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March 7, 2018

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Room-N201
Harrisburg, PA 17120

Re: Joint Application of Peoples Natural Gas Company LLC, Peoples TWP LLC, and Equitable Gas Company, LLC for All of the Authority and the Necessary Certificates of Public Convenience (1) to Transfer All of the Issued and Outstanding Limited Liability Company Membership Interest of Equitable Gas Company, LLC to PNG Companies LLC (2) to Merge Equitable Gas Company, LLC with Peoples Natural Gas Company LLC, (3) to Transfer Certain Storage and Transmission Assets of Peoples Natural Gas Company LLC to Affiliates of EQT Corporation, (4) to Transfer Certain Assets between Equitable Gas Company, LLC and Affiliates of EQT Corporation, (5) for Approval of Certain Ownership Changes Associated with the Transaction, (6) for Approval of Certain Associated Gas Capacity and Supply Agreements, and (7) for Approval of Certain Changes in the Tariff of Peoples Natural Gas Company LLC
Docket Nos. A-2013-2353647, A-2013-2353649, and A-2013-2353651.

Dear Secretary Chiavetta:

Please accept for electronic filing on behalf of Peoples Natural Gas Company LLC (“Peoples Natural”) the enclosed 2016 Annual Report of Status with Regard to Each Commitment Contained in Settlement in Docket Nos. A-2013-2353647, A-2013-2353649, and A-2013-2353651.

By Order entered November 14, 2013, in the above-referenced dockets, the Pennsylvania Public Utility Commission (“Commission”) approved the Joint Petition for Approval of Settlement of All Issues (“Settlement”) filed by all active parties in that case, who were Peoples Natural Gas Company LLC, Peoples TWP LLC, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Pennsylvania Independent Oil & Gas Association, Dominion Retail, Inc. and Interstate Gas Supply, Inc., Snyder Brothers, Inc., United States Steel Corporation, and Citizens for

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Pennsylvania's Future. Among the terms and conditions contained in the Settlement was the commitment, set forth in Paragraph 52 under the heading "Books and Records," that Peoples Natural will provide an annual report to the Commission as to the status of all material commitments made in any settlement. The annual report commitment continues for five calendar years following the closing, which occurred on December 16, 2013.

Please contact me if you have any follow-up questions or concerns regarding this filing.

Very truly yours,



Attorney for Peoples Natural Gas Company LLC

cc: Certificate of Service

2016 ANNUAL REPORT OF STATUS WITH REGARD TO EACH COMMITMENT CONTAINED IN
SETTLEMENT IN DOCKET NOS. A-2013-2353647, A-2013-2353649, AND A-2013-2353651¹

Settlement ¶	Commitment	Status
	Financial Conditions Paragraphs 25 - 45	
25	The existence of an acquisition premium for ratemaking purposes will be determined under the Uniform System of Accounts (Account 114).	Done. The determination of an acquisition premium was made under the Uniform System of Accounts (Account 114).
26	Any acquisition premium recorded on Peoples' books will be permanently excluded from rate base in establishing future rates subject to the Commission's jurisdiction. Regarding storage and pipeline assets transferred from Peoples to EQT that will provide services to Peoples pursuant to FERC-regulated agreements, the Joint Applicants will not include any acquisition premium in such rates.	Not applicable at this time because the base rate cap period (¶ 31, below) is still in effect, and Peoples has not filed a general rate case. In any event, the acquisition premium recorded on Peoples' books will be permanently excluded from rate base in establishing future rates, and no acquisition premium has been included in the rates charged to Peoples for service provided by the assets transferred to EQT.
27	Peoples will not claim, in any future rate proceedings, Transaction and Transition costs to complete the transaction and any related tax effect for such items shall also be excluded in setting rates. Regarding storage and pipeline assets transferred from Peoples to Equitable that will provide services to Peoples pursuant to FERC-regulated agreements, the Joint	No change since last report. Not applicable at this time because the base rate cap period (¶ 31, below) is still in effect, and Peoples has not filed a general rate case.

¹ Peoples assumed this reporting commitment at paragraph 52 of the settlement submitted and approved in Docket Nos. A-2013-2353647, A-2013-2353649, and A-2013-2353651, in which the Commission approved Peoples' merger with Equitable Gas Company, LLC, The reporting commitment is for five (5) calendar years following Closing (which occurred on December 16, 2013) and obligates Peoples to provide an annual report as to the status of all material commitments made in any settlement.

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Settlement ¶	Commitment	Status
	Applicants will not include any Transaction or Transition Costs in such rates.	No Transaction or Transition Costs have been included in the rates charged to Peoples for service provided by the assets transferred to EQT.
28	Peoples' debt costs will be established in future rate proceedings. It will be Peoples' burden to demonstrate that its debt costs are reasonable. All parties reserve their right to review and challenge any debt cost claim.	No change since last report. Not applicable at this time since the base rate cap period (¶ 31, below) is still in effect, and Peoples has not filed a general rate case.
29	Peoples will not defer any Transaction or Transition costs identified in Paragraph 23 [¶ 27 of this Report] above; and such costs shall be borne exclusively by Peoples' shareholders.	No change since last report. Peoples has not deferred such costs for recovery, and any such costs have been borne exclusively by Peoples' owners.
30	The existing base rates of Peoples Division shall be reduced on one day's notice following the Closing to reflect the transfer of Peoples' transmission and storage capacity to EQT as set forth in the Application Appendix K (Exhibit MKO-1) ("Peoples Adjusted base rates") consistent with Paragraph 30 [¶ 34 of this Report] and as set forth in "Appendix A" to this Petition. Peoples agrees that post-closing the capital structure of Peoples will be maintained at an approximate level of 50% debt and 50% equity.	No change since last report. Peoples filed Supplement No. 29 to Tariff No. 45 on December 17, 2013 to become effective the following day. The supplement removed the transferred assets from base rates. Peoples maintained during 2016 a capital structure of approximately 50% debt and 50% equity.
31	The Peoples Adjusted base rates as defined herein and Equitable's current base rates adopted for the Equitable Division will be capped until January 1, 2018, unless there are substantial changes in regulation or federal tax rates or policy. This paragraph shall not prohibit changes in rates pursuant to the State Tax Adjustment Surcharge, the Universal Service Charge, Distribution System Improvement Charge ("DSIC") or Purchased Gas Cost ("PGC") Charges. If Peoples determines that it needs to file a general base rate case with new rates becoming effective after the expiration of the rate cap ending	The Peoples and Equitable Division's base rates remained capped during 2016 except for changes in rates pursuant to the State Tax Adjustment Surcharge, the Universal Service Charge, DSIC or PGC Charges.

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Settlement ¶	Commitment	Status
	January 1, 2018, but prior to January 1, 2019, Peoples agrees to demonstrate, consistent with the reports required by Paragraph 41 [¶ 45 of this Report], that its claim includes at least \$15 million of synergy savings resulting from the Transaction. If such demonstration is not made, any difference will be imputed in setting rates in the general base rate case.	
32	If the Commission determines in the Investigation at Docket No. I-2012-2320323, that all natural gas distribution companies that offer discounted distribution rates must absorb all or a portion of gas on gas discounts by the effective date of Peoples’ or Peoples TWP’s next general rate proceeding, Peoples and Peoples TWP agree to impute revenues for those competitive service customers whose rate discounts are solely the result of competition between the Joint Applicants (Peoples, Peoples TWP and Equitable), to the extent required, and at the levels proscribed, by the Commission’s action at Docket No. I-2012-2320323, in the test period used to establish rates. Nothing in this paragraph shall be construed to prohibit Peoples or Peoples TWP from contending in such proceeding that the tariff rates for classes of customers receiving such discounts be set at the cost to serve tariff rate.	Not applicable at this time since the triggering event, a Commission final order in Docket No. I-2012-2320323, did not occur during 2016 (and has not occurred as of the filing date of this Report).
33	Peoples agrees to phase out gas-on-gas competition consistent with the rebuttal testimony of Peoples’ witness Gregorini in this proceeding.	No change since last report. Other than the 5-year extensions of distribution rate discounts offered to Peoples/Equitable gas-on-gas competitive customers, as disclosed in the acquisition proceeding, Peoples has not entered into new discounted rate agreements for any Peoples/Equitable gas-on-gas competitive customers.
34	Effective with the Closing, the Peoples Division and Equitable Division rates for collections under the DSIC mechanism will be frozen at the current levels until such time as Peoples files a new combined Long Term Infrastructure Improvement Program (“LTIIP”) plan or Asset Optimization plan for 2015	No change since last report. Upon the Closing, the Peoples Division and Equitable Division rates for collections under the DSIC mechanism were frozen

