



PEOPLES NATURAL GAS™



PEOPLES TWP

375 N. Shore Drive, Suite 600
Pittsburgh, PA 15212

Lynda W. Petrichevich
Director - Rates, Planning and Forecasting

Peoples Service Company LLC
Phone: 412-208-6528; Fax: 412-208-6577
Email: lynda.w.petrichevich@peoples-gas.com

March 20, 2015

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: Peoples Natural Gas Company LLC
Distribution System Improvement Charge (DSIC)
Quarterly Filing
Docket No. P-2013-2344596**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Peoples Natural Gas Company LLC (Peoples) is Supplement No. 51 to Tariff Gas – Pa. P.U.C. No. 45 to be effective April 1, 2015. Supplement No. 51 is being filed to update the Distribution System Improvement Charge (“DSIC”) initially approved in the Pennsylvania Public Utility Commission’s Order entered on May 23, 2013 in the above-referenced proceeding.

Supplement No. 51 updates Peoples’ DSIC rate to reflect the investment costs related to DSIC eligible plant placed into service from December 2014 through February 2015 and provides for a quarterly DSIC rate of 2.45%. Included in this rate are (over)/under collections and interest, where applicable, from the calendar years 2013 and 2014 as approved at Docket No. P-2014-2429346, paragraph 13. Further, there are no Synergy Fees applicable to 2014.

Please direct any questions regarding this matter to the undersigned.

Respectfully submitted,

Lynda W. Petrichevich

Enclosure

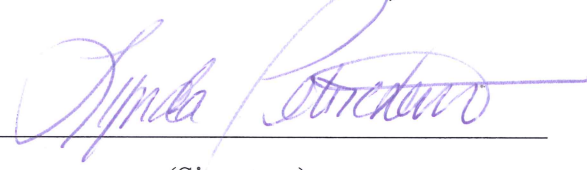
cc: Certificate of Service

VERIFICATION

I, Lynda W. Petrichevich, hereby state that I am Director of Rates, Planning and Forecasting, for Peoples Natural Gas Company LLC; that I am authorized to and make this verification for it; that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter; that Peoples has provided notice of this DSIC update through bill messages; and that Peoples posted Supplement No. 51 to Tariff Gas-PA PUC No. 45 on its Web Page in accordance with the Commission's Secretarial Letter of March 30, 1998. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date:

3/20/15



(Signature)

PEOPLES NATURAL GAS COMPANY LLC

RATES AND RULES GOVERNING THE FURNISHING OF NATURAL GAS SERVICE TO RETAIL GAS CUSTOMERS

April 1, 2015 Quarterly DSIC Filing

ISSUED: March 20, 2015
BY: Morgan K. O'Brien
President
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

EFFECTIVE: April 1, 2015

NOTICE

This tariff makes changes to existing rates.
(See page 2)

LIST OF CHANGES

	<u>Present Base Rates</u>	<u>Proposed Base Rates</u>	<u>Increase (Decrease)</u>
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Pages 3, 3A, 4 & 4A updated to reflect change in Rider K.

Rider K – Distribution System Improvement Charge

<u>Rider K</u>	2.16%	2.45%	0.29%
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RIDER K

Distribution System Improvement Charge (DSIC)

In addition to the net charges provided for in this Tariff, a charge of 2.45% will apply consistent with the Commission (I) 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 DISC 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.

PEOPLES NATURAL GAS COMPANY
ELIGIBLE PROPERTY
Quarterly Filing - April 2015

Eligible Property	FERC Acct.	Beginning Balance November 30, 2014	Eligible Property Additions				Total
			December 2014	January 2015	February 2015		
Distribution Lines	376	\$ 25,931,037	\$ 2,808,354	\$ 448,602	\$ 1,106,439	\$ 30,294,432	
Company Owned Services	380	\$ 7,524,491	728,162	322,649	267,722	8,843,025	
Gathering Lines	332	\$ -	45,515	32,263	98,599	176,377	
Storage Lines	353	\$ 28,933	-	-	-	28,933	
Transmission Lines	367	\$ 1,515,945	469,038	6,005	236,851	2,227,838	
Meter Installation	382	\$ 979,824	55,494	56,991	67,419	1,159,728	
Meters	334, 369 & 381	\$ -	-	-	-	-	
Bar Coding/Mapping Technology	303 & 391.02	\$ 737	-	-	-	737	
Smart Meter Technology	303 & 387	\$ -	-	-	-	-	
Total		\$ 35,980,967	\$ 4,106,562	\$ 866,511	\$ 1,777,030	\$ 42,731,070	

