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June 30, 2017

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission, Office of Consumer Advocate, Office of
Small Business Advocate & Michael Ochs v. UGI Penn Natural Gas, Inc.
Docket Nos. R-2016-2580030, C-2017-2585510, C-2017-2589092 & C-2017-2596537**

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Approval of Settlement of All Issues in the above-referenced proceedings. Copies will be provided as indicted on the Certificate of Service.

Respectfully submitted,

Christopher T. Wright

CTW/jl

Enclosures

cc: Honorable Mary D. Long
Certificate of Service

CERTIFICATE OF SERVICE
Docket No. R-2016-2580030

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL & FIRST CLASS MAIL

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Direct Energy

Date: June 30, 2017



Christopher P. Wright

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2016-2580030
Office of Consumer Advocate	:	C-2017-2585510
Office of Small Business Advocate	:	C-2017-2589092
Michael Ochs	:	C-2017-2596537
	:	
v.	:	
	:	
UGI Penn Natural Gas, Inc.	:	

**JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

I. INTRODUCTION

UGI Penn Natural Gas, Inc. (“UGI PNG” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), and Direct Energy,¹ all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”),² hereby file this “Joint Petition for Approval of Settlement of All Issues” (“Settlement”) and respectfully request that Administrative Law Judge Mary D. Long (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve the proposals

¹ Direct Energy collectively refers to Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC.

² The United States Department of Defense and all other Federal Executive Agencies (collectively, the “DOD”) also intervened in this proceeding. On June 1, 2017, the DOD submitted a Notice of Nonparticipation in this proceeding. The DOD is not a signatory party to this Settlement, but has advised that it has no objection to the Settlement.

Additionally, Michael Ochs, a residential customer, filed a formal complaint opposing the proposed rate increase. Mr. Ochs was not an active party in this proceeding and is not a signatory to this Settlement. A complete copy of this Settlement is being served on Mr. Ochs.

set forth in UGI PNG's above-captioned distribution base rate increase filing subject to the terms and conditions of the Settlement.

This Settlement represents a full settlement of all issues and concerns raised in the instant proceeding. The Settlement provides for increases in rates, as set forth in the *pro forma* tariff supplement attached as **Appendix A** and the proof of revenues attached as **Appendix B** to this Petition, designed to produce a net increase in the annual distribution operating revenues of \$11.25 million, based upon a Fully Projected Future Test Year ending September 30, 2018 ("FPFTY"). Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs are provided as **Appendices C-E**, respectively.

In support of the Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. This proceeding was initiated on January 19, 2017, when UGI PNG filed Tariff Gas – PA. P.U.C. Nos. 9 and 9-S with the Pennsylvania Public Utility Commission ("Commission"). Tariff Gas – PA. P.U.C. Nos. 9 and 9-S, issued to be effective for service rendered on or after March 20, 2017, proposes changes to UGI PNG's base retail distribution rates designed to produce an increase in revenues of approximately \$21.7 million, based upon data for a fully projected future test year ending September 30, 2018 ("2017 Base Rate Case"). The filing was made in compliance with the Commission's regulations and contains all supporting data required to be submitted in conjunction with a tariff change seeking a general rate increase.

2. Together with the 2017 Base Rate Case filing, UGI PNG served the following direct testimony: UGI PNG Statement No. 1, Direct Testimony of Paul J. Szykman; UGI PNG Statement No. 2, Direct Testimony of Kindra S. Walker; UGI PNG Statement No. 3, Direct Testimony of Megan Mattern; UGI PNG Statement No. 4, Direct Testimony of Paul R. Moul;

UGI PNG Statement No. 5, Direct Testimony of Paul R. Herbert; UGI PNG Statement No. 6, Direct Testimony of John F. Wiedmayer; UGI PNG Statement No. 7, Direct Testimony of David E. Lahoff; UGI PNG Statement No. 8, Direct Testimony of Robert R. Stoyko; UGI PNG Statement No. 9, Direct Testimony of Chris A. Rossi; UGI PNG Statement No. 10, Direct Testimony of Hans G. Bell; UGI PNG Statement No. 11, Direct Testimony of Nicole M. McKinney; UGI PNG Statement No. 12, Direct Testimony of Theodore M. Love; and UGI PNG Statement No. 13, Direct Testimony of Angelina M. Borelli.

3. Formal complaints against the 2017 Base Rate Case were filed by OCA, OSBA, and Michael Ochs. Petitions to intervene were filed by and granted for CEO, CAUSE-PA, Direct Energy, and the DOD. I&E filed a Notice of Appearance.

4. On February 9, 2017, the Commission issued an Order suspending Tariff Gas – PA. P.U.C. Nos. 9 and 9-S until October 20, 2017, unless permitted by Commission Order to become effective at an earlier date. Together with the suspension order, the Commission issued the Statement of Vice Chairman Andrew G. Place directing the Parties to address specific questions as part of this distribution base rate case.

5. A prehearing conference was held as scheduled on February 17, 2017. A litigation schedule and modified discovery rules were agreed to by the active Parties and adopted in the Scheduling Order issued by the ALJ on February 22, 2017.

6. On March 2, 2017, the Company submitted UGI PNG Statement No. 1-SD, Supplemental Direct Testimony of Paul J. Szykman, addressing the questions raised in the Statement of Vice Chairman Andrew G. Place.

7. Pursuant to the litigation schedule adopted in the Scheduling Order, I&E, OCA, OSBA, CAUSE-PA, and CEO submitted the direct testimony on April 13, 2017:

- (a) I&E served: I&E Statement No. 1, Direct Testimony of Rachel Maurer; I&E Statement No. 2, Direct Testimony of D.C. Patel; I&E Statement No. 3, Direct Testimony of Ethan H. Cline; and I&E Statement No. 4, Direct Testimony of Jessalynn K. Heydenreich.
- (b) The OCA served: OCA Statement No. 1, Direct Testimony of Dante Mugrace; OCA Statement No. 2, Direct Testimony of James S. Garren; OCA Statement No. 3, Direct Testimony of David C. Parcell; OCA Statement No. 4, Direct Testimony of Glenn A. Watkins; and OCA Statement No. 5, Direct Testimony of Roger D. Colton.
- (c) The OSBA served: OSBA Statement No. 1, Direct Testimony of Robert D. Knecht.
- (d) CEO served: CEO Statement No. 1, Direct Testimony of Eugene M. Brady.
- (e) CAUSE-PA served: CAUSE-PA Statement No. 1, Direct Testimony of Mitchell Miller.

8. On May 12, 2017, UGI PNG served the following rebuttal testimony: UGI PNG Statement No. 1-R, Rebuttal Testimony of Paul J. Szykman; UGI PNG Statement No. 2-R, Rebuttal Testimony of Kindra S. Walker; UGI PNG Statement No. 3-R, Rebuttal Testimony of Megan Mattern; UGI PNG Statement No. 4-R, Rebuttal Testimony of Paul R. Moul; UGI PNG Statement No. 5-R, Rebuttal Testimony of Paul R. Herbert; UGI PNG Statement No. 6-R, Rebuttal Testimony of John F. Wiedmayer; UGI PNG Statement No. 7-R, Rebuttal Testimony of David E. Lahoff; UGI PNG Statement No. 8-R, Rebuttal Testimony of Robert R. Stoyko; UGI PNG Statement No. 9-R, Rebuttal Testimony of Chris A. Rossi; UGI PNG Statement No. 10-R, Rebuttal Testimony of Hans G. Bell; UGI PNG Statement No. 11-R, Rebuttal Testimony of Nicole M. McKinney; UGI PNG Statement No. 12-R, Rebuttal Testimony of Theodore M. Love; and UGI PNG Statement No. 13-R, Rebuttal Testimony of Angelina M. Borelli. UGI PNG also served a revised accounting exhibit, UGI PNG Exhibit A – Fully Projected (REVISED).

9. Also on May 12, 2017, I&E served I&E Statement No. 2-R, Rebuttal Testimony of D.C. Patel, and the OCA served OCA Statement No. 4-R, Rebuttal Testimony of Glenn A. Watkins.

10. On May 26, 2017, Parties other than UGI PNG served the following surrebuttal testimony.

- (a) I&E served: I&E Statement No. 1-SRS, Surrebuttal Testimony of Rachel Maurer; I&E Statement No. 2-SR, Surrebuttal Testimony of D.C. Patel; I&E Statement No. 3-SR, Surrebuttal Testimony of Ethan H. Cline; and I&E Statement No. 4-SR, Surrebuttal Testimony of Jessalynn K. Heydenreich.
- (b) The OCA served: OCA Statement No. 1-SR, Surrebuttal Testimony of Dante Mugrace; OCA Statement No. 2-SR, Surrebuttal Testimony of James S. Garren; OCA Statement No. 3-SR, Surrebuttal Testimony of David C. Parcell; OCA Statement No. 4-SR, Surrebuttal Testimony of Glenn A. Watkins; and OCA Statement No. 5-SR, Surrebuttal Testimony of Roger D. Colton.
- (c) The OSBA served: OSBA Statement No. 2, Surrebuttal Testimony of Robert D. Knecht. This testimony was subsequently revised and re-submitted on June 2, 2017 as OSBA Statement No. 2 Revised.
- (d) CEO served: CEO Statement No. 1-SR, Surrebuttal Testimony of Eugene M. Brady.
- (e) CAUSE-PA served: CAUSE-PA Statement No. 1-SR, Surrebuttal Testimony of Mitchell Miller.

11. The active Parties engaged in extensive discovery throughout the proceeding. UGI PNG responded to approximately 775 interrogatories and requests for production of documents, many of which included multiple subparts.

12. As a result of extensive settlement discussions, the active Parties were able to reach a settlement in principle. The active Parties agreed to waive cross examination.

