

STATEMENT OF REASONS

Peoples Natural Gas (“Peoples”), headquartered in Pittsburgh, Pennsylvania provides safe and reliable natural gas service to approximately 700,000 customers in western Pennsylvania. Peoples’ rates consist of (i) a Base Rate designed to recover the costs of utility plant investment and normal operating expenses and (ii) a Purchased Gas Cost rate which recovers the costs (no profit margin) of gas supplies and interstate pipeline services purchased for our customers.

On December 29, 2023, Peoples filed a \$ 156.0 million base rate increase request with the Pennsylvania Public Utility Commission (“PUC”) to recover the costs of replacing and enhancing the Company’s distribution system and increases in other costs to continue to provide safe and reliable service to its customers. In this regard, the Peoples Natural Division of Peoples will have added \$2.8 Billion of plant (net of accrued depreciation) from the end of the fully projected future test year (“FPFTY”) in its last base rate case (effective October 29, 2019) through September 30, 2025, the end of the FPFTY in this filing. In addition, the Peoples Gas division of Peoples will have added \$264 Million of net plant over the same time frame. During the two years ending September 2024 and September 2025, Peoples plans to invest approximately \$900 Million in its Long-Term Infrastructure Investment Program alone to upgrade the Company’s pipelines and related facilities across western Pennsylvania. Moreover, the Company’s plant investments continue to include the repair, retirement and replacement of the Company’s gathering systems, which are used in part to provide lower cost, locally produced gas for customers. If granted by the PUC, the requested rate adjustments will provide Peoples the funds necessary to continue the Company’s infrastructure replacements in Pennsylvania.

Peoples also proposes in this filing to merge the rates of its Peoples Natural Gas and Peoples Gas divisions. The divisions have continued with their base rates that preexisted the PUC approval of the merger of Peoples Natural and Peoples Gas on August 25, 2022 at Docket Nos. A-2021-3029831 & A-2021-3029833. Peoples proposes to merge the existing divisions’ base rates of Residential customers and then add the required base rate increase to the merged rate. The resulting proposed base rates would produce an increase of approximately 21.4% for Residential customers of the Peoples Natural division customers and an increase of 7.6% for Residential customers of the Peoples Gas division, on a total bill basis. The Commission could modify or reduce the proposed rates. Additionally, the Company proposes to include a portion of Allegheny Valley Connector (“AVC”) costs, a gas cost currently paid only by Peoples Natural division customers, to the Peoples division customers and reduce the Peoples Natural division costs. The

impact of this change is incorporated in the bill analysis provided above. As another step towards full merger, Peoples is proposing revisions to existing Tariff Riders, including the Tax Repairs Surcredit (“TRS”) and the Tax Cuts and Jobs Act (“TCJA”) Surcharge. Changes to these existing Riders and the application thereof may apply to one or both divisions.

In this filing Peoples also proposes to implement a Weather Normalization Adjustment Mechanism for customers receiving service under Rate Schedules, RS (Residential), CAP (Customer Assistance Program), Commercial SGS (Small General Service) and Commercial MGS (Medium General Service). Under this mechanism Peoples’ base rates will be adjusted up or down during the heating season to reflect normal weather. During the last heating season from October 2022 through May 2023, warm weather dramatically reduced the expected revenues for both of the Peoples’ divisions. It is necessary to stabilize revenue recovery to maintain the Company’s ongoing ability to provide efficient, safe, and reliable service to our customers. Under this Mechanism, customers will receive refunds in the event that colder than normal weather increases revenues for the Company and bills to customers. In the event that warmer than normal weather reduces revenues for the Company and bills to customers, customers will incur an additional charge.

Under the Company’s filing, the WNA, AVC and TRS will apply to both divisions and the TCJA will only apply to the Peoples Gas Division. Upon approval of the merger of the rates as described, Peoples requests that it no longer be required to maintain separate accounting and reporting for its divisions and all customers will be served under unified customer and supplier tariffs proposed in this proceeding.

Peoples is mindful of the impact of the proposed rate adjustments on our customers. Our focus on providing safe and reliable service include initiatives to assist our customers who are struggling to pay their bill. Therefore, if you are having trouble with paying your gas bill, please contact us at 1-800-400-WARM (9276) to ask about assistance that may be available to you.