PEOPLES NATURAL GAS COMPANY
DEPRECIATION ON ELIGIBLE PROPERTY
Quarterly Filing - April 2015

Eligible Property		Eligible Property	Depreciation Rate	Annual Depreciation
Distribution Lines	376	\$ 30,294,432	1.59%	\$ 481,681
Company Owned Services	380	8,843,025	1.99%	175,976
Gathering Lines	332	176,377	1.76%	3,104
Storage Lines	353	28,933	2.81%	813
Transmission Lines	367	2,227,838	1.57%	34,977
Meter Installation	382	1,159,728	2.36%	27,370
Meters	334, 369 & 381	-	4.08%	-
Bar Coding/Mapping Technology	391.02	737		-
Smart Meter Technology	303 & 387	-		-
Total		<u>\$ 42,731,070</u>		<u>\$ 723,922</u>
April 2015 Quarterly Filing Accumulated Depreciation				\$ 180,980
Accumulated Depreciation July 2013 - November 2014				<u>\$ 491,596</u>
Total Accumulated Depreciation				\$ 672,576

PEOPLES NATURAL GAS COMPANY
DSIC COMPUTATION
Quarterly Filing - April 2015

DSIC =	<u>(DSI x PTRR) + Dep + e</u>		Annual	Quarterly	
	PQR				
	Distribution System Improvement Costs			\$ 42,731,070	
	Less Accumulated Depreciation			<u>\$ 672,576</u>	
DSI	Net Distribution System Improvement Costs			<u>\$ 42,058,493</u>	
PTRR	Annual Pretax Rate of Return		10.91%		
	Quarterly Pretax Rate of Return			2.73%	
DSI x PTRR	Quarterly Capital Cost Recovery			\$ 1,148,197	
Dep	Annual Depreciation Expense	\$ 723,922			Monthly Recoverable Amount
	Quarterly Depreciation Expense			<u>\$ 180,980</u>	
<i>(DSI x PTRR) + Dep</i>	<i>Current Period Recoverable Cost Amount</i>			<u>\$ 1,329,177</u>	<u>\$ 443,059</u>
	(Over)/Under Collection	\$ (155,822)		\$ (38,956)	\$ (12,985)
	Audit Adjustment			\$ -	\$ -
	Interest Refundable			\$ -	\$ -
	Prior Period 'E' Factor Residual			\$ -	\$ -
	Misc. Adjustments (Refund)/Recoup			\$ -	\$ -
	Net 'E' Factor Amount			<u>\$ -</u>	<u>\$ -</u>
e	Quarterly 'E' Factor Amount			<u>\$ (38,956)</u>	<u>\$ (12,985)</u>
<i>(DSI x PTRR)</i> Dep + e	Total DSIC Revenue Requirement			<u>\$ 1,290,222</u>	<u>\$ 430,074</u>
PQR	Projected Quarterly Revenue			\$ 52,560,000	
DSIC	DSIC Surcharge Rate				2.45%

**PEOPLES NATURAL GAS COMPANY
WEIGHTED COST OF CAPITAL**

	Capital Structure as of 2/28/2015	Cost Rate	Weighted Average Cost Rates	Tax Multiplier	Pre-Tax Rate of Return
	1/	1/			
L/T Debt	47.35%	4.05%	1.92%	-	1.92%
Common Equity	52.65%	10.00%	5.27%	1.709	9.00%
	100.00%		7.18%	-	10.91%

Note: The cost rate of debt is the Company's actual cost rate. The equity cost rate is from the Pa PUC Staff Quarterly Report for the period ending September 30, 2014 (3rd Quarter Report). The tax multiplier is calculated as follows: $1/[(1 - \text{PA Tax Rate}) \times (1 - \text{Fed. Tax Rate})]$ where the PA tax rate is 9.99% and the Fed. Tax Rate is 35.00%.

1/ Refer to page 5 of 5 for details.

