4 considers a variety of variables to reach a consensus of prospective growth,
5 including historical data and widely available analysts' forecasts of earnings,
6 dividends, book value, and cash flow (all stated on a per-share basis). A
7 fundamental growth rate analysis is frequently based upon internal growth ("b x r"),
8 where "r" is the expected rate of return on common equity and "b" is the retention
9 rate (a fraction representing the proportion of earnings not paid out as dividends).
10 To be complete, the internal growth rate should be modified to account for sales of
11 new common stock (external growth), which is represented by the formula $s \times v$,
12 where "s" is the number of new common shares that the firm expects to issue and
13 "v" is the value that accrues to existing shareholders from selling stock at a price
14 above book value. Fundamental growth, which combines internal and external
15 growth, encompasses the factors that cause book value per share to grow over time.

16 Growth also can be expressed in multiple stages. This expression of growth
17 consists of an initial "growth" stage during which a firm enjoys rapidly expanding
18 markets, high profit margins, and abnormally high growth in earnings per share.
19 Thereafter, a firm enters a "transition" stage during which fewer technological
20 advances and increased product saturation begin to reduce the growth rate and
21 profit margins come under pressure. During the "transition" stage, investment
22 opportunities begin to mature, capital requirements decline, and a firm begins to
23 pay out a larger percentage of earnings to shareholders. Finally, the mature or

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1 “steady-state” stage is reached when a firm’s earnings growth, payout ratio, and
2 return on equity stabilize at levels where they remain for the life of a firm. The
3 three stages of growth assume a step-down of high initial growth to lower
4 sustainable growth. Even if these three stages of growth can be envisioned for a
5 firm, the third “steady-state” growth stage, which is assumed to remain fixed in
6 perpetuity, represents an unrealistic expectation because the three stages of growth
7 can be repeated. That is to say, the stages can be repeated where growth for a firm
8 ramps up and ramps down in cycles over time. For these reasons, there is no need
9 to analyze growth rates individually for each cycle, but rather to rely upon analysts’
10 growth forecasts that are used by investors when pricing common stocks.

11 **Q. What factor should be considered in the determination of an appropriate**
12 **growth rate?**

13 A. The growth rate used in a DCF calculation should measure investor expectations.
14 Investors consider both company-specific variables and overall market sentiment
15 (i.e., level of inflation rates, interest rates, economic conditions, etc.) when
16 balancing their capital gains expectations with their dividend yield requirements.
17 Investors are not influenced solely by a single set of company-specific variables
18 weighted in a formulaic manner. Therefore, all relevant growth rate indicators
19 should be evaluated using a variety of techniques when formulating a judgment of
20 investor-expected growth.

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1 **Q. What data for the Gas Group have you considered in your growth rate**
2 **analysis?**

3 A. I considered the growth in the financial variables shown on Schedules 8 and 9,
4 which reflect historical (Schedule 8) and projected (Schedule 9) rates of growth in
5 earnings per share, dividends per share, book value per share, and cash flow per
6 share for the Gas Group. While analysts will review all measures of growth, as I
7 have done, earnings per share growth directly influences the expectations of
8 investors for the future performance of utility stocks. Forecasts of earnings growth
9 are required because the DCF model is forward-looking, and, with the constant P-E
10 multiple and constant payout ratio that the DCF model assumes, all other measures
11 of growth will mirror earnings growth. The historical growth rates, which were also
12 reviewed to gain a perspective on the industry, were obtained from the Value Line
13 publication that provides this data. While historical data cannot be ignored, they are
14 much less significant when applying the DCF model than projections of future
15 growth. Investors cannot purchase the past earnings of a utility. To the contrary
16 they are only entitled to future earnings, which are the focus of growth projections.
17 Furthermore, if significant weight is assigned to historical performance, the
18 historical data are double-counted because they are already factored into analysts'
19 forecasts of earnings growth.

20 **Q. Is a five-year investment horizon associated with the analysts' forecasts**
21 **consistent with the traditional DCF model?**

22 A. Yes, it is. Although the constant form of the DCF model assumes an infinite stream
23 of cash flows, investors do not expect to hold an investment indefinitely. Rather

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1 than viewing the DCF in the context of an endless stream of growing dividends
2 (e.g., a century of cash flows), the growth in the share value (i.e., capital
3 appreciation, or capital gains yield) is most relevant to investors' total return
4 expectations. Hence, the sale price of a stock can be viewed as a liquidating
5 dividend that can be discounted along with the annual dividend receipts during the
6 investment-holding period to arrive at the investors' expected return. The growth in
7 the price per share will equal the growth in earnings per share if, as the DCF model
8 assumes, there is no change in the P-E multiple. As such, my company-specific
9 growth analysis, which focuses principally upon five-year forecasts of earnings per
10 share growth, conforms with the type of analysis that influences investors'
11 expectations of their actual total return. Moreover, academic research also focuses
12 on five-year growth rates specifically because market outcomes occurring over that
13 investment horizon are what influence stock prices. Indeed, if investors required
14 forecasts beyond five years in order to properly value common stocks, then it would
15 be reasonable to expect that some investment advisory service would begin
16 publishing that information for individual stocks in order to meet the demands of
17 the marketplace. The absence of such a publication suggests that there is no market
18 for this information because investors do not require forecasts for an infinite series
19 of future data points in order to make informed decisions to purchase and sell
20 stocks.

21 **Q. What are the analysts' forecasts of future growth that you considered?**

22 A. Schedule 9 provides projected earnings per share growth rates taken from analysts'
23 five-year forecasts compiled by IBES/First Call, Zacks, and Value Line. These are

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1 all reliable authorities of projected growth that investors use to make buy, sell, and
2 hold decisions. The IBES/First Call and Zacks estimates are obtained from the
3 Internet and are widely available to investors. The growth rates reported by
4 IBES/First Call and Zacks are consensus forecasts taken from a survey of analysts
5 that make growth projections for these companies. Notably, First Call's earnings
6 forecasts are frequently quoted in the financial press. The Value Line forecasts also
7 are widely available to investors and can be obtained by subscription or free of
8 charge at most public and collegiate libraries. The IBES/First Call and Zacks
9 forecasts are limited to earnings per share growth, while Value Line makes
10 projections of other financial variables. The Value Line forecasts of dividends per
11 share, book value per share, and cash flow per share for the Gas Group are also
12 included on Schedule 9.

13 **Q. What are the projected growth rates published by the sources you discussed?**

14 A. Schedule 9 shows the prospective five-year earnings per share growth rates
15 projected for the Gas Group by IBES/First Call (5.57%), Zacks (5.46%), and Value
16 Line (7.31%).

17 **Q. Are certain growth rate forecasts entitled to greater weight in developing a**
18 **growth rate for use in the DCF model?**

19 A. Yes. While a variety of factors should be examined to reach a reasonable
20 conclusion on the DCF growth rate, growth in earnings per share should receive the
21 greatest emphasis. Growth in earnings per share is the primary determinant of
22 investors' expectations of the total returns they will obtain from stocks because the
23 capital gains yield (i.e., price appreciation) will track earnings growth if the P-E

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1 multiple remains constant, as the DCF model assumes. Moreover, earnings per
2 share (derived from net income) are the source of dividend payments and are the
3 primary driver of retention growth and its surrogate, i.e., book value per share
4 growth. As such, under these circumstances, greater emphasis must be placed upon
5 projected earnings per share growth. In fact, Professor Gordon, the foremost
6 proponent of the use of the DCF model in setting utility rates, concluded that the
7 best measure of growth for use in the DCF model is a forecast of earnings per-share
8 growth.⁷ Consistent with Professor Gordon's findings, projections of earnings per
9 share growth, such as those published by IBES/First Call, Zacks, and Value Line,
10 provide the best indication of investor expectations.

11 **Q. What growth rate do you use in your DCF model?**

12 A. The forecasts shown on Schedule 9 for the Gas Group exhibit a range of average
13 earnings per share growth rates from 5.46% to 7.31%. DCF growth rates should not
14 be established by mathematical formulation, and I have not done so. In my opinion,
15 a growth rate of 6.75% is a reasonable estimate of investor-expected growth for the
16 Gas Group. This value is within the array of analysts' forecasts of five-year
17 earnings per share growth rates. The reasonableness of this growth rate is also
18 supported by the expected continuation of gas utility infrastructure spending. Based
19 upon the dividend yield and growth rate that I have recommended the DCF cost rate
20 would be 10.47%

⁷ Gordon, Gordon & Gould, "Choice Among Methods of Estimating Share Yield," The Journal of Portfolio Management (Spring 1989).

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1 **Q. Are the dividend yield and growth components of the DCF adequate to**
2 **accurately depict the rate of return on common equity when it is used to**
3 **calculate a utility's weighted average overall cost of capital?**

4 A. The components of the DCF model are adequate for that purpose only if the capital
5 structure ratios are measured by the market value of debt and equity. In the case of
6 the Gas Group, average capital structure ratios are 37.19% long-term debt, 1.38%
7 preferred stock, and 61.43% common equity, as shown on Schedule 10. If book
8 values are used to compute the capital structure ratios, then a leverage adjustment is
9 required.

10 **Q. What is a leverage adjustment?**

11 A. If a firm's capitalization, as measured by its stock price, diverges from its
12 capitalization, measured at book value, the potential exists for a financial risk
13 difference. Such a risk difference arises because a market-valued capitalization
14 contains more equity and less debt than a book-value capitalization and, therefore,
15 has less risk than the book-value capitalization. A leverage adjustment properly
16 accounts for the risk differential between market-value and book-value capital
17 structures.

18 **Q. Why is a leverage adjustment necessary?**

19 A. In order to make the DCF results relevant to the capitalization measured at book
20 value (as is done for rate setting purposes), the market-derived cost rate must be
21 adjusted to account for this difference in financial risk. The only perspective that is
22 important to investors is the return that they can realize on the market value of their
23 investment. As I have measured the DCF, the simple yield (D/P) plus growth (g)

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1 provides a return applicable strictly to the price (P) that an investor is willing to pay
2 for a share of stock. The need for the leverage adjustment arises when the results of
3 the DCF model (k) are to be applied to a capital structure that is different from the
4 capital structure indicated by the market price (P). From the market perspective, the
5 financial risk of the Gas Group is accurately measured by the capital structure ratios
6 calculated from the market-valued capitalization of a firm. If the ratemaking
7 process utilized the market capitalization ratios, then no additional analysis or
8 adjustment would be required, and the simple yield (D/P) plus growth (g)
9 components of the DCF would satisfy the financial risk associated with the market
10 value of the equity capitalization. Because the ratemaking process uses ratios
11 calculated from a firm's book value capitalization, further analysis is required to
12 synchronize the financial risk of the book capitalization with the required return on
13 the book value of the firm's equity. This adjustment is developed through precise
14 mathematical calculations, using well-recognized analytical procedures that are
15 widely accepted in the financial literature. To arrive at that return, the rate of return
16 on common equity is the unleveraged cost of capital (or equity return at 100%
17 equity) plus one or more terms reflecting the increase in financial risk resulting
18 from the use of leverage in the capital structure. The calculations presented in the
19 lower panel of data shown on Schedule 10, under the heading "M&M,"⁸ provide a
20 return of 8.81% when applicable to a capital structure with 100% common equity.

⁸ Franco Modigliani and Merton H. Miller, "The Cost of Capital, Corporation Finance, and the Theory of Investments," American Economic Review, June 1958, at 261-97. Franco Modigliani and Merton H. Miller, "Taxes and the Cost of Capital: A Correction," American Economic Review, June 1963, at 433-43.

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1 **Q. Are there specific factors that influence market-to-book ratios that determine**
2 **whether the leverage adjustment should be made?**

3 A. No. The leverage adjustment is not intended, nor was it designed, to address the
4 reasons that stock prices vary from book value. Hence, any observations
5 concerning market prices relative to book value are not on point. The leverage
6 adjustment deals with the issue of financial risk and does not transform the DCF
7 result to a book value return through a market-to-book adjustment. Again, the
8 leverage adjustment that I propose is based on the fundamental financial precept
9 that the cost of equity is equal to the rate of return for an unleveraged firm (i.e.,
10 where the overall rate of return equates to the cost of equity with a capital structure
11 that contains 100% equity) plus the additional return required for introducing debt
12 and/or preferred stock leverage into the capital structure.

13 Further, as noted previously, the relatively high market prices of utility
14 stocks cannot be attributed solely to the notion that these companies are expected to
15 earn a return on the book value of equity that differs from their cost of equity
16 determined from stock market prices. Stock prices above book value are common
17 for utility stocks, and indeed the stock prices of non-regulated companies exceed
18 book values by even greater margins. It is difficult to accept that the vast majority
19 of all firms operating in our economy are generating returns far in excess of their
20 cost of capital. Certainly, in our free-market economy, competition should contain
21 such “excesses” if they actually exist.

22 Finally, the leverage adjustment adds stability to the final DCF cost rate.
23 That is to say, as the market capitalization increases relative to its book value, the

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1 leverage adjustment increases while the simple yield (D/P) plus growth (g) result
2 declines. The reverse is also true: when the market capitalization declines, the
3 leverage adjustment also declines as the simple yield (D/P) plus growth (g) result
4 increases.

5 **Q. Is the leverage adjustment that you propose designed to transform the market**
6 **return into one that is designed to produce a particular market-to-book ratio?**

7 A. No, it is not. What I label a “leverage adjustment” is merely a convenient way of
8 showing the amount that must be added to (or subtracted from) the result of the
9 simple DCF model (i.e., $D/P + g$) when the DCF return applies to a capital structure
10 used for ratemaking that is computed with book-value weighting rather than
11 market-value weighting. Although I specify a separate factor, which I call the
12 leverage adjustment, there is no need to do so other than to identify this factor. If I
13 were to express my return solely in the context of the book value weighting that we
14 use to calculate the weighted average cost of capital and ignore the familiar $D/P + g$
15 expression entirely, then a separate element in the DCF cost of equity determination
16 would not be needed to reflect the differential in financial leverage between a
17 market-value and book-value capitalization. As shown in the bottom panel of data
18 on Schedule 10, the equity return applicable to the book value common equity ratio
19 is equal to 8.81%, which is the return for the Gas Group appropriate for a capital
20 structure with no debt (i.e., a 100% equity ratio) plus 2.96% to compensate
21 investors for the risk of 52.11% debt ratio and 0.11% for a 1.63% preferred stock
22 ratio. These are the book-value ratios that differ markedly from the market-value
23 based ratios I discussed previously. Under this approach, the parts add up to

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1 11.88% (8.81% + 2.96% + 0.11%), and there is no need to even address the cost of
2 equity in terms of $D/P + g$. To express this same return in the context of the
3 familiar DCF model, I added the 3.72% dividend yield, the 6.75% growth rate, and
4 1.41% for the leverage adjustment in order to arrive at the same 11.88% return
5 computed directly with the “M&M formula. I know of no means to mathematically
6 solve for the 1.41% leverage adjustment by expressing it in the terms of any
7 particular relationship of market price to book value. The 1.41% adjustment is
8 merely a convenient way to compare the 11.88% return computed using the
9 Modigliani & Miller formulas to the 10.47% return generated by the DCF model
10 (i.e., $D_1/P_0 + g$, or the traditional form of the DCF shown on Schedule 7) based on a
11 market-value capital structure. A 10.47% return assigned to anything other than the
12 market value of equity cannot equate to a reasonable return on book value that has
13 higher financial risk. My point is that when we use a market-determined cost of
14 equity developed from the DCF model, it reflects a level of financial risk that is
15 different (in this case, lower) from the capital structure stated at book value. This
16 process has nothing to do with targeting any particular market-to-book ratio.