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Settlement ¶	Commitment	Status
	through 2019 that addresses the effects of the Transaction including how redundant facilities will be handled. Peoples revised LTIP will take into account the transferred assets and the improvements to be made to those assets. Peoples’ DSIC rate will be reduced at Closing to reflect any amounts included in DSIC related to improvements to plant transferred to EQT. This clause must be read in conjunction with paragraph 58 [¶ 62 of this Report] as to the additional threshold that must be met for Equitable Division to employ its DSIC.	at then-current levels. On June 18, 2014, Peoples filed a combined LTIP for 2015 through 2019, docketed at Docket No. P-2014- 2429346, that addressed the effects of the Transaction including how redundant facilities will be handled. By order entered on December 18, 2014, the Commission approved the combined LTIP.
35	The Peoples Division PGC rates to sales and transportation customers will be adjusted on one day’s notice following the Closing to reflect the charges for services to be provided by Equitrans on the Allegheny Valley Connector (“AVC”) and adjustments to retainage rates approved in Peoples 1307(f)-2013 proceeding to remove retainage to be charged on the transferred assets as set forth in “Appendix B”. The Peoples Division rates shall be adjusted to reflect costs under the new agreements for capacity and supply on an actual basis in quarterly PGC filings and in the next Peoples Division annual PGC filing pursuant to Section 1307(f) of the Public Utility Code. The Peoples rates shall continue to be subject to reconciliation to actual costs pursuant to Section 1307(f) of the Public Utility Code. Peoples agrees to demonstrate that it is managing these agreements to comply with its least cost procurement obligation in its annual Section 1307(f) filings. Peoples will have the right to conduct an annual audit of the computation of any charges under the AVC agreement with the cooperation of EQT and provide that report to I&E, OCA and OSBA.	The Peoples Division PGC rates to sales and transportation customers were adjusted effective December 18, 2013 to reflect the charges for services to be provided by Equitrans on the AVC and to remove retainage attributable to the transferred assets. The Peoples Division rates have been adjusted to reflect costs under the new agreements for capacity and supply on an actual basis in quarterly PGC filings and in the Peoples’ 2014, 2015 and 2016 annual PGC filings. The Peoples rates have been reconciled to actual costs pursuant to Section 1307(f) of the Public Utility Code. In its 2014, 2015 and 2016 1307(f) filings Peoples successfully demonstrated that it is managing these agreements to comply with its least cost procurement obligation. In early 2015 and 2016, Peoples conducted annual reviews of the

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Settlement ¶	Commitment	Status
		computation of the charges under the AVC agreement with the cooperation of EQT.
36	PNG/Peoples and EQT agree that the AVC agreement for the services to Peoples from the transferred assets shall have an initial term of 20 years and shall provide Peoples with Right of First Refusal.	No change since last report. By various service agreements dated December 10, 2013, between Equitrans and Peoples, the AVC agreements for services to Peoples from the transferred assets have a term of 20 years and provide Peoples with a Right of First Refusal.
37	Peoples or PNG shall issue and maintain separately issued debt held by investors not affiliated with SteelRiver or its affiliates, unless the Commission determines that ratepayers will experience a net benefit from any other Company proposal.	<p>Neither Peoples nor PNG issued debt in 2016.</p> <p>Peoples issued an Intercompany Promissory Note (IPN) to PNG dated December 31, 2013, to fund the acquisition of the former Equitable Gas. A securities certificate for this debt was registered at Docket S-2013-2389730. The obligations under the IPN align with the obligations of PNG to various non-affiliated lenders under that certain Amended Note Purchase Agreement issued by PNG to unaffiliated purchasers.</p> <p>On February 26, 2015, Peoples issued another IPN, registered with the Commission at Docket No. S-2010-2168479, to replace a \$118,125,000 promissory note that expired on February 26, 2015. A securities certificate for this debt was</p>

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Settlement ¶	Commitment	Status
		registered at Docket S-2015-2465675. The obligations under this IPN also align with the obligations of PNG to various non-affiliated lenders under that certain Amended Note Purchase Agreement issued by PNG to unaffiliated purchasers.
38	Peoples will not request a capital structure for ratemaking purposes which is outside the range of capital structures employed by comparable gas distribution companies.	No change since last report. Not applicable at this time. In accordance with Settlement ¶ 31, Peoples has capped its base rates until January 1, 2018, and will not request a capital structure for ratemaking purposes until a base rate case is filed.
39	For a four-year period following closing Peoples will provide 30 days' prior notice to the Commission, the OCA, I&E, and OSBA if it intends to make a distribution to PNG that will cause its actual debt ratio, excluding working capital facilities, to exceed 55% of total capitalization.	No change since last report. Peoples has not proposed to make nor made a distribution to PNG that has caused its actual debt ratio, excluding working capital, to exceed 55% of total capitalization.
40	LDC Holdings' consolidated long term debt ratio as a percent of total capitalization shall not exceed 60% for any period longer than one year absent Commission approval.	No change since last report. LDC Holdings' consolidated long term debt ratio as a percent of total capitalization has not exceeded 60% for any period exceeding one year.
41	Peoples and PTWP will be ring fenced from other companies owned by SteelRiver managed funds as described in Joint Application.	No change since last report. Peoples and PTWP have been ring fenced from other companies owned by SteelRiver managed funds as described in the Joint Application.
42	Peoples' dividends to PNG shall be limited to a level that maintains a	No change since last report. Peoples has

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Settlement ¶	Commitment	Status
	maximum debt ratio of 55%, excluding working capital facilities, unless approved by the Commission.	not paid dividends to PNG that have caused its debt ratio to exceed 55%, excluding working capital facilities.
43	<p>Peoples shall not do the following except as approved by the Commission upon a showing of net benefit to retail customers:</p> <ul style="list-style-type: none"> a. Guarantee the debt or credit instruments of PNG, LDC Holdings, LDC Funding, or any affiliate not regulated by the Commission; b. Mortgage utility assets on behalf of PNG, LDC Holdings, LDC Funding, or any affiliate other than in conjunction with financing provided by PNG to Peoples; c. Loan money or otherwise extend credit to PH Gas, LDC Holdings, LDC Funding, or any affiliate for a term of one year or more. 	<p>No change since last report. By order entered December 5, 2013, at Docket No. S-2013-2389730, the Commission registered a securities certificate for Peoples issuance of debt in an aggregate principal amount not to exceed \$414 million. On February 26, 2015, Peoples issued an IPN registered with the Commission at Docket No. S-2010-2168479, to replace a \$118,125,000 promissory note that expired on February 26, 2015. A securities certificate for this debt was registered at Docket S-2015-2465675. Peoples' obligations thereunder are consistent with this commitment, and Peoples has not done any of the prohibited acts.</p>
44	SteelRiver will seek approval of the Commission of any future consolidation or merger of Peoples and Peoples TWP.	<p>In January, 2016, Peoples and Peoples TWP filed a joint application for all approvals necessary for the consolidation or merger of Peoples and Peoples TWP, docketed at Docket Nos. A-2016-2523254 and A-2016-2523277; however, when the applicants determined that there were terms and conditions governing the transfer of Peoples TWP debt that were</p>

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Settlement ¶	Commitment	Status
		not satisfied, the application was withdrawn.
45	Prior to the first base rate filing after Closing, Peoples shall provide annual reports to the Commission and the parties to this proceeding describing and quantifying the levels of merger savings actually being achieved.	The Company estimates that the level of annual O&M merger savings for 2014 through 2016 is in excess of \$20 million per year. Further, the Company estimates that by avoiding the replacement of duplicative pipelines, it saved \$5.3 million in capital expenditure through 2015 and an additional \$17 million in 2016.
	Books and Records Paragraphs 46 - 52	
46	Peoples shall maintain reasonable accounting controls and pricing protocols to govern transactions with affiliates, and provide the Commission, I&E, OCA and OSBA reasonable access to the books, records and personnel of Peoples' affiliates where necessary for the Commission to adequately review Peoples' purchases of goods or services from those affiliates.	No change since last report. This commitment was initially satisfied by Peoples filing with the Commission on May 13, 2010 (Docket No. G-2010-2176046) an affiliated interest agreement to provide for the exchange of certain administrative, management and other services between Peoples and its affiliate PNG Companies LLC, which filing was approved by Secretarial Letter issued on October 6, 2010. PNGC documented accounting controls in compliance with this paragraph upon receipt of approval of the services agreement. This services agreement was superseded by the affiliated interest agreement between PNGC and its affiliate Peoples