13. An evidentiary hearing was held on June 6, 2017. At the evidentiary hearing, the active Parties moved their respective testimonies and exhibits into the record.³

14. As a result of the efforts described above, the active Parties have agreed to a settlement that fully resolves all issues among them. The Joint Petitioners are in full agreement that the Settlement is in the public interest as a reasonable resolution of their respective interests and should be approved. The Settlement agreed to by the Joint Petitioners is set forth in the following Section III.

III. SETTLEMENT

A. GENERAL

15. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all of the active Parties in this proceeding. The Joint Petitioners agree that the Settlement is in the public interest.

16. The Joint Petitioners agree that UGI PNG's January 19, 2017 distribution base rate increase filing will be approved, including those tariff changes included in and specifically identified in **Appendix A** attached hereto, subject to the terms and conditions of this Settlement specified below:

B. REVENUE REQUIREMENT

17. UGI PNG will be permitted to submit a revised tariff supplement designed to produce an annual distribution rate revenue increase of \$11.25 million, to become effective for service rendered on and after October 20, 2017. The increase in annual distribution rate revenue is in lieu of the as filed net increase of approximately \$21.7 million. The settlement as to revenue requirement shall be a "black box" settlement, except for the items that follow.

³ Complainant Michael Ochs did not appear at the evidentiary hearing or otherwise submit testimony or evidence in this proceeding.

18. Proof of Revenue: Proof of Revenue will be updated to include a total of \$2.583 million of interruptible revenue in present rates and \$2.583 million of revenue for settlement rates for these charges.

19. Environmental:

- (a) This Settlement includes an annual amount of \$1.25 million for recovery of future environmental costs. Annual differences between \$1.25 million and actual expenditures incurred after October 1, 2016 shall be deferred as a regulatory asset (where expenditures are greater than \$1.25 million per year) or as a regulatory liability (where expenditures are less than \$1.25 million on an annual basis) and accumulated for book and ratemaking purposes until UGI PNG's next base rate case in the manner described in the direct testimony of Kindra Walker, UGI PNG Statement No. 2, p. 18.
- (b) This Settlement includes an annual amount of \$639,000 for recovery, over a five-year amortization period, of a \$3.195 million deferred balance of environmental costs that has accumulated pursuant to the deferral reconciliation mechanism authorized by the Commission at Docket No. R-2008-2079660. Any under- or over-amortized balance as of the end of the historic test year in the Company's next general rate filing shall be rolled into the accumulated deferred balance authorized in Paragraph 19(a.)

20. Billing Determinants: Billing determinants will be based on the Company's original filing, UGI PNG Exhibit E, Proof of Revenue.

21. Repairs Allowance: For purposes of determining the revenue requirement in this case, all capitalized repairs deductions claimed on a tax return have been normalized for ratemaking purposes and the appropriate related amount of tax effect of those deductions has been reflected as Accumulated Deferred Income Taxes as a reduction to UGI PNG's rate base.

22. Accumulated Deferred Income Taxes ("ADIT"): UGI PNG's ADIT pro-rationing methodology is adopted.

23. Test Year Plant: The Company shall submit an update to I&E Exhibit No. 3, Schedule 1 as well as UGI PNG's filing requirement Attachment SDR ROR-14, to I&E, OCA, and OSBA no later than January 1, 2018, which update should include actual capital

expenditures, plant additions, and retirements by month from October 1, 2016 through September 30, 2017, and an additional update for actuals from October 1, 2017 through September 30, 2018 shall be filed no later than January 1, 2019.

24. Depreciation Rates: For purposes of this Settlement, UGI PNG's as-filed depreciation rates are accepted.

25. Distribution System Improvement Charge ("DSIC"):

- (a) As of the effective date of rates in this proceeding, UGI PNG will be eligible to include plant additions in the DSIC once DSIC-eligible account balances exceed the levels projected by UGI PNG at September 30, 2018 on UGI PNG Exhibit No. HGB-3. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.
- (b) For purposes of calculating its DSIC, UGI PNG shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities as updated each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

26. Cloud Based program: The Company shall be permitted to capitalize the development costs for cloud-based information systems, as described on pages 16-17 of the direct testimony of Megan Mattern, UGI PNG Statement No. 3, and the Company shall begin depreciation of the costs after the systems are placed in service.

C. REVENUE ALLOCATION/RATE DESIGN

27. The Joint Petitioners agree to the following Revenue Allocation:

Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase
R/RT	152,184	16,108,797	\$ 138,272,302	\$ 146,118,468	\$ 7,846,166	5.7%	69.7%
N/NT	16,243	6,583,326	\$ 33,888,852	\$ 36,178,830	\$ 2,289,978	6.8%	20.4%
DS	439	3,955,641	\$ 9,259,646	\$ 10,108,072	\$ 848,427	9.2%	7.5%
LFD	138	5,422,994	\$ 7,238,568	\$ 7,659,332	\$ 420,764	5.8%	3.7%
XD - Firm	15	132,893,895	\$ 16,684,990	\$ 16,550,361	\$ (134,629)	-0.8%	-1.2%
Interruptible	33	1,214,816	\$ 2,603,597	\$ 2,583,000	\$ (20,597)	-0.8%	-0.2%
Subtotal	169,052	166,179,469	\$ 207,947,955	\$ 219,198,063	\$ 11,250,108	5.4%	
Other Operating Revenue			\$ 2,278,000	\$ 2,278,000	\$ -		
Total			\$ 210,225,955	\$ 221,476,063	\$ 11,250,108	5.4%	

28. Customer Charges:

- (a) Rate R/RT: \$13.25;
- (b) Rate N/NT: \$34.00;
- (c) Rate DS: \$229.00;
- (d) Rate LFD: \$700.00.

29. Block Design: The Company's proposal to eliminate blocked design for Rate R/RT is adopted.

30. Technology and Economic Development ("TED") Rider: The TED Rider is approved as a three-year pilot program. Six months before the end of the three-year pilot program, UGI PNG will report on the economics of the TED Rider. UGI PNG will maintain records of all TED Rider investments and TED Rider negotiated rates. In the event that UGI PNG files a general base rate case during the three-year TED Rider pilot program following the effective date of rates established in this proceeding, UGI PNG will provide information, as part of its initial filing, showing the pro forma rate of return on incremental investment for TED Rider customers as a sub-class in its filed cost of service study.

D. ENERGY EFFICIENCY AND CONSERVATION PLAN

31. The Company's Energy Efficiency and Conservation ("EE&C") Plan is approved as revised below.

32. The Company agrees to allocate the New Construction (“NC”) Program Budget between a Residential New Construction (“RNC”) budget component and a Non-Residential New Construction (“NNC”) budget component. All customers taking service under the N or NT rate classes will be served out of the NNC budget component. All customers taking service under the R or RT rate classes will be served out of the RNC budget component.

33. The Company agrees that, over the five-year term of the EE&C Plan, recoverable utility costs (including incentives, program administration, marketing, inspections and evaluation but excluding portfolio-wide costs) for the non-residential prescriptive (“NP”) program, the non-residential retrofit (“NR”) program and the NNC component of the NC program shall be limited to 55 percent of the overall aggregated costs for the NP program, NR program, and NNC component of the NC program. Grant funding will be considered a source of participant funding. To the extent that UGI PNG deems that utility contributions in excess of 55 percent of overall program costs are required to achieve UGI PNG’s desired participation levels, UGI PNG may voluntarily make the necessary contributions without EE&C cost recovery.

34. The Company agrees that if, at the end of its five-year EE&C Plan, the Company does not achieve a minimum of 75% of the aggregated projected Total Resource Benefit Cost Ratio of the total EE&C Portfolio of 1.29 (inclusive of CHP) as set forth in table 16 of its EE&C Plan, it will forego recovery of 35% of the administrative costs expended by the Company over the five year period of the EE&C Plan. In determining compliance with this provision, any LIURP projects completed using the \$100,000 in EE&C funding identified in Paragraph 36 below, shall be deemed to have a TRC value equal to the average projected residential TRC value of 1.56 identified in the EE&C Plan filing.

35. The Company further agrees that it will not seek to recover in rates EE&C administrative costs in excess of the projections included in its filing.

36. The Company agrees to designate \$100,000 per year of its EE&C Plan, to be collected through the EE&C Rider, for low income projects that will be administered through the Company's Low Income Usage Reduction Program ("LIURP"). The Company also will increase its LIURP budget by \$50,000, which amount will be recovered through the Universal Service Plan ("USP") Rider mechanism. These amounts will take effect on January 1, 2018, are in addition to the increase in LIURP budget agreed to in Paragraph 39 below, and will continue for each year in which the EE&C Plan remains in place.

37. Going forward, UGI PNG will revise written applications and marketing materials for the Energy Efficiency Conservation Plan to inform customers that free, comprehensive usage reduction services are available to income-qualified households and provide a direct phone number to contact UGI PNG to pursue enrollment if the customer believes that they may qualify.

E. UNIVERSAL SERVICES

38. The Company agrees to a base Customer Assistance Program ("CAP") participation of 6,500 participants for the purpose of assessing CAP cost offsets. For any and all CAP customers exceeding the 6,500 participation level on an average annual basis, UGI PNG shall offset the CAP Credits and actual pre-program arrearages by 14.1%.

39. The Company will increase its annual LIURP budget by the percentage distribution rate increase for the residential customer classes reflected in the Revenue Allocation set forth in Paragraph 27 above (\$48,450 [5.7% x \$850,000]).

- (a) This increase in LIURP budget is conditioned on full recovery of LIURP costs through the USP Rider mechanism as proposed by the Company.
- (b) If approved as part of this settlement, the Joint Petitioners agree that this funding increase will take effect on January 1, 2018.

