

expeditiously approve this Settlement as set forth below. The Settlement has been agreed to by all active parties in this proceeding.¹

Joint Petitioners have agreed to a settlement of all issues in the above-captioned proceedings. The Settlement provides for increases in rates designed to produce a net increase in annual distribution operating revenues of \$13,800,000, exclusive of a \$2 million rate credit explained herein, based upon the anticipated level of operations ending January 31, 2015, as adjusted for ratemaking purposes and as proposed in this proceeding. The parties respectfully request that, to the extent possible, approval of this Settlement be granted in time for rates to become effective for services rendered on January 1, 2014. The rate design and revenue allocation are set forth in Appendix "A". In support of this Settlement, the Parties represent as follows:

II. BACKGROUND

1. Peoples TWP is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution and supplier of last resort services subject to the Commission's regulatory jurisdiction. Peoples TWP is an affiliate of Peoples Natural Gas Company LLC ("Peoples").

2. Peoples TWP is a "public utility" and a "natural gas distribution company" as those terms are defined in Public Utility Code Sections 102 and 2202, 66 Pa.C.S. §§ 102, 2202.

3. Peoples TWP provides retail natural gas sales and transportation services to approximately 59,045 customers throughout its service territory, which includes all or portions of

¹ As noted below, eleven individual Peoples TWP customers filed formal complaints against the Company's proposed rate increase. However, these customers did not attend the Prehearing conference, did not file testimony, and did not otherwise actively participate in this matter. As indicated on the certificate of service, Peoples TWP is serving a copy of the Settlement on these inactive customer complainants.

the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Butler, Clarion, Clearfield, Indiana, Jefferson and Westmoreland.

4. On April 30, 2013, Peoples TWP filed with the Commission a proposed Original Tariff Gas – Pa. P.U.C. No. 8 (“Tariff No. 8”). Tariff No. 8 proposed revised tariff rules and regulations, and proposed increased rates designed to produce an overall base rate increase of approximately \$18.66 million based upon pro forma data for a Fully Projected Future Test Year ending January 31, 2015. Concurrent with the filing of the Tariff No. 8, Peoples TWP filed its direct case.

5. On May 16, 2013, I&E filed a Notice of Appearance. On May 20, 2013, the OCA filed a Notice of Appearance and, on May 22, 2013, filed a Formal Complaint at Docket No. C-2013-2364471. The OSBA filed a Notice of Appearance on May 21, 2013 and a Formal Complaint at Docket No. C-2013-2364669 on May 21, 2013.

6. The Commission’s Secretary’s Bureau served Peoples TWP with the following complaints: on May 22, 2013, Dawn Spielvogel (C-2013-2364680); on June 19, 2013, Charles Glendening (C-2013-2369476); on June 20, 2013, Neil Cooper (C-2013-2369509); on June 26, 2013, Megan Rummel (C-2013-2370635); on June 27, 2013, Susan Hilliard (C-2013-2370725) and Carol George (C-2013-2370736); on July 3, 2013, Amy and John Beiler (C-2013-2371818), Kathleen Tack (C-2013-2371780) and Lawrence Sumansky (C-2013-2371794); on July 9, 2013, Gertrude Blair (C-2013-2372633); and on July 15, 2013, Tim Osterling (C-2013-2373589).

7. In an Order entered on June 13, 2013, the Commission initiated an investigation of Peoples TWP’s proposed general rate increase. Tariff No. 8 was suspended by operation of law based upon Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), for up to

seven months or until January 29, 2014, unless permitted by Commission Order to become effective at an earlier date.

8. A prehearing conference was held on June 21, 2013. Prehearing conference memoranda were submitted by I&E, OCA, OSBA and Peoples TWP. At the prehearing conference, the ALJ established the litigation schedule. The ALJ also set forth modified discovery rules, which, pursuant to the Joint Petitioners' agreement, included shorter response times than those provided in the Commission's regulations. See 52 Pa. Code §§ 5.341 et seq.

9. On June 24, 2013, the ALJ issued a Prehearing Order that confirmed the litigation schedule established at the Prehearing Conference.

10. The Joint Petitioners conducted substantial formal and informal discovery in this proceeding. Pursuant to the established procedural schedule, I&E, OCA and OSBA served their direct testimony and exhibits on July 31, 2013 on all active parties.

11. On August 29, 2013, OCA, OSBA and Peoples TWP served their rebuttal testimony and exhibits. On September 12, 2013, I&E, OCA, OSBA and Peoples TWP served surrebuttal testimony and exhibits.

12. The Joint Petitioners held numerous settlement discussions over the course of this proceeding. As a result of those discussions and the efforts of the Joint Petitioners to examine the issues in the proceeding, a settlement in principle was achieved by the Joint Petitioners prior to the dates for service of rejoinder testimony and hearings. On September 16, 2013, the Joint Petitioners informed the ALJ that they had reached an agreement in principle to settle all of the issues in this proceeding and requested that the parties be permitted to submit their testimony and exhibits by stipulation.