17 **Q. Please provide the DCF return based upon your preceding discussion of**
18 **dividend yield, growth, and leverage.**

19 A. As explained previously, I have utilized a six-month average dividend yield (D_1/P_0)
20 adjusted in a forward-looking manner for my DCF calculation. This dividend yield
21 is used in conjunction with the growth rate (g) previously developed. The DCF also
22 includes the leverage modification (Lev.) required when the book value equity ratio
23 is used in determining the weighted average cost of capital in the ratemaking

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1 process rather than the market value equity ratio related to the price of stock. The
2 resulting DCF cost rate is 11.88%, computed as follows:

$$D_1/P_0 + g + lev. = k$$

3 Gas Griyo 3.72% + 6.75% + 1.41% = 11.88%

4 The DCF result shown above represents the simplified (i.e., Gordon) form
5 of the model that contains a constant-growth assumption. I should reiterate,
6 however, that the DCF-indicated cost rate provides an explanation of the rate of
7 return on common stock market prices without regard to the prospect of a change in
8 the P-E multiple. An assumption that there will be no change in the P-E multiple is
9 not supported by the realities of the equity market because P-E multiples do not
10 remain constant. This is one of the constraints of this model that makes it important
11 to consider the results of other models when determining a company's cost of
12 equity.

RISK PREMIUM ANALYSIS

13
14 **Q. Please describe your use of the Risk Premium approach to determine the cost
15 of equity.**

16 A. With the Risk Premium approach, the cost of equity capital is determined by
17 corporate bond yields plus a premium to account for the fact that common equity is
18 exposed to greater investment risk than debt capital. The result of my Risk
19 Premium study is shown on Schedule 1, page 2. That result is 11.50%.

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1 **Q. What long-term public utility debt cost rate did you use in your Risk Premium**
2 **analysis?**

3 A. In my opinion, and as I will explain in more detail further in my testimony, a 5.00%
4 yield represents a reasonable estimate of the prospective yield on long-term, public
5 utility bonds.

6 **Q. What historical data are shown by the Moody's data?**

7 A. I have analyzed the historical yields on the Moody's index of long-term public
8 utility debt as shown on Schedule 11, page 1. For the twelve months ended
9 September 2023 the average monthly yield on Moody's index public utility bonds
10 was 5.47%. For the six- and three-month periods ended September 2023, the yields
11 were 5.48% and 5.66%, respectively. During the twelve months ended September
12 2023, the range of the yields on public utility bonds were 5.13% to 5.88%
13 dependent on credit rating. Page 2 of Schedule 11 shows the long-run spread in
14 yields between A-rated public utility bonds and long-term Treasury bonds. As
15 shown on page 3 of Schedule 11, the yields on A-rated public utility bonds have
16 exceeded those on Treasury bonds by 1.55% on a twelve-month average basis,
17 1.46% on a six-month average basis, and 1.42% on a three-month average basis.
18 With these data, 1.25% represents a reasonable, albeit conservative, spread for the
19 yield on A-rated public utility bonds over Treasury bonds.

20 **Q. What forecasts of interest rates have you considered in your analysis?**

21 A. I have determined the prospective yield on A-rated public utility debt by using the
22 Blue Chip Financial Forecasts ("Blue Chip") along with the spread in the yields that
23 I describe below. Blue Chip is a reliable authority and contains consensus forecasts

DIRECT TESTIMONY OF PAUL R. MOUL

1 of a variety of interest rates compiled from a panel of banking, brokerage, and
2 investment advisory services. In early 1999, Blue Chip stopped publishing
3 forecasts of yields on A-rated public utility bonds because the Federal Reserve
4 deleted these yields from its Statistical Release H.15. To independently project a
5 forecast of the yields on A-rated public utility bonds, I have combined the forecast
6 yields on long-term Treasury bonds published on October 1, 2023 and a yield
7 spread of 1.25%, derived from historical data.

8 **Q. How have you used these data to project the yield on A-rated public utility**
9 **bonds for the purpose of your Risk Premium analyses?**

10 A. Shown below is my calculation of the prospective yield on A-rated public utility
11 bonds using the building blocks discussed above, i.e., the Blue Chip forecast of
12 Treasury bond yields and the public utility bond yield spread. For comparative
13 purposes, I also have shown the Blue Chip forecasts of Aaa-rated and Baa-rated
14 corporate bonds. These forecasts are:

Blue Chip Financial Forecasts						
Year	Quarter	Corporate		30-Year Treasury	A-rated Public Utility	
		Aaa-rated	Baa-rated		Spread	Yield
2023	Fourth	5.2%	6.2%	4.4%	1.25%	5.65%
2024	First	5.2%	6.1%	4.3%	1.25%	5.55%
2024	Second	5.0%	6.0%	4.2%	1.25%	5.45%
2024	Third	5.0%	6.0%	4.2%	1.25%	5.45%
2024	Fourth	4.9%	6.0%	4.1%	1.25%	5.35%
2025	First	4.9%	5.9%	4.0%	1.25%	5.25%

15 **Q. Are there additional forecasts of interest rates that extend beyond those shown**
16 **above?**

17 A. Yes. Twice yearly, Blue Chip provides long-term forecasts of interest rates. In its
18 June 1, 2023 publication Blue Chip published longer-term forecasts of interest rates,

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1 which were reported to be:

Blue Chip Financial Forecasts			
	Corporate		30-Year
Averages	Aaa-rated	Baa-rated	Treasury
2024-2028	4.8%	5.7%	3.8%
2029-2033	5.0%	5.9%	3.9%

2
3 The longer-term forecasts by Blue Chip suggest that interest rates will move
4 up from the levels revealed by the near-term forecasts. A 5.00% yield on A-rated
5 public utility bonds represents a reasonably conservative benchmark for measuring
6 the cost of equity in this case. All the data I used to formulate my conclusion as to
7 a prospective yield on A-rated public utility debt are available to investors, who
8 regularly rely upon such data to make investment decisions.

9 **Q. What equity risk premium have you determined for public utilities?**

10 A. To develop an appropriate equity risk premium, I analyzed the results from 2022
11 SBBI Yearbook, Stocks, Bonds, Bills and Inflation. My investigation reveals that
12 the equity risk premium varies according to the level of interest rates. That is to
13 say, the equity risk premium increases as interest rates decline, and it declines as
14 interest rates increase. This inverse relationship is revealed by the summary data
15 presented below and shown on Schedule 12, page 1.

Common Equity Risk Premiums	
Low Interest Rates	7.13%
Average Across All Interest Rates	5.96%
High Interest Rates	4.76%

16

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1 Group with the leverage adjustment. Without the leverage adjustment, the CAPM
2 result is 13.09% (15.42% - (0.24 x 9.68%)) through use of the Value Line beta
3 excluding the leverage adjustment (i.e., 1.10 - 0.86 = 0.24). To compute the cost of
4 equity with the CAPM, three components are necessary: a risk-free rate of return
5 (“Rf”), the beta measure of systematic risk (“β”), and the market risk premium
6 (“Rm-Rf”) derived from the total return on the market of equities reduced by the
7 risk-free rate of return. The CAPM specifically accounts for differences in
8 systematic risk (i.e., market risk as measured by the beta) between an individual
9 firm or group of firms and the entire market of equities.

10 **Q. What betas have you considered in the CAPM?**

11 A. For my CAPM analysis, I initially considered the Value Line betas. As shown on
12 page 2 of Schedule 3, the average beta is 0.86 for the Gas Group.

13 **Q. Did you use the Value Line betas in the CAPM determined cost of equity?**

14 A. I used the Value Line betas as a foundation for the leverage adjusted betas that I
15 used in the CAPM. The Value Line betas are measured over a five-year period.
16 The betas must be reflective of the financial risk associated with the ratemaking
17 capital structure that is measured at book value. Therefore, Value Line betas cannot
18 be used directly in the CAPM, unless the cost rate developed using those betas is
19 applied to a capital structure measured with market values. Since we used book
20 values in this case, the Value Line betas must be adjusted for the higher financial
21 risk associated with the book value capital structure. To develop a CAPM cost rate
22 applicable to a book-value capital structure, the Value Line (market value) betas

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1 have been unleveraged and re-leveraged for the book value common equity ratios
2 using the Hamada formula,⁹ as follows:

$$3 \quad \beta_l = \beta_u [1 + (1 - t) D/E + P/E]$$

4 β_l = the leveraged beta, β_u = the unleveraged beta, t = income tax rate, D =
5 debt ratio, P = preferred stock ratio, and E = common equity ratio. The betas
6 published by Value Line have been calculated with the market price of stock and
7 are related to the market value capitalization. By using the formula shown above
8 and the capital structure ratios measured at market value, the beta would become
9 0.57 for the Gas Group if it employed no leverage and was 100% equity financed.
10 Those calculations are shown on Schedule 10 under the section labeled “Hamada,”
11 who is credited with developing those formulas. With the unleveraged beta as a
12 base, I calculated the leveraged beta of 1.10 for the book value capital structure of
13 the Gas Group.

14 **Q. What risk-free rate have you used in the CAPM?**

15 A. As shown on page 1 of Schedule 13, I provided the historical yields on Treasury
16 notes and bonds. For the twelve months ended September 2023, the average yield
17 on 30-year Treasury bonds was 3.92%. For the six- and three-months ended
18 September 2023, the yields on 30-year Treasury bonds were 4.02% and 4.24%,
19 respectively. During the twelve months ended September 2023, the range of the
20 yields on 30-year Treasury bonds was 3.66% to 4.47%.

⁹ Robert S. Hamada, “The Effects of the Firm’s Capital Structure on the Systematic Risk of Common Stocks;” The Journal of Finance, Vol. 27, No. 2; Papers and Proceedings of the Thirtieth Annual Meeting of the American Finance Association, New Orleans, Louisiana, Dec. 27-29, 1971. (May 1972), pp. 435-52.

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1 The low yields that existed prior to 2022 can be traced to extraordinary
2 events associated with the Pandemic that jolted the capital markets. Since then,
3 much higher rates have been in place. Higher inflation was a contributing factor
4 that prompted the FOMC to raise the Fed Funds rate that I described previously.

5 Due to high inflation rates above the policy goal of the FOMC,
6 accommodative policy was ended by the FOMC in the first quarter of 2022.
7 Tighter monetary policy exists today and has caused higher interest rates that have
8 already occurred. After the FOMC ended its bond-buying program (i.e.,
9 quantitative easing) in March 2022, it is in the process of running off its \$9 trillion
10 asset portfolio, which will keep interest rates at elevated levels.

11 High interest rates clearly point to high capital costs prospectively, as
12 indicated by recent bond yield changes. The yield on 10-year Treasury bonds
13 moved above the 3% level on May 2, 2022, the first time since late 2018. By
14 September 2023, the yield on 30-year Treasury bonds moved to 4.47%, or an
15 increase of 2.80% (or 168%) since December 2020.

16 As shown on page 2 of Schedule 13, forecasts published by Blue Chip on
17 October 1, 2023 indicate that the yields on long-term Treasury bonds are expected
18 to be in the range of 4.0% to 4.4% during the next six quarters. This means that
19 elevated interest rates will continue near current levels into 2024. The longer-term
20 forecasts show that the yields on 30-year Treasury bonds will average 3.8% from
21 2024 through 2028 and 3.9% from 2029 to 2033. For the reasons explained
22 previously, forecasts of interest rates should be emphasized at this time in selecting

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1 the risk-free rate of return in CAPM. Hence, I have used a conservative 3.75% risk-
2 free rate of return for CAPM purposes, which considers the Blue Chip forecasts.

3 **Q. What market premium have you used in the CAPM?**

4 A. As shown in the lower panel of data presented on Schedule 13, page 2, the market
5 premium is derived from historical data and the forecast returns. For the
6 historically based market premium, I have used the arithmetic mean obtained from
7 the data presented on Schedule 12, page 1. On that schedule, the market return was
8 12.21% ($12.40\% + 12.02\% = 24.42\% \div 2$) as the midpoint of the “low” and
9 “average” interest rate environments. During those periods, the yield on long-term
10 government bonds was 3.87% ($2.83\% + 4.91\% = 7.74\% \div 2$). The resulting market
11 premium is 8.34% ($12.21\% - 3.87\%$) based on historical data, as shown on
12 Schedule 13, page 2. As also shown on Schedule 13, page 2, I calculated the
13 forecast returns, which show a 14.77% total market return based on the Value Line
14 forecasts. With these data, I calculated a market premium of 11.02% ($14.77\% -$
15 3.75%) using the forecast data by Value Line. The resulting market premium
16 applicable to the CAPM derived from these sources equals 9.68% ($11.02\% + 8.34\%$
17 $= 19.36\% \div 2$).

18 **Q. Are there adjustments to the CAPM that are necessary to fully reflect the rate**
19 **of return on common equity?**

20 A. Yes. The technical literature supports an adjustment relating to the size of the
21 company or portfolio for which the calculation is performed. As the size of a firm
22 decreases, its risk and required return increases. Moreover, in his discussion of the
23 cost of capital, Professor Eugene F. Brigham has indicated that smaller firms have

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1 higher capital costs than otherwise similar larger firms. Also, the Fama/French
2 study (see “The Cross-Section of Expected Stock Returns”; The Journal of Finance,
3 June 1992) established that the size of a firm helps explain stock returns. In an
4 October 15, 1995 article in Public Utility Fortnightly, entitled “Equity and the
5 Small-Stock Effect,” it was demonstrated that the CAPM could significantly
6 understate the cost of equity according to a company’s size. Indeed, it was
7 demonstrated in the SBBI Yearbook that the returns for stocks in lower deciles (i.e.,
8 smaller stocks) had returns in excess of those shown by the simple CAPM. To
9 recognize this fact, I used the mid-cap adjustment of 1.02%, as revealed on page 3
10 of Schedule 13, for the CAPM calculation. The adjustment here is related to the
11 size of the Gas Group.

12 **Q. What does your CAPM analysis show?**

13 A. Using the 3.75% risk-free rate of return, the leverage adjusted beta of 1.10 for the
14 Gas Group, the 9.68% market premium, and the 1.02% size adjustment, the
15 following result is indicated.

$$Rf + \beta \times (Rm-Rf) + size = k$$

16 Gas Group 3.75% + 1.10 x (9.68%) + 1.02% = 15.42%

17 Excluding the leverage adjusted beta and eliminating the size adjustment, the
18 CAPM result would be 12.07% = (3.75% + .86 (9.68%))

19 COMPARABLE EARNINGS APPROACH

20 **Q. What is the Comparable Earnings approach?**

21 A. The Comparable Earnings approach estimates a fair return on equity by comparing

DIRECT TESTIMONY OF PAUL R. MOUL

1 returns realized by non-regulated companies to returns that a public utility with
2 similar risk characteristics would need to realize in order to compete for capital.
3 Because regulation is a substitute for competitively determined prices, the returns
4 realized by non-regulated firms with comparable risks to a public utility provide
5 useful insight into investor expectations for public utility returns. The firms
6 selected for the Comparable Earnings approach should be companies whose prices
7 are not subject to cost-based price ceilings (i.e., non-regulated firms) so that
8 circularity is avoided.

9 There are two avenues available to implement the Comparable Earnings
10 approach. One method involves the selection of another industry (or industries)
11 with comparable risks to the public utility in question, and the results for all
12 companies within that industry serve as a benchmark. The second approach
13 requires the selection of parameters that represent similar risk traits for the public
14 utility and the comparable risk companies. Using this approach, the business lines
15 of the comparable companies become unimportant. The latter approach is
16 preferable with the further qualification that the comparable risk companies exclude
17 regulated firms in order to avoid the circular reasoning implicit in the use of the
18 achieved earnings/book ratios of other regulated firms. The United States Supreme
19 Court has held that:

20 A public utility is entitled to such rates as will permit it to earn a
21 return on the value of the property which it employs for the
22 convenience of the public equal to that generally being made at the
23 same time and in the same general part of the country on
24 investments in other business undertakings which are attended by
25 corresponding risks and uncertainties. The return should be
26 reasonably sufficient to assure confidence in the financial
27 soundness of the utility and should be adequate, under efficient and

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1 economical management, to maintain and support its credit and
2 enable it to raise the money necessary for the proper discharge of
3 its public duties. Bluefield Water Works v. Public Service
4 Commission, 262 U.S. 668 (1923).
5

6 It is important to identify the returns earned by firms that compete for
7 capital with a public utility. This can be accomplished by analyzing the returns of
8 non-regulated firms that are subject to the competitive forces of the marketplace.