- (c) Annual funds not expended will rollover and be added to the funds available for expenditure in the following year(s).
- (d) The Joint Petitioners agree to not challenge UGI PNG's LIURP funding level in effect for the Company's 2018-2020 USECP period, except in the event that the Company files an intervening base rate case or the Public Utility Commission or the General Assembly take action affecting LIURP, in which case the Joint Petitioners are free to propose any recommendation including an additional increase in LIURP funding.

40. The Company will include in its Universal Service and Energy Conservation Plan ("USECP") a provision to allow customers, and applicants for service, to apply and/or recertify for the Customer Assistance Program ("CAP") over the phone, with provision of supportive documentation through mail or other means (including but not limited to fax, email, or text messaging) that are reasonably available to the Company's Community Based Organization ("CBO") serving that portion of the Company's service territory. In-person appointments with a CBO will remain available to those who choose to apply in person. The Company will indicate in its USECP which means of communication are available for which CBOs.

41. The Company intends to continue to use CBOs to assist in the implementation of its 2018-2020 USECP.

42. The Company agrees to continue to screen for eligibility and/or refer all individuals calling about a payment arrangement or similar credit-related issue to appropriate Universal Service programs.

43. The Company will include the following provisions in its USECP filing to address the repair or replacement of its residential customers' inoperable furnaces within the UGI PNG service territory:

- (a) The Company will request that the Commission explicitly approve a waiver of the LIURP regulation payback requirements for furnace repair or replacement.

- (b) The Company will increase the per-job LIURP funding cap to \$11,000 where furnace replacement is necessary.
- (c) The Company will request that the Commission explicitly approve a waiver of the LIURP high use criteria for customers needing furnace repair or replacement.
- (d) Beginning on January 1, 2018, and subject to Paragraph 44 below, the Company will set aside \$150,000 annually out of the general LIURP budget for furnace repair and replacement projects. For the first two years, any unused amounts will rollover to the next year's budget for furnace repair and replacement projects. Should there continue to be amounts to rollover after two years, any remaining rollover amounts will rollover to the Company's general LIURP budget. The Joint Petitioners agree and understand that these provisions are subject to and conditioned upon Commission approval as part of the Company's USECP.

44. The Company will host an in-person collaborative meeting to discuss inter-utility coordination of LIURP services within six (6) months of the date of settlement, and a second meeting within six (6) months of the first meeting.

- (a) The Company will invite the following groups, organizations, and entities to attend the meeting: all Parties to this proceeding; representatives from PPL Electric; representatives from First Energy; representatives from the Department of Community and Economic Development Weatherization Assistance Program; representatives from the local Community Based Organizations which administer UGI PNG's LIURP.
- (b) One topic for the in-person collaborative meeting will be the repair or replacement of inoperable furnaces. One goal for the collaborative meeting will be to work towards a solution to reduce inoperable gas furnaces in the UGI PNG service territory.
- (c) The Joint Petitioners reserve the right to discuss seeking additional funding for furnace repair and replacement prior to 2020.
- (d) The Company, if it deems appropriate, would seek Commission approval for a USECP change to implement collaborative consensus terms.

45. The Company will propose in its upcoming USECP that it directly provide CBOs with low-income indicated customers lists for direct CAP solicitation, starting in year two of the 2018-2020 USECP. Customers will be informed of their ability to opt-out from provision of their

information to third parties by a general opt-out option on the Customer Information System portal and by information printed on bills.

46. The Joint Petitioners agree that, in addition to the current uses, Hardship Funds through Operation Share may be utilized to pay for reconnection fees for customers or applicants who are otherwise income-qualified for the program, regardless of the customer or applicant's prior or current enrollment in the Company's CAP.

47. Except for Universal Service issues dealt with in this settlement agreement, the Joint Petitioners retain the right to fully participate in the Commission's review of the Company's 2018-2020 USECP, and may provide comment or testimony on any issue which may arise in the course of that proceeding.

F. NATURAL GAS SUPPLIER ISSUES

48. Tariff Rule 20.4 - Maximum Daily Excess Balancing Charge. Reduce the Intentional Imbalances penalty from GDI x 10 to GDI x 5.

49. Tariff Rule 20.5 - Operational Flow Orders and Daily Flow Directives. For failure to comply with Operational Flow Orders and Daily Flow Directives, reduce the penalty charge from \$50.00 per Mcf to \$25.00 per Mcf.

50. Unauthorized Overrun. Rate Schedules LFD and XD (Original Pages 82 and 85). Keep charge for Unauthorized Overruns at \$27.50 per Mcf rather than increasing it to \$50.00 per Mcf.

51. Capacity Assignment:

- (a) The Company's capacity release proposal, as described in UGI PNG Statement No. 13, is approved.
- (b) The Company will hold a collaborative open to all interested parties no later than 30 days from the date of the final order approving this settlement to address any concerns regarding capacity releases.

- (c) Issues pertaining to the assignment of capacity to Rate DS and LFD customers may be addressed in the Company's annual Purchased Gas Cost proceedings or a base rate case.
- (d) Except for issues pertaining to least cost procurement review, any changes to the Company's capacity release program resulting from the collaborative, the annual Purchased Gas Cost proceedings or a base rate case will apply prospectively only.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

52. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense the Parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See id.* § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

53. This Settlement was achieved by the Joint Petitioners after an extensive investigation of UGI PNG's filing, including extensive informal and formal discovery and the filing of substantial testimony by the active Parties.

54. Approval of the Settlement will lessen the time and expenses that the active Parties and the Commission must expend on the proceedings.

55. The Joint Petitioners will further supplement the reasons that the Settlement is in the public interest in their Statements in Support, which are being separately filed by each party. In their respective Statements in Support, each Joint Petitioner explains why, in its view, the

Settlement is fair, just, and reasonable and reflects a reasonable compromise of the disputed issues in this proceeding.⁴

V. SETTLEMENT CONDITIONS

56. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement.

57. If the Commission approves the Settlement, the Joint Petitioners acknowledge and agree that the rates, rules, and proposals set forth in 2017 Base Rate Case filing, as modified by the Settlement, shall be Commission-made rates.

58. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights to evidentiary hearings, submission of additional testimony and exhibits, cross-examination of witnesses, briefing, and argument of their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any Joint Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

59. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Joint Petitioner's position with respect

⁴ It is noted that, because certain Joint Petitioners only participated with regard to certain issues in this proceeding, some of the Statements in Support may be limited in the scope of issues addressed.

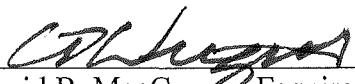
to any issues raised in this proceeding. The terms and conditions of the Settlement are limited to the facts of this specific case and are the product of compromise for the sole purpose of settling this case. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Parties may advance on the merits of the issues in future proceedings. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308, or any other proceeding.

60. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their right to file Exceptions.

VII. CONCLUSION

WHEREFORE, UGI PNG, I&E, OCA, OSBA, CAUSE-PA, CEO, and Direct Energy respectfully request that the Honorable Administrative Law Judge Mary D. Long recommend approval of and the Pennsylvania Public Utility Commission approve this Joint Petition for Approval of Settlement of All Issues.

Respectfully submitted,

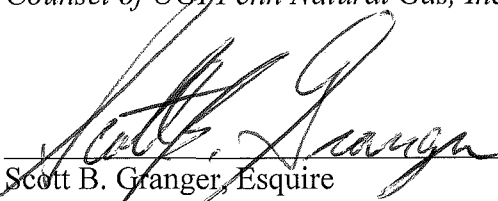


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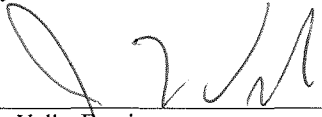
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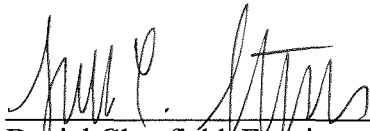
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Appendix A
***Pro Forma* Tariff Supplement**

Original UGI Penn Natural Gas Tariff-Pa. P.U.C. No. 9 and UGI Penn Natural Gas Pa. P.U.C. No.9-S
Superseding UGI Penn Natural Gas Tariff-Pa. P.U.C. No. 8 and UGI Penn Natural Gas Pa. P.U.C.No.8-S

UGI PENN NATURAL GAS, INC.
GAS TARIFF
INCLUDING THE GAS SERVICE TARIFF NO. 9
AND
THE CHOICE SUPPLIER TARIFF NO. 9-S

Rates and Rules
Governing the
Furnishing of
Gas Service and Choice Aggregation Service
in the
Territory Described Herein

Issued: Effective for service rendered on
and after

Issued By:

Paul J. Szykman
Chief Regulatory Officer
2525 N. 12th Street, Suite 360
Post Office Box 12677
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<http://www.ugi.com/png>

NOTICE

UGI PENN NATURAL GAS, INC.

LIST OF CHANGES MADE BY THIS SUPPLEMENT
(Page Numbers Refer to Official Tariff)

Issued:

Effective for Service Rendered on and after

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UGI PENN NATURAL GAS, INC.

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UGI PENN NATURAL GAS, INC.

