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File #: 3552/153108

April 8, 2013

***VIA ELECTRONIC FILING***

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

**Re: Petition of Peoples Natural Gas Company LLC for Approval of a Distribution System Improvement Charge  
Docket Nos. P-2013-2344596 and C-2013-2348847**

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Dear Secretary Chiavetta:

On January 23, 2013, Peoples Natural Gas Company LLC (“Peoples” or the “Company”) filed the above-referenced Petition for Approval of its Long Term Infrastructure Improvement Plan (“LTIIIP”). The purpose of this letter is to clarify certain statements made in the LTIIIP regarding vehicles, tools and equipment.

Specifically, on page 12 of the LTIIIP, Peoples indicated that its accelerated pipeline replacement program described in the LTIIIP would require the purchase of additional general plant equipment in support of pipeline replacement. The Company indicated that it would seek to recover the cost of incremental equipment used for pipeline replacement projects through its proposed Distribution System Improvement Charge (“DSIC”).

It has now come to the Company’s attention that the statements made regarding the recovery of incremental equipment costs through the DSIC may have created a misimpression of the capitalization of vehicles, trucks and equipment for DSIC-eligible projects.

As noted in the LTIIIP, the Company anticipates that it will be required to acquire additional vehicles and equipment to undertake additional construction for DSIC projects consistent with its LTIIIP. While these units are incremental to the Company’s current fleet inventory, the additional vehicles purchased, and equipment acquired, may not always be assigned to DSIC-

Rosemary Chiavetta, Secretary

April 8, 2013

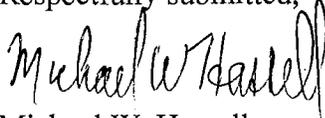
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eligible work, nor will they be the only vehicles in the fleet or equipment supporting DSIC-eligible projects.

The Company's accounting procedures allocate a pro rata portion of the costs (maintenance/license fees/depreciation, etc.) of vehicles and equipment to capital and expense based upon project use. Thus, if a vehicle (whether existing or newly purchased) is used for a repair project, the costs will be charged to expense. If the vehicle or equipment is used for a capital project, the costs will be charged as part of the overhead for the capital project. If the capital project is a DSIC-eligible project, then the costs of the vehicle and equipment will be capitalized as overhead as part of the DSIC-eligible project.

Peoples apologizes for any confusion that may have been caused by the statements in its LTIP concerning incremental general plant equipment.

Respectfully submitted,



Michael W. Hassell

MWH/skr

cc: Certificate of Service  
Nicholas Okoro (*Technical Utility Services*)

**CERTIFICATE OF SERVICE**  
**(Docket Nos. P-2013-2344596 and C-2013-2348847)**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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DATED: April 8, 2013

  
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Michael W. Hassell