13. On September 17, 2013, Peoples TWP, having previously obtained stipulated protective agreements from parties to facilitate the exchange of confidential information, filed an unopposed Motion for Protective Order.

14. On September 18, 2013, ALJ Dunderdale issued a Protective Order for this proceeding.

15. On September 18, 2013, the ALJ held a hearing at which Peoples TWP's filing, testimony and exhibits and the testimony and exhibits served by the other parties during the course of the proceeding were formally introduced and admitted into the evidentiary record by stipulation of the Joint Petitioners. In addition, the ALJ granted the Joint Petitioner's request to file the Settlement and Statements in Support on October 7, 2013.

16. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$13.8 million in annual base rate operating revenues, exclusive of a \$2 million annual credit ("Acquisition Credit"),² instead of the Company's filed increase request of approximately \$18.66 million. Upon approval of the Settlement, Peoples TWP will receive an overall increase in existing base rates of approximately 17%, instead of the 23% increase proposed in Peoples TWP's filing. Based upon gas costs in effect at the time of the rate filing, a typical residential customer using 84 Mcf of gas per year will see an increase in their monthly bill of \$15.71 from \$79.22 to \$94.94, or by 20%, instead of the monthly increase of \$22.49, from

² Pursuant to the Commission order approving the Acquisition of Peoples TWP by LDC Holdings II LLC, an indirect subsidiary of SteelRiver Infrastructure Fund of North America at Docket No. A-2010-2210326, Peoples TWP is required to provide \$10 million of base rate credits to customers. Further, the Acquisition Credit is to be designed to provide the amounts allocated to each customer class over a period not to exceed five-years. *Joint Application for All of the Authority and the Necessary Certificates of Public Convenience to Transfer All of the Issued and Outstanding Shares of Capital Stock of T. W. Phillips Gas and Oil Co., currently owned by TWP INC., to LDC Holdings II LLC, an indirect subsidiary of SteelRiver Infrastructure Fund North America LP, and to Approve the Resulting Change in Control of T. W. Phillips Gas and Oil Co.,* Docket No. A-2010-2210326 (May 23, 2011) ("Acquisition Settlement").

\$79.22 to \$101.71, or by 28.4% that was originally proposed in the filing. The overall increase, inclusive of the Acquisition Credit, is \$11.8 million.

17. The Terms and Conditions of the Settlement are set forth in the following Section III.

III. SETTLEMENT TERMS AND CONDITIONS

18. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement is in the public interest. The Joint Petitioners respectfully request that the Settlement Filing, including those tariff changes included in Original Tariff Gas – Pa. P.U.C. No. 8 and specifically identified in Appendix “B” attached hereto, be approved as specified below:

A. REVENUE REQUIREMENT

19. Base rates will be designed to produce an increase in annual operating revenues of \$13.8 million, exclusive of the Acquisition Credit, based upon the pro forma level of operations for the twelve months ending January 31, 2015.

20. The Company will implement the Acquisition Credit by providing base rate credits calculated to result in credits of \$2 million per year, until \$10 million in credits have been provided in accordance with the terms of the Acquisition Settlement.

21. Rates will be designed on Residential volumes of 4,770,000 Mcf and SGS volumes of 812,549 Mcf. All other rate design volumes will be the Company’s volumes.

22. Commencing with the effective date of new rates resulting from this rate case, Peoples TWP will be permitted to defer the difference between the annual Post-retirement Benefits Other than Pensions (“PBOP”) expense calculated pursuant to FASB Accounting

Standards Codification (“ASC”) 715 and the annual PBOP cost included in rates in the amount of \$391,787 (\$489,000 accrual at an expense rate of 80.12%). Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. The difference will be recorded as a regulatory asset or liability and will be expensed or credited in future rate proceedings over an amortization period to be determined in the next base rate proceeding. In addition, base rates in this Settlement reflect the amortization of deferred PBOP expenses of \$968,638 to be recovered over a two year period, producing an annual amortization amount of \$484,319.

23. The Company will continue to make deposits into PBOP trusts equal to the actuarially determined amounts. If annual amounts deposited into PBOP trusts, pursuant to the Settlement, exceed allowable income tax deduction limits, any income tax liability will be recorded as negative deferred income taxes, to be added to rate base in future proceedings.

24. The Company’s request to establish a regulatory asset for the difference between the accrual amount of Post-employment Benefits (life insurance and worker’s compensation costs) included in injuries and damages expenses as governed by ASC 715 and the “pay-as-you-go” amount is approved. The Company will continue to recover these costs for ratemaking purposes on a pay-as-you-go basis.