Description of Territory

The Company's charter territory includes Clinton, Columbia, Lackawanna, Luzerne, Lycoming, Montour, Northumberland, Pike, Snyder, Susquehanna, Union, Wayne and Wyoming Counties, Pennsylvania. Gas service is available in all localities where the Company has pipelines, including all or a portion of the following Cities, Boroughs and Townships:

CLINTON COUNTY

Township

Crawford	Gallagher	Grugan
Wayne		

COLUMBIA COUNTY

Boroughs

Berwick	Briar Creek
---------	-------------

Town

Bloomsburg

Townships

Briar Creek	Mifflin	South Centre
Hemlock	Montour	Scott

LACKAWANNA COUNTY

Cities

Carbondale	Scranton
------------	----------

Boroughs

Archbald	Dunmore	Olyphant
Blakely	Jermyn	Taylor
Clarks Green	Mayfield	Throop
Clarks Summit	Moosic	Vandling
Dalton	Moscow	Jessup
Dickson City	Old Forge	

Townships

Abington	Glenburn	Ransom
Benton	Greenfield	Roaring Brook
Carbondale	Jefferson	Scott
Clifton	La Plume	South Abington
Covington	Madison	Spring Brook
Elmhurst	Newton	West Abington
Fell	North Abington	

UGI PENN NATURAL GAS, INC.

Description of Territory - Continued

LUZERNE COUNTY

Cities

Nanticoke	Wilkes-Barre	Pittston
-----------	--------------	----------

Boroughs

Ashley	Harvey's Lake	Plymouth
Avoca	Kingston	Pringle
Courtdale	Laflin	Shickshinny
Dallas	Larksville	Swoyersville
Dupont	Laurel Run	Sugar Notch
Duryea	Luzerne	Warrior Run
Edwardsville	Nescopeck	West Wyoming
Exeter	New Columbus	Wyoming
Forty Fort	Nuangola	Yatesville

Townships

Bear Creek	Hollenback	Pittston
Buck	Hunlock	Plains
Conyngham	Huntington	Plymouth
Dallas	Jackson	Rice
Dorrance	Jenkins	Ross
Exeter	Kingston	Salem
Fairmount	Lake	Slocum
Fairview	Lehman	Union
Franklin	Nescopeck	Wilkes-Barre
Hanover	Newport	Wright

LYCOMING COUNTY

City

Williamsport

Boroughs

Duboistown	Montoursville	South Williamsport
Montgomery	Muncy	

Townships

Anthony	Jordan	Old Lycoming
Armstrong	Limestone	Penn (Part)
Bastress	Loyalsock	Shresbury (Part)
Brady	Lycoming	Susquehanna
Clinton	Millcreek	Upper Fairchild
Eldred	Moreland	Washington
Fairfield	Muncy	Wolf (Part)
Franklin	Muncy Creek	Woodward
Hepburn		

UGI PENN NATURAL GAS, INC.

Description of Territory - Continued

MONTOUR COUNTY

Borough

Danville

Townships

Cooper
Limestone

Mahoning

Valley

NORTHUMBERLAND COUNTY

City

Sunbury

Boroughs

Milton
Northumberland

Riverside
Turbotville

Watsontown

Townships

Delaware
Lewis Twp.

Point
Turbot

Upper Augusta
West Chillisquaque

PIKE COUNTY

Boroughs

Milford

Townships

Lehman
Dingman

Milford

Westfall

SNYDER COUNTY

Boroughs

Selinsgrove

Shamokin Dam

Townships

Middlecreek

Monroe

Penn

UGI PENN NATURAL GAS, INC.

Description of Territory - Continued

SUSQUEHANNA COUNTY

Boroughs

Forest City	Uniondale
-------------	-----------

Townships

Auburn	Clifford
--------	----------

UNION COUNTY

Townships

Buffalo (Part)	Kelly (Part)	West Buffalo (Part)
East Buffalo (Part)	Union (Part)	White Deer
Gregg	Lewis	

WAYNE COUNTY

Boroughs

Bethany	Hawley	Honesdale
---------	--------	-----------

Townships

Berlin	Clinton	Palmyra
Canaan	Dyberry	Paupack
Cherry Ridge	Oregon	Texas

WYOMING COUNTY

Boroughs

Factoryville	Meshoppen	Tunkhannock
Laceyville	Nicholson	

Townships

Braintrim	Lemon	Northmoreland
Clinton	Mehoopany	Noxen
Eaton	Meshoppen	Overfield
Exeter	Monroe	Tunkhannock
Falls	Nicholson	Washington
Forkston	North Branch	Windham

UGI PENN NATURAL GAS, INC.

DEFINITIONS - GENERAL

Alternate Fuel: Any fuel other than natural gas.

Applicant: Any person, corporation or other entity that (i) desires from the Company natural gas or any other service provided for in this Tariff at a specific location, (ii) complies completely with all Company requirements for obtaining natural gas or any other service provided for in this Tariff, (iii) has filed and is awaiting Company approval of its application for service, and (iv) is not yet lawfully receiving from the Company any service provided for in this Tariff at such location.

Authorized Payment Agent: An agent expressly authorized by Company to accept payments from Customers on behalf of Company.

Automated Meter Reading (AMR): Metering using technologies that automatically read and collect data from metering devices and transfer that data to a central database for billing and other purposes and does not include a Remote Meter Reading Device. All meter readings by an AMR shall be deemed actual readings.

Ccf: 100 cubic feet of gas. This is a measure of gas usage.

CFH: Cubic feet per hour.

CCFD: One Hundred Cubic feet per day.

Chapter 56: The PUC regulations that govern metering, billing and collections for residential gas and electricity service.

City Gate: A point of interconnection between the Company's facilities and third party source of supply.

Combined Billing: The aggregation of the billing determinants of two or more meters of the same Customer at the same location for billing purposes. This applies to only contiguous properties with the same billing/meter read date.

Consolidated Billing: The aggregation of two or more Customer bills to one bill from different service locations or the same service location for ease of Customer receiving one bill for multiple service locations instead of receiving multiple bills. Each meter will be billed under the applicable Tariff rate and will not be considered combined billing. Customer will be required to pay Company to perform such transactions.

Commodity: The gas delivered to a Customer during the billing month.

Company: UGI Penn Natural Gas, Inc.

UGI PENN NATURAL GAS, INC.

DEFINITIONS - GENERAL (Continued)

- Commercial Customer: A Customer who is not classified as an Industrial Customer or a Residential Customer.
- Creditworthiness: An assessment of an Applicant's or Customer's ability to meet bill payment obligations for utility service.
- Critical Day: Any day, determined by company in its sole discretion, when variations in supply or demand could jeopardize the safety or reliability of Company's Gas Service.
- Customer: Any person, corporation or other entity lawfully in receipt of gas service, aggregation and balancing services or interconnection coordination services from the Company under this Tariff.
- Customer Charge: A monthly charge.
- Daily Flow Directive ("DFD"): An order issued by the Company to address system management, including actions necessary to comply with statutory directives and obligations. DFDs will be communicated to affected Customers or NGSs via e-mail if the Customer or NGSs prefer to receive notice in this manner and provide a valid e-mail address, or if no such preference is expressed, either electronically, by telephone, by facsimile, through the use of the media or by an alternate mutually agreed upon method between the Company and the Customer or NGS. Customers and NGSs must provide the Company with a 24-hour contact for DFDs.
- Discontinuance of Service: The cessation of service with the consent of Customer.
- Distribution Charges: Charges to recover the costs the Company incurs to provide the services necessary to deliver natural gas to a Customer from the point of receipt into the Company's distribution system.
- Dth ("Dekatherm"): A measure of the heat content value of gas. Gas usage is determined by multiplying the MCF used by the heat content value of the gas.
- Extension Applicant: Any person, corporation or other entity, whether or not currently receiving from the Company any service provided for in this Tariff, who desires from the Company an extension or expansion of facilities under Section 5 of this Tariff and who complies with all Company requirements for obtaining an extension or expansion of facilities as provided for in this Tariff.
- Gas or Natural Gas: A flammable gas meeting PUC heating value and purity requirements that may include natural gas, synthetic natural gas, propane, landfill gas and any and all natural gas substitutes.
- Gas Service: The furnishing of gas by the Company at the point of delivery regardless of whether the Customer makes any use of the gas.

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UGI PENN NATURAL GAS, INC.

DEFINITIONS - GENERAL (Continued)

Gas Supply or Commodity Charge:	Charges by an NGS or Supplier of Last Resort to recover the cost of procuring natural gas and delivering it to the Company's facilities for redelivery to Customers.
Industrial Customer:	A Customer engaged in the process which creates or changes raw materials or unfinished materials into another form or product.
Interruptible Service:	Natural gas services that can be temporarily discontinued under terms and conditions specified by Tariff or contract.
MCF:	1,000 cubic feet of gas. This is a measure of gas usage.
Natural Gas Supplier ("NGS"):	Any person, corporation or other entity that has received a license from the PUC to supply natural gas supply services to Customers in the Company's service territory and that has met the additional criteria established by the Company to permit it to provide natural gas supply service to Customers.
Non-Critical Day:	Any day determined by Company not to be a Critical Day
Non-Residential Applicant:	An Applicant not classified as a Residential Applicant.
Non-Residential Customer:	A Customer not classified as a Residential Customer, including a Commercial Customer and an Industrial Customer.
Occupant:	A natural person who resides in the premises to which gas service is provided.
Operational Flow Order ("OFO"):	A directive issued by the Company that is reasonably necessary to alleviate conditions that threaten the operational integrity of the Company's system on a critical day, including actions necessary to comply with statutory directives and obligations. OFOs will be communicated as soon as reasonably practical to affected Customers or NGSs via e-mail if the Customer or NGSs prefer to receive notice in this manner and provide a valid e-mail address, or if no such preference is expressed, either electronically, by telephone, by facsimile, through the use of the media or by an alternate mutually agreed upon method between the Company and the Customer or NGS. Customers and NGSs must provide the Company with a 24-hour contact for OFOs.
Point of Delivery:	The outlet of company facilities; usually the meter or regulator outlet.
Price to Compare:	The dollar amount charged by the Company, used by Customers to compare prices and potential savings with other Natural Gas Suppliers.
PUC:	The Pennsylvania Public Utility Commission.