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Settlement ¶	Commitment	Status
		Service Company LLC to provide for the exchange of certain administrative, management and other services. PNGC filed this agreement on February 24, 2012, and it was approved by Secretarial Letter issued on June 6, 2012 (Docket No. G-2012-2290014).
47	Peoples will maintain separate accounting for the Peoples Division and Equitable Division operations sufficient to provide all Commission required financial statements. Separate accounting records will also be maintained for operations in West Virginia and Kentucky.	No change since last report. Peoples has maintained throughout 2016 separate and sufficient accounting records for the Peoples Division and Equitable Division and for operations in West Virginia and Kentucky.
48	Upon written request, PNG and its subsidiaries will provide the Commission, I&E, OCA and the OSBA reasonable access to its books and records, officers and staff of PNG and its subsidiaries [subject to certain stated conditions].	No change since last report. Since the Closing, the Commission, I&E, OCA and the OSBA have been provided reasonable access to the books and records, officers and staff of PNG and its subsidiaries [subject to certain stated conditions] upon both written and in some cases verbal request.
49	Peoples and its parents will provide, upon request, to the Commission, I&E, OCA and OSBA, in connection with rate proceedings and other proceedings before the Commission presentations given to common stock, bond, or bond rating analysts that directly or indirectly pertain to Peoples.	No change since last report. Not applicable at this time. No such requests were made during 2016.
50	Peoples will seek Commission approval of all new or amended agreements with affiliates consistent with Chapter 21 of the Public Utility Code.	Peoples has sought Commission approval of all new or amended agreements with affiliates as follows: On October 14, 2013, Peoples requested approval of an affiliated interest

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Settlement ¶	Commitment	Status
		<p>agreement concerning the issuance of promissory notes between Peoples and its corporate affiliate PNG Companies LLC (PNG) in an aggregate principal amount not to exceed \$414 million, which was docketed at Docket No. G-2013-2389746. By order entered on December 5, 2013, the Commission approved the affiliated interest agreement.</p> <p>On October 29, 2013, Peoples and Peoples TWP filed a revised Operational Service Agreement to amend the previously approved Operational Services Agreement to include PNG Gathering LLC. By order entered on April 15, 2014, in Docket No. G-2013-2390317 the Commission approved the revised agreement.</p> <p>On November 21, 2013, Peoples and Peoples TWP filed as an affiliated interest agreement an Amended and Restated Gas Exchange Agreement (“A&R GEA”). The A&R GEA governs the installation of certain additional interconnection points and the exchange of natural gas between Peoples and Peoples TWP at those points, without further amendment to the GEA approved at Docket Number G-2011-2265150 or further Commission approval. This filing was approved by the Commission</p>

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Settlement ¶	Commitment	Status
		<p>Secretarial Letter on May 27, 2014.</p> <p>On June 26, 2014, Peoples filed an affiliated interest agreement associated with the intercompany exchange of gas and gas supply interconnections, necessary for the implementation of a coordinated plan to avoid the replacement of duplicative overlapping pipelines of Peoples, Peoples' Equitable Division, and Peoples TWP. By order entered on December 18, 2014, in Docket No. G-2014-2448807 the Commission approved the agreement.</p> <p>Also on June 26, 2014, Peoples filed an affiliated interest agreement between Peoples and Peoples TWP associated with the implementation of a Synergy Fee to provide payment on DSIC-eligible plant installed by one company to serve the customers of the other company. This agreement was docketed at G-2014-2448803 and was approved by order entered on December 18, 2014.</p> <p>On January 28, 2015, Peoples requested approval of an affiliated interest agreement concerning the issuance of promissory notes between Peoples and PNG in an aggregate principal amount not to exceed \$118,125,000, which was docketed at Docket No. G-2015-2465691.</p>

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Settlement ¶	Commitment	Status
		<p>By order entered on February 26, 2015, the Commission approved the affiliated interest agreement and registered the corresponding securities certificate (S-2015-2465675). See ¶s 37 and 43, above.</p> <p>On January 29, 2015, Peoples filed an affiliated interest agreement between Peoples and Peoples Homeworks LLC to govern billing services to be provided by Peoples to Homeworks. This agreement was docketed at G-2015-2464722 and is still pending.</p> <p>On August 6, 2015, Peoples filed a proposed Service Expansion Gas Exchange and Interconnection Agreement between Peoples and Peoples TWP to facilitate the extension of natural gas service to new Peoples TWP customers at the least possible cost. This agreement was docketed at G-2015-2496814 and was approved by Secretarial Letter issued on December 30, 2015.</p> <p>On June 6, 2016 Peoples TWP filed the First Amended Operational Services Agreement with Peoples Natural Gas and Peoples Gathering. The revised agreement was approved by Secretarial Letter on July 19, 2016.</p> <p>On July 20, 2016, Peoples and Peoples TWP filed a joint application for approval</p>

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Settlement ¶	Commitment	Status
		of the sale by Peoples and the purchase by Peoples TWP of certain compressor equipment and for approval of an affiliated agreement for the same, all of which was docketed at A-2016-2557380, A-2016-2557471, G-2016-2557472, and G-2016-2557473. The Application was approved by order entered on October 6, 2016.
51	PNG and its subsidiaries shall provide I&E, OCA and OSBA with a copy of any reports filed with the US Securities and Exchange Commission upon request.	No such reports were filed or requested in 2016.
52	For the five (5) calendar years following closing, Peoples will provide an annual report to the Commission as to the status of all material commitments made in any settlement.	This 2016 Annual Report satisfies this commitment for the third calendar year following Closing.
	Corporate Cost Allocations Paragraphs 53 - 55	
53	Peoples' cost allocations between its Peoples and Equitable Divisions and affiliates will follow the standards and allocation methodologies that have been previously approved by the Commission, at Docket No. G-2012-2290014, with regard to affiliate charges under the Peoples Service Company LLC agreement.	No change since last report. Cost allocations between the Peoples and Equitable Divisions and affiliates have followed the standards and methodologies approved at Docket No. G-2012-2290014, and allocation factors were updated in 2014, 2015 and 2016 based on the approved methodology.
54	Peoples' corporate cost allocations will include a rent charge for the percentage of space occupied by employees who provide services to an affiliate, and a supplies charge for supplies the employee may use in	No change since last report. Corporate cost allocations include a rent and office supplies charge for employees who

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	providing services to affiliates	provide service to an affiliate.
55	Peoples' corporate cost allocations will provide that all charges by PNG to Peoples will be at cost, provided that nothing herein shall affect Peoples' burden of proof under 66 Pa.C.S. § 2106.	No change since last report. All charges from Peoples Service Company are at cost.
	Management Paragraphs 56 - 61	
56	SteelRiver will not permit a change in ownership in Peoples or Peoples TWP without prior Commission approval if such change would result in a change in control under the then-applicable Commission standards.	No change since last report. No change in ownership in Peoples or Peoples TWP was proposed in 2016.
57	The CEO of Peoples will continue to be a member of the governing board of PNG.	No change since last report. Peoples' CEO, Morgan O'Brien, continues to be a member of the Board of PNG.
58	SteelRiver will continue to maintain PNGC's corporate headquarters in PNGC's service area and in or near Pittsburgh, Pennsylvania. Peoples agrees not to move its headquarters outside Peoples' service territory for at least a ten year period after Closing and will only do so after that time upon application to and approval by the Commission.	No change since last report. Peoples' corporate headquarters continues to be located in Pittsburgh, PA.
59	Peoples commits to maintain field offices in its service territory and staffing levels that are sufficient to provide safe and reliable service. Peoples will provide annual reports to the Commission, I&E, OSBA, and OCA regarding field offices and staffing levels in its service territory for a period of five years.	Both Peoples and Equitable Divisions have maintained field offices and staffing levels sufficient to provide safe and reliable service. In 2016, Peoples operated 12 field offices throughout the combined Peoples/Equitable service territories. Peoples had a total of 469 field employees, 360 of which are union workers, and Equitable had a total of 157 field employees, of which 129 are union, at the end of 2016. These numbers reflect the effect of a 2016 Voluntary Retirement

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		Program (VRP) which resulted in 112 total retirements, of which 82 were union workers. Peoples expects 2017 to reflect gains in employee numbers.
60	Peoples commits to the protection of jobs for workers covered by collective bargaining agreements, as set out and discussed in the Direct Testimony of Mr. O'Brien.	Jobs for workers covered by collective bargaining agreements were protected during 2016, as they were during 2014 and 2015, as set out and discussed in the testimony of Morgan O'Brien. In 2016, the Equitable field union (USW local 12050), Peoples field union (UWUA local 666) and Peoples TWP field union (UWUA 242) voluntarily consolidated and negotiated into one successor union - UWUA local 612. All field workers are now covered under one Collective Bargaining Agreement.
61	For a period of four years after Closing, Peoples will commit to offering one year of job placement assistance from date of termination for any employees of Equitable or Peoples who will be in need of such assistance due to the planned reorganizations of the workforce. Such job placement assistance will be consistent in kind and quality with the best practices of similar industries.	During 2014, Peoples and Equitable employees that were terminated due to planned reorganization of the work force were offered one year of job placement assistance. During 2015 and 2016, no Peoples and Equitable employees were terminated due to planned reorganization of the work force.
	Reliability, Pipe Replacement and Lost and Unaccounted for Gas Paragraphs 62 - 65	
62	Peoples commits to continue its acceleration of replacing higher risk pipe with a revised focus solely on its distribution and gathering assets. Peoples	By Order entered on December 18, 2014 at Docket Nos. P-2013-2344596 and P-

