

Proposed Changes to Gas Service Tariff No. 2, Supplement No. 71

Information furnished with the filing of rate changes under 52 Pa.
Code, Section 53.52

(a) Applicable to changes in terms and conditions of service rendered.

(a)(1) The specific reason for each change.

The Company has provided a Statement of Specific Reasons describing the necessity for this filing.

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

Refer to the response to SDR-RR-2.

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

All customers as of May 30, 2008 in the following tariff subdivisions will be affected by the proposed change, as follows:

Tariff Rate	Customers
GR	419,177
CAP	20,747
GC	40,638
L	2
MV-F	8
MV-I	36
TS-F	308
TS-I	320
CGS	2

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

The proposed changes will become affect customer bills rendered after May 30, 2008. The specific effect by class, and by usage within a class, is shown on Exhibits PTP-4, PTP-5A through 5L, PTP-6, and PTP-7A though 7P.

(a)(5) The effect, whether direct or indirect, of the proposed change on the utility's revenue and expenses.

The Company's proposal will increase total revenue and total income tax expense. Revenue from all rate classes will increase except with respect to gas CAP rate, Rate IS and Rate TCS. If approved as proposed, the Company will receive less revenue from its gas CAP customers. Revenue from Rate IS and TCS is unaffected. The Company will incur increased costs associated with its LIURP and proposed non-LIURP energy efficiency programs. The Company will incur increased income tax expense under its proposed rate of return allowance.

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

There will be no effect on service rendered as a result of this change.

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

The factors considered by the Company are discussed in the Statement of Specific Reasons.

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

Not applicable.

(a)(9) Customer polls taken and other documents, which indicate customer acceptance and desire for the proposed change.

The Company conducted a poll in February 2008 in which approximately 600 of the Company's customers participated.

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

The Company will notify customers of the proposed changes by a bill insert using the form of notice specified by the Commission at 52 Pa. Code 53.45. A copy of the notice will be provided together with an affidavit of compliance with the notice requirements.

(a)(11) F.C.C., or FERC or Commission orders or rulings applicable to the filings.

No F.C.C., FERC or Commission orders or rulings apply to this filing.

(b) Applicable to changes in rates.

(b)(1) Specific reasons for each change.

The Company has provided a Statement of Reasons describing the necessity of this filing.

(b) (2) Utility's operating income statement ending not more than 120 days prior to filing date- historic year.

Refer to Exhibit RLO-2, Schedule B-2. For the future test year operating income statement, refer to Exhibit RLO-1, Schedule B-2

(b) (3) Number of customers, by tariff subdivision, whose bills will be increased.

Tariff Rate	Customers
GR	419,177
GC	39,838
L	2
MV-F	4
MV-I	36
TS-F	108
TS-I	260
CGS	2

(b)(4) Total increases, in dollars, by tariff subdivision, projected to an annual basis.

Refer to Exhibit PTP-4.

(b)(5) Number of customers, by tariff subdivision, whose bills will be decreased.

The number of customers below is an approximation of the number of customers by tariff subdivision, whose bills will be decreased:

<u>Tariff Rate</u>	<u>Customers</u>
CAP	20,747
GC	800
MV-F	4
TS-F	200
TS-I	60

(b) (6) Total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Refer to Exhibit PTP-4.

(c) Applicable to changes where increase for any tariff subdivision exceeds 3% of utility's operating revenue OR bills of more than 5% of customers will increase.

(c)(1) Rate of return for historic year and anticipated for future year.

The overall rate of return for the historic year is 4.11%. Refer to Exhibit RLO-2, Schedule A-1.

The overall rate of return for the future test year is 3.73%. Refer to Exhibit RLO-1, Schedule A-I.

As shown on Exhibit RLO-1, Schedule A-I, the Company is seeking the opportunity to earn a fair return of 8.87% based on pro forma future test year conditions.

(c)(2) Detailed balance sheet at the end of the historic year.

For the end of the historic year balance sheet, refer to Exhibit RLO-2, Schedule B-1.

For the end of the future test year balance sheet, refer to Exhibit RLO-1, Schedule B-12

(c)(3) Summary, by detailed plant accounts, of book value of property of utility at end of historic year.

Refer to Exhibit RLO-2, Schedule C-2, for the original cost book value of the property of utility for the historic year ending December 31,2007.

Refer to Exhibit RLO-1, Schedule C-2, for original cost book value of the property of utility for the future test year ending December 31,2008.

(c)(4) Respective amount of the depreciation reserve applicable to each detailed plant account.

Refer to Exhibit RLO-2, Schedule C-3, for the historic year depreciation reserve as of December 31, 2007.

Refer to Exhibit RLO-1, Schedule C-3, for the future test year *depreciation* reserve as of December 31, 2008.

(c)(5) Statement of operating income, setting forth the operating revenues and expenses by detailed accounts - historic year.

Refer to Exhibit RLO-2, Schedule B-2.

(c)(6) Description of any major change in the operating or financial condition of utility occurring between the date of the balance sheet at end of the historic year and filing date.

No major changes have occurred.