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UGI PENN NATURAL GAS, INC.

DEFINITIONS - GENERAL (Continued)

Remote Meter Reading

Device:

A device which by electrical impulse or otherwise transmits readings from a meter, usually located within a residence, to a more accessible location outside a residence. The term does not include AMR and devices that permit direct interrogation of the meter.

Residential Applicant: An Applicant who is (1) a natural person at least 18 years of age not currently receiving service who applies for residential service, or (2) an adult Occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested. The term shall not include (1) a Residential Customer who seeks to transfer service within the Company's service territory, or (2) a Residential Customer who, within 30 days after Termination or Discontinuance of Service, seeks to have service reconnected at the same location or transferred to another location within the Company's service territory.

Residential Customer: A Customer who is either (1) a natural person at least 18 years of age in whose name a residential account is listed and who is primarily responsible for payment of bills rendered for the service, or (2) any adult Occupant whose name appears on the mortgage, deed or lease of the property for which residential service is requested. A Residential Customer shall be further defined to include a Customer receiving the Company's gas service to a single-family dwelling or building, through one meter to four or fewer dwelling units in a multi-family dwelling, or premises used as a single family dwelling and for one or more business uses, provided the proprietor of the business resides in the single family dwelling, and the business uses less than fifty percent of the anticipated gas usage served through a single meter. Service will be supplied only where the Company's facilities are suitable to the service desired. A Residential Customer shall remain a Customer after Discontinuance of Service or Termination of Service until the final bill for service is past due. The term includes a person who, within 30 days after Termination or Discontinuance of Service, seeks to have service reconnected at the same location or transferred to another location within the Company's service territory.

Supplier of Last

Resort:

The Company or another entity that provides natural gas supply services to Customers that do not elect another supplier or choose to be served by the supplier of last resort, Customers that are refused service from another natural gas supplier, or Customers whose natural gas supplier fails to deliver the required gas supplies. Currently, the Company is the supplier of last resort for all Customers under the terms of this Tariff. Each Customer may only have one supplier of last resort with one exception: The Company shall be under no obligation and shall have no duty to serve as Supplier of Last Resort to any Rate DS, IS, LFD, or XD customers.

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UGI PENN NATURAL GAS, INC.

DEFINITIONS - GENERAL (Continued)

- Tariff: The rates, rules, and regulations set forth herein, as may be amended, modified or superseded from time to time. The Tariff is on file with the PUC and available on the Company's website.
- Termination of Service: The cessation of service, whether temporary or permanent, without the consent of Customer.
- Unauthorized Use of Service: Unreasonable interference or diversion of service, including meter tampering (any act which affects the proper registration of service through a meter), by-passing unmetered service that flows through a device connected between a service line and customer-owned facilities and unauthorized service restoral.
- User Without Contract: A natural person who takes or accepts gas service without the knowledge or approval of the Company, other than the Unauthorized Use of Service as defined above.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**1. THE GAS SERVICE TARIFF**

1.1 Agreements. No agent or employee of the Company has authority to make any promise, agreement or representation not consistent with this Tariff.

1.2 Waiver of Rights. The failure by the Company to enforce any of the terms of this Tariff shall not be deemed a waiver of its right to enforce any of the terms of this Tariff.

1.3 Filing and Posting. A copy of this Tariff is on file with the PUC and is available on Company's website at <http://www.ugi.com/png/>

1.4 Application of Rates: The rates named in this Tariff are based upon supply to one Customer through one meter at the same or contiguous property. Each service to a different location and/or of a different rate classification shall be billed as a separate Customer. Customers who take service at two or more locations on the same or contiguous property under the same rate schedule may, by request, have their use of gas combined for billing purposes; Customers electing to take advantage of this rule shall pay the cost of all additional service connections required unless, in the Company's sole judgment, the Company's investment in such connections is warranted by the revenue anticipated from the service to be supplied. The Company will provide Customers with a written explanation regarding its analysis of the arrangement's economics. Customers may not pool together for purposes of qualifying for a rate schedule.

1.5 Liability and Legal Remedies: The Customer will indemnify, defend and hold harmless the Company against all claims, demands, costs or expenses for loss, damage, or injury to person or property in any manner either directly or indirectly connected with or growing out of the supply or use of gas service by the Customer at or on the Customer's side of the point of delivery. Neither the Company nor the Customer will be liable to each other for any act or omission caused either directly or indirectly by strikes, labor troubles, accidents, litigation, federal, state or municipal laws or interference, or other causes not a result of each party's own negligence or intentional misconduct.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**2. CONTRACT FOR GAS SERVICE**

2.1 Application for Service. Every Applicant for Gas Service must apply through the Company. Non-Residential Applicants may be required to sign a contract for service consistent with this Tariff.

2.2 Right to Reject. The Company may limit the amount and character of service it will supply. It may reject applications where service is not available, or which might affect service to existing Customers, or for other good and sufficient reasons at the Company's sole discretion.

2.3 Facilities and System Access. Each Customer with a Daily Firm Requirement ("DFR") or peak usage capability of 1,000 MCF per day or greater shall provide the Company with the opportunity to review plans for the development of all gas facilities to the Customer's premises (including pipelines, mains, service lines and appurtenances), in order to assure safety and reliability, as follows:

- (a) If the Customer proposes to acquire, construct or contract for the use of service of gas facilities ("Customer gas facilities"), the Customer will provide advance notice to the Company in writing, at least sixty (60) days in advance of the earlier of the effective date of a contract or commencement date for construction of Customer gas facilities.
- (b) The Customer agrees to submit all design and construction specifications and drawings to the Company in advance of construction, which demonstrate compliance with all applicable requirements as to gas main and service construction and pipeline safety. If the Company determines that Customer gas facilities will encroach upon or interconnect with Company facilities, serve common gas utilization equipment with Company facilities or are in the immediate vicinity of Company facilities such that the safety of Company facilities may be adversely affected thereby, the Company shall have the right to approve the design and location of such Customer gas facilities. The Company shall act upon its right to approve such Customer gas facilities within ninety (90) days after the later of submission of all design and construction specifications and drawings to the Company, or Customer notification required under Rule 2.3(a).
- (c) If the full sixty (60) -day notice required in Rule 2.3(a) is not given by the Customer then the Customer shall be deemed to have granted the Company full authority to discontinue service upon discovery of any safety or reliability concerns. The Company will provide 24 hours' notice unless there are reliability or safety issues that must be addressed immediately. The Company shall not be liable for any costs or damages caused by such service discontinuance.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**2. CONTRACT FOR GAS SERVICE - Continued**

2.4 Selection of Rate Schedules. When the characteristics of usage or service conditions of an Applicant or Customer are such that more than one rate schedule is available, the Applicant or Customer shall select the schedule to be applied. Upon request, the Company will assist to a reasonable extent in selecting the most advantageous schedule. For Customers changing schedules, the Company will bill the Customer under the selected rate beginning with the date of the next scheduled meter reading following notification of the selected rate. When service under a Demand Charge rate commences prior to the installation of equipment for determining the Customer's demand, the Customer's demand for billing purposes will be estimated by the Company.

2.5 Use of Gas. The use of gas shall only be for the purpose and in the places identified by the customer in applying for service. The gas supplied by the Company shall not be resold without the express written permission of the Company. In the event that the Customer uses the gas in an improper or unsafe manner, in violation of this Tariff or any applicable federal, state or municipal laws or codes, the Company may immediately terminate service as described in the Service Discontinuation and Termination section of this Tariff. In the event that any loss is sustained as a result of Customer's improper or illegal use of the gas, the Customer agrees to indemnify, defend and hold harmless Company. The Company will not supply gas for any additional equipment, or any increased usage for any Customer, unless request was filed with the Company prior to the connection or increased usage. The Company reserves the right to limit or discontinue Gas Service or charge Customer upgrade installation charges in order to provide additional Gas Service. Customer is responsible for any loss of Gas Service to other Customers caused by failure to register.

2.6 Distribution System Bypass. Unless otherwise provided by contract, if any Customer or potential Customer of the Company bypasses the Company for all or a portion of their Natural Gas Service needs then the Company thereafter shall have no obligation to serve or maintain the gas supply or physical capacity necessary to serve the Bypass portion of such Customer load, provided, however, that the Company will continue to serve the un-bypassed portion of a bypassing Customer's load consistent with the terms of any existing service agreement and will negotiate new service agreements to continue service so-long as the anticipated revenues justify any costs of providing the service. In addition, to the extent that such Customer returns from a total bypass, the Company shall serve such Customer as a new Customer and shall have the right to charge a negotiated rate for continued, subsequent or standby service that, at a maximum, is established solely by competitive market conditions, which shall reflect the costs of the Customer's alternatives.

2.7 Conditions Under Which Service Will Be Rendered From Transmission or Gathering Lines. The Company does not undertake or hold itself out to serve Customers from its transmission or gathering lines. Applications for service therefore may, at the election of the Company, be accepted where the lines are being operated in a manner which will permit gas to be served to the Applicant without interference with its operations. Applicants, if accepted by the Company, must agree to comply with the Rules and Regulations of the Company and more particularly the following rules applicable to this type of service:

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UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**2. CONTRACT FOR GAS SERVICE - Continued**

(a) Applicants agrees that service is only offered with the understanding that the Company's line from which gas is to be supplied is not permanent and that service to the Applicant is subject to temporary or absolute change or discontinuance at the sole discretion of the Company, which may at any time remove, repair, or change the use or manner of operating said line.

(b) Applicants agrees that the Company may at any time cancel service upon thirty (30) days' written notice to the Applicant and Applicant agrees that upon receipt of such notice of cancellation to promptly discontinue service within the said thirty (30) day period, and such cancellation and termination of service shall not be construed as an abandonment of service to such Customer within the meaning of the Pennsylvania Public Utility Code.