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Settlement ¶	Commitment	Status
	<p>revised LTIIIP to be filed in 2014 pursuant to Paragraph 30 [¶ 34 of this Report] will provide for a level of investment for the Peoples Division for the period 2015 through 2019 that is consistent in aggregate amount with the annual average amount of \$80 million under Peoples’ Commission approved current LTIIIP. Peoples will accelerate capital expenditures for the Equitable Division from \$33 million in 2014 to at least \$45 million in 2017, 2018 and 2019 as evidenced by the filing of a revised LTIIIP or Asset Optimization Plan. This clause must be read in conjunction with paragraph 30 herein [¶ 34 of this Report]. Peoples will annually provide updates to those plans consistent with the Commission requirements.</p>	<p>2013-2342745, the Commission approved Peoples Revised Long-Term Infrastructure Improvement Plan for the Peoples and Equitable Divisions. The approved plan reflects Peoples’ commitment to continue acceleration of replacing higher risk pipe with a revised focus solely on its distribution and gathering assets and provides for a level of investment for the Peoples and Equitable Divisions that is consistent with these capital spending commitments.</p> <p>On November 6, 2015, Peoples filed the Petition of Peoples Natural Gas Company LLC for Approval of Its Second Revised Long-Term Infrastructure Improvement Plan. The modifications proposed in the Second Revised LTIIIP did not propose any changes to the combined annual spending levels for the Peoples and Equitable Divisions in the approved Revised LTIIIP. This Petition was rejected by the Commission in an order issued March 10, 2016.</p> <p>On April 11, 2016, Peoples filed the combined Amended 2nd Revised LTIIIP of the Peoples Division and the Equitable Division (formerly Equitable Gas Company) that was approved by Commission order entered on June 30,</p>

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		2016, at Docket Nos. P-2013-2344596 and P-2013-2342745.
63	Until the effective date of Peoples’ next general rate proceeding, Peoples will continue operating expenditures for the Peoples and Equitable Divisions for leak detection and repair at least at 2012 levels unless it is appropriate to reduce such expenditures due to development and acquisition of improved and/or lower cost methods of leak detection. Peoples’ and Equitable’s best practices to reduce lost and unaccounted for gas will be adopted.	During 2016, Peoples’ operating expenditures for leak detection and repair for the Peoples and Equitable Divisions were \$15,671,525 which exceeded 2012 levels of \$11,880,969. Peoples also continued to follow in 2016 the system-wide best practices implemented during 2014 with respect to management of lost and unaccounted for gas.
64	Section 5.7 of the Asset Exchange Agreement concerning EQT’s option to acquire rights of way will be removed from the Transaction and EQT acknowledges that it has none of the rights set forth therein.	Done. By Amendment to the Asset Exchange Agreement executed and dated December 17, 2013, Section 5.7 of the Asset Exchange Agreement was deleted.
65	<p>The Goodwin and Tombaugh Gathering Systems (“Gathering Systems”) will be transferred in the following manner:</p> <ul style="list-style-type: none"> (a) EQT will continue to repair leaks on the Gathering Systems before Closing, provide to I&E’s Gas Safety Division monthly reports of leaks repaired within 10 days of the end of each month and provide the Gas Safety Division with access to verify leaks repaired. (b) The Gas Safety Division will be provided access to the Gathering Systems to inspect for safety concerns during the period up to Closing. (c) On Closing, the Gathering Systems will be transferred to a new subsidiary of PNG (“PNG Gathering LLC”). (d) At Closing, EQT will provide \$5 million to PNG Gathering for use in connection with the Gathering Systems as described further in subparagraph e. below (the “EQT Contribution”). (e) Peoples and PNG Gathering will use the EQT Contribution to assess 	Peoples affirms that upon closing the commitments under Settlement paragraph 65(a)–(d) were satisfied. Peoples further affirms that during 2015 and 2016 it utilized the EQT Contribution to assess and improve the gathering system in a manner that was consistent with the commitments under Settlement ¶ 65(e). The commitments under Settlement ¶s 65(f) and (g) are not applicable at this time since the assessment is ongoing.

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	<p>and improve the Gathering Systems facilities as described below.</p> <ul style="list-style-type: none"> (i) Peoples will assess the Gathering Systems facilities and develop and implement an initial plan, in conjunction with the Gas Safety Division, to address improvements; (ii) The Gas Safety Division will be permitted to access the Gathering Systems facilities to conduct safety inspections and to observe and verify improvements. (iii) A summary of activities Peoples expects to be able to complete is provided in “Appendix C.” <p>(f) After completion of the assessment, Peoples and PNG Gathering will present a plan to the Commission, after consultation with the Gas Safety Division, OCA and OSBA, estimating the additional funds necessary, if any, to provide safe and reliable service from the Gathering Systems. At the time it presents the plan to the Commission, Peoples also will serve PIOGA. In such filed plan, Peoples and PNG Gathering will make a recommendation whether to proceed with rehabilitation of all or some of the Gathering Systems and/or with abandonment of some or all of the customers served off the Gathering Systems.</p> <ul style="list-style-type: none"> (i) The Parties agree that the Gathering Systems may be transferred to Peoples if the amount of additional investment necessary to provide safe and reliable service from the Gathering Systems is equal to or less than the sum of the remaining portion of the EQT Contribution, the estimated \$12 million cost to convert customers to alternative fuels, the estimated incremental rate base investment of \$6 million that would be supported by revenues from the approximately 1,500 customers served by the Gathering Systems, and any additional investment supported by incremental revenues on the Gathering Systems facilities. The parties agree that the remainder of the EQT contribution, the \$12 million 	

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	<p>conversion cost and the estimated \$6 million in customer revenues comprise the economic test of whether the Gathering Systems are transferred to Peoples. If the economic test is satisfied and the Commission approves transfer of the Gathering Systems, Peoples Equitable Division will be permitted to include in rate base the investments it makes to improve the Gathering Systems other than the EQT Contribution.</p> <p>(ii) If the economic test is not satisfied because the amount of additional investment necessary to provide safe and reliable service from the Gathering Systems is more than the sum of the remaining portion of the EQT Contribution, the estimated \$12 million cost to convert customers to alternative fuels, the estimated incremental rate base investment of \$6 million that would be supported by revenues from the approximately 1,500 customers served by the Gathering Systems, and any additional investment supported by incremental revenues on the Gathering Systems facilities, Peoples will make a recommendation not to further invest in the Gathering Systems. In such a scenario, all other parties expressly reserve the right to present their own recommendations to the Commission as to the disposition of the Gathering Systems.</p> <p>(g) If the Commission does not approve the transfer of the Gathering Systems to Peoples, Peoples reserves the right to recover costs to convert customers served by the Gathering Systems facilities to alternative fuels on approval of abandonment by the Commission.</p>	
	<p>Customer Service Paragraphs 66 - 69</p>	
66	<p>Peoples will commit to achieve and maintain the following levels of performance in the following customer service metrics in each of the next five years for its Peoples and Equitable Divisions:</p>	<p>During calendar year 2016, Peoples achieved the following levels of performance for the combined Peoples</p>

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	<ul style="list-style-type: none"> (a) percent of calls answered within 30 seconds of at least 82%, (b) busy-out rate of no more than 0.25%, (c) call abandonment rate that is no higher than 3% for 2014, 2015 and 2016, and 2.5% for 2017 and 2018, and (d) percent response within 60 minutes to emergency calls of at least 98.5% for 2014, 2015 and 2016 and 99% for 2017 and 2018. (e) Peoples TWP agrees to extend for an additional two years commencing January 1, 2014, the customer service metrics from the Joint Settlement of the Steel River acquisition of Peoples TWP, at Docket No. A-2010-2210326. 	<p>and Equitable Divisions:</p> <ul style="list-style-type: none"> (a) 86% (b) 0.00% (c) 1.1% (d) Combined Peoples and Equitable 98.5% (e) During 2016, Peoples TWP met the customer service metrics agreed to Docket No. A-2010-2210326 and has reported those statistics in the annual report at that docket.
67	<p>Peoples will provide a report to OCA, I&E, and OSBA each calendar year following assumption of such functions by the staff of Peoples or its affiliates regarding its achievement of the service quality metrics. Such reports shall continue for three calendar years after assumption of such functions by the staff of Peoples or its affiliates. The report will outline the actual metrics achieved and additional actions expected to be taken in the following year to further improve customer service. If Peoples has not achieved an identified metric, the report will also include the reasons for the failure and Peoples' detailed plan to reach the service quality metric. Peoples will then convene a collaborative with OCA, I&E and the OSBA to discuss such report. If, following such a collaborative, I&E, OCA or OSBA request a proceeding before the Commission, Peoples will not oppose the initiation of such a proceeding. The Commission may, upon motion of any Signatory Party or upon its own motion, open a formal proceeding.</p>	<p>Peoples brought 3rd party call center work for Equitable Division customers in-house in 2015. In July, 2015, Peoples also converted to a consolidated Operations Center with new technology. As a result, all call center and billing functions for the Peoples and Equitable Divisions were performed in-house beginning July 2015, and this 2016 Annual Report reflects the results of the first full calendar year of operation.</p>
68	<p>Peoples will commit to assess and identify areas of necessary improvement to customer service for Equitable customers and submit that analysis to the Commission, OCA, OTS and OSBA within 180 days of closing for their review and consent. Review will outline cost effective systems for</p>	<p>No change since last report. Done. Peoples prepared and filed with the Commission a customer service improvement review on June 17, 2014.</p>