B. REVENUE ALLOCATION AND RATE DESIGN

25. The Joint Petitioners’ agreements on revenue allocation and rate design, including allocation of the \$2 million annual Acquisition Settlement credit and the GPC rate, are reflected in Appendix “A”. Revenue allocation and rate design reflect a compromise and do not endorse any particular cost of service study or methodology.

26. The Merchant Function Charge (“MFC”) for Rate RS/RUS retail customers shall be 2.0%. The MFC for Rate SGS retail customers shall be 0.41%.

27. The Company's proposal to create revised rate classes is adopted.
28. The Company's proposals to establish revised Customer Choice and Gas Transportation Programs are approved, including the Company's proposals for Priority One Pooling, Non-Priority One Pooling, Local Gas Aggregation Pooling and imbalance/pool-to-pool trading.
29. The Company's proposal to eliminate the administrative adder applicable to its Purchase of Receivables ("POR") program is approved.
30. Other tariff modifications, not otherwise addressed by this Settlement Proposal, are approved.
31. The following monthly customer charges are adopted:
 - (a) \$15.75 RS Customer Charge
 - (b) \$35 SGS-I Customer Charge
 - (c) \$65 SGS-II Customer Charge
 - (d) \$75 MGS-I Customer Charge
 - (e) \$175 MGS-II Customer Charge
 - (f) LGS customer charges remain as filed
32. Rate NGPV will go into effect as proposed by the Company in Peoples TWP Statement No. 13-R. NGPV customers will be assigned to the SGS or MGS class based upon the normalized annual usage of the customer. If service under the NGPV rate schedule becomes significant enough, the Company will give consideration to segregating the NGPV customers into their own class for cost allocation and rate design purposes. The impact of discounts, if any, will be addressed in future rate case proceedings based upon the facts and circumstances of the Cost of Service Study results and the rate design implications of such discounting. The Company will consider the public policy implications at that time.
33. The Company's proposed rates and revenue increase allocation to the LGS class as set forth in its rebuttal testimony are accepted.

C. UNIVERSAL SERVICE AND CONSERVATION

34. The Company's Energy Help Fund will be revised as follows:

a. The program will be renamed the Customer Assistance Program ("CAP").

b. The arrearage forgiveness credit will be revised to equal 1/36 of the CAP customer's pre-program arrearage. The Company agrees to grant arrearage forgiveness as each full month equivalent bill payment is received.

c. CAP customers who receive LIHEAP benefits or are on a fixed income (Social Security, Pension or Disability) will be required to recertify income every two years. All other CAP customers will be required to recertify income annually. The Company will contract with Dollar Energy Fund ("DEF") to perform recertifications, which are currently conducted in-house.

d. Delinquent CAP customers will not be removed from CAP, but will remain in CAP, where they will be subject to active collection and termination.

e. Late payment penalties will not be imposed on CAP customers.

35. The annual LIURP budget shall be \$255,000, with LIURP costs recovered through Rider USP – Universal Service Program. Nothing contained herein limits the parties' rights to propose or reject or address additional funding above this level in the current proceeding involving the proposed merger of Peoples and Equitable Gas Company LLC at Docket No. A-2013-2353647 or in any other future proceeding. Up to 20% of the LIURP budget may be used to assist customers whose income is within 151%-200% of the Federal Poverty Level. Unspent portions of the LIURP budget shall be rolled over to be used in subsequent years. The annual USP reconciliation reflects actual LIURP spending, and the unspent portion of

the budget is reflected in the subsequent year's budget, which prevents double recovery of LIURP budget amounts.

36. The Company's proposal to establish an emergency furnace and line repair program is adopted. The program budget shall be \$50,000, and the costs of the program will be recovered through Rider USP. Parties to this Settlement do not waive their right to challenge the continuation of the emergency furnace and line repair program in future proceedings.

37. The Company agrees to refresh its "Identity Theft Program" consistent with applicable state and federal law, and agrees to provide a copy to interested parties within six months after the conclusion of these proceedings.

D. DSIC – RELATED PROVISIONS

38. The DSIC for Peoples TWP shall be reset to 0.0% effective with the effective date of settlement rates in this proceeding.³

39. Peoples TWP will be eligible to include plant additions in its DSIC once eligible plant account balances exceed the level projected by Peoples TWP at January 31, 2015. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a fully projected future test year filing.

E. OTHER PROVISIONS

40. The Company agrees to establish more formal documentation of the need for, and level of, discounts offered to customers in competitive situations. The documentation will reflect information available to the Company regarding capital and operating costs for bypass (interstate and local alternatives) or alternative fuels and considered in determining whether to negotiate a

³ The DSIC was not filed as part of Tariff No. 8, but was subsequently permitted to go into effect, subject to the outcome of the pending proceeding at Docket No. P-2013-2344595. As part of the compliance filing at the conclusion of this proceeding, DSIC provisions will be included, with the DSIC rate set at 0%.

discounted rate. Documentation will identify offers made in negotiations. Documentation will also identify risks and lost potential revenues if a customer decides to install and use alternative facilities to replace Peoples TWP service in whole or in part.