(c) The Applicant agrees to accept the gas at the varying pressures at which the line is operated from time to time and Applicant understands that such pressure is not governed by regulators but it is high and low and the Applicant expressly assumes the duty of regulating the flow of the pressure of gas delivered to him and he assumes all risks from variation in pressure, defects in pipe, connections and appliances, from the escape and leakage of gas, from the sticking of valves and regulators and from the burning of gas on his premises and from like causes incident to the use of gas.

(d) The Company shall not be liable for any deficiency in the supply of gas caused by the use of compressing stations, breakage of lines, variations in pressure, discontinuance of service or any other causes.

(e) The Company shall not be liable for any damage arising out of this agreement or the service supplied thereto.

(f) Service shall be at the sole risk of the Customer.

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RULES AND REGULATIONS**3. GUARANTEE OF PAYMENT**

3.1 Deposits for Non-Residential Accounts. A cash deposit may be required from a Non-Residential Applicant to secure payment of bills for regulated distribution service. In addition, the Company may require a deposit, letter of credit or other adequate assurance of payment, or any combination thereof, from a Non-Residential Customer if the Non-Residential Customer has been delinquent in payment of any bill in the preceding twelve (12) months or the Company otherwise has reasonable grounds to require security for payment of bills. The deposit shall not be more than the bill for regulated distribution service for the estimated usage for one average monthly billing period plus that for the highest billing period within the most recent twelve (12) months with a minimum fifty dollars (\$50.00) deposit.

3.2 Additional Security from Large Volume Customers.

- (a) Whether or not the Company could otherwise require security for payment, the Company may require a deposit, letter of credit, other adequate assurance of payment, or any combination thereof, to the extent the Customer seeks any combination of delivery or retail service for volumes in excess of 3,000 MCF per month. Such security may be established for an amount as determined by the Company.
- (b) In addition, the Company may take one or more of the following actions:
- (1) With the agreement of the Customer, reduce the meter reading and billing period to less than one month, require payment in no less than three calendar days from billing.
 - (2) Require payment by certified check or wire transfer; and
 - (3) Impose other procedures reasonably designed to reduce potential exposure to credit risk.
- (c) The Company may, in its discretion, specify the manner in which security and payments shall be credited and applied to past due or current bills or to replenish security.

3.3 Deposits for Residential Accounts. The Company may require a cash deposit from a Residential Applicant or Residential Customer to secure payment of bills for regulated distribution service based upon the following:

(a) A Residential Applicant or Residential Customer whose service was terminated for any of the following reasons:

- (1) Nonpayment of an undisputed delinquent account.
- (2) Failure to complete payment of a deposit, providing a guarantee or establish credit.
- (3) Failure to permit access to meters, service connections or other property of Company for the purposes of replacement, maintenance, repair, or meter reading.
- (4) Unauthorized Use of Service on or about the affected dwelling.
- (5) Failure to comply with the material terms of a payment arrangement.
- (6) Fraud or material misrepresentation of identity for the purposes of obtaining utility service.
- (7) Tampering with meters, including, but not limited to, bypassing a meter or removal of an automatic meter reading device or other Company equipment.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**3. GUARANTEE OF PAYMENT - Continued**

(8) Violating tariff provisions on file with the PUC so as to endanger the safety of a person or the integrity of the Company's delivery system.

(b) Any Residential Applicant who is unable to establish creditworthiness to the satisfaction of Company through the use of a generally accepted credit scoring methodology which employs standards for using the methodology that falls within the range of general industry practice and specifically assesses the risk of utility bill payment.

(c) A Residential Customer who fails to comply with the material terms or condition of a settlement or payment arrangement.

(d) A Residential Customer who has been delinquent in the payment of two (2) consecutive bills, or three (3) or more bills within the preceding twelve (12) months.

(e) The Company has established separate credit procedures and standards for Residential Applicants and Residential Customers who are victims with a protection from abuse order or for whom there is a court order from a court of competent jurisdiction in this Commonwealth, which provides clear evidence of domestic violence against the Residential Applicant or Residential Customer. These procedures shall be publicly posted on the Company's website and maintained on file in each of the business offices of the Company and made available, upon request, for inspection by members of the public.

3.4. Amount of Deposit for Residential Accounts. For Residential Applicants, the amount of the cash deposit shall not be more than 1/6 of a Residential Applicant's estimated annual bill, with such estimated annual bill determined at the time the deposit is required. In lieu of a cash deposit from a Residential Applicant, the Company may accept a written third-party guaranty on behalf of the Residential Applicant, provided that the guarantor establishes credit with the Company under Section 3.3 and the terms of the written guaranty are approved in writing by the Company, with such approval not to be unreasonably withheld. For Residential Customers, the amount of the cash deposit shall not be more than the estimated charges for service based on the Residential Customer's prior consumption for the period equal to one average billing period plus one average month, not to exceed two (2) months.

3.5 Payment Period for Deposits.

(a) Any Non-Residential Applicant seeking to establish service at a new or different service location or seeking to reconnect service at the same service location previously terminated or discontinued, shall pay the required deposit in full prior to the provision of service.

(b) Any Residential Applicant or Residential Customer seeking to establish service at a new or different location or seeking to reconnect service at the same service location previously terminated or discontinued shall pay the required deposit in full within 90 days. A Residential Applicant or Residential Customer may elect to pay the required deposit in three installments as follows: 50% of the required deposit billed upon the establishment or reconnection of service, within

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**3. GUARANTEE OF PAYMENT - Continued**

25% of the required deposit to be billed by the Company 30 days after the establishment or reconnection of service and the remaining 25% billed 60 days after the establishment or reconnection of service. Nothing shall preclude the Residential Applicant or Residential Customer from electing to pay the deposit in full before or on the due date.

(c) Any Customer receiving service from the Company shall pay the required deposit in full on or before the due date. A Residential Customer may elect to pay the required deposit in three installments as follows: 50% of the required deposit billed upon the determination by the Company under Section 3.3(c) or (d) above that the deposit is required, with 25% to be billed by the Company 30 days after the determination and the remaining 25% billed 60 days after the determination.

3.6 Deposit Hold Period for Residential Accounts. A timely payment history is established for a Residential Customer when the Residential Customer has paid in full and on time for twelve (12) consecutive months. Company may hold a deposit on a Residential Customer's account until a timely payment history is established (the "Deposit Hold Period"). At the end of the Deposit Hold Period Company shall credit the deposit, plus accrued interest, to the Residential Customer's account. Deposits credited after the end of the Deposit Hold Period shall first be applied to any past due amounts. If service is terminated or discontinued before the end of the Deposit Hold Period, Company shall deduct any outstanding balance from the deposit and return any positive balance to the Residential Customer within sixty (60) days.

3.7 Refund Provision Non-Residential Customers. Deposits secured from Non-Residential Customers will be refunded when the Customer discontinues service and has no unpaid bills or at Company's sole discretion.

3.8 Adjustments. The amount of the deposit may be adjusted when there is a change in consumption that will significantly change the amount of the deposit as computed in Rule 3.1 and 3.4.

3.9 Interest on Deposits. Deposits from all Customers shall bear interest computed at the simple annual interest rate determined by the Secretary of Revenue for interest on underpayment of tax under Section 806 of the Act of April 19, 1929 (P.L. 343, No. 176), known as The Fiscal Code which will be credited annually to the Customer's deposit or account. The interest rate in effect when the deposit is required to be paid shall remain in effect until the later of the date the deposit is refunded or credited or December 31 of each year. On January 1 of each year, the new interest rate for that year will apply to the deposit. Deposits shall cease to bear interest upon termination or discontinuance of the service covered by the deposit.

3.10 Prior Debts.

(a) Non-Residential Accounts. As a condition of furnishing, transferring or reconnecting service to a Non-Residential Applicant or Non-Residential Customer, the Company may require payment of any outstanding balance on any account for which the Non-Residential Applicant or Non-Residential Customer is legally responsible.

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RULES AND REGULATIONS**3. GUARANTEE OF PAYMENT - Continued**

(b) Residential Accounts. As a condition of furnishing, transferring or reconnecting service to a Residential Applicant or Residential Customer, the Company may require payment of any outstanding balance which accrued within the past four years on any account for which the Residential Applicant or Residential Customer is legally responsible. The foregoing four-year limitation shall not apply if the outstanding balance includes past due amounts that the Company was not aware of due to Unauthorized Use of Service, fraud or theft; in which case, the Company may require payment of all such past due amounts without regard to the four-year limitation. The Company may render a make-up bill to a Residential Customer for previously unbilled service which accrued within the past four (4) years resulting from billing error, meter failure, leakage that could not reasonably have been detected or loss of service. If the make-up bill exceeds the otherwise normal estimated bill for the billing period during which the make-up bill is issued by at least 50% or at least \$50, whichever is greater, the Company shall, at the option of the Customer, amortize the bill at least as long as: (1) the period during which the excess amount accrued; or (2) necessary so that the quantity of service billed in any one billing period is not greater than the normal estimated quantity for that period plus 50%.

(c) The Company may utilize all means of determining an Applicant's or Customer's liability for any outstanding balances, including, but not limited to, the following: (1) use of Company records that contain confidential information previously provided to the Company, (2) information contained on a valid mortgage, lease or deed, (3) other information contained in the Company's records that indicate that the Applicant was an adult Occupant during the time the balances accrued, (4) use of commercially available consumer credit reporting service, (5) use of commercially available skip tracing software that contains records of names and addresses, and (6) use of information contained in credit reporting data utilized by the Company.