9 **Q. Did you compare the results of your DCF and CAPM analyses to the results**
10 **indicated by a Comparable Earnings approach?**

11 A. Yes. I selected companies from The Value Line Investment Survey for Windows
12 that have six categories of comparability designed to reflect the risk of the Gas
13 Group. These screening criteria were based upon the range as defined by the
14 rankings of the companies in the Gas Group. The items considered were
15 Timeliness Rank, Safety Rank, Financial Strength, Price Stability, Value Line betas,
16 and Technical Rank. The definition for these parameters is provided on Schedule
17 14, page 3. The identities of the companies comprising the Comparable Earnings
18 group and their associated rankings within the ranges are identified on Schedule 14,
19 page 1.

20 I relied upon Value Line data because it provides a comprehensive basis for
21 evaluating the risks of the comparable firms. As to the returns calculated by Value
22 Line for these companies, there is some downward bias in the figures shown on
23 Schedule 14, page 2, because Value Line computes the returns on year-end rather
24 than average book value. If average book values had been employed, the rates of
25 return would have been slightly higher. Nevertheless, these are the returns
26 considered by investors when taking positions in these stocks. Because many of the

DIRECT TESTIMONY OF PAUL R. MOUL

1 comparability factors, as well as the published returns, are used by investors in
2 selecting stocks, and the fact that investors rely on the Value Line service to gauge
3 returns, it is an appropriate database for measuring comparable return opportunities.

4 **Q. What data did you consider in your Comparable Earnings analysis?**

5 A. I used both historical realized returns and forecasted returns for non-utility
6 companies. As noted previously, I have not used returns for utility companies in
7 order to avoid the circularity that arises from using regulatory-influenced returns to
8 determine a regulated return. It is appropriate to consider a relatively long
9 measurement period in the Comparable Earnings approach in order to cover
10 conditions over an entire business cycle. A ten-year period (five historical years
11 and five projected years) is sufficient to cover an average business cycle. Unlike
12 the DCF and CAPM, the results of the Comparable Earnings method can be applied
13 directly to the book value capitalization. In other words, the Comparable Earnings
14 approach does not contain the potential misspecification contained in market
15 models when the market capitalization and book value capitalization diverge
16 significantly. A point of demarcation was chosen to eliminate the results of highly
17 profitable enterprises, which the Bluefield case stated were not the type of returns
18 that a utility was entitled to earn. For this purpose, I used 20% as the point where
19 those returns could be viewed as highly profitable and should be excluded from the
20 Comparable Earnings approach. The average historical rate of return on book
21 common equity was 12.1% using only the returns that were less than 20%, as
22 shown on Schedule 14, page 2. The average forecasted rate of return as published
23 by Value Line is 13.3% also using values less than 20%, as provided on Schedule

DIRECT TESTIMONY OF PAUL R. MOUL

1 14, page 2. Using the average of these data, my Comparable Earnings result is
2 12.70%, as shown on Schedule 1, page 2.

3 CONCLUSION ON COST OF EQUITY

4 **Q. What is your conclusion regarding the Company's cost of common equity?**

5 A. Based upon the application of a variety of methods and models described
6 previously, it is my opinion that a reasonable rate of return on common equity is
7 11.75% for Peoples, which includes twenty-five basis points or 0.25% for
8 recognition of the Company's strong management performance. My cost of equity
9 recommendation is within the range of results and should be considered in the
10 context of the Company's higher risk characteristics relative to the barometer group
11 companies. It is essential that the Commission employ a variety of techniques to
12 measure the Company's cost of equity because of the limitations/infirmities that are
13 inherent in each method. In summary, the Company should be provided an
14 opportunity to realize a 11.75% rate of return on common equity so that it can
15 compete in the capital markets, attain reasonable credit quality, sustain its cash flow
16 in the context of its capital expenditures, and receive recognition of the significant
17 accomplishments that management has achieved.

18 **Q. Does this complete your direct testimony?**

19 A. Yes. However, I reserve the right to supplement my testimony, if necessary, and to
20 respond to witnesses presented by other parties.

APPENDIX A TO DIRECT TESTIMONY OF PAUL R. MOUL

EDUCATIONAL BACKGROUND, BUSINESS EXPERIENCE AND QUALIFICATIONS

1
2
3 I was awarded a degree of Bachelor of Science in Business Administration by Drexel
4 University in 1971. While at Drexel, I participated in the Cooperative Education Program
5 which included employment, for one year, with American Water Works Service Company,
6 Inc., as an internal auditor, where I was involved in the audits of several operating water
7 companies of the American Water Works System and participated in the preparation of
8 annual reports to regulatory agencies and assisted in other general accounting matters.

9 Upon graduation from Drexel University, I was employed by American Water
10 Works Service Company, Inc., in the Eastern Regional Treasury Department where my
11 duties included preparation of rate case exhibits for submission to regulatory agencies, as
12 well as responsibility for various treasury functions of the thirteen New England operating
13 subsidiaries.

14 In 1973, I joined the Municipal Financial Services Department of Betz
15 Environmental Engineers, a consulting engineering firm, where I specialized in financial
16 studies for municipal water and wastewater systems.

17 In 1974, I joined Associated Utility Services, Inc., now known as AUS Consultants.
18 I held various positions with the Utility Services Group of AUS Consultants, concluding my
19 employment there as a Senior Vice President.

20 In 1994, I formed P. Moul & Associates, an independent financial and regulatory
21 consulting firm. In my capacity as Managing Consultant and for the past forty-one years, I
22 have continuously studied the rate of return requirements for cost of service-regulated firms.
23 In this regard, I have supervised the preparation of rate of return studies, which were
24 employed, in connection with my testimony and in the past for other individuals. I have

APPENDIX A TO DIRECT TESTIMONY OF PAUL R. MOUL

1 presented direct testimony on the subject of fair rate of return, evaluated rate of return
2 testimony of other witnesses, and presented rebuttal testimony.

3 My studies and prepared direct testimony have been presented before thirty-seven
4 (37) federal, state and municipal regulatory commissions, consisting of: the Federal Energy
5 Regulatory Commission; state public utility commissions in Alabama, Alaska, California,
6 Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa,
7 Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri,
8 New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania,
9 Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, Wisconsin, and
10 the Philadelphia Gas Commission, and the Texas Commission on Environmental Quality.
11 My testimony has been offered in over 300 rate cases involving electric power, natural gas
12 distribution and transmission, resource recovery, solid waste collection and disposal,
13 telephone, wastewater, and water service utility companies. While my testimony has
14 involved principally fair rate of return and financial matters, I have also testified on capital
15 allocations, capital recovery, cash working capital, income taxes, factoring of accounts
16 receivable, and take-or-pay expense recovery. My testimony has been offered on behalf of
17 municipal and investor-owned public utilities and for the staff of a regulatory commission. I
18 have also testified at an Executive Session of the State of New Jersey Commission of
19 Investigation concerning the BPU regulation of solid waste collection and disposal.

20 I was a co-author of a verified statement submitted to the Interstate Commerce
21 Commission concerning the 1983 Railroad Cost of Capital (Ex Parte No. 452). I was also
22 co-author of comments submitted to the Federal Energy Regulatory Commission regarding
23 the Generic Determination of Rate of Return on Common Equity for Public Utilities in

APPENDIX A TO DIRECT TESTIMONY OF PAUL R. MOUL

1 1985, 1986 and 1987 (Docket Nos. RM85-19-000, RM86-12-000, RM87-35-000 and
2 RM88-25-000). Further, I have been the consultant to the New York Chapter of the
3 National Association of Water Companies, which represented the water utility group in the
4 Proceeding on Motion of the Commission to Consider Financial Regulatory Policies for
5 New York Utilities (Case 91-M-0509). I have also submitted comments to the Federal
6 Energy Regulatory Commission in its Notice of Proposed Rulemaking (Docket No. RM99-
7 2-000) concerning Regional Transmission Organizations and on behalf of the Edison
8 Electric Institute in its intervention in the case of Southern California Edison Company
9 (Docket No. ER97-2355-000). Also, I was a member of the panel of participants at the
10 Technical Conference in Docket No. PL07-2 on the Composition of Proxy Groups for
11 Determining Gas and Oil Pipeline Return on Equity.

12 In late 1978, I arranged for the private placement of bonds on behalf of an investor-
13 owned public utility. I have assisted in the preparation of a report to the Delaware Public
14 Service Commission relative to the operations of the Lincoln and Ellendale Electric
15 Company. I was also engaged by the Delaware P.S.C. to review and report on the proposed
16 financing and disposition of certain assets of Sussex Shores Water Company (P.S.C. Docket
17 Nos. 24-79 and 47-79). I was a co-author of a Report on Proposed Mandatory Solid Waste
18 Collection Ordinance prepared for the Board of County Commissioners of Collier County,
19 Florida.

20 I have been a consultant to the Bucks County Water and Sewer Authority concerning
21 rates and charges for wholesale contract service with the City of Philadelphia. My
22 municipal consulting experience also included an assignment for Baltimore County,
23 Maryland, regarding the City/County Water Agreement for Metropolitan District customers

APPENDIX A TO DIRECT TESTIMONY OF PAUL R. MOUL

1 (Circuit Court for Baltimore County in Case 34/153/87-CSP-2636).

PEOPLES NATURAL GAS COMPANY LLC

Exhibit to Accompany the

Direct Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning
Fair Rate of Return

Peoples Natural Gas Company LLC
Index of Schedules

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Peoples Natural Gas Company LLC
Summary Cost of Capital
Estimated at September 30, 2025

<u>Type of Capital</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Debt	45.33%	4.37%	1.98%
Equity	<u>54.67%</u>	11.75%	<u>6.42%</u>
Total	<u>100.00%</u>		<u>8.40%</u>

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its overall cost of capital:

Pre-tax coverage of interest expense based upon a 28.8921% composite federal and state income tax rate (11.01% ÷ 1.98%)	5.56 x
Post-tax coverage of interest expense (8.40% ÷ 1.98%)	4.24 x

Peoples Natural Gas Company LLC

Cost of Equity
as of September 30, 2023

Discounted Cash Flow (DCF)	D_1/P_0	+	g	+	$lev.$	=	k		
Gas Group	3.72%	+	6.75%	+	1.41%	=	11.88%		
Risk Premium (RP)			I	+	RP	=	k		
Gas Group			5.00%	+	6.50%	=	11.50%		
Capital Asset Pricing Model (CAPM)	Rf	+	β	x	$(Rm-Rf)$	+	$size$	=	k
Gas Group	3.75%	+	1.10	x	(9.68%)	+	1.02%	=	15.42%
Comparable Earnings (CE)					Historical	Forecast	Average		
Comparable Earnings Group					12.1%	13.3%	12.70%		

- References: (1) Schedule 07
(2) Schedule 09
(3) Schedule 10
(4) Schedule 11
(4) A-rated public utility bond yield comprised of a 3.75% risk-free rate of return (Schedule 13 page 2) and a yield spread of 1.25% (Schedule 11 page 3)
(5) Schedule 12 page 1
(6) Schedule 13 page 2
(7) Schedule 10
(8) Schedule 13 page 2
(9) Schedule 13 page 3
(10) Schedule 14 page 2

Peoples Natural Gas Company LLC
Capitalization and Financial Statistics
2018-2022, Inclusive

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 2,734.5	\$ 2,458.8	\$ 1,985.0	\$ 2,218.3	\$ 2,106.1	
Short-Term Debt	\$ 76.2	\$ 91.1	\$ 138.7	\$ 169.8	\$ 130.7	
Total Capital	<u>\$ 2,810.7</u>	<u>\$ 2,549.8</u>	<u>\$ 2,123.7</u>	<u>\$ 2,388.1</u>	<u>\$ 2,236.8</u>	
						<u>Average</u>
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	40.3%	42.4%	37.0%	41.9%	44.3%	41.2%
Common Equity ⁽¹⁾	59.7%	57.6%	63.0%	58.1%	55.7%	58.8%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt, incl. Short Term	41.9%	44.5%	41.2%	46.0%	47.6%	44.2%
Common Equity ⁽¹⁾	58.1%	55.5%	58.8%	54.0%	52.4%	55.8%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity ⁽¹⁾	14.2%	13.6%	10.7%	9.4%	9.5%	11.5%
Operating Ratio ⁽²⁾	80.5%	75.9%	76.2%	75.9%	78.1%	77.3%
Coverage incl. AFUDC ⁽³⁾						
Pre-tax: All Interest Charges	5.33 x	5.27 x	4.42 x	4.12 x	4.20 x	4.67 x
Post-tax: All Interest Charges	6.55 x	5.99 x	4.36 x	3.40 x	3.42 x	4.74 x
Coverage excl. AFUDC ⁽³⁾						
Pre-tax: All Interest Charges	5.26 x	5.23 x	4.38 x	4.10 x	4.19 x	4.63 x
Post-tax: All Interest Charges	6.48 x	5.95 x	4.32 x	3.38 x	3.41 x	4.71 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	1.2%	0.8%	1.2%	0.6%	0.4%	0.8%
Effective Income Tax Rate	-28.2%	-17.0%	1.7%	23.0%	24.4%	0.8%
Internal Cash Generation/Construction ⁽⁴⁾	186.3%	60.2%	61.7%	-43.8%	-77.4%	37.4%
Gross Cash Flow/ Avg. Total Debt ⁽⁵⁾	28.4%	27.2%	22.2%	20.8%	19.2%	23.6%
Gross Cash Flow Interest Coverage ⁽⁶⁾	8.42 x	7.52 x	5.45 x	4.67 x	4.76 x	6.16 x
Common Dividend Coverage ⁽⁷⁾	13.41 x	11.15 x	8.95 x	0.64 x	0.58 x	6.95 x

See Page 2 for Notes.

Peoples Natural Gas Company LLC
Capitalization and Financial Statistics
2018-2022, Inclusive

Notes:

- (1) Excluding Accumulated Other Comprehensive Income (“OCI”) from the equity account.
- (2) Total operating expenses, maintenance, depreciation and taxes other than income as a percentage of operating revenues.
- (3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.

Source of Information: Company provided data

Gas Group
Capitalization and Financial Statistics ⁽¹⁾
2018-2022, Inclusive

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 7,730.2	\$ 7,293.8	\$ 6,052.7	\$ 5,316.3	\$ 4,769.0	
Short-Term Debt	\$ 745.4	\$ 577.9	\$ 285.2	\$ 516.3	\$ 527.8	
Total Capital	<u>\$ 8,475.6</u>	<u>\$ 7,871.7</u>	<u>\$ 6,337.9</u>	<u>\$ 5,832.6</u>	<u>\$ 5,296.8</u>	
Market-Based Financial Ratios						<u>Average</u>
Price-Earnings Multiple	19 x	21 x	24 x	25 x	20 x	22 x
Market/Book Ratio	192.6%	185.7%	188.6%	225.0%	218.5%	202.1%
Dividend Yield	3.1%	3.2%	3.1%	2.5%	2.7%	2.9%
Dividend Payout Ratio	57.1%	65.6%	74.7%	63.9%	52.4%	62.7%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	52.1%	53.5%	48.6%	46.4%	45.4%	49.2%
Preferred Stock	2.1%	2.3%	1.8%	1.7%	1.1%	1.8%
Common Equity ⁽²⁾	45.7%	44.2%	49.6%	52.0%	53.6%	49.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	57.0%	58.2%	52.3%	51.4%	51.3%	54.0%
Preferred Stock	1.9%	2.1%	1.7%	1.5%	1.0%	1.6%
Common Equity ⁽²⁾	41.2%	39.7%	46.1%	47.2%	47.7%	44.4%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity ⁽²⁾	10.6%	9.0%	8.7%	9.0%	11.2%	9.7%
Operating Ratio ⁽³⁾	81.9%	81.3%	82.7%	83.1%	84.3%	82.7%
Coverage incl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	5.01 x	4.88 x	4.18 x	4.02 x	4.02 x	4.42 x
Post-tax: All Interest Charges	4.28 x	4.09 x	3.61 x	3.57 x	3.80 x	3.87 x
Overall Coverage: All Int. & Pfd. Div.	4.18 x	3.99 x	3.57 x	3.52 x	3.80 x	3.81 x
Coverage excl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	4.90 x	4.76 x	4.07 x	3.96 x	3.96 x	4.33 x
Post-tax: All Interest Charges	4.16 x	3.97 x	3.50 x	3.50 x	3.75 x	3.78 x
Overall Coverage: All Int. & Pfd. Div.	4.06 x	3.87 x	3.46 x	3.45 x	3.74 x	3.72 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	2.4%	4.3%	3.1%	2.5%	1.6%	2.8%
Effective Income Tax Rate	20.7%	20.3%	16.5%	14.3%	8.5%	16.1%
Internal Cash Generation/Construction ⁽⁵⁾	61.0%	62.8%	54.8%	52.1%	50.6%	56.3%
Gross Cash Flow/ Avg. Total Debt ⁽⁶⁾	15.2%	17.4%	19.1%	19.8%	20.1%	18.3%
Gross Cash Flow Interest Coverage ⁽⁷⁾	7.02 x	8.34 x	7.35 x	6.67 x	6.67 x	7.21 x
Common Dividend Coverage ⁽⁸⁾	3.85 x	4.22 x	3.96 x	4.10 x	3.93 x	4.01 x

See Page 2 for Notes.

