

NOTICE OF PROPOSED RATE CHANGES

Dear Customer:

On August 6, 2020, Peoples Natural Gas Company LLC (Peoples) filed a Petition with the Pennsylvania Public Utility Commission (PUC), which proposes a mechanism, called a surcredit, to share a portion of the benefits resulting from a change to income taxes Peoples incurs under the Internal Revenue Code. The amount of the change will be used to reduce future income tax expense.

Peoples has proposed to use 40% of the benefits from the change to provide an immediate rate reduction of approximately \$14 Million per year over four years, beginning January 1, 2021.

The estimated 4.54% rate reduction will be applied to Peoples' delivery rates charged to all customers. The table below shows the estimated incremental rate decreases of the proposed surcredit on Peoples' existing customers. Customers using more or less than the average usage shown will see a larger or smaller change to their monthly bills.

Rate Class	Average Usage	Estimated Monthly Decrease	Estimated Percentage Decrease
Residential	87.5	\$ 1.31	1.93%
Commercial	191	\$ 1.95	1.73%
Industrial	2,034	\$ 20.72	2.00%

Peoples has proposed to defer the remaining 60% of the benefits from the tax change to income taxes, to be used towards Peoples' income tax expense over a three-year period from 2023 to 2025. Peoples projects that, with

the proposed use of the benefit, it may be able to avoid filing a general rate case that would result in increased base rates prior to January 1, 2026.

The rate reductions stated above could change and will depend upon how the PUC chooses to allocate the benefits from the catch-up deduction between the surcredit and the deferral, and how the benefits may be apportioned among the types of service and classes of customers.

PUC ROLE

The state agency which approves rates for regulated public utilities is the PUC. The PUC will review and investigate the Petition. After examining the evidence, the PUC may approve, modify or deny the Petition. Peoples has requested that the Commission rule on the Petition in sufficient time to implement the surcredit by January 1, 2021.

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ACTIONS YOU CAN TAKE

You can support or challenge Peoples request by:

1. Sending a letter to the PUC. You can tell the PUC why you support or object to Peoples' Petition in your letter. This information can be helpful when the PUC investigates the Petition. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
2. Attending or presenting testimony at a PUC Public Input Hearing. You can attend or be a witness at a PUC public input hearing. The PUC may hold public input hearings if it opens an investigation into Peoples' Petition and there is enough interest in the case. At these hearings, you can present your views to the PUC judge and to company representatives. Testimony under oath becomes part of the application case record. The PUC

generally holds these hearings in the service area of the company and/or virtually. For more information, call the PUC at 1-800-692-7380.

3. Filing an Answer or a Petition to Intervene. If you want to be a party to the case, you must file an Answer or a Petition to Intervene. You then have an opportunity to take part in all the hearings about the Petition. You can receive copies of all materials distributed by the other parties. Answers and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) and should be filed within 20 days of your receipt of this Notice. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at Post Office Box 3265, Harrisburg, PA 17105-3265, with a copy served on Peoples' counsel at Post & Schell PC, Attn: Michael W. Hassell, 17 N. 2nd Street, 12th Floor, Harrisburg, PA 17101.

The documents filed as part of this Petition are available for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, on the PUC's website at www.puc.pa.gov and at Peoples' offices at 375 North Shore Drive, Pittsburgh, PA 15212. The PUC docket number is P-2020-3021191.