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	improvement of customer service and expected service improvements.	
69	Nothing in this Settlement is intended to restrict Peoples’ right to request recovery of new systems to improve service, including as a consequence of an existing system’s age, obsolescence or other requirements, as appropriate, in future rates. Any such request will be subject to review for reasonableness and prudence in accordance with rate making principles.	No change since last report. Not applicable at this time.
	Universal Service Paragraphs 72 - 77	
72	Peoples will continue to fund Equitable’s Customer Assistance Program (“CAP”) consistent with the needs analysis approved in conjunction with Equitable’s currently approved Universal Services Plan.	Peoples continues to fund Equitable’s CAP consistent with the approved needs analysis.
73	Peoples will commit to establishing a Universal Service Advisory Group, consistent with the recommendations provided in the Direct Testimony of OCA witness Brockway. The Group will include community based organizations (“CBOs”), Low-Income Advocates, the OCA and other interested stakeholders and will meet quarterly to discuss all universal service issues including recommendations concerning Low Income Usage Reduction Program (“LIURP”), LIURP eligibility, Earned Income Tax Credit (“EITC”) concerns and landlord issues that may present a barrier to customer participation.	Peoples’ Universal Service Advisory Group (“USAG”) was established in early 2014. The USAG, which includes as its members, OCA, I&E, PULP and local social service agencies, met on a quarterly basis during 2016. All potential changes to processes or procedures related to Universal Service programs are vetted with this group as well.
74	Peoples will manage Equitable’s CAP program similar to that of Peoples in that it will partner with an agency that: (a) can substantially increase the number of intake sites; (b) is an administrator of utility CAP programs for the EDCs or NGDCs in their territory; (c) recruits and partners with multi-service agencies; and, (d) uses a case management system to track and monitor referrals and enrollments into utility programs.	No change since last report. By Order entered on August 21, 2014 at Docket No. R-2014-2428557, the Commission approved revisions to the Equitable Division Tariff to allow Peoples to use a third-party administrator, Dollar Energy Fund, to administer CAP for Peoples-Equitable Division customers. The use of Dollar Energy Fund to administer CAP

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		for Peoples-Equitable Division customers commenced with the conversion of Equitable’s billing system to Peoples’ newer SAP billing and customer service system in July 2015. Dollar Energy Fund recruits and partners with multi-service agencies and uses a case management system to track enrollments and manage income documentation.
75	Peoples will be permitted to recover CAP costs under Equitable’s existing recovery mechanism for CAP costs. Peoples may propose changes to the recovery mechanism, which any party to the Settlement may oppose, for review by the Commission. The provisions of Paragraph No. 27 shall not limit implementation of any change to Peoples’ recovery mechanism.	Peoples-Equitable Division submitted quarterly CAP cost recovery filings (Rider D) throughout 2015 and on January 1, 2016, April 1, 2016, July 1, 2016 and October 1, 2016. These filings included third-party administrator costs from Dollar Energy Fund (“DEF”) consistent with the Order entered on August 21, 2014 at Docket No. R-2014-2428557, where the Commission approved tariff revisions authorizing Peoples-Equitable Division to include third-party administrator - DEF - costs in its Rider D.
76	The shareholders of Peoples and Peoples TWP will commit to increase Peoples total donation (administrative and matching) to the Dollar Energy Fund by 10% and maintain that donation level for the next 5 years following Closing. Peoples will review possible ways to increase outreach to customers to attempt to increase customer contributions and will provide a	Peoples’ owners increased matching donations for Peoples, Equitable Division, and Peoples TWP to the Dollar Energy Fund (“DEF”) according to the commitment. This increase has been

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	report to the Commission and OCA.	<p>maintained and resulted in matching donations of more than \$611,000 annually in 2015 and 2016. Peoples’ owners increased administrative support donations for Peoples, Equitable Division, and Peoples TWP in 2014 by 10%, from \$115,000 to \$126,500, and maintained the increased support by providing more than \$129,000 in administrative support in 2015 and 2016.</p> <p>Throughout 2016, Peoples continued to encourage customer donations to the DEF through bill inserts and prominent mention on its website. The Company also continued its annual solicitation in customer bills to ‘Add a \$1’ to contribute to DEF, and customers can also check the box on their bill to pledge their monthly support. Peoples also highlights DEF in partnerships it has with local sports teams and events.</p>
77	Peoples will commit to an increase in LIURP expenditures in the first 4 years after Closing. Specifically, commencing January 1, 2014, the Peoples Division LIURP will be funded at the level of \$ 1,250,000 per year (an increase of \$150,000 per year). The Equitable Division will add \$100,000 per year for the first 4 years after the merger closes to the funding of its LIURP program, for a total LIURP budget of \$800,000 per year in each of those 4 years. These increases will be funded by shareholders for the 4 year period. For Peoples TWP, shareholders will fund an additional \$25,000 per year over the LIURP budget approved and recoverable in the current Peoples	<p>Peoples’ LIURP spending in 2015 and 2016 was \$1,251,000 annually, of which \$150,000 annually was funded by shareholders.</p> <p>LIURP spending in 2015 for Peoples-Equitable Division was \$890,751 which included a \$90,300 carry over of unspent LIURP funding from 2014. \$100,000 of the annual funding was provided by</p>

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	TWP base rate proceeding for a period of four years, 2014 through 2017. Any funds not used in one year will roll-over into the next calendar year. . Funding on this basis will continue until the effective date of rates in the next base rate proceeding.	shareholders. Equitable Division’s LIURP spending in 2016 was \$793,844, of which \$100,000 was funded by shareholders. LIURP spending in 2015 and 2016 for Peoples TWP was \$280,000 annually. This amount includes \$25,000 annually funded by shareholders.
	Community Commitment Paragraphs 78 - 80	
78	For a period of not less than 5 years, Peoples will provide corporate contributions and community support in southwestern Pennsylvania in a total amount of at least equivalent to the amount provided by Peoples (\$1.0 million) and Equitable (\$400,000) in 2012.	During 2015 and 2016, Peoples provided approximately \$1,538,000 and \$1,856,000, respectively, in contributions and community support in southwestern Pennsylvania in addition to the Company donations to Dollar Energy Fund discussed in ¶ 76, above.
79	Services that are currently performed for Equitable outside of the Equitable service area in PA, such as call center support, customer billing and payment and customer relations, will be returned to the Peoples service area with 5 years.	No change since last report. All services previously performed for Equitable outside of the Equitable service area were brought in-house by mid-2015.
80	Peoples will continue to comply with the Commission’s diversity policy, 52 Pa. Code §§ 69.801 – 69.809.	Peoples continues to comply with the Commission’s diversity policy.
	Retail Supply Competition Paragraph 81	
81	Peoples will convene a collaborative conference with interested parties, including the OCA, I&E, OSBA and interested natural gas suppliers, within 12 months of closing in order to develop a strategy to promote retail natural gas supply competition in the Peoples/Equitable service areas.	Peoples convened a collaborative conference on November 10, 2014, to develop a strategy to promote retail natural gas supply competition in the