Gas Group
Capitalization and Financial Statistics
2018-2022, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (7) Gross Cash Flow plus interest charges divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection:

The Gas Group includes companies that are contained in The Value Line Investment Survey within the industry group "Natural Gas Utility," they are not currently the target of a publicly-announced merger or acquisition (i.e., South Jersey Industries), and after eliminating UGI Corp. due to its highly diversified businesses.

Ticker	Company	Corporate Credit Ratings		Stock Traded	Value Line Beta
		Moody's	S&P		
ATO	Atmos Energy Corp.	A1	A-	NYSE	0.85
CPK	Chesapeake Utilities Corp.	NAIC "2b"		NYSE	0.80
NJR	New Jersey Resources Corp.	A1	-	NYSE	0.95
NI	NiSource Inc.	Baa2	BBB+	NYSE	0.90
NWN	Northwest Natural Holding Comp:	Baa1	A+	NYSE	0.80
OGS	ONE Gas, Inc.	A3	A-	NYSE	0.80
SWX	Southwest Gas Holdings, Inc.	Baa1	BBB	NYSE	0.90
SR	Spire, Inc.	A1	A-	NYSE	0.85
	Average	<u>A3</u>	<u>A-</u>		<u>0.86</u>

Note: Ratings are those of utility subsidiaries

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT
Moody's Investors Service
Standard & Poor's Corporation

Standard & Poor's Public Utilities
Capitalization and Financial Statistics ⁽¹⁾
2018-2022, Inclusive

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	\$ 42,136.6	\$ 40,154.3	\$ 38,732.9	\$ 36,461.6	\$ 32,871.6	
Short-Term Debt	\$ 1,713.7	\$ 1,397.4	\$ 1,154.1	\$ 1,221.9	\$ 1,420.3	
Total Capital	<u>\$ 43,850.3</u>	<u>\$ 41,551.7</u>	<u>\$ 39,887.0</u>	<u>\$ 37,683.5</u>	<u>\$ 34,291.9</u>	
Market-Based Financial Ratios						
Price-Earnings Multiple	23 x	22 x	23 x	20 x	21 x	Average 22 x
Market/Book Ratio	219.2%	220.7%	218.2%	220.9%	204.4%	216.7%
Dividend Yield	3.3%	3.5%	3.6%	3.2%	3.5%	3.4%
Dividend Payout Ratio	72.5%	72.9%	78.0%	62.7%	68.7%	71.0%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	58.3%	57.4%	58.1%	56.7%	55.0%	57.1%
Preferred Stock	2.2%	2.3%	2.6%	2.4%	2.5%	2.4%
Common Equity ⁽²⁾	<u>39.6%</u>	<u>40.4%</u>	<u>39.4%</u>	<u>41.0%</u>	<u>42.5%</u>	<u>40.5%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	60.0%	58.9%	59.4%	58.1%	57.0%	58.7%
Preferred Stock	2.1%	2.2%	2.5%	2.3%	2.4%	2.3%
Common Equity ⁽²⁾	<u>37.9%</u>	<u>38.9%</u>	<u>38.1%</u>	<u>39.6%</u>	<u>40.7%</u>	<u>39.1%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity ⁽²⁾	9.9%	9.4%	10.2%	10.3%	10.3%	10.0%
Operating Ratio ⁽³⁾	83.1%	83.1%	79.8%	79.3%	79.8%	81.0%
Coverage incl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	3.28 x	3.16 x	2.80 x	3.05 x	2.94 x	3.05 x
Post-tax: All Interest Charges	2.94 x	2.87 x	2.60 x	3.10 x	2.59 x	2.82 x
Overall Coverage: All Int. & Pfd. Div.	2.89 x	2.81 x	2.55 x	3.04 x	2.55 x	2.77 x
Coverage excl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	3.17 x	3.06 x	2.70 x	2.95 x	2.84 x	2.94 x
Post-tax: All Interest Charges	2.84 x	2.78 x	2.50 x	3.00 x	2.48 x	2.72 x
Overall Coverage: All Int. & Pfd. Div.	2.79 x	2.72 x	2.46 x	2.94 x	2.44 x	2.67 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	7.1%	7.4%	6.8%	6.0%	7.3%	6.9%
Effective Income Tax Rate	12.9%	10.6%	9.9%	12.2%	42.0%	17.5%
Internal Cash Generation/Construction ⁽⁵⁾	60.2%	60.5%	58.6%	65.9%	66.2%	62.3%
Gross Cash Flow/ Avg. Total Debt ⁽⁶⁾	15.1%	15.0%	15.9%	17.5%	17.4%	16.2%
Gross Cash Flow Interest Coverage ⁽⁷⁾	5.70 x	5.17 x	4.90 x	4.97 x	4.98 x	5.14 x
Common Dividend Coverage ⁽⁸⁾	3.49 x	3.47 x	3.52 x	5.56 x	4.80 x	4.17 x

See Page 2 for Notes.

Standard & Poor's Public Utilities
Capitalization and Financial Statistics
2018-2022, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
- (7) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT

Standard & Poor's Public Utilities
Company Identities

	Ticker	Credit Rating ⁽¹⁾		Common Stock Traded	Value Line Beta
		Moody's	S&P		
Alliant Energy Corporation	LNT	Baa1	A-	NYSE	0.85
Ameren Corporation	AEE	Baa1	BBB+	NYSE	0.85
American Electric Power	AEP	Baa1	A-	NYSE	0.75
American Water Works	AWK	Baa1	A	NYSE	0.90
CenterPoint Energy	CNP	Baa1	BBB+	NYSE	1.10
CMS Energy	CMS	Baa1	A-	NYSE	0.80
Consolidated Edison	ED	Baa1	A-	NYSE	0.75
Dominion Energy	D	A2	BBB+	NYSE	0.85
DTE Energy Co.	DTE	A2	A-	NYSE	0.95
Duke Energy	DUK	A2	BBB+	NYSE	0.85
Edison Int'l	EIX	Baa1	BBB	NYSE	0.95
Entergy Corp.	ETR	Baa1	BBB+	NYSE	0.95
Evergy, Inc.	EVRG	Baa1	A-	NYSE	0.90
Eversource	ES	A3	A	NYSE	0.90
Exelon Corp.	EXC	A2	BBB+	NDQ	NMF
FirstEnergy Corp.	FE	A3	BBB	NYSE	0.85
NextEra Energy Inc.	NEE	A1	A	NYSE	0.95
NiSource Inc.	NI	Baa2	BBB+	NYSE	0.85
NRG Energy Inc.	NRG	Ba1	BB	NYSE	1.10
Pinnacle West Capital	PNW	A3	BBB+	NYSE	0.90
PPL Corp.	PPL	A3	A	NYSE	1.05
Public Serv. Enterprise Inc.	PEG	A3	A-	NYSE	0.90
Sempra Energy	SRE	A3	BBB+	NYSE	0.95
Southern Co.	SO	Baa1	BBB+	NYSE	0.90
WEC Energy Corp.	WEC	A2	A-	NYSE	0.80
Xcel Energy Inc	XEL	A2	A-	NYSE	0.80
Average for S&P Utilities		<u>A3</u>	<u>BBB+</u>		<u>0.90</u>

Note: ⁽¹⁾ Ratings are those of utility subsidiaries

Source of Information: Moody's Investors Service, Inc.
S&P Global Inc.
The Value Line Investment Survey

Peoples Natural Gas Company LLC

Investor-provided Capitalization

Actual at August 31, 2023, Estimated at August 31, 2024, and Estimated at September 30, 2025

	Actual at August 31, 2023			Estimated at August 31, 2024			Estimated at September 30, 2025		
	Amount	Ratios		Amount	Ratios		Amount	Ratios	
	Outstanding	Excl. S-T Debt	Incl. S-T Debt	Outstanding	Excl. S-T Debt	Incl. S-T Debt	Outstanding	Excl. S-T Debt	Incl. S-T Debt
Long Term Debt	\$1,472,973,705	45.33%	45.33%	\$1,675,253,511 ⁽¹⁾⁽²⁾	45.33%	45.33%	\$1,916,902,758 ⁽¹⁾⁽³⁾	45.33%	45.33%
Common Stock Equity									
Common Stock & Paid-in Capital ⁽⁴⁾	1,189,250,800			1,222,733,742			1,296,659,433		
Retained Earnings ⁽⁵⁾	587,178,747			797,654,265			1,015,168,334		
Total Common Equity	<u>1,776,429,547</u>	<u>54.67%</u>	<u>54.67%</u>	<u>2,020,388,007</u>	<u>54.67%</u>	<u>54.67%</u>	<u>2,311,827,767</u>	<u>54.67%</u>	<u>54.67%</u>
Total Permanent Capital	\$3,249,403,252	<u>100.00%</u>	<u>100.00%</u>	\$3,695,641,518	<u>100.00%</u>	<u>100.00%</u>	\$4,228,730,526	<u>100.00%</u>	<u>100.00%</u>
Short Term Debt	-		<u>0.00%</u>	-		<u>0.00%</u>	-		<u>0.00%</u>
Total Capital Employed	<u>\$3,249,403,252</u>		<u>100.00%</u>	<u>\$3,695,641,518</u>		<u>100.00%</u>	<u>\$4,228,730,526</u>		<u>100.00%</u>
Average Short Term	\$ 24,285,980			\$ 24,285,980			\$ 24,285,980		
Average CWIP	144,100,000			144,100,000			144,100,000		
Difference	<u>\$ (119,814,020)</u>			<u>\$ (119,814,020)</u>			<u>\$ (119,814,020)</u>		

Notes:

⁽¹⁾ Debt Maturities	\$ (145,655,490)	
⁽¹⁾ Intercompany Demand Note	(199,464,704)	\$ (24,950,752)
⁽²⁾ 2023 Intercompany Promissory Note, Tranche 1	193,584,000	
⁽²⁾ 2023 Intercompany Promissory Note, Tranche 2	242,416,000	
⁽²⁾ 2024 Intercompany Promissory Note, Tranche 1	111,400,000	
⁽³⁾ 2024 Intercompany Promissory Note, Tranche 2		139,000,000
⁽³⁾ 2025 Intercompany Promissory Note, Tranche 1		127,600,000
⁽⁴⁾ Contributions from Members	33,482,942	73,925,692
⁽⁵⁾ Projected increase in Retained Earnings	210,475,518	217,514,069

Source of information: Company provided data

Peoples Natural Gas Company LLC
Calculation of the Embedded Cost of Long-Term Debt
Actual at August 31, 2023

Series	Principal Outstanding	Percent to Total	Effective Cost Rate ⁽¹⁾	Weighted Cost Rate
2013 Intercompany Promissory Note, Tranche 2	\$ 144,746,400	9.83%	4.15%	0.41%
2013 Intercompany Promissory Note, Tranche 3	110,007,200	7.47%	4.30%	0.32%
2017 Intercompany Promissory Note, Tranche 2	178,911,000	12.15%	3.47%	0.42%
2017 Intercompany Promissory Note, Tranche 3	178,911,000	12.15%	3.70%	0.45%
2022 Intercompany Promissory Note, Tranche 1	183,149,854	12.43%	2.80%	0.35%
2022 Intercompany Promissory Note, Tranche 2	219,779,827	14.92%	3.41%	0.51%
2022 Intercompany Promissory Note, Tranche 7	65,364,587	4.44%	2.51%	0.11%
2022 Intercompany Promissory Note, Tranche 8	81,705,732	5.55%	5.43%	0.30%
2022 Intercompany Promissory Note, Tranche 1	38,636,364	2.62%	2.80%	0.07%
2022 Intercompany Promissory Note, Tranche 2	46,363,636	3.15%	3.39%	0.11%
2017 Intercompany Promissory Note, Tranche 5	909,090	0.06%	6.15%	0.00%
Intercompany Demand Note, Capex Portion	<u>224,489,015</u>	<u>15.24%</u>	6.20%	<u>0.95%</u>
Long-Term Debt	<u>\$ 1,472,973,705</u>	<u>100.00%</u>		<u>4.00%</u>
Long-Term Debt	\$ 1,472,973,705	100.00%	4.00%	4.00%
Short-Term- Debt ⁽²⁾	<u>-</u>	<u>0.00%</u>	6.20%	<u>0.00%</u>
Total	<u>\$ 1,472,973,705</u>	<u>100.00%</u>		<u>4.00%</u>

Notes: ⁽¹⁾ As calculated on page 4 of this schedule.

Source of Information: Company provided data

Peoples Natural Gas Company LLC
Calculation of the Embedded Cost of Long-Term Debt
Actual at August 31, 2024

Series	Principal Outstanding	Percent to Total	Effective Cost Rate ⁽¹⁾	Weighted Cost Rate
2013 Intercompany Promissory Note, Tranche 3	\$ 110,007,200	6.57%	4.30%	0.28%
2017 Intercompany Promissory Note, Tranche 2	178,911,000	10.68%	3.47%	0.37%
2017 Intercompany Promissory Note, Tranche 3	178,911,000	10.68%	3.70%	0.40%
2022 Intercompany Promissory Note, Tranche 1	183,149,854	10.93%	2.80%	0.31%
2022 Intercompany Promissory Note, Tranche 2	219,779,827	13.12%	3.41%	0.45%
2022 Intercompany Promissory Note, Tranche 7	65,364,587	3.90%	2.51%	0.10%
2022 Intercompany Promissory Note, Tranche 8	81,705,732	4.88%	5.43%	0.27%
2022 Intercompany Promissory Note, Tranche 1	38,636,364	2.31%	2.80%	0.07%
2022 Intercompany Promissory Note, Tranche 2	46,363,636	2.77%	3.39%	0.09%
2023 Intercompany Promissory Note, Tranche 1	193,584,000	11.56%	2.51%	0.29%
2023 Intercompany Promissory Note, Tranche 2	242,416,000	14.47%	5.41%	0.78%
2024 Intercompany Promissory Note, Tranche 1	111,400,000	6.65%	7.12%	0.47%
Intercompany Demand Note, Capex Portion	25,024,311	1.49%	6.20% ⁽²⁾	0.09%
Long-Term Debt	<u>\$ 1,675,253,511</u>	<u>100.00%</u>		<u>3.96%</u>
Long-Term Debt	\$ 1,675,253,511	100.00%	3.96%	3.96%
Short-Term- Debt	-	0.00%	6.20%	0.00%
Total	<u>\$ 1,675,253,511</u>	<u>100.00%</u>		<u>3.96%</u>

Notes: ⁽¹⁾ As calculated on page 4 of this schedule.