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RULES AND REGULATIONS**4. SERVICE - SUPPLY FACILITIES**

4.1 Facilities Ownership. Unless otherwise mutually agreed in writing that particular facilities are owned by the Customer, and except as provided in Sections 4.3 below, the Company will own and maintain any facilities required for the supply of Gas Service up to the outlet side of its metering equipment, including but not limited to, any mains, service lines, meters, regulators, connections or other equipment. All such equipment shall remain the exclusive property of the Company.

4.2 Facilities Location. The location of the Company's facilities shall in all cases be determined by the Company. The Customer shall provide, without charge, a suitable place for the meters, regulators or other equipment of the Company. The Customer is responsible to provide the connection point to the Customer's fuel line at a location adjacent to the terminus of Company facilities and where the connections are not concealed. Such service line, meter and connection locations shall be accessible to the Company's employees for the safe installation, operation, inspection and maintenance of the facilities and shall be, at all times, readily accessible, and if inside, free of excessive temperature variations, with ample passageway, and whether inside or outside, free of obstacles, and unsafe and hazardous conditions and, if not accessible, the Company has ability to charge the Customer to move facilities to a location acceptable to the Company. The owner of a premises receiving or capable of receiving natural gas service from Company shall be deemed to consent to the location of Company facilities on the premises.

4.3 Customer Convenience Valve. Company may, in its sole discretion, install a valve on the outlet side of its metering facilities which shall be owned by the owner of the premises ("Customer Convenience Valve"), and the owner of the premises may, under such conditions as may reasonably be established by Company, operate the Customer Convenience Valve after it is connected to the premise's fuel lines.

4.4 Fuel Line Designation. When two or more meters are installed on one premises, such as an office building or an apartment house, they shall be grouped at one common place accessible for reading and testing. In such an installation, each fuel line pipe shall bear a tag showing the apartment or area served, supplied by and maintained by the Customer. In cases where it is not possible to group meters at one accessible place, they shall be located as directed by the Company.

4.5 Facilities Relocation.

- (a) Changes in location of mains, service lines, meters, regulators, connections or other equipment for the accommodation of the Customer shall be done by the Company, unless otherwise mutually agreed, at the expense of the Customer. This provision includes the relocation of facilities by the Company where obstructions limit Company access to its facilities.

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RULES AND REGULATIONS**4. SERVICE - SUPPLY FACILITIES - Continued**

(b) Ancillary Fuel Line Work. The Company may, in its sole discretion, when relocating its facilities, make reasonable modifications or additions to the fuel lines of a premises receiving or capable of receiving gas service for the limited purpose of connecting such fuel lines to Company's relocated facilities, and the owner of the premises shall thereafter own and have responsibility for such modified fuel lines. If Company relocates its facilities solely for its convenience or to comply with regulatory requirements it shall pay the costs of relocating or extending the fuel line; otherwise, unless otherwise agreed by Company, the person requesting or requiring the relocation shall be responsible for payment.

4.6 Right of Removal. The Company shall have the right to remove its facilities from the premises of the Customer or, where appropriate, abandon facilities in place, at any time after the termination of service, whatever may have been the reason for such termination.

4.7 Non-Standard Service. The Customer may be required to pay the cost of any special installation necessary to meet Customer's requirements for Gas Service at non-standard conditions.

4.8 Protection of Company Facilities. The Company may condition its provision or continued provision of Gas Service to a Customer on: (a) installation by Customer of equipment, such as check valves or regulation equipment, downstream from Company-owned facilities reasonably necessary to protect Company facilities or service levels, or (b) the installation by Company of equipment, such as valves designed to limit the flow of gas to levels Customer is permitted to receive, reasonable necessary to protect Company facilities or service levels. Unless otherwise agreed to by the Company, the Customer shall be responsible for the costs of such facilities required under this Section 4.8.

RULES AND REGULATIONS**5. EXTENSION REGULATION**

5.1 Obligation to Extend or Expand. Under the rules set forth below and under normal conditions of construction and installation, upon written application, the Company will extend or expand its facilities within its service territory, provided that (a) the requested extension or expansion will not adversely affect the availability or deliverability of gas supply to existing customers and (b) the Company's investment in facilities is warranted by the Annual Base Revenue to be derived from the extension. The costs of extending or expanding facilities beyond that Company's Allowable Investment Amount shall be paid by the Extension Applicant as a contribution.

5.2 General

- (a) Annual Base Revenue. As used in this Section 5, the Annual Base Revenue is the anticipated annual base rate revenue from the extension or expansion, as determined by the Company, less the cost of fuel included in base rates. Where gas is used as a supplemental source of fuel for peak heating purposes, anticipated base revenues from such use shall be excluded from Annual Base Revenue.
- (b) Allowable Investment Amount. The Company's Allowable Investment Amount shall be the Annual Base Revenue divided by a predetermined rate of return.
- (c) Estimates and non-standard costs. Cost estimates used by the Company may be based on construction and installation conditions anticipated for the extension, including, but not limited to, the cost of installation and construction, non-street surface restoration, such as replacement or repair of sidewalks, driveways, landscaping or sod, street opening and restoration terms and fees, and any other local government fees required for the installation. The Company may determine cost estimates based on average experienced unit costs.
- (d) Surface Restoration. The Company will restore the street surface in accordance with applicable local government regulations and provide rough backfilling of the installation trench from the curb to the meter. The Extension Applicant will be required to perform or pay the Company's cost of non-street surface restoration
- (e) Standard conditions of construction in a residential development, commercial park and industrial park include trenching provided by the developer.

5.3 Residential and Small Commercial Gas Service. For Gas Service to individually-metered, single dwelling units, the Company will install required service facilities, including, as applicable, a meter, regulator, service-supply pipe and supply-main, provided the costs in excess of the Allowable Investment Amount shall be paid by the Extension Applicant.

5.4 Commercial and Industrial Gas Service (including apartment buildings and multi-unit housing)

RULES AND REGULATIONS**5. EXTENSION REGULATION -Continued**

(a) For commercial and industrial Gas Service costing up to \$10,000 from which the Company in its sole judgment anticipates long-term, continuous usage at projected volumes, the Company will install, required service facilities, including, as applicable, a meter, regulator, service-supply pipe and supply-main, provided that the costs in excess of the Allowable Investment amount shall be paid by the Extension Applicant.

(b) The Company may condition its agreement to extend or expand its facilities upon satisfactory long-term and short-term usage commitments and any other terms and conditions of service as are mutually agreeable to the Company and the Extension Applicant. A contribution may be required up to the amount of the Company's total investment in the extension.

5.5 Contributions and Refunds

Except as otherwise described herein, when a contribution is required by the Company, the terms and conditions of refunds and or future payments that may be required of the Extension Applicant will be governed by the service agreement between the Company and the Extension Applicant. The terms of any refund due to the Extension Applicant shall be defined in the service agreement and shall be limited to a maximum refund of the amount of the original contribution (no interest) and shall be limited to the five-year period immediately following completion of this extension.

5.6 Taxes on Contributions for Construction & Customer Advances.

Any contribution, advance or other like amounts received from the Extension Applicant which shall constitute taxable income as defined by the Internal Revenue Service, will have the income taxes recorded in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a contribution or advance will not be included as part of the contribution or advance charged to the Extension Applicant.

5.7 Daily Metering.

The Company reserves the right as a condition of service under non-residential Tariff rate schedules to install, at the Customer's expense, remote read devices for the purposes of monitoring and/or billing Customer volumes, at every single meter or multimeter location served under such rate schedules. The Customer shall at all times, at the discretion of the Company, maintain, at its expense, a suitable telecommunication and electric lines to the device which will allow the Company unlimited remote access to the remote read device. If the Customer fails to maintain a suitable telecommunication connection and electric lines to the device, the Company reserves the right to install and maintain telecommunication and, as applicable, electric lines to serve the remote read device and charge the Customer accordingly.

Standard access to daily usage information shall be provided by the Company to the Customer, or Customer's agent, at no additional charge in a form and manner as specified by the Company. Custom reports, access to historical data beyond one month and/or multiple user access may be provided on an as-available basis by the Company for an additional fee.

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RULES AND REGULATIONS**5. EXTENSION REGULATION -Continued**

5.8 - Pilot Growth Extension Tariff ("GET Gas") Rider

5.8.1 Availability and Purpose. In lieu of the extension rules set forth in Rules 5.1-5.7, the following GET Gas tariff rules may apply. These GET Gas tariff rules will be applied to eligible customers as part of a five-year pilot program, unless suspended or terminated earlier pursuant to Rule 5.8.4 or Commission order.

The GET Gas pilot program is designed to test new tariff rules to facilitate the extension of natural gas service to the general class of residential homes and non-residential buildings, not currently receiving natural gas distribution service, which:

- (a) are in an Unserved Area (a small group or pocket of customers in a neighborhood location in close proximity to an existing main) or an Underserved Area (a significant portion of a general community or town location or municipality where the Company has identified significant potential for natural gas service demand and existing natural gas facilities are located within a reasonable distance);
- (b) are reasonably expected over time to reach target customer saturation levels which will produce revenues, including GET Gas Rider charges, that will support required investments and not unduly burden existing customers; and
- (c) otherwise meet the applicable requirement conditions of the GET Gas program.

Under the GET Gas Program, the Company may designate Company facilities extended to an applicant or applicants, as "GET Gas Facilities" and will assess an incremental GET Gas Rider charge amount related to the recovery of GET Gas amounts, as determined on a general class basis, from the class of customers who may connect to these GET Gas facilities during an initial twelve-year period.