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		<p>Peoples/Equitable service areas. Based on the results of this collaborative, Peoples filed revised tariff pages on June 8, 2015 at Docket No. R-2015-2487563 to implement proposed program enhancements resulting from the collaborative.</p> <p>Peoples convened another collaborative conference on March 3, 2016, to discuss combining Pools for Peoples and Peoples Equitable to help simplify the process and promote retail natural gas supply competition in the service areas.</p>
	<p>Gas Purchasing and Interconnections Paragraphs 82 - 83</p>	
82	<p><u>Priority One (“P-1”) Program – Gas Supply Assignment.</u> The Company’s upstream pipeline capacity and certain gas commodity supplies shall be made available by release or assignment to P-1 suppliers. All demand related costs for its gas supply contracts shall be assessed to all retail customers and P-1 transportation customers. Actual pipeline capacity path upstream of Peoples, other than the AVC system, shall be designated by the Company from its available capacity and Peoples will endeavor to accommodate a P-1 supplier’s request for particular upstream pipeline capacity on a first-come first-served basis. To the extent that the P-1 supplier receives an assignment of Peoples’ Equitrans Sunrise pipeline capacity, Peoples shall also provide P-1 suppliers with an option to receive an assignment of a pro-rata share of the firm gas supplies under the Peoples and Equitable - EQT NAESB Agreements. Such assignment will allow P-1 suppliers to purchase supplies at DTI South Point prices.</p>	<p>No change since last report. All of the commitments per this provision were implemented by tariff changes submitted by Peoples on December 17, 2014 (effective on December 18, 2014) or by tariff changes approved in the Peoples-Equitable Division 2014-1307(f) proceeding.</p>

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83	<p><u>AVC Receipt and Delivery Points.</u></p> <p>(a) <i>Maintain Existing Points</i> - All existing upstream receipt and delivery points that flow in and out of the AVC, including Truittsburg and Rural Valley, will be maintained and not taken out of service by Equitrans.</p> <p>(b) <i>Primary Firm Points</i> – All existing AVC receipt and delivery points that are used to serve the Peoples Division on-system customers and Peoples’ Production Enhancement Services (“PES”) agreements will be assigned an MDQ, the sum of which will not exceed the specified total contract MDQ for services under the Peoples Asset Transportation and Storage Agreement, and designated as primary firm points as defined by the Equitrans FERC gas tariff and will not be subject to interruption by a lower priority status as set forth more fully in that tariff.</p> <p>The Peoples firm delivery points and associated MDQs will be aggregated under a single city gate nomination point for contractual and administrative purposes.</p> <p>Prior to adding new receipt and delivery points, EQT will evaluate the proposed facilities in accordance with Section 6.34 of the Equitrans FERC gas tariff, including an analysis of the impact of its ability to meet its existing service obligations, and EQT will seek any approvals from FERC that are necessary.</p> <p>(c) <i>Interconnection Point Listing</i> - Existing receipt points and delivery points and capacities will be added as an addendum to the AVC Transportation and Storage Agreement.</p> <p>(d) <i>MAOP and Operating Pressures.</i></p> <p>(i) EQT confirms that it has no immediate plans to increase the operating pressures or regulator set points on the AVC system. To the extent in the future, EQT plans to modify AVC system operating pressures or regulator set points, EQT will provide AVC shippers with advance notice of four months for any projects that are projected to increase operating pressures greater than 15%.</p>	<p>Peoples affirms that in 2015 and 2016 there were no MAOP or operating pressure increases by Equitrans that would trigger the action steps set forth in settlement ¶ 83(d). Peoples affirms that all other commitments outlined in settlement ¶ 83 have been met.</p>

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	<p>(ii) EQT agrees that it will provide AVC shippers one month prior notice of any planned filing with the FERC to increase the MAOP of AVC transmission pipelines. Peoples agrees that it will intervene as needed in any such FERC filing to protect its interests and the interests of its customers concerning the delivery of gas supplies into AVC receipts points that are fed from the Peoples’ upstream facilities.</p> <p>(iii) In response to a prior notice of a planned increase or an actual increase in operating pressure, regulator set points or MAOP on the AVC transmission pipeline system, Peoples agrees to construct or modify the Peoples Division facilities to ensure that locally produced gas delivered at AVC receipts points -- that are fed from the Peoples Division pipeline system -- is able to flow into the AVC pipeline system. Peoples also agrees to construct or modify its dehydration and other related facilities to ensure that the quality of the locally produced gas delivered at AVC receipts points -- that are fed from the Peoples Division pipeline system – meet the required gas quality standards contained in the AVC tariff.</p> <p>(iv) Peoples agrees to construct or modify such facilities, as described in iii. above, using Peoples Division PES - PRC funds. The first funds spent or allocated shall be sourced from the current Peoples Division PES PRC capital spending shortfall. If additional funds are required, Peoples shall utilize available annual funding from the PES revenues that was established and approved in Peoples’ 2012 rate case for gathering lost and unaccounted for gas (“UFG”) remediation efforts or gathering system upgrades (“2012 PA PES Funding”) provided that such funding also qualifies as “gathering UFG remediation efforts or gathering system upgrades” as established in the 2012 rate case. Further, to the extent that PRC or 2012 PA PES Funding is insufficient to cover the costs of these facilities, Peoples agrees to make the necessary expenditures, provided they are necessary to ensure</p>	

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	<p>continued compliance with a least-cost procurement policy and enhanced retail supply competition on the Peoples' system.</p> <p>(e) <i>Negotiated Rates</i> - Peoples and EQT will modify the AVC Transportation and Storage Agreement so that all currently existing interconnection points used to serve the Peoples Division on-system and existing Peoples Division PES commitments will be subject to the negotiated rates under the Peoples Asset Transportation and Storage Agreement and will not be subject to maximum recourse rates.</p> <p>(f) <i>Charges on AVC</i></p> <p>(i) Other than the release of AVC storage (former Rate ST and ST-SW storage) to NP-1 suppliers, suppliers on the Peoples Division will receive a net zero cost release of AVC storage and transportation capacity required to supply their on-system customers and off-system PES requirements. Per the FERC AVC tariff, suppliers will be responsible for the ACA charge and fuel charges on AVC. Shippers on AVC will be assessed a fuel charge for use of AVC storage and an AVC transportation fuel charge of 2.5% on volumes transported on AVC. These fuel rates will be subject to periodic adjustment to reflect actual UFG, fuel and losses on the AVC system. Effective upon Closing, the Peoples Division retainage rates will be adjusted to remove the volumes of fuel that will be recovered on the AVC system.</p> <p>(ii) Peoples will assign and release AVC storage to NP-1 suppliers of the Peoples Division at a rate of \$.83/Mcf. This release rate will not be subject to change until the effective date of new rates resulting from Peoples' next base rate case.</p> <p>(iii) Peoples and NGSs acknowledge that there may be situations whereby suppliers have existing contracts to sell commodity supplies to their customers at the Peoples Division existing city gates. Peoples and suppliers further acknowledge that as a result of the transfer of Peoples' midstream assets to EQT and the resulting alteration in city</p>	

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	<p>gate delivery points, it will be necessary, during the present term of such contracts, for Peoples to adjust the monthly commodity sales volumes charged by the affected suppliers to reflect the retainage volumes assessed to suppliers by EQT on the transferred assets, for the limited purpose of preserving the pre-asset transfer delivery points, and thus the benefits of the sale of such commodity supplies for customers and suppliers. Peoples will work with the NGSs to explore other alternatives to effectively address the situation described above and modify its tariff if required. Prior to Closing Peoples will notify affected customers in writing of this situation, and it will work with the affected suppliers and their customers on an ongoing basis to support and justify the monthly volumes adjustments described above. In the event that a customer challenges any such adjustments, Peoples will assist the affected supplier in defense of the adjustment.</p> <p>(g) <i>Existing DTI and Equitrans Points</i> – Subject to paragraph 79(a) above [¶ 83(a) of this Report], the following existing interstate supply points will not be eliminated during the term of the Peoples Asset Transportation and Storage Agreement.</p> <ul style="list-style-type: none"> (i) DTI- City Gate 20200 (ii) TGP- Pitt Terminal 20199 (iii) Equitrans- Ginger Hill- 11142 (iv) TETCo M2- Rockwood 70051 (v) TETCo M3- Ebensburg 70323 (vi) National Fuel- PNGCG (vii) Truittsburg (viii) Rural Valley 	
	<p>NP-1 Supplier Balancing Service Paragraph 84</p>	
84	Peoples will offer to NP-1 suppliers of the Peoples Division a new service that will allow NP-1 suppliers, at the end of the calendar month following the	No change since last report. Upon closing of the acquisition and throughout

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	monthly trading period, to transfer in-place AVC storage volumes with Peoples using the NP-1 supplier's assigned and available storage capacity. Peoples will work with NP-1 suppliers to develop allowable parameters governing such storage transfers with the intent to provide NP-1 suppliers with a similar level of balancing flexibilities currently provided to NP-1 suppliers today.	2014, Peoples established a process that permitted NP-1 suppliers of the Peoples Division, at the end of each calendar month following the monthly trading period, to transfer in-place AVC storage volumes with Peoples using the NP-1 supplier's assigned and available storage capacity. In 2016, Peoples implemented a daily target approach for NP-1 suppliers that eliminated the need to transfer in-place AVC storage volumes.
	Local Gas Opportunities Paragraphs 85 - 87	
85	Peoples will endeavor, wherever operationally feasible, to utilize locally produced gas supplies.	Peoples continues to utilize locally produced gas where operationally feasible. Peoples and Equitable Division gas acquisition costs, including local purchases, were approved in Dockets R-2016-2528562 and R-2016-2529260, respectively.
86	In the event a new tap request or tap volume increase into the Peoples Division system is unavailable due to capacity constraints in the Peoples Division system, Peoples agrees to: (a) Identify opportunities to displace gas that is being sourced from interstate pipelines with local supplies produced into the Peoples Division system; (b) Identify areas of possible new production for redelivery to an alternate section of the Peoples Division distribution system through the	During 2016, there were no new tap requests for conventional production that were unavailable due to capacity constraints on the Peoples system.