41. On or before May 1, 2014, the Company will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA an update to Peoples TWP Exhibit No. AC-2, which will include actual capital expenditures, plant additions and retirements by month for the twelve months ending January 31, 2014. On or before May 1, 2015, the Company will update Exhibit No. AC-2 filed in this proceeding for the twelve months ending January 31, 2015. In the Company's next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended January 31, 2015 to its projections in this case.

42. The Joint Petitioners will endeavor on a best efforts basis to obtain approval in time for new rates to become effective by January 1, 2014.⁴

IV. SETTLEMENT IS IN THE PUBLIC INTEREST

43. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Peoples TWP's filing, including informal and formal discovery and the submission of direct, rebuttal and surrebuttal testimony by nearly all of the Joint Petitioners, which were admitted into the record by stipulation.

44. Acceptance of the Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and Peoples TWP's customers.

⁴ Pursuant to Paragraph 28 of the Acquisition Settlement, the Company has agreed not to increase base rates prior to January 1, 2014.

45. Joint Petitioners have submitted, along with this Settlement, their respective Statements in Support setting forth the basis upon which each believes the Settlement to be fair, just and reasonable and therefore in the public interest. The Joint Petitioners' Statements in Support are attached hereto as Appendices "C" through "F."

V. CONDITIONS OF SETTLEMENT

46. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of any Order modifying the Settlement.

47. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated these proceedings resulting in the establishment of rates that are Commission-made, just and reasonable rates.

48. If the Commission does not approve the Settlement and the proceedings continue to further hearings, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position that any Joint Petitioner may adopt in the event of any further litigation in these proceedings.

49. This Settlement and its terms and conditions may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

50. The Commission's approval of the Settlement shall not be construed to represent approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement in these and future proceedings involving Peoples TWP.

51. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in these proceedings if they were fully litigated.

52. This Settlement is being presented only in the context of these proceedings in an effort to resolve the proceedings in a manner which is fair and reasonable. The Settlement is the product of compromise between and among the Joint Petitioners. This Settlement is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings involving other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308 or any other proceeding.

53. The Joint Petitioners recognize that the proposed Settlement does not bind Formal Complainants that do not choose to join herein. The proposed Settlement and attached Appendices hereto, including Statements in Support, are simultaneously being served upon all Formal Complainants in this proceeding.

54. If the ALJ recommends that the Commission adopt the Settlement as proposed herein without modification, the Joint Petitioners waive their rights to file Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications

to the terms and conditions of this Settlement, or any additional matters proposed by the ALJ in the Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

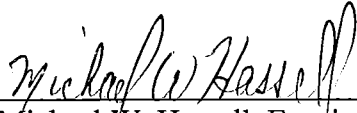
1. That the Honorable Administrative Law Judge Katrina L. Dunderdale and the Commission approve this Settlement including all terms and conditions thereof, without modification;

2. That the Commission's investigation at Commission Docket Nos. R-2013-2355886 and the complaints of OSBA, and OCA at Docket Nos. C-2013-2364669 and C-2013-2364471 shall be marked closed;

3. That all customer complaints associated with this proceeding, including the Complaints of Dawn Spielvogel (C-2013-2364680), Charles Glendening (C-2013-2369476), Neil Cooper (C-2013-2369509), Megan Rummel (C-2013-2370635), Susan Hilliard (C-2013-2370725), Carol George (C-2013-2370736), Amy and John Beiler (C-2013-2371818), Kathleen Tack (C-2013-2371780), Lawrence Sumansky (C-2013-2371794), Gertrude Blair (C-2013-2372633) and Tim Osterling (C-2013-2373589), be marked closed.

4. That the Commission enter an Order consistent with the Settlement, terminating the proceeding and authorizing Peoples TWP Gas of Pennsylvania, Inc. to file the form of tariff supplement attached as Appendix "B" as provided herein for service rendered on and after Commission approval of the Settlement, but not prior to January 1, 2014.

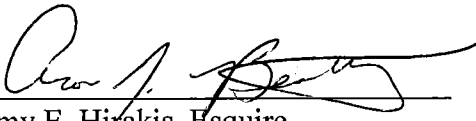
Respectfully submitted,



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Date: 10/7/2013

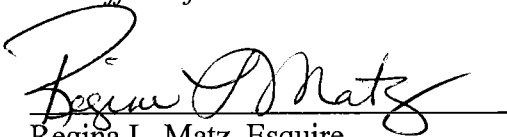
For Peoples TWP LLC



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