⁽²⁾ Actual Rate at 8/31/23

Source of Information: Company provided data

Peoples Natural Gas Company LLC
Calculation of the Embedded Cost of Long-Term Debt
Actual at September 30, 2025

Series	Principal Outstanding	Percent to Total	Effective Cost Rate ⁽¹⁾	Weighted Cost Rate
2013 Intercompany Promissory Note, Tranche 3	\$ 110,007,200	5.74%	4.30%	0.25%
2017 Intercompany Promissory Note, Tranche 2	178,911,000	9.33%	3.47%	0.32%
2017 Intercompany Promissory Note, Tranche 3	178,911,000	9.33%	3.70%	0.35%
2022 Intercompany Promissory Note, Tranche 1	183,149,854	9.55%	2.80%	0.27%
2022 Intercompany Promissory Note, Tranche 2	219,779,827	11.47%	3.41%	0.39%
2022 Intercompany Promissory Note, Tranche 7	65,364,587	3.41%	2.51%	0.09%
2022 Intercompany Promissory Note, Tranche 8	81,705,732	4.26%	5.43%	0.23%
2022 Intercompany Promissory Note, Tranche 1	38,636,364	2.02%	2.80%	0.06%
2022 Intercompany Promissory Note, Tranche 2	46,363,636	2.42%	3.39%	0.08%
	-			
2023 Intercompany Promissory Note, Tranche 1	193,584,000	10.10%	2.51%	0.25%
2023 Intercompany Promissory Note, Tranche 2	242,416,000	12.65%	5.41%	0.68%
2024 Intercompany Promissory Note, Tranche 1	111,400,000	5.81%	7.12%	0.41%
2024 Intercompany Promissory Note, Tranche 2	139,000,000	7.25%	7.12%	0.52%
2025 Intercompany Promissory Note, Tranche 1	127,600,000	6.66%	7.12%	0.47%
Intercompany Demand Note, Capex Portion	73,558	0.00%	5.78% ⁽³⁾	0.00%
Long-Term Debt	<u>\$ 1,916,902,758</u>	<u>100.00%</u>		<u>4.37%</u>
Long-Term Debt	\$ 1,916,902,758	100.00%	4.37%	4.37%
Short-Term- Debt	-	0.00%	5.78%	0.00%
Total	<u>\$ 1,916,902,758</u>	<u>100.00%</u>		<u>4.37%</u>

Notes: ⁽¹⁾ As calculated on page 4 of this schedule.

⁽³⁾ Represents projected SOFR rate plus margin of 0.90%

Source of Information: Company provided data

Peoples Natural Gas Company LLC

Calculation of the Effective Cost of Long-Term Debt by Series

Series	Coupon Rate	Date of Issue	Date of Maturity	Average Term in Years ⁽¹⁾	Principal Amount Issued	Discount and Expense	Net Proceeds	Net Proceeds Ratio	Effective Cost Rate ⁽²⁾
2013 Intercompany Promissory Note, Tranche 2	4.10%	12/19/13	12/19/23	10.0	\$ 144,746,400	\$ 618,352	\$ 144,128,048	99.57%	4.15%
2013 Intercompany Promissory Note, Tranche 3	4.25%	12/19/13	12/19/25	12.0	110,007,200	523,077	109,484,123	99.52%	4.30%
2017 Intercompany Promissory Note, Tranche 2	3.38%	12/18/17	12/18/27	10.0	178,911,000	1,338,539	177,572,461	99.25%	3.47%
2017 Intercompany Promissory Note, Tranche 3	3.63%	12/18/17	12/18/32	15.0	178,911,000	1,340,456	177,570,544	99.25%	3.70%
2022 Intercompany Promissory Note, Tranche 1	2.70%	10/31/21	04/15/30	8.5	183,149,854	1,334,416	181,815,438	99.27%	2.80%
2022 Intercompany Promissory Note, Tranche 2	3.35%	10/31/21	04/15/50	28.5	219,779,827	2,272,105	217,507,722	98.97%	3.41%
2022 Intercompany Promissory Note, Tranche 7	2.40%	12/31/21	05/31/31	9.4	65,364,587	618,896	64,745,691	99.05%	2.51%
2022 Intercompany Promissory Note, Tranche 8	5.30%	12/31/21	05/31/52	30.4	81,705,732	1,621,181	80,084,551	98.02%	5.43%
2022 Intercompany Promissory Note, Tranche 1	2.70%	10/31/21	04/15/30	8.5	38,636,364	288,944	38,347,420	99.25%	2.80%
2022 Intercompany Promissory Note, Tranche 2	3.34%	10/31/21	04/15/50	28.5	46,363,636	483,062	45,880,574	98.96%	3.39%
2017 Intercompany Promissory Note, Tranche 5	5.99%	10/31/17	10/31/23	6.0	5,454,545	42,887	5,411,658	99.21%	6.15%
2023 Intercompany Promissory Note, Tranche 1	2.40%	12/31/23	05/01/31	7.3	193,584,000	1,376,903	192,207,097	99.29%	2.51%
2023 Intercompany Promissory Note, Tranche 2	5.30%	12/31/23	05/02/52	28.4	242,416,000	4,006,583	238,409,417	98.35%	5.41%
2024 Intercompany Promissory Note, Tranche 1	7.00%	07/31/24	06/30/54	29.9	111,400,000	1,671,000	109,729,000	98.50%	7.12%
2024 Intercompany Promissory Note, Tranche 2	7.00%	12/31/24	06/30/54	29.5	139,000,000	2,085,000	136,915,000	98.50%	7.12%
2025 Intercompany Promissory Note, Tranche 1	7.00%	07/31/25	06/30/54	28.9	127,600,000	1,914,000	125,686,000	98.50%	7.12%
Intercompany Demand Note, Capex Portion	6.20%				219,943,560	-	219,943,560	100.00%	6.20%

Notes: ⁽¹⁾ Determined by taking into account the effect the annual sinking fund requirements, which are met by the payment of principal that reduces the term of each issue.

⁽²⁾ The effective cost for each issue is the yield to maturity ("ytm") using as inputs the average term of the issue, the coupon rate, and the net proceeds ratio.

Source of Information: Company provided data

378,000,000

**Monthly Dividend Yields for
Natural Gas Group
for the Twelve Months Ending September 2023**

<u>Company</u>	<u>Oct-22</u>	<u>Nov-22</u>	<u>Dec-22</u>	<u>Jan-23</u>	<u>Feb-23</u>	<u>Mar-23</u>	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jul-23</u>	<u>Aug-23</u>	<u>Sep-23</u>	12-Month Average	6-Month Average	3-Month Average
Atmos Energy Corp (ATO)	2.79%	2.46%	2.65%	2.53%	2.63%	2.64%	2.61%	2.57%	2.55%	2.44%	2.56%	2.80%			
Chesapeake Utilities Corp (CPK)	1.72%	1.79%	1.81%	1.70%	1.68%	1.67%	1.92%	1.86%	1.98%	2.00%	2.15%	2.42%			
New Jersey Resources Corporation (NJR)	3.51%	3.15%	3.15%	3.14%	3.08%	2.94%	3.03%	3.24%	3.31%	3.51%	3.73%	3.84%			
NiSource Inc (NI)	3.66%	3.37%	3.45%	3.64%	3.65%	3.60%	3.51%	3.73%	3.68%	3.59%	3.75%	4.08%			
Northwest Natural Holding Company (NWN)	4.04%	3.89%	4.11%	3.87%	4.03%	4.11%	4.13%	4.56%	4.54%	4.52%	4.96%	5.13%			
ONE Gas Inc (OGS)	3.22%	2.86%	3.29%	3.18%	3.24%	3.29%	3.40%	3.22%	3.40%	3.31%	3.59%	3.83%			
Southwest Gas Holdings Inc (SWX)	3.42%	3.63%	4.03%	3.73%	3.94%	3.99%	4.47%	4.25%	3.92%	3.79%	4.01%	4.13%			
Spire Inc. (SR)	4.15%	3.92%	4.19%	4.01%	4.13%	4.12%	4.28%	4.51%	4.55%	4.56%	4.99%	5.11%			
Average	3.31%	3.13%	3.34%	3.23%	3.30%	3.30%	3.42%	3.49%	3.49%	3.47%	3.72%	3.92%	3.43%	3.59%	3.70%

Note: Monthly dividend yields are calculated by dividing the annualized quarterly dividend by the month-end closing stock price adjusted by the fraction of the ex-dividend.

Source of Information: <https://finance.yahoo.com/quote>
<https://www.nasdaq.com/market-activity/stocks>

Forward-looking Dividend Yield	1/2 Growth	D_0/P_0	(.5g)	D_1/P_0	$K = \frac{D_0(1+g)^0 + D_0(1+g)^1 + D_0(1+g)^2 + D_0(1+g)^3}{P_0} + g$
		3.59%	1.033750	3.71%	
	Discrete	D_0/P_0	Adj.	D_1/P_0	$K = \frac{D_0(1+g)^{25} + D_0(1+g)^{50} + D_0(1+g)^{75} + D_0(1+g)^{100}}{P_0} + g$
		3.59%	1.041843	3.74%	
	Quarterly	D_0/P_0	Adj.	D_1/P_0	$K = \left[\left(1 + \frac{D_0(1+g)^{25}}{P_0} \right)^4 - 1 \right] + g$
	Average	0.8975%	1.016464	<u>3.70%</u>	
				3.72%	
	Growth rate			<u>6.75%</u>	
	K			<u>10.47%</u>	

Historical Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

Gas Group	Earnings per Share		Dividends per Share		Book Value per Share		Cash Flow per Share	
	Value Line		Value Line		Value Line		Value Line	
	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year
Atmos Energy Corp (ATO)	9.00%	9.00%	8.50%	6.50%	12.00%	9.00%	7.00%	6.50%
Chesapeake Utilities Corp (CPK)	11.00%	9.50%	9.50%	7.50%	10.00%	10.00%	9.50%	8.00%
New Jersey Resources Corporation (NJR)	2.50%	5.00%	6.50%	6.50%	7.00%	7.50%	4.50%	7.00%
NiSource Inc (NI)	15.00%	1.50%	3.50%	-0.50%	0.50%	-3.00%	6.50%	0.50%
Northwest Natural Holding Company (NWN)	2.50%	-1.00%	0.50%	1.50%	0.50%	1.00%	2.50%	1.00%
ONE Gas Inc (OGS)	8.00%	-	10.00%	-	4.00%	-	7.50%	-
Southwest Gas Holdings Inc (SWX)	4.50%	5.50%	7.00%	8.50%	7.00%	6.50%	1.50%	4.00%
Spire Inc. (SR)	1.00%	2.50%	6.00%	5.00%	4.00%	6.50%	4.00%	5.50%
Average	<u>6.69%</u>	<u>4.57%</u>	<u>6.44%</u>	<u>5.00%</u>	<u>5.63%</u>	<u>5.36%</u>	<u>5.38%</u>	<u>4.64%</u>

Source of Information: Value Line Investment Survey, August 25, 2023

Analysts' Five-Year Projected Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

<u>Gas Group</u>	<u>I/B/E/S First Call</u>	<u>Zacks</u>	<u>Value Line</u>				
			<u>Earnings Per Share</u>	<u>Dividends Per Share</u>	<u>Book Value Per Share</u>	<u>Cash Flow Per Share</u>	<u>Percent Retained to Common Equity</u>
Atmos Energy Corp (ATO)	7.50%	7.30%	7.00%	7.50%	5.00%	6.50%	5.00%
Chesapeake Utilities Corp (CPK)	7.00%	NA	6.00%	8.50%	6.50%	6.00%	5.50%
New Jersey Resources Corporator	6.00%	6.00%	5.00%	5.00%	4.50%	5.00%	4.50%
NiSource Inc (NI)	6.70%	7.00%	9.50%	4.50%	5.00%	5.50%	4.50%
Northwest Natural Holding Compar	2.80%	3.70%	6.50%	0.50%	4.00%	5.00%	3.50%
ONE Gas Inc (OGS)	5.00%	5.00%	6.50%	5.50%	6.50%	8.00%	4.00%
Southwest Gas Holdings Inc (SWX)	4.00%	5.00%	10.00%	5.50%	7.50%	8.50%	3.00%
Spire Inc. (SR)	N/A	4.20%	8.00%	5.00%	6.50%	6.50%	2.50%
Average	<u>5.57%</u>	<u>5.46%</u>	<u>7.31%</u>	<u>5.25%</u>	<u>5.69%</u>	<u>6.38%</u>	<u>4.06%</u>

Source of Information :
Yahoo Finance, September 27, 2023
Zacks, September 27, 2023
Value Line Investment Survey, August 25, 2023