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	AVC or other means to displace gas sourced from interstate pipelines.	
87	Immediately upon Closing, Peoples will undertake an initiative using the Peoples Division PES PRC funds to create interconnections between the Equitable and Peoples Divisions that are designed to increase the use of local gas supplies and add more flexibility for suppliers on both systems. Peoples also will, consistent with its least cost mandate and where operationally feasible, examine ways to facilitate the movement of incremental local gas supplies between the Peoples and Equitable Divisions through gas displacement arrangements.	By year-end 2016, Peoples constructed a total of 14 PA PES funded interconnections between the Equitable and Peoples Divisions that were designed to increase the use of local gas supplies and add more flexibility for suppliers on both systems.
	BB&A Service Paragraph 88	
88	Peoples will implement a restructured banking, balancing, and advancing (“BB&A”) service to allow NP-1 suppliers of the Peoples Division to maintain access to the same benefits from the BB&A storage service that they receive today. Peoples will modify its proposed tariff (Tariff Page 34 and 34A of Joint Applicants Exhibit No. JAG-3) so that the carrying costs charged to NP-1 suppliers shall be based on Peoples’ actual short-term debt cost rate. Peoples also will provide the NGSs with an example and an estimate of the benefits to be derived under Peoples’ proposal.	No change since last report. The commitments per this provision were implemented by tariff changes submitted by Peoples on December 17, 2013 and effective on December 18, 2013. In late 2013, Peoples provided NGSs with an example and an estimate of the benefits to be derived under this service.
	Peoples PES Program Paragraphs 89 - 91	
89	Peoples will extend the term of the existing PES and Equitable Gas AGS producer agreements until the effective date of new base rates in Peoples’ next base rate case filing. After Closing, Peoples will collaborate with PIOGA and its members to review information regarding both systems, use of moisture control equipment, pipeline maps, current producer bottlenecks, areas needed for expansion due to additional gas, and to allocate its modeler resources for utilizing the agreed PES/Equitable Project Review Committee annual expenditure.	Throughout 2014, 2015, and 2016 Peoples met with PIOGA and its members to review information regarding both systems, use of moisture control equipment, pipeline maps, current producer bottlenecks, and areas needed for expansion due to additional gas, and shared its modeler resources for utilizing

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		<p>the agreed PES/Equitable Project Review Committee 2014, 2015, and 2016 annual expenditure.</p> <p>Peoples also met with PIOGA leadership in 2015 on PES and Equitable Division AGS producer agreement extensions. Peoples and PIOGA agreed on an extension of PES, and PES Extension Letters were executed with producers during the last quarter of 2015 and continuing into 2016. Additional PIOGA leadership meetings took place during 2016, continuing into 2017.</p>
90	<p>Six months prior to the filing of Peoples’ next base rate case, Peoples will initiate discussions with PIOGA regarding a revised PES program on the Peoples, Peoples TWP and Equitable systems, (including PES/Rate AGS or other related fees). Notwithstanding this commitment, after Closing: (i) Peoples will seek approval through the 1307(f) process to apply to the Peoples TWP and Equitable systems the PES agreement provisions permitting the release of older low-producing wells (Section 4.04.a.,b. & c. and Section 4.05, as applicable) and (ii) prior to enforcing Peoples TWP gas quality requirements on individual PIOGA member producers, Peoples will initiate discussions with PIOGA for addressing gas quality issues on a system-wide basis.</p>	<p>Per the terms of the acquisition settlement Peoples could not file a base rate case until April, 2017, and did not file a base rate case in the second quarter of 2017, so the commitment to initiate discussions with PIOGA six months prior to filing was not triggered in 2016.</p> <p>In their 2014 1307(f) proceedings, Peoples TWP and Equitable-Division filed and received Commission approval of provisions permitting the release of older low-producing wells.</p> <p>Peoples TWP did not in 2014, 2015, or 2016 initiate discussions with PIOGA for addressing gas quality issues on a Peoples TWP system-wide basis and therefore did not seek to enforce gas quality</p>

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		requirements on individual PIOGA member producers.
91	Prior to termination of the existing off-system capacity agreement (Rural Valley and Truittsburg) between Peoples and DTI on April 1, 2016, Peoples will work with PIOGA to replace the DTI capacity contract with a lower cost capacity contract or explore other off-system alternatives that will eliminate the need for an off-system DTI capacity contract with a goal of lower pipeline capacity costs and an associated decrease in fees charged to PES participants effective April 1, 2016.	No change since last report. During 2015 Peoples and PIOGA agreed to terminate the DTI capacity contract and instead pursue other off system opportunities.
	Enhanced Retail Choice Paragraphs 92 - 96	
92	Following Closing, Peoples will begin a review of the existing transportation program process on Equitable and convene a collaborative that will include all interested stakeholders, within 12 months following Closing to develop a strategy to promote retail supply competition on the Peoples/Equitable service areas. This collaborative will consider the adoption of a local gas aggregation service on Equitable and changes to the Equitable Division balancing provisions. The target filing date of possible tariff changes resulting from this collaborative is within three months following the date the collaborative is convened.	Refer to ¶ 81 for collaborative status. On June 8, 2015, Peoples made a tariff filing at Docket No. R-2015-2487563 to implement the results of the collaborative. Peoples convened another collaborative conference on March 3, 2016, to discuss combining Pools for Peoples and Peoples Equitable to help simplify the process and promote retail natural gas supply competition in the service areas.
93	Within six months following Closing, Peoples will implement an Energy Choice outreach program for Equitable customers and begin using the Peoples' Electronic Data Transfer/Electronic Bulletin Board/Nominations System and related processes.	No changes since last report. In January 2014, Peoples implemented an Energy Choice outreach program for Equitable Division customers and begin using the Peoples' Electronic Data Transfer/Electronic Bulletin Board/Nominations System and related processes.
94	Within 30 days following Closing, Peoples will provide Aged Receivables reporting on behalf of suppliers that are receiving commodity billing services	No changes since last report. Done. An aged accounts receivable report was made

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	from the Peoples Division.	available to suppliers in January 2014.
95	<p>Within 6 months of approval of this settlement Peoples will convene a collaborative to include input of interested stakeholders, to discuss all aspects of a proposed new and moving customer referral program within 12 months of Closing that is substantially similar to those approved by the Commission in the recent Retail Markets Investigation. If there is substantial agreement among the stakeholders, Peoples will file a proposed new and moving customer referral program with the Commission within 14 months of Closing. All stakeholders and other interested parties will have the right to file comments in response to the filing.</p>	<p>A collaborative on the subject commenced on June 19, 2014 with interested parties. Discussions continued through early 2015 that included the evaluation of system changes and estimated costs necessary to support the functionality requested by the suppliers. An action plan will be prepared after the results of the Commission’s RMI initiatives are known, which did not happen in 2016.</p> <p>[Although occurring outside the reporting period of this Status Report, in September, 2017, the Commission issued an Advanced Notice of Proposed Rulemaking (ANOPR) pertaining to customer choice, and the new and moving customer referral program was not mentioned in the ANOPR.]</p>
96	<p>Within one year of the date of Closing, Peoples will review and seek to revise the Purchase of Receivables program of Equitable and take steps necessary to make it consistent in design and rate structure with that of the Peoples Division. To the extent the adoption of certain aspects of Peoples’ Purchase of Receivables Program requires billing system modifications for the Equitable Division, those aspects of the Peoples’ Purchase of Receivables Program will not be implemented until the planned conversion of the Equitable Division to Peoples’ billing system.</p>	<p>No change since last report. In 2014, Peoples undertook this review and determined that significant changes to the existing Equitable billing system would be required. Because Peoples had planned to convert all Equitable billing functions to the Peoples system in mid-2015, Peoples delayed implementation of a Purchase of Receivables program for the Equitable Division suppliers until</p>

