

NOTICE OF PROPOSED RATE CHANGES

TO OUR CUSTOMERS

Peoples Natural Gas is filing a request with the Pennsylvania Public Utility Commission to increase your natural gas rates as of October 1, 2010. This filing is designed to recover the cost of natural gas which the Company purchases.

Under Peoples' proposal, the overall increase in revenues is approximately 12.3 percent, but the change in your bill may vary from this percentage depending on usage and applicable rate schedule. The monthly bill of the average residential customer using 93.5 Mcf per year could increase from \$79.18 to \$88.90, or by \$9.72 per month. The monthly bill of the average commercial customer using 301.8 Mcf per year could increase from \$229.78 to \$261.16, or by \$31.38 per month. The monthly bill of the average industrial customer using 4,170 Mcf per year could increase from \$2,831.94 to \$3,265.62 or by \$433.68 per month.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Pennsylvania Public Utility Commission.

The proposed increase is subject to examination by the Pennsylvania Public Utility Commission, which will schedule hearings to determine the proper rate level to be charged. The company will have the burden to prove that the proposed increase is reasonable.

Forms for the filing of a formal complaint may be obtained by you upon request to the Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. The timely filing of a formal complaint entitles you to participate in a hearing at which you may present testimony and question witnesses for the Company.

The rate that is finally determined in this case will be recalculated to reflect actual gas costs on a quarterly basis and may be subject to change if the recalculated rate differs from the rate that is finally determined in this case by more than 2 percent.