Peoples Natural Gas Company LLC
Capital Structure & Debt Components

	Balance as of 02/28/2015	% of Total Capitalization	Cost Rate	Weighted Average Cost Rates	Tax Multiplier	Pre-Tax Rate of Return
L/T Debt	\$ 787,895,000	47.35%	4.05%	1.92%		1.92%
Common Equity	\$ 876,115,591	52.65%	10.00%	5.27%	1.709	9.00%
Total Capitalization	\$ 1,664,010,591	100.00%		7.18%		10.91%

	Effective Cost Rate	Balance as of 02/28/2015	Annualized Interest
Long-Term Notes, Tranche 1*	1.27%	\$ 118,125,000	\$ 1,500,188
Long-Term Notes, Tranche 2	5.23%	\$ 99,225,000	\$ 5,189,468
Long-Term Notes, Tranche 3	5.76%	\$ 171,045,000	\$ 9,852,192
2014 Long-Term Notes, Tranche 1	2.90%	\$ 144,746,400	\$ 4,197,646
2014 Long-Term Notes, Tranche 2	4.32%	\$ 144,746,400	\$ 6,253,044
2014 Long-Term Notes, Tranche 3	4.44%	\$ 110,007,200	\$ 4,884,320
		\$ 787,895,000	\$ 31,876,857

Weighted Cost of Debt

4.05%

Notes:

1. Tranche 1 was reissued 2/26/2015. The interest rate used in the rate in effect on 2/28/2015 and reflects issuance costs accumulated as of the time of filing.

DSIC REVENUE RECONCILIATION
(DSIC Implemented July 1, 2013)

		DSIC Eligible	Actual	Over/(Under)	Time	Interest	
		<u>Costs</u>	<u>Revenue</u>	<u>Difference</u>	<u>Factor</u>	<u>Rate</u>	<u>Interest</u>
January	2014	\$ 120,085	\$ 204,186	\$ 84,101	1.75	5.75%	\$ 8,463
February		\$ 120,085	\$ 270,742	\$ 150,657	1.67	6.00%	\$ 15,066
March		\$ 120,085	\$ 259,733	\$ 139,648	1.58	6.25%	\$ 13,819
April		\$ 138,708	\$ 191,570	\$ 52,862	1.50	5.75%	\$ 4,559
May		\$ 138,708	\$ 120,235	\$ (18,473)	1.42	5.75%	\$ (1,505)
June		\$ 138,708	\$ 76,646	\$ (62,062)	1.33	5.75%	\$ (4,758)
July		\$ 172,884	\$ 94,354	\$ (78,530)	1.25	5.50%	\$ (5,399)
August		\$ 172,884	\$ 85,588	\$ (87,296)	1.17	5.50%	\$ (5,601)
September		\$ 172,884	\$ 91,414	\$ (81,470)	1.08	5.50%	\$ (4,854)
October		\$ 248,438	\$ 172,578	\$ (75,860)	1.00	5.25%	\$ (3,983)
November		\$ 248,438	\$ 214,636	\$ (33,802)	0.92	5.50%	\$ (1,704)
December		\$ 248,438	\$ 440,201	\$ 191,763	0.83	5.25%	\$ 8,390
		\$ 2,040,345	\$ 2,221,881	\$ 181,536			\$ 22,492

		DSIC Eligible	Actual	Over/(Under)
		<u>Costs</u>	<u>Revenue</u>	<u>Difference</u>
July	2013	\$ 62,785	\$ 31,916	\$ (30,869)
August		\$ 62,785	\$ 32,765	\$ (30,020)
September		\$ 62,785	\$ 30,861	\$ (31,924)
October		\$ 98,949	\$ 64,094	\$ (34,855)
November		\$ 98,949	\$ 99,673	\$ 724
December		\$ 98,949	\$ 177,687	\$ 78,738
		\$ 485,202	\$ 436,996	\$ (48,206)

Total Over / (Under) Collection **\$ 155,822**

CERTIFICATE OF SERVICE
(Docket No. P-2013-2344596 and C-2013-2348847)

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of §1.54 (relating to service by a participant).

VIA FIRST CLASS MAIL

Erin L. Gannon, Esquire
Christy M. Appleby, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Allison C. Kaster, Esquire
Pennsylvania Public Utility Commission
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Kevin J. Moody, Esquire
Vice President and General Counsel
Pennsylvania Independent Oil & Gas Association
212 Locust Street, Suite 300
Harrisburg, PA 17101

Dated: March 20, 2015


Lynda W. Petrichevich