Gas Group
Financial Risk Adjustment

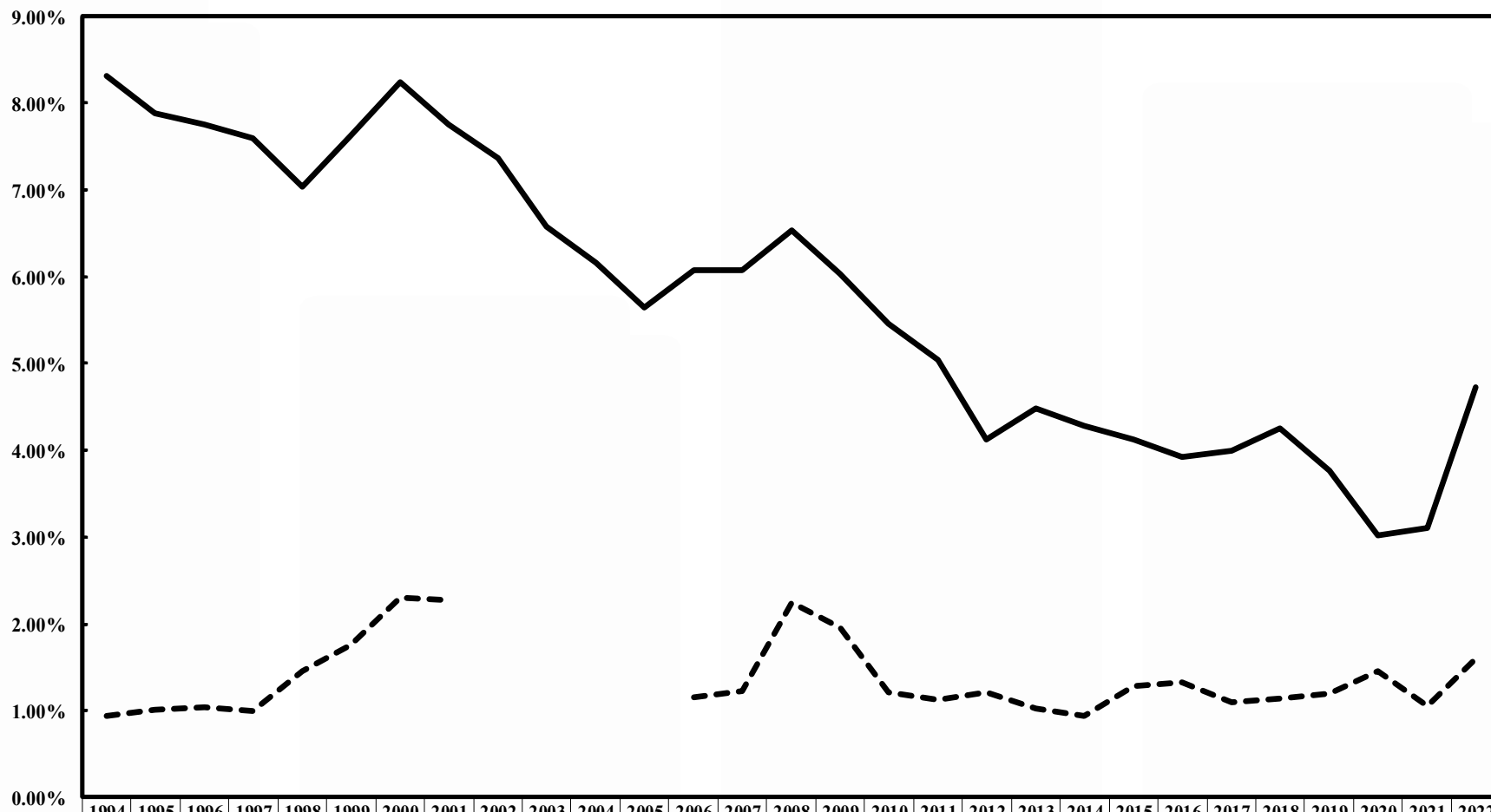
	ATMOS Energy (NYSE:ATO)	Chesapeake Utilities (NYSE:CPK)	New Jersey Resources (NYSE:NJR)	NiSource, Inc (NYSE:NI)	Northwest Natural Gas (NYSE:NWN)	ONE Gas Inc (NYSE:OGS)	Southwest Gas (SWX)	Spire Inc. (NYSE:SR)	Average
Fiscal Year	09/30/22	12/31/22	09/30/22	12/31/22	12/31/22	12/31/22	12/31/22	09/30/22	
Capitalization at Fair Values									
Debt(D)	6,918,843	505,000	1,946,356	8,479,400	1,148,395	2,500,000	3,945,072	2,851,800	3,536,858
Preferred(P)	0	0	0	1,546,500	0	0	0	242,000	223,563
Equity(E)	14,350,318	2,096,681	3,701,222	11,300,961	1,690,635	4,191,099	4,153,333	3,271,985	5,594,529
Total	21,269,161	2,601,681	5,647,578	21,326,861	2,839,030	6,691,099	8,098,405	6,365,785	9,354,950
Capital Structure Ratios									
Debt(D)	32.53%	19.41%	34.46%	39.76%	40.45%	37.36%	48.71%	44.80%	37.19%
Preferred(P)	0.00%	0.00%	0.00%	7.25%	0.00%	0.00%	0.00%	3.80%	1.38%
Equity(E)	67.47%	80.59%	65.54%	52.99%	59.55%	62.64%	51.29%	51.40%	61.43%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Common Stock									
Issued	140,896,598	17,741,418	96,249,859	416,106,000	35,525,000	55,349,954	67,119,143	52,494,543	
Treasury	0.000	0.000	611,045	3,963,000	0.000	0.000	0.000	0.000	
Outstanding	140,896,598	17,741,418	95,638,814	412,143,000	35,525,000	55,349,954	67,119,143	52,494,543	
Market Price	\$ 101.85	\$ 118.18	\$ 38.70	\$ 27.42	\$ 47.59	\$ 75.72	\$ 61.88	\$ 62.33	
Capitalization at Carrying Amounts									
Debt(D)	7,960,000	600,800	2,362,845	9,553,600	1,336,864	2,682,471	4,447,856	3,239,700	4,023,017
Preferred(P)	0	0	0	1,546,500	0	0	0	242,000	223,563
Equity(E)	9,419,091	832,801	1,817,210	6,028,900	1,175,441	2,584,426	3,058,759	2,576,500	3,436,641
Total	17,379,091	1,433,601	4,180,055	17,129,000	2,512,305	5,266,897	7,506,615	6,058,200	7,683,221
Capital Structure Ratios									
Debt(D)	45.80%	41.91%	56.53%	55.77%	53.21%	50.93%	59.25%	53.48%	52.11%
Preferred(P)	0.00%	0.00%	0.00%	9.03%	0.00%	0.00%	0.00%	3.99%	1.63%
Equity(E)	54.20%	58.09%	43.47%	35.20%	46.79%	49.07%	40.75%	42.53%	46.26%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Betas									
Value Line	0.85	0.80	0.95	0.90	0.80	0.80	0.90	0.85	0.86
Hamada									
BI	=	Bu	[1+ (1 - t)	D/E	+	P/E]		
0.86	=	Bu	[1+ (1-0.21)	0.6054	+	0.0225]		
0.86	=	Bu	[1+ 0.79	0.6054	+	0.0225]		
0.86	=	Bu	1.5008						
0.57	=	Bu							
Hamada									
BI	=	0.57	[1+ (1 - t)	D/E	+	P/E]		
BI	=	0.57	[1+ 0.79	1.1264	+	0.0352]		
BI	=	0.57	1.9251						
BI	=	1.10							
M&M									
ku	=	ke	- (((ku	- i	)	1-t	)	D / E - (ku - d)	P / E
8.81%	=	10.47%	- (((8.81%	- 5.48%	)	0.79	)	37.19% / 61.43% - 8.81% - 5.68%	1.38% / 61.43%
8.81%	=	10.47%	- (((3.33%	)	)	0.79	)	0.6054 - 3.13%	0.0225
8.81%	=	10.47%	- ((2.63%	)	)		)	0.6054 - 3.13%	0.0225
8.81%	=	10.47%	- 1.59%					- 0.07%	
M&M									
ke	=	ku	+ (((ku	- i	)	1-t	)	D / E + (ku - d)	P / E
11.88%	=	8.81%	+ (((8.81%	- 5.48%	)	0.79	)	52.11% / 46.26% + 8.81% - 5.68%	1.63% / 46.26%
11.88%	=	8.81%	+ (((3.33%	)	)	0.79	)	1.1264 + 3.13%	0.0352
11.88%	=	8.81%	+ ((2.63%	)	)		)	1.1264 + 3.13%	0.0352
11.88%	=	8.81%	+ 2.96%					+ 0.11%	

**Interest Rates for Investment Grade Public Utility Bonds
Yearly for 2017-2022
and the Twelve Months Ended September 2023**

<u>Years</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>	<u>Average</u>
2018	4.09%	4.25%	4.67%	4.34%
2019	3.61%	3.77%	4.19%	3.86%
2020	2.79%	3.02%	3.39%	3.07%
2021	2.97%	3.11%	3.36%	3.15%
2022	4.53%	4.72%	5.03%	4.77%
Five-Year Average	<u><u>3.60%</u></u>	<u><u>3.77%</u></u>	<u><u>4.13%</u></u>	<u><u>3.84%</u></u>
<u>Months</u>				
Oct-22	5.68%	5.88%	6.18%	5.91%
Nov-22	5.54%	5.75%	6.05%	5.78%
Dec-22	5.06%	5.28%	5.57%	5.30%
Jan-23	4.98%	5.20%	5.49%	5.23%
Feb-23	5.12%	5.29%	5.54%	5.32%
Mar-23	5.24%	5.39%	5.68%	5.44%
Apr-23	5.00%	5.13%	5.47%	5.20%
May-23	5.24%	5.36%	5.71%	5.44%
Jun-23	5.26%	5.38%	5.73%	5.46%
Jul-23	5.30%	5.41%	5.73%	5.48%
Aug-23	5.58%	5.71%	6.08%	5.77%
Sep-23	5.72%	5.86%	6.15%	5.91%
Twelve-Month Average	<u><u>5.31%</u></u>	<u><u>5.47%</u></u>	<u><u>5.78%</u></u>	<u><u>5.52%</u></u>
Six-Month Average	<u><u>5.35%</u></u>	<u><u>5.48%</u></u>	<u><u>5.81%</u></u>	<u><u>5.54%</u></u>
Three-Month Average	<u><u>5.53%</u></u>	<u><u>5.66%</u></u>	<u><u>5.99%</u></u>	<u><u>5.72%</u></u>

Source: Mergent Bond Record

Yields on A-rated Public Utility Bonds and Spreads over 30-Year Treasuries



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
— A-rated Public Utility	8.31	7.89	7.75	7.60	7.04	7.62	8.24	7.76	7.37	6.58	6.16	5.65	6.07	6.07	6.53	6.04	5.46	5.04	4.13	4.48	4.28	4.12	3.93	4.00	4.25	3.77	3.02	3.11	4.72
- - - Spread vs. 30-year	0.94	1.01	1.04	0.99	1.46	1.75	2.30	2.27					1.16	1.23	2.25	1.96	1.21	1.13	1.21	1.03	0.94	1.28	1.33	1.10	1.14	1.19	1.46	1.06	1.60

A rated Public Utility Bonds over 30-Year Treasuries

A rated Public Utility Bonds over 30-Year Treasuries															
Year	A-rated Public Utility	30-Year Treasuries		Year	A-rated Public Utility	30-Year Treasuries		Year	A-rated Public Utility	30-Year Treasuries		Year	A-rated Public Utility	30-Year Treasuries	
		Yield	Spread			Yield	Spread			Yield	Spread			Yield	Spread
Jan-99	6.97%	5.16%	1.81%	Jan-06	5.75%			Jan-13	4.15%	3.08%	1.07%	Jan-19	4.35%	3.04%	1.31%
Feb-99	7.09%	5.37%	1.72%	Feb-06	5.82%	4.54%	1.28%	Feb-13	4.18%	3.17%	1.01%	Feb-19	4.25%	3.02%	1.23%
Mar-99	7.26%	5.58%	1.68%	Mar-06	5.98%	4.73%	1.25%	Mar-13	4.20%	3.16%	1.04%	Mar-19	4.16%	2.98%	1.18%
Apr-99	7.22%	5.55%	1.67%	Apr-06	6.29%	5.06%	1.23%	Apr-13	4.00%	2.93%	1.07%	Apr-19	4.08%	2.94%	1.14%
May-99	7.47%	5.81%	1.66%	May-06	6.42%	5.20%	1.22%	May-13	4.17%	3.11%	1.06%	May-19	3.98%	2.82%	1.16%
Jun-99	7.74%	6.04%	1.70%	Jun-06	6.40%	5.15%	1.25%	Jun-13	4.53%	3.40%	1.13%	Jun-19	3.82%	2.57%	1.25%
Jul-99	7.71%	5.98%	1.73%	Jul-06	6.37%	5.13%	1.24%	Jul-13	4.68%	3.61%	1.07%	Jul-19	3.69%	2.57%	1.12%
Aug-99	7.91%	6.07%	1.84%	Aug-06	6.20%	5.00%	1.20%	Aug-13	4.73%	3.76%	0.97%	Aug-19	3.29%	2.12%	1.17%
Sep-99	7.93%	6.07%	1.86%	Sep-06	6.00%	4.85%	1.15%	Sep-13	4.80%	3.79%	1.01%	Sep-19	3.37%	2.16%	1.21%
Oct-99	8.06%	6.26%	1.80%	Oct-06	5.98%	4.85%	1.13%	Oct-13	4.70%	3.68%	1.02%	Oct-19	3.39%	2.19%	1.20%
Nov-99	7.94%	6.15%	1.79%	Nov-06	5.80%	4.69%	1.11%	Nov-13	4.77%	3.80%	0.97%	Nov-19	3.43%	2.28%	1.15%
Dec-99	8.14%	6.35%	1.79%	Dec-06	5.81%	4.68%	1.13%	Dec-13	4.81%	3.89%	0.92%	Dec-19	3.40%	2.30%	1.10%
Jan-00	8.35%	6.63%	1.72%	Jan-07	5.96%	4.85%	1.11%	Jan-14	4.63%	3.77%	0.86%	Jan-20	3.29%	2.22%	1.07%
Feb-00	8.25%	6.23%	2.02%	Feb-07	5.90%	4.82%	1.08%	Feb-14	4.53%	3.66%	0.87%	Feb-20	3.11%	1.97%	1.14%
Mar-00	8.28%	6.05%	2.23%	Mar-07	5.85%	4.72%	1.13%	Mar-14	4.51%	3.62%	0.89%	Mar-20	3.50%	1.46%	2.04%
Apr-00	8.29%	5.85%	2.44%	Apr-07	5.97%	4.87%	1.10%	Apr-14	4.41%	3.52%	0.89%	Apr-20	3.19%	1.27%	1.92%
May-00	8.70%	6.15%	2.55%	May-07	5.99%	4.90%	1.09%	May-14	4.26%	3.39%	0.87%	May-20	3.14%	1.38%	1.76%
Jun-00	8.36%	5.93%	2.43%	Jun-07	6.30%	5.20%	1.10%	Jun-14	4.29%	3.42%	0.87%	Jun-20	3.07%	1.49%	1.58%
Jul-00	8.25%	5.85%	2.40%	Jul-07	6.25%	5.11%	1.14%	Jul-14	4.23%	3.33%	0.90%	Jul-20	2.74%	1.31%	1.43%
Aug-00	8.13%	5.72%	2.41%	Aug-07	6.24%	4.93%	1.31%	Aug-14	4.13%	3.20%	0.93%	Aug-20	2.73%	1.36%	1.37%
Sep-00	8.23%	5.83%	2.40%	Sep-07	6.18%	4.79%	1.39%	Sep-14	4.24%	3.26%	0.98%	Sep-20	2.84%	1.42%	1.42%
Oct-00	8.14%	5.80%	2.34%	Oct-07	6.11%	4.77%	1.34%	Oct-14	4.06%	3.04%	1.02%	Oct-20	2.95%	1.57%	1.38%
Nov-00	8.11%	5.78%	2.33%	Nov-07	5.97%	4.52%	1.45%	Nov-14	4.09%	3.04%	1.05%	Nov-20	2.85%	1.62%	1.23%
Dec-00	7.84%	5.49%	2.35%	Dec-07	6.16%	4.53%	1.63%	Dec-14	3.95%	2.83%	1.12%	Dec-20	2.77%	1.67%	1.10%
Jan-01	7.80%	5.54%	2.26%	Jan-08	6.02%	4.33%	1.69%	Jan-15	3.58%	2.46%	1.12%	Jan-21	2.91%	1.82%	1.09%
Feb-01	7.74%	5.45%	2.29%	Feb-08	6.21%	4.52%	1.69%	Feb-15	3.67%	2.57%	1.10%	Feb-21	3.09%	2.04%	1.05%
Mar-01	7.68%	5.34%	2.34%	Mar-08	6.21%	4.39%	1.82%	Mar-15	3.74%	2.63%	1.11%	Mar-21	3.44%	2.34%	1.10%
Apr-01	7.94%	5.65%	2.29%	Apr-08	6.29%	4.44%	1.85%	Apr-15	3.75%	2.59%	1.16%	Apr-21	3.30%	2.30%	1.00%
May-01	7.99%	5.78%	2.21%	May-08	6.28%	4.60%	1.68%	May-15	4.17%	2.96%	1.21%	May-21	3.33%	2.32%	1.01%
Jun-01	7.85%	5.67%	2.18%	Jun-08	6.38%	4.69%	1.69%	Jun-15	4.39%	3.11%	1.28%	Jun-21	3.16%	2.16%	1.00%
Jul-01	7.78%	5.61%	2.17%	Jul-08	6.40%	4.57%	1.83%	Jul-15	4.40%	3.07%	1.33%	Jul-21	2.95%	1.94%	1.01%
Aug-01	7.59%	5.48%	2.11%	Aug-08	6.37%	4.50%	1.87%	Aug-15	4.25%	2.86%	1.39%	Aug-21	2.95%	1.92%	1.03%
Sep-01	7.75%	5.48%	2.27%	Sep-08	6.49%	4.27%	2.22%	Sep-15	4.39%	2.95%	1.44%	Sep-21	2.96%	1.94%	1.02%
Oct-01	7.63%	5.32%	2.31%	Oct-08	7.56%	4.17%	3.39%	Oct-15	4.29%	2.89%	1.40%	Oct-21	3.09%	2.06%	1.03%
Nov-01	7.57%	5.12%	2.45%	Nov-08	7.60%	4.00%	3.60%	Nov-15	4.40%	3.03%	1.37%	Nov-21	3.02%	1.94%	1.08%
Dec-01	7.83%	5.48%	2.35%	Dec-08	6.52%	2.87%	3.65%	Dec-15	4.35%	2.97%	1.38%	Dec-21	3.13%	1.85%	1.28%
Jan-02	7.66%	5.45%	2.21%	Jan-09	6.39%	3.13%	3.26%	Jan-16	4.27%	2.86%	1.41%	Jan-22	3.33%	2.10%	1.23%
Feb-02	7.54%	5.40%	2.14%	Feb-09	6.30%	3.59%	2.71%	Feb-16	4.11%	2.62%	1.49%	Feb-22	3.68%	2.25%	1.43%
Mar-02	7.76%			Mar-09	6.42%	3.64%	2.78%	Mar-16	4.16%	2.68%	1.48%	Mar-22	3.98%	2.41%	1.57%
Apr-02	7.57%			Apr-09	6.48%	3.76%	2.72%	Apr-16	4.00%	2.62%	1.38%	Apr-22	4.32%	2.81%	1.51%
May-02	7.52%			May-09	6.49%	4.23%	2.26%	May-16	3.93%	2.63%	1.30%	May-22	4.75%	3.07%	1.68%
Jun-02	7.42%			Jun-09	6.20%	4.52%	1.68%	Jun-16	3.78%	2.45%	1.33%	Jun-22	4.86%	3.25%	1.61%
Jul-02	7.31%			Jul-09	5.97%	4.41%	1.56%	Jul-16	3.57%	2.23%	1.34%	Jul-22	4.78%	3.10%	1.68%
Aug-02	7.17%			Aug-09	5.71%	4.37%	1.34%	Aug-16	3.59%	2.26%	1.33%	Aug-22	4.76%	3.13%	1.63%
Sep-02	7.08%			Sep-09	5.53%	4.19%	1.34%	Sep-16	3.66%	2.35%	1.31%	Sep-22	5.28%	3.56%	1.72%
Oct-02	7.23%			Oct-09	5.55%	4.19%	1.36%	Oct-16	3.77%	2.50%	1.27%	Oct-22	5.88%	4.04%	1.84%
Nov-02	7.14%			Nov-09	5.64%	4.31%	1.33%	Nov-16	4.08%	2.86%	1.22%	Nov-22	5.75%	4.00%	1.75%
Dec-02	7.07%			Dec-09	5.79%	4.49%	1.30%	Dec-16	4.27%	3.11%	1.16%	Dec-22	5.28%	3.66%	1.62%
Jan-03	7.07%			Jan-10	5.77%	4.60%	1.17%	Jan-16	4.27%	2.86%	1.41%	Jan-23	5.20%	3.66%	1.54%
Feb-03	6.93%			Feb-10	5.87%	4.62%	1.25%	Feb-16	4.11%	2.62%	1.49%	Feb-23	5.29%	3.80%	1.49%
Mar-03	6.79%			Mar-10	5.84%	4.64%	1.20%	Mar-16	4.16%	2.68%	1.48%	Mar-23	5.39%	3.77%	1.62%
Apr-03	6.64%			Apr-10	5.81%	4.69%	1.12%	Apr-16	4.00%	2.62%	1.38%	Apr-23	5.13%	3.68%	1.45%
May-03	6.36%			May-10	5.50%	4.29%	1.21%	May-16	3.93%	2.63%	1.30%	May-23	5.36%	3.86%	1.50%
Jun-03	6.21%			Jun-10	5.46%	4.13%	1.33%	Jun-16	3.78%	2.45%	1.33%	Jun-23	5.38%	3.87%	1.51%
Jul-03	6.57%			Jul-10	5.26%	3.99%	1.27%	Jul-16	3.57%	2.23%	1.34%	Jul-23	5.41%	3.96%	1.45%
Aug-03	6.78%			Aug-10	5.01%	3.80%	1.21%	Aug-16	3.59%	2.26%	1.33%	Aug-23	5.71%	4.28%	1.43%
Sep-03	6.56%			Sep-10	5.01%	3.77%	1.24%	Sep-16	3.66%	2.35%	1.31%	Sep-23	5.86%	4.47%	1.39%
Oct-03	6.43%			Oct-10	5.10%	3.87%	1.23%	Oct-16	3.77%	2.50%	1.27%				
Nov-03	6.37%			Nov-10	5.37%	4.19%	1.18%	Nov-16	4.08%	2.86%	1.22%				
Dec-03	6.27%			Dec-10	5.56%	4.42%	1.14%	Dec-16	4.27%	3.11%	1.16%				
Jan-04	6.15%			Jan-11	5.57%	4.52%	1.05%	Jan-17	4.14%	3.02%	1.12%	Recent Average:	12-month:	1.55%	
Feb-04	6.15%			Feb-11	5.68%	4.65%	1.03%	Feb-17	4.18%	3.03%	1.15%		6-month:	1.46%	
Mar-04	5.97%			Mar-11	5.56%	4.51%	1.05%	Mar-17	4.23%	3.08%	1.15%		3-month:	1.42%	
Apr-04	6.35%			Apr-11	5.55%	4.50%	1.05%	Apr-17	4.12%	2.94%	1.18%				
May-04	6.62%			May-11	5.32%	4.29%	1.03%	May-17	4.12%	2.96%	1.16%				
Jun-04	6.46%			Jun-11	5.26%	4.23%	1.03%	Jun-17	3.94%	2.80%	1.14%				
Jul-04	6.27%			Jul-11	5.27%	4.27%	1.00%	Jul-17	3.99%	2.88%	1.11%				
Aug-04	6.14%			Aug-11	4.69%	3.65%	1.04%	Aug-17	3.86%	2.80%	1.06%				
Sep-04	5.98%			Sep-11	4.48%	3.18%	1.30%	Sep-17	3.87%	2.78%	1.09%				
Oct-04	5.94%			Oct-11	4.52%	3.13%	1.39%	Oct-17	3.91%	2.88%	1.03%				
Nov-04	5.97%			Nov-11	4.25%	3.02%	1.23%	Nov-17	3.83%	2.80%	1.03%				
Dec-04	5.92%			Dec-11	4.33%	2.98%	1.35%	Dec-17	3.79%	2.77%	1.02%				
Jan-05	5.78%			Jan-12	4.34%	3.03%	1.31%	Jan-18	3.86%	2.88%	0.98%				
Feb-05	5.61%			Feb-12	4.36%	3.11%	1.25%	Feb-18	4.09%	3.13%	0.96%				
Mar-05	5.83%			Mar-12	4.48%	3.28%	1.20%	Mar-18	4.13%	3.09%	1.04%				
Apr-05	5.64%			Apr-12	4.40%	3.18%	1.22%	Apr-18	4.17%	3.07%	1.10%				
May-05	5.53%			May-12	4.20%	2.93%	1.27%	May-18	4.28%	3.13%	1.15%				
Jun-05	5.40%			Jun-12	4.08%	2.70%	1.38%	Jun-18	4.27%	3.05%	1.22%				
Jul-05	5.51%			Jul-12	3.93%	2.59%	1.34%	Jul-18	4.27%	3.01%	1.26%				
Aug-05	5.50%			Aug-12	4.00%	2.77%	1.23%	Aug-18	4.26%	3.04%	1.22%				
Sep-05	5.52%			Sep-12	4.02%	2.88%	1.14%	Sep-18	4.32%	3.15%	1.17%				
Oct-05	5.79%			Oct-12	3.91%	2.90%	1.01%	Oct-18	4.45%	3.34%	1.11%				
Nov-05	5.88%			Nov-12	3.84%	2.80%	1.04%	Nov-18	4.52%	3.36%	1.16%				
Dec-05	5.80%			Dec-12	4.00%	2.88%	1.12%	Dec-18	4.37%	3.10%	1.27%				