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Settlement ¶	Commitment	Status
		completion of the conversion, which occurred in July, 2015. Peoples then implemented a Purchase of Receivables program for the Equitable Division.
	Carnegie Gathering System Paragraph 97	
97	Effective upon Closing, PIOGA’s confidential Rate AGS agreement will apply to the Carnegie Gathering System, which shall be owned and operated by Equitable. The confidential Rate AGS agreement does not apply to the Goodwin and Tombaugh Systems.	No changes since last report. Effective upon closing, PIOGA’s confidential Rate AGS agreement terms were applied to the Carnegie Gathering System.
	Goodwin Gathering System Paragraph 98	
98	The existing Goodwin gathering rates will apply, but parties moving gas on the Goodwin system will be charged on the “net” deliveries after gas is retained by Peoples and Equitable Divisions. Peoples will begin implementing immediately after Closing its UFG reduction measures on the Goodwin system that are outlined in the Joint Applicants Statement No. 5S or other measures otherwise agreed to by Peoples in the settlement of this proceeding. These UFG reduction measures, including leak detection, leak repair and resolving meter issues, will be prioritized to drive meaningful results that will be reflected in the ongoing monthly retainage charges on the Goodwin system. Peoples will provide PIOGA with information gathered and provided to Commission’s Bureau of Pipeline Safety. All gathering fees collected will be used to maintain and improve the Goodwin and Tombaugh systems.	Effective upon closing, the pre-existing Goodwin gathering rates were maintained and Peoples implemented a process change for the Goodwin system that assessed gathering fees on the “net” deliveries after gas is retained. Also upon closing, Peoples implemented its UFG reduction measures on the Goodwin system. In 2016, no action was taken to provide PIOGA with information gathered on the Goodwin – Tombaugh System assessment because such information was not requested by or provided to the Commission’s Bureau of Pipeline Safety.
	EQT Asset Exchange Agreement Paragraph 99	

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99	The assets identified in the EQT Asset Exchange Agreement in Schedules A-1, A-2, A-3, A-4, A-5, A-13, A-14 and A-17 will be transferred to Equitable Gas Company, LLC, if the Transaction is consummated.	Peoples affirms that these assets were transferred upon closing.
	Retainage on the Transferred Assets Paragraph 100	
100	See paragraph 83(f).	
	Capacity on the Transferred Assets Paragraph 101	
101	Peoples will assign sufficient AVC capacity to Supplier, Marketer and Producer Parties on the transferred Peoples’ transmission and storage assets, considering producer meters and customer volumes, for both system supply and off-system transportation. Specifically, Peoples agrees to the following: <ul style="list-style-type: none"> (a) Suppliers that have access to AVC system storage will be provided with sufficient AVC transportation and storage capacity to fill and empty their allocated share of AVC storage; (b) Suppliers that are purchasing existing local gas that is delivered directly into the AVC system without first moving through the Peoples Division lines, will be provided with sufficient AVC system transportation capacity to move their estimated supplies to the Peoples Division city-gates; and (c) Suppliers that are moving excess local production to off-system points at Truittsburg or Rural Valley, consistent with the terms of the existing PES agreement, will be provided with sufficient AVC system transportation capacity to move gas to these points. 	Peoples affirms that consistent with these provisions, sufficient capacities were assigned to parties throughout 2016.
	Homeworks Paragraphs 102 - 105	
102	Peoples shall maintain separate accounting records for Homeworks, LLC (“Homeworks”) and allocate costs and expenses to Homeworks in accordance with the standards and allocation methodologies that have been	No changes since last report. Homeworks was established as a separate legal entity at the time of acquisition and expenses

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	previously approved by the Commission, at Docket No. G-2012-2290014, with regard to affiliate charges under the Peoples Service Company LLC Agreement.	are being charged consistent with the methodologies approved in Docket No. G-2010-2290014.
103	Peoples agrees that it will not use the name of Peoples or Equitable in any Homeworks related marketing materials provided to customers.	Peoples affirms that it did not use the name of Peoples or Equitable in any Homeworks related marketing materials provided to customers in 2014, 2015, or 2016.
104	Within six months after Closing, Peoples agrees to provide Product and Services Billing on behalf of other NGSs on the Peoples Division system. Any customer specific information for Product and Services customers that are billed by Peoples on behalf of other NGSs shall not be shared with any individual that is responsible for the sales or marketing of Homeworks products. Also, Peoples agrees that it will not provide any preferential treatment to Homeworks regarding any customer leads received through the Peoples Division or Equitable Division call center and will not offer Homeworks services to customers for warranty or other related services in calls received from customers for other purposes without also offering the same information and/or opportunities to other providers of the same or similar services. Peoples will not provide any customer information or marketing opportunities to Homeworks without also offering the same information and/or opportunities to other providers of the same or similar services.	Peoples modified its SAP billing system so that effective June 1, 2014, billing of warranty services could be provided to interested suppliers. Peoples affirms that throughout 2014, 2015 and 2016 it did not share any customer specific information for Product and Services customers, that are billed by Peoples on behalf of other NGSs, with any individual that is responsible for the sales or marketing of Homeworks products. Also, Peoples did not provide any preferential treatment to Homeworks regarding any customer leads received through the call center and did not offer Homeworks services to customers for warranty or other related services in calls received from customers. Peoples did not provide any customer information or marketing opportunities to Homeworks.
105	Following the Closing, Peoples will undertake a review of the Equitable	No change since last report. This review

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	billing system to determine if Product and Services Billing on behalf of other NGSs on Equitable Division system is feasible.	was undertaken in 2014 and it was determined that the existing EGC billing system did not include functionality to receive enrollments, bill for services and reconcile receivables related to multiple service providers. Following the July, 2015, conversion of the Equitable billing system into Peoples' SAP system, which had such functionality already in place, Peoples commenced the billing for multiple providers on the Equitable Division system.
	New Tap Requests Paragraph 106	
106	Peoples will continue to work with suppliers on the Peoples Division to resolve any ongoing tap requests on a reasonable and expedited basis.	Throughout 2016, Peoples worked with suppliers on the Peoples Division to resolve any ongoing tap requests on a reasonable and expedited basis.
	Study of DSM Programs Paragraphs 109 - 111	
109	<p>Within 36 months of Closing, Peoples will organize and engage in a collaborative of demand side management ("DSM") stakeholders. This group will include OCA, OSBA, I&E, PennFuture, any interested party to this proceeding, and any interested large customer of Peoples.</p> <p>(a) Notice of the commencement of the collaborative and of an opportunity to participate will be provided.</p> <p>(b) The stakeholders will provide recommendations concerning the scope of the study and qualifications of a third-party independent contractor to perform the study.</p>	<p>No action required during 2014 and 2015 and none taken.</p> <p>On December 1, 2016, Peoples notified DSM stakeholders of a DSM collaborative to discuss the scope of the Energy Efficiency & Conservation Study and qualifications of a third-party independent contractor to perform the study. The collaborative was convened on December 14, 2016, and stakeholders</p>

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		were asked for input. [Although occurring outside the reporting period of this Status Report, on January 31, 2017, Peoples distributed a summary of input received, and Peoples ultimately engaged Green Energy Economics Group to undertake the study.]
110	No later than 42 months after the Closing, Peoples will select and retain an experienced, third-party independent contractor to conduct a study and develop recommended approaches to a cost-effective Energy Efficiency and Conservation Plan for Peoples' customers. The cost of the study will be funded by Peoples, and Peoples will not seek recovery of the study cost in rates. The study will: <ul style="list-style-type: none"> (a) Identify potential programs for each rate class of customers; (b) Evaluate different levels of funding and the expected benefits derived by the various levels; (c) Include analysis of programs offered by other gas program administrators, either utility or non-utility, including but not limited to, Philadelphia Gas Works, Columbia Gas, National Grid operating in New York and Massachusetts, Northeast Utilities, UIL, Vermont Gas, Wisconsin Focus on Energy, Pacific Gas & Electric, and Southern California Gas; and (d) Include a review of actual costs to implement programs as well as the actual energy savings realized in these programs. 	No action required during 2014, 2015 and 2016 and none taken.
111	No later than 45 months after the Closing, Peoples will provide a copy of the study to the DSM stakeholders and the parties to this proceeding.	Not applicable at this time.
	DSM Filing Paragraphs 112 - 114	
112	No later than 48 months after the Closing, Peoples will make a filing with the	No action required during 2014, 2015 and

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	Commission that will seek approval to implement an Energy Efficiency and Conservation Plan that falls within the range of recommendations supported by the DSM study and provides a cost recovery mechanism acceptable to Peoples.	2016 and none taken.
113	A copy of the filing will be served on the DSM stakeholders and the parties to this proceeding.	Not applicable at this time.
114	Any party to this proceeding will be free to support the filing, seek modifications to the filing or oppose the filing before the Commission.	Not applicable at this time.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the enclosed 2016 Annual Report of Status with Regard to Each Commitment Contained in Settlement in Docket Nos. A-2013-2353647, A-2013-2353649, and A-2013-2353651, upon the following:

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William H. Roberts II

Dated this 7th day
of March, 2018