Common Equity Risk Premiums
Years 1926-2022

	<u>Large Common Stocks</u>	<u>Long- Term Corp. Bonds</u>	<u>Equity Risk Premium</u>	<u>Long- Term Govt. Bonds Yields</u>
Low Interest Rates	12.40%	5.27%	7.13%	2.83%
Average Across All Interest Rates	12.02%	6.06%	5.96%	4.91%
High Interest Rates	11.63%	6.87%	4.76%	7.03%

Source of Information: 2023 SBBI Yearbook Stocks, Bonds, Bills, and Inflation

Basic Series
Annual Total Returns (except yields)

Year	Large Common Stocks	Long- Term Corp. Bonds	Long- Term Govt. Bonds Yields
2020	18.40%	15.40%	1.37%
2021	28.71%	-2.66%	1.88%
1940	-9.78%	3.39%	1.94%
1945	36.44%	4.08%	1.99%
1941	-11.59%	2.73%	2.04%
1949	18.79%	3.31%	2.09%
1946	-8.07%	1.72%	2.12%
1950	31.71%	2.12%	2.24%
2019	31.49%	19.95%	2.25%
1939	-0.41%	3.97%	2.26%
1948	5.50%	4.14%	2.37%
1947	5.71%	-2.34%	2.43%
1942	20.34%	2.60%	2.46%
1944	19.75%	4.73%	2.46%
2012	16.00%	10.68%	2.46%
2014	13.69%	17.28%	2.46%
1943	25.90%	2.83%	2.48%
1938	31.12%	6.13%	2.52%
2017	21.83%	12.25%	2.54%
1936	33.92%	6.74%	2.55%
2011	2.11%	17.95%	2.55%
2015	1.38%	-1.02%	2.68%
1951	24.02%	-2.69%	2.69%
1954	52.62%	5.39%	2.72%
2016	11.96%	6.70%	2.72%
1937	-35.03%	2.75%	2.73%
1953	-0.99%	3.41%	2.74%
1935	47.67%	9.61%	2.76%
1952	18.37%	3.52%	2.79%
2018	-4.38%	-4.73%	2.84%
1934	-1.44%	13.84%	2.93%
1955	31.56%	0.48%	2.95%
2008	-37.00%	8.78%	3.03%
1932	-8.19%	10.82%	3.15%
1927	37.49%	7.44%	3.17%
1957	-10.78%	8.71%	3.23%
1930	-24.90%	7.98%	3.30%
1933	53.99%	10.38%	3.36%
1928	43.61%	2.84%	3.40%
1929	-8.42%	3.27%	3.40%
1956	6.56%	-6.81%	3.45%
1926	11.62%	7.37%	3.54%
2013	32.39%	-7.07%	3.78%
1960	0.47%	9.07%	3.80%
1958	43.36%	-2.22%	3.82%
1962	-8.73%	7.95%	3.95%
1931	-43.34%	-1.85%	4.07%
2010	15.06%	12.44%	4.14%
1961	26.89%	4.82%	4.15%
1963	22.80%	2.19%	4.17%
1964	16.48%	4.77%	4.23%
2022	-18.11%	-26.18%	4.24%
1959	11.96%	-0.97%	4.47%
1965	12.45%	-0.46%	4.50%
2007	5.49%	2.60%	4.50%
1966	-10.06%	0.20%	4.55%
2009	26.46%	3.02%	4.58%
2005	4.91%	5.87%	4.61%
2002	-22.10%	16.33%	4.84%
2004	10.88%	8.72%	4.84%
2006	15.79%	3.24%	4.91%
2003	28.68%	5.27%	5.11%
1998	28.58%	10.76%	5.42%
1967	23.98%	-4.95%	5.56%
2000	-9.10%	12.87%	5.58%
2001	-11.89%	10.65%	5.75%
1971	14.30%	11.01%	5.97%
1968	11.06%	2.57%	5.98%
1972	18.99%	7.26%	5.99%
1997	33.36%	12.95%	6.02%
1995	37.58%	27.20%	6.03%
1970	3.86%	18.37%	6.48%
1993	10.08%	13.19%	6.54%
1996	22.96%	1.40%	6.73%
1999	21.04%	-7.45%	6.82%
1969	-8.50%	-8.09%	6.87%
1976	23.93%	18.65%	7.21%
1973	-14.69%	1.14%	7.26%
1992	7.62%	9.39%	7.26%
1991	30.47%	19.89%	7.30%
1974	-26.47%	-3.06%	7.60%
1986	18.67%	19.85%	7.89%
1994	1.32%	-5.76%	7.99%
1977	-7.16%	1.71%	8.03%
1975	37.23%	14.64%	8.05%
1989	31.69%	16.23%	8.16%
1990	-3.10%	6.78%	8.44%
1978	6.57%	-0.07%	8.98%
1988	16.61%	10.70%	9.19%
1987	5.25%	-0.27%	9.20%
1985	31.73%	30.09%	9.56%
1979	18.61%	-4.18%	10.12%
1982	21.55%	42.56%	10.95%
1984	6.27%	16.86%	11.70%
1983	22.56%	6.26%	11.97%
1980	32.50%	-2.76%	11.99%
1981	-4.92%	-1.24%	13.34%

**Yields for Treasury Constant Maturities
Yearly for 2018-2022
and the Twelve Months Ended September 2023**

<u>Years</u>	<u>1-Year</u>	<u>2-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>	<u>30-Year</u>
2018	2.33%	2.53%	2.63%	2.75%	2.85%	2.91%	3.02%	3.11%
2019	2.05%	1.97%	1.94%	1.96%	2.05%	2.14%	2.40%	2.58%
2020	0.38%	0.40%	0.43%	0.54%	0.73%	0.89%	1.35%	1.56%
2021	0.10%	0.27%	0.46%	0.86%	1.19%	1.44%	1.98%	2.05%
2022	2.79%	2.98%	3.05%	3.00%	3.01%	2.95%	3.30%	3.12%
Five-Year Average	<u>1.53%</u>	<u>1.63%</u>	<u>1.70%</u>	<u>1.82%</u>	<u>1.97%</u>	<u>2.07%</u>	<u>2.41%</u>	<u>2.48%</u>
<u>Months</u>								
Oct-22	4.43%	4.38%	4.38%	4.18%	4.09%	3.98%	4.28%	4.04%
Nov-22	4.73%	4.50%	4.34%	4.06%	3.99%	3.89%	4.22%	4.00%
Dec-22	4.68%	4.29%	4.05%	3.76%	3.72%	3.62%	3.87%	3.66%
Jan-23	4.69%	4.21%	3.91%	3.64%	3.59%	3.53%	3.81%	3.66%
Feb-23	4.93%	4.53%	4.23%	3.94%	3.86%	3.75%	3.95%	3.80%
Mar-23	4.68%	4.30%	4.09%	3.82%	3.77%	3.66%	3.94%	3.77%
Apr-23	4.68%	4.02%	3.76%	3.54%	3.50%	3.46%	3.80%	3.68%
May-23	4.91%	4.13%	3.82%	3.59%	3.58%	3.57%	3.96%	3.86%
Jun-23	5.24%	4.64%	4.27%	3.95%	3.85%	3.75%	4.04%	3.87%
Jul-23	5.37%	4.83%	4.47%	4.14%	4.03%	3.90%	4.15%	3.96%
Aug-23	5.37%	4.90%	4.59%	4.31%	4.26%	4.17%	4.46%	4.28%
Sep-23	5.44%	5.02%	4.74%	4.49%	4.46%	4.38%	4.65%	4.47%
Twelve-Month Average	<u>4.93%</u>	<u>4.48%</u>	<u>4.22%</u>	<u>3.95%</u>	<u>3.89%</u>	<u>3.81%</u>	<u>4.09%</u>	<u>3.92%</u>
Six-Month Average	<u>5.17%</u>	<u>4.59%</u>	<u>4.28%</u>	<u>4.00%</u>	<u>3.95%</u>	<u>3.87%</u>	<u>4.18%</u>	<u>4.02%</u>
Three-Month Average	<u>5.39%</u>	<u>4.92%</u>	<u>4.60%</u>	<u>4.31%</u>	<u>4.25%</u>	<u>4.15%</u>	<u>4.42%</u>	<u>4.24%</u>

Source: Federal Reserve statistical release H.15

Measures of the Risk-Free Rate & Corporate Bond Yields

The forecast of Treasury and Corporate yields
per the consensus of nearly 50 economists
reported in the Blue Chip Financial Forecasts dated June 1, 2023 and October 1, 2023

Year	Quarter	Treasury				Corporate		
		1-Year Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Bond	Aaa Bond	Baa Bond
2023	Fourth	5.4%	4.8%	4.3%	4.2%	4.4%	5.2%	6.2%
2024	First	5.1%	4.6%	4.2%	4.1%	4.3%	5.2%	6.1%
2024	Second	4.8%	4.3%	4.0%	3.9%	4.2%	5.0%	6.0%
2024	Third	4.5%	4.0%	3.9%	3.9%	4.2%	5.0%	6.0%
2024	Fourth	4.1%	3.8%	3.8%	3.8%	4.1%	4.9%	6.0%
2025	First	3.9%	3.7%	3.6%	3.8%	4.0%	4.9%	5.9%
Long-range CONSENSUS								
2024		3.6%	3.4%	3.4%	3.4%	3.8%	4.7%	5.8%
2025		3.0%	3.0%	3.1%	3.3%	3.6%	4.6%	5.6%
2026		2.9%	3.0%	3.2%	3.4%	3.7%	4.7%	5.7%
2027		2.9%	3.1%	3.2%	3.5%	3.8%	4.8%	5.8%
2028		2.9%	3.0%	3.3%	3.5%	3.9%	4.9%	5.8%
2029		2.9%	3.0%	3.2%	3.5%	3.8%	4.8%	5.8%
Averages:								
	2024-2028	2.9%	3.0%	3.2%	3.4%	3.8%	4.8%	5.7%
	2029-2033	2.9%	3.1%	3.3%	3.6%	3.9%	5.0%	5.9%

Measures of the Market Premium

Historical Market Premium

Avg. to Low Interest Rates	(Rm)	(Rf)	
1926-2022 Arith. mean	12.21%	3.87%	<u>8.34%</u>

Forecast Market Premium

Value Line	Dividend Yield	Median Appreciation Potential	Median Total Return
As of: 29-Sep-23	2.3%	+ 12.47%	= <u>14.77%</u>
Risk-free Rate of Return (Rf)			<u>3.75%</u>
			<u>11.02%</u>
Average - Historical/Forecast			<u>9.68%</u>

Exhibit 7.8: Size-Decile Portfolios of the NYSE/NYSE MKT/NASDAQ Long-Term Returns in Excess of CAPM
1926–2016

Size Grouping	OLS Beta	Arithmetic Mean	Return in Excess of Risk-free Rate (actual)	Return in Excess of Risk-free Rate (as predicted by CAPM)	Size Premium
Mid-Cap (3–5)	1.12	13.82%	8.80%	7.79%	1.02%
Low-Cap (6–8)	1.22	15.26%	10.24%	8.49%	1.75%
Micro-Cap (9–10)	1.35	18.04%	13.02%	9.35%	3.67%
Breakdown of Deciles 1–10					
1-Largest	0.92	11.05%	6.04%	6.38%	-0.35%
2	1.04	12.82%	7.81%	7.19%	0.61%
3	1.11	13.57%	8.55%	7.66%	0.89%
4	1.13	13.80%	8.78%	7.80%	0.98%
5	1.17	14.62%	9.60%	8.09%	1.51%
6	1.17	14.81%	9.79%	8.14%	1.66%
7	1.25	15.41%	10.39%	8.67%	1.72%
8	1.30	16.14%	11.12%	9.04%	2.08%
9	1.34	16.97%	11.96%	9.28%	2.68%
10-Smallest	1.39	20.27%	15.25%	9.66%	5.59%

Betas are estimated from monthly returns in excess of the 30-day U.S. Treasury bill total return, January 1926–December 2016. Historical riskless rate measured by the 91-year arithmetic mean income return component of 20-year government bonds (5.02%). Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (11.95%) minus the arithmetic mean income return component of 20-year government bonds (5.02%) from 1926–2016. Source: Morningstar *Direct* and CRSP. Calculated based on data from CRSP US Stock Database and CRSP US Indices Database ©2017 Center for Research. Used with permission. All calculations performed by Duff & Phelps, LLC.

Comparable Earnings Approach

Using Non-Utility Companies with

Timeliness of 3, 4 & 5; Safety Rank of 1, 2 & 3; Financial Strength of B+, B++, A & A+;

Price Stability of 80 to 95; Betas of .80 to .95; and Technical Rank of 1, 2, 3 & 4

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
AbbVie Inc	Drug	3	2	A	90	0.85	4
Agilent Technologies	Precision Instrument	3	2	A	90	0.95	4
Altria Group Inc	Tobacco	3	2	B++	95	0.85	3
Booz Allen Hamilton Holding Corporation	Industrial Services	3	2	B++	90	0.85	3
Broadridge Fin'l	Information Services	3	2	B++	95	0.90	2
Brown Forman Corp (Class B)	Beverage	4	1	A	95	0.85	3
CACI International Inc	IT Services	3	3	B+	90	0.90	3
Cboe Global Markets	Brokers & Exchanges	3	2	A	95	0.80	3
Chemed Corporation	Diversified Co.	4	2	A	95	0.80	3
Commerce Bancshares Inc	Bank (Midwest)	3	3	B++	95	0.90	4
Corteva Inc.	Chemical (Basic)	3	3	B++	80	0.95	4
CSW Industrials	Petroleum (Producing)	4	2	B++	85	0.90	3
Dolby Laboratories Inc	Entertainment Tech	4	2	A	90	0.95	2
Expeditors International of Washington Inc	Industrial Services	3	1	A+	90	0.95	3
Exponent Inc.	Information Services	4	3	B+	85	0.95	4
Fastenal Co	Retail Building Supply	3	1	A+	90	0.90	2
Franklin Electric Co Inc	Electrical Equipment	3	2	A	90	0.90	2
GATX Corp	Railroad	3	3	B+	85	0.95	1
Harris Corp.	Aerospace/Defense	3	2	A+	85	0.90	4
Houlihan Lokey	Investment Banking	4	3	A	90	0.80	3
Huntington Ingalls Industries Inc	Aerospace/Defense	3	3	B++	80	0.95	3
Ingredion Incorporated	Food Processing	3	2	B++	95	0.90	2
Intercontinental Exch.	Brokers & Exchanges	4	1	A	95	0.95	1
International Business Machines Corp	Computers/Peripherals	3	3	B++	90	0.95	3
J and J Snack Foods Corp	Food Processing	3	2	A	80	0.85	2
J B Hunt Transport Services Inc	Trucking	4	2	A+	85	0.95	3
Landstar System	Trucking	3	1	A	95	0.80	2
McCormick and Co	Food Processing	4	1	A+	95	0.80	2
Monster Beverage Corporation	Beverage	4	1	A+	95	0.85	1
Motorola Solutions Inc	Telecom. Equipment	3	2	B++	95	0.95	3
MSC Industrial Direct Co Inc	Machinery	3	2	B++	90	0.90	3
OSI Systems Inc	Precision Instrument	3	2	B++	85	0.90	1
Packaging Corp	Packaging & Container	3	2	A	90	0.95	3
Philip Morris International Inc	Tobacco	4	3	B++	85	0.95	4
Prestige Consumer	Household Products	4	3	B+	80	0.90	2
Quest Diagnostics Inc	Medical Services	3	2	B++	90	0.80	2
RLI Corp	Insurance (Prop/Cas.)	3	2	A	95	0.80	4
Rollins Inc	Industrial Services	3	2	A	85	0.85	3
Roper Tech.	Machinery	3	1	A+	95	0.95	2
Rush Enterprises 'A'	Retail Automotive	3	3	B+	80	0.95	3
Schneider National	Trucking	4	3	B++	85	0.80	2
Selective Insurance Group Inc	Insurance (Prop/Cas.)	3	3	B+	90	0.85	3
Sensient Technologies Corp	Food Processing	4	2	B++	90	0.95	3
Service Corp International Inc	Industrial Services	3	3	B+	85	0.90	3
Stepan Company	Chemical (Specialty)	5	2	B++	90	0.80	3
Thermo Fisher Scientific Inc	Precision Instrument	4	1	A	95	0.85	3
Trimas Corporation	Diversified Co.	3	3	B+	80	0.85	4
Tyler Technologies	IT Services	3	2	A+	80	0.85	3
UniFirst Corp	Industrial Services	3	2	A	90	0.90	4
United Parcel Service	Air Transport	4	2	A+	85	0.80	3
Universal Corp	Tobacco	4	3	B++	95	0.80	3
VeriSign Inc	Internet	3	2	A	90	0.90	3
Waters Corp	Precision Instrument	3	2	A	85	0.95	4
Watsco Inc	Retail Building Supply	4	1	A+	90	0.90	3
Average		3	2	A	89	0.89	3
Gas Group	Average	4	2	A	89	0.86	3

Source of Information: Value Line Investment Survey for Windows, September 2023

Comparable Earnings Approach
Five -Year Average Historical Earned Returns
for Years 2018-2022 and
Projected 2026-28

Company	2018	2019	2020	2021	2022	Average	Projected 2026-28
AbbVie Inc	-	-	NMF	NMF	NMF	-	NMF
Agilent Technologies	19.9%	20.8%	21.0%	24.7%	29.5%	23.2%	33.5%
Altria Group Inc	51.0%	NMF	NMF	NMF	NMF	51.0%	NMF
Booz Allen Hamilton Holding Corporation	58.8%	56.4%	50.8%	54.5%	61.3%	56.4%	34.0%
Broadridge Fin'l	46.1%	49.1%	43.7%	36.8%	39.9%	43.1%	35.0%
Brown Forman Corp (Class B)	50.7%	41.9%	29.1%	30.6%	24.0%	35.3%	55.0%
CACI International Inc	9.4%	11.2%	12.1%	17.2%	12.0%	12.4%	10.0%
Cboe Global Markets	13.1%	11.1%	13.9%	14.6%	6.8%	11.9%	12.0%
Chemed Corporation	33.9%	31.7%	32.9%	49.5%	37.4%	37.1%	24.5%
Commerce Bancshares Inc	14.8%	13.4%	10.4%	15.4%	19.8%	14.8%	14.5%
Corteva Inc.	-	4.4%	4.5%	6.3%	7.6%	5.7%	9.5%
CSW Industrials	17.5%	16.6%	9.8%	14.2%	18.3%	15.3%	14.0%
Dolby Laboratories Inc	12.6%	11.1%	9.5%	11.9%	8.2%	10.7%	11.5%
Expeditors International of Washington Inc	31.1%	26.9%	26.2%	40.5%	43.6%	33.7%	26.5%
Exponent Inc.	23.0%	23.5%	22.8%	24.3%	31.9%	25.1%	28.5%
Fastenal Co	32.7%	29.7%	31.4%	30.4%	34.4%	31.7%	37.5%
Franklin Electric Co Inc	14.6%	12.3%	12.1%	16.3%	17.5%	14.6%	20.0%
GATX Corp	11.2%	10.9%	6.5%	9.0%	10.7%	9.7%	9.5%
Harris Corp.	-	3.6%	5.4%	9.6%	5.7%	6.1%	19.0%
Houlihan Lokey	17.9%	18.7%	22.6%	30.3%	16.0%	21.1%	24.0%
Huntington Ingalls Industries Inc	55.1%	36.5%	36.6%	19.4%	16.6%	32.8%	15.5%
Ingredion Incorporated	20.8%	16.4%	13.6%	14.4%	15.6%	16.2%	20.0%
Intercontinental Exch.	12.1%	12.7%	12.8%	12.8%	13.1%	12.7%	11.5%
International Business Machines Corp	75.4%	54.9%	37.7%	47.7%	37.9%	50.7%	36.5%
J and J Snack Foods Corp	11.1%	11.4%	2.3%	6.6%	5.5%	7.4%	12.5%
J B Hunt Transport Services Inc	29.7%	24.9%	19.5%	24.4%	26.4%	25.0%	17.0%
Landstar System	37.2%	31.6%	27.8%	44.3%	48.6%	37.9%	23.0%
McCormick and Co	20.9%	20.8%	19.4%	18.7%	14.6%	18.9%	16.0%
Monster Beverage Corporation	27.5%	26.6%	24.6%	21.0%	17.0%	23.3%	27.0%
Motorola Solutions Inc	-	-	-	-	-	-	NMF
MSC Industrial Direct Co Inc	20.8%	20.0%	20.1%	23.4%	25.5%	22.0%	19.0%
OSI Systems Inc	5.3%	11.7%	13.2%	11.6%	18.1%	12.0%	13.0%
Packaging Corp	27.6%	22.7%	16.9%	24.8%	28.4%	24.1%	25.0%
Philip Morris International Inc	-	-	-	-	-	-	NMF
Prestige Consumer	13.3%	12.2%	12.1%	13.0%	14.5%	13.0%	10.0%
Quest Diagnostics Inc	16.8%	15.9%	22.6%	28.4%	20.0%	20.7%	19.0%
RLI Corp	11.4%	11.8%	10.4%	14.5%	19.1%	13.4%	14.0%
Rollins Inc	32.5%	24.9%	27.7%	32.4%	29.1%	29.3%	36.5%
Roper Tech.	15.9%	14.4%	12.9%	13.1%	9.5%	13.2%	11.0%
Rush Enterprises 'A'	13.0%	12.2%	9.1%	16.5%	22.4%	14.6%	15.5%
Schneider National	12.6%	6.6%	10.3%	16.7%	16.1%	12.5%	15.0%
Selective Insurance Group Inc	12.2%	12.0%	9.1%	13.5%	13.0%	12.0%	21.0%
Sensient Technologies Corp	18.3%	14.2%	11.7%	14.1%	13.9%	14.4%	12.5%
Service Corp International Inc	20.4%	19.4%	29.8%	40.7%	36.3%	29.3%	29.0%
Stepan Company	14.4%	11.6%	12.9%	12.8%	12.6%	12.9%	9.0%
Thermo Fisher Scientific Inc	10.7%	11.5%	18.5%	18.9%	15.8%	15.1%	15.5%
Trimas Corporation	13.1%	9.5%	11.8%	9.1%	10.2%	10.7%	11.5%
Tyler Technologies	14.6%	13.1%	11.5%	12.8%	12.1%	12.8%	15.5%
UniFirst Corp	10.2%	10.0%	7.8%	8.1%	5.4%	8.3%	7.0%
United Parcel Service	NMF	NMF	NMF	NMF	57.0%	57.0%	44.0%
Universal Corp	7.8%	5.7%	6.7%	6.5%	8.1%	7.0%	12.0%
VeriSign Inc	-	-	-	-	-	-	NMF
Waters Corp	39.9%	-	NMF	NMF	NMF	39.9%	30.0%
Watsco Inc	18.0%	17.1%	18.1%	25.2%	31.8%	22.0%	26.0%
Average						22.0%	20.6%
Median						15.7%	17.0%
Average (excluding companies with values >20%)						12.1%	13.3%

Comparable Earnings Approach
Screening Parameters

Timeliness Rank

The rank for a stock's probable relative market performance in the year ahead. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the year-ahead market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next 12 months. Stocks ranked 3 (Average) will probably advance or decline with the market in the year ahead. Investors should try to limit purchases to stocks ranked 1 (Highest) or 2 (Above Average) for Timeliness.

Safety Rank

A measure of potential risk associated with individual common stocks rather than large diversified portfolios (for which Beta is good risk measure). Safety is based on the stability of price, which includes sensitivity to the market (see Beta) as well as the stock's inherent volatility, adjusted for trend and other factors including company size, the penetration of its markets, product market volatility, the degree of financial leverage, the earnings quality, and the overall condition of the balance sheet. Safety Ranks range from 1 (Highest) to 5 (Lowest). Conservative investors should try to limit purchases to equities ranked 1 (Highest) or 2 (Above Average) for Safety.

Financial Strength

The financial strength of each of the more than 1,600 companies in the VS II data base is rated relative to all the others. The ratings range from A++ to C in nine steps. (For screening purposes, think of an A rating as "greater than" a B). Companies that have the best relative financial strength are given an A++ rating, indicating ability to weather hard times better than the vast majority of other companies. Those who don't quite merit the top rating are given an A+ grade, and so on. A rating as low as C++ is considered satisfactory. A rating of C+ is well below average, and C is reserved for companies with very serious financial problems. The ratings are based upon a computer analysis of a number of key variables that determine (a) financial leverage, (b) business risk, and (c) company size, plus the judgment of Value Line's analysts and senior editors regarding factors that cannot be quantified across-the-board for companies. The primary variables that are indexed and studied include equity coverage of debt, equity coverage of intangibles, "quick ratio", accounting methods, variability of return, fixed charge coverage, stock price stability, and company size.

Price Stability Index

An index based upon a ranking of the weekly percent changes in the price of the stock over the last five years. The lower the standard deviation of the changes, the more stable the stock. Stocks ranking in the top 5% (lowest standard deviations) carry a Price Stability Index of 100; the next 5%, 95; and so on down to 5. One standard deviation is the range around the average weekly percent change in the price that encompasses about two thirds of all the weekly percent change figures over the last five years. When the range is wide, the standard deviation is high and the stock's Price Stability Index is low.

Beta

A measure of the sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Average. A Beta of 1.50 indicates that a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Average. Use Beta to measure the stock market risk inherent in any diversified portfolio of, say, 15 or more companies. Otherwise, use the Safety Rank, which measures total risk inherent in an equity, including that portion attributable to market fluctuations. Beta is derived from a least squares regression analysis between weekly percent changes in the price of a stock and weekly percent changes in the NYSE Average over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are periodically adjusted for their long-term tendency to regress toward 1.00.

Technical Rank

A prediction of relative price movement, primarily over the next three to six months. It is a function of price action relative to all stocks followed by Value Line. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next six months. Stocks ranked 3 (Average) will probably advance or decline with the market. Investors should use the Technical and Timeliness Ranks as complements to one another.