5.8.2 Designation. Subject to the funding limitations set forth in Rule 5.8.5, Company may apply the GET Gas program tariff rules to service extension requests which exceed a cost of \$15,000 from an Underserved Area or an Unserved Area reasonably designated by Company, where:

- (a) there is, in the Company's sole discretion, a reasonable prospect that (i) fifty percent (50%) or more of existing residential homes along the GET Gas project facility extension route or area will convert their primary heating source to natural gas and directly connect to the GET Gas facilities within 12 years ("GET Gas Customers"); and
- (b) the estimated total investment for each GET Gas Customer to be connected does not exceed \$10,000 (inclusive of any projected commercial customers).

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RULES AND REGULATIONS**5. EXTENSION REGULATION - Continued**

5.8.3 Get Gas Rider. Customers receiving service by connections to Company facilities designated by Company as GET Gas pursuant to Rule 5.8.2 within an initial twelve years following installation, and which receive service under Rate Schedules R, RT, N or NT, shall be required to pay GET Gas Rider charges listed below as part of distribution service for a period of ten years, beginning from the first date the meter is set. GET Gas Rider charges will not be considered Basic Natural Gas Service Charges during the Pilot Period. Non-residential customers subject to the GET Gas Rider charge, as determined by the Company in its sole discretion, may not avoid the charge by electing an alternate rate schedule. In lieu of paying the monthly GET Gas Rider charges, Customers may elect at any time to pay a lump sum upfront payment equal to the remaining principal portion of the GET Gas surcharge. The lump sum upfront payment made by Non-Residential Customers shall be based on anticipated annual customer usage, as determined by the Company in its sole discretion.

GET Gas Rider Rate:

Rate Schedules R and RT: \$44.90 monthly charge

Rate Schedules N and NT: \$23.01 monthly charge plus \$2.71 per Mcf for all usage.

5.8.4 Limitations. If the differential between Average Residential Annual Natural Gas Costs per MMBtu and Average Residential Annual Heating Oil Costs per MMBtu drops and remains below \$10.00 per MMBtu for two consecutive quarters (with such calculations performed for the quarters ending March, June, September and December), the Company will evaluate whether to continue to invest in new GET Gas facilities based on market specifics at that time, except that the Company will continue to invest in (a) service connections to GET Gas Facilities that are already installed or (b) GET Gas projects that are currently underway or have been committed to by the Company.

For purpose of the above limitation:

Average Residential Annual Heating Oil Costs per MMBtu = (twelve-month future period average of NYMEX "HO" Contract) plus (delivery variable); and

Average Residential Annual Natural Gas Costs per MMBtu = (All applicable Rate R volumetric rates and riders) plus (All applicable Rate R monthly charges, excluding the monthly GET Gas Rider, divided by the current average annual residential volumes)

Company also reserves the right to temporarily close or to terminate the program at its discretion for good cause.

5.8.5 Funding. Funding for this pilot GET Gas tariff program shall be limited to an annual average level of \$5 million for the duration of the five-year pilot term, with total funding not to exceed \$25 million, absent Commission approval to exceed these amounts.

RULES AND REGULATIONS**6. CUSTOMER'S RESPONSIBILITY FOR COMPANY'S PROPERTY**

6.1 Maintenance of Company Equipment. Company shall own and maintain Company facilities through the Point of Delivery, but shall not be required to install or maintain any pipes, appurtenances or equipment beyond that point, unless specifically provided for in writing.

6.2 Access to Premises. The authorized agents and/or employees of the Company shall have free access at all reasonable times to the premises of the Customer for the purpose of reading meters and disconnecting service, for installing, testing, inspecting, repairing, adjusting or removing any Company property. Authorized agents of the Company shall have immediate access to any premises whenever they believe an unsafe or hazardous condition exists.

6.3 Protection by Customer. The Customer shall be responsible at Customers expense for the protection of the Company's property on his premises, and shall not permit any unauthorized person to do any work on such property. In the event of damage or destruction of Company's facilities on Customer's property, the Customer shall pay the costs of repairs, replacement, and/or related costs.

6.4 Tampering and Theft of Service

(a) Tampering. In the event the Company's meter or other equipment is tampered or interfered with, the Customer shall pay the amount which the Company may estimate is due for service used but not registered on the Company's meter, and for any repairs or replacements required, as well as for costs of inspections, investigations, and protective installations. Such tampering will be grounds for immediate termination of service without notice as specified in the Termination of Service and Disconnection section of this Tariff.

(b) Theft of service occurs when a person obtains gas, by deception, tampering with Company facilities or other means designed to avoid payment for gas provided by Company. Persons who obtain gas through such means may be subject to civil suit and/or criminal prosecution. If theft of service occurs, the Company may immediately terminate service to the location receiving the unauthorized service.

(1) Before service will be restored to the affected location, the Customer must pay (1) for all gas consumed during the period of unauthorized usage, (2) any delinquent gas service balance, including late fees, (3) reconnection fees, (4) a security deposit, and (5) the costs associated with damage to the Company's meters or equipment.

(2) In the event that the theft of service is referred for criminal prosecution, the Company may deny gas service until the case is concluded and any restitution ordered is paid.

RULES AND REGULATIONS**6. CUSTOMER'S RESPONSIBILITY FOR COMPANY'S PROPERTY - Continued**

6.5 Continuity of Service. The Company will endeavor at all times to provide reasonable and continuous service to the Customer. The sole liability of the Company for failure to furnish a sufficient supply of gas or for failure to transport Customer's gas shall be limited to an amount equal to the Customer's proportionate monthly Customer charge for the period of time during which a Gas Service failure occurs during which a supply failure occurs. In no event shall the Company be liable for direct, extraordinary, special, or consequential damages arising in any manner whatsoever as a result of supply failure.

6.6 Notification of Construction. It will be the Customer's responsibility to notify the Company and any applicable federal, state or local agencies (i.e., Pennsylvania's One Call System, Inc.) prior to digging or before any construction occurs on the Customer's property that may impair or prevent access by the Company to its service line or any other equipment located on the Customer's property.

6.7 Gas Leaks. It is the responsibility of the Customer to exercise all due care in the detection of defects, leaks, or other dangerous developments incident to the handling of gas. The Customer agrees to immediately inform Company of any gas leaks and in the event of any resulting loss thereof, failure to do so may result in an evidentiary finding of contributory or comparative negligence on the part of the Customer.

6.8 Suspension of Service. For the purpose of making repairs to the mains or other parts of its system, the Company may suspend service for such periods as may in its sole judgment be necessary.

6.9 Company's Right to Inspect. Piping, fixtures and appliances on Customer's premises must be installed at the expense of the Customer or owner of the property. The Company shall have the right, but shall not be obligated, to examine the Customer's installation and appliances at the time service is first supplied or at any later time. If at any time the installation or appliance is found defective or unsafe, service may be refused or discontinued until Customer has the condition corrected. The Company's inspection, or failure to inspect or reject, shall not render the Company liable or responsible for any loss or damage, resulting from defects or inadequacies in the installation, piping, or appliances, or from violation of the Company rules, or from accidents which may occur upon the premises of the Customer.

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RULES AND REGULATIONS**7. METER READING**

7.1 Definition of a Cubic Foot. A cubic foot shall be the amount of gas that occupies a volume of one cubic foot at an absolute pressure of 14.73 pounds per square inch and a temperature of 60° Fahrenheit. To determine the volume at conditions other than standard pressures of gas delivered, factors such as those for pressure, temperature, specific gravity, caloric value, and deviation from the laws of ideal gases may be applied.

7.2 Method of Measurement. Gas usage shall be measured by Company owned meters.

7.3 Pressure Correction. At the Customer's request, the Company may allow delivery at an elevated pressure that exceeds the standard pressure of seven-inches water column (7" W.C.). In situations where delivery pressure is two pounds per square inch or greater, the Company may choose to use a fixed factor to account for the higher energy content of the higher pressure gas, whereby the metered volume is multiplied by the pressure factor to determine the correct energy consumed. In cases where the Company agrees to provide delivery service at such an elevated pressure without a fixed factor, a supplemental device will be installed at the Customer's expense to correct the meter reading for pressure and temperature, the cost of which shall be estimated, inclusive of overhead amounts, however, the Company and Customer may negotiate cost responsibility for installation of pressure mechanisms upon mutual agreement. The Company may reject a Customer's request for non-standard service at elevated pressure for system operational reasons, where the Customer does not agree to pay the cost for non-standard service, where applicable, under Rules 4.7, 5.3 or 5.4(a), or for any other reason that the Company may determine at its sole discretion.

7.4 Meter Tests. The Company may, from time to time and at its expense, inspect and test its meters. The Customer has the right to have the Company test the meter in service at the Customer's premises, and, upon written request, the Company will, as applicable, remove, seal and test the meter in accordance with the Gas Service Regulations of the Pennsylvania Public Utility Commission ("Regulations") or secure an in-person meter reading to confirm the accuracy of an automatic meter reading device when a customer disconnects service or a new service request is received. Together with the written request for a meter test, the Customer shall deposit with the Company the meter testing fee specified by the Regulations. If the meter tests within the accuracy limits specified by the Regulations, the meter shall be deemed for all purposes to have registered accurately. In such case, no billing adjustment shall be made and the meter testing fee deposited with the Company shall be credited to the Company.

7.5 Adjustment for Meter Error. If any meter becomes defective or fails to test accurately, an adjustment will be made to the Customer's bill in accordance with the Regulations and the meter testing fee deposited with the Company shall be refunded to the Customer.

7.6 Meter Test Fees. The Company may assess the following service charges:

Meter Size:	0 - 500 CFH	\$10.00
	501 - 1500 CFH	\$20.00
	Over - 1500 CFH	\$30.00

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RULES AND REGULATIONS**8. BILLING AND PAYMENT**

8.1 Billing Month. Bills are rendered monthly. The Company normally reads meters monthly. However, at its option, the Company may read meters once every two months. In instances where meters are read every two months, the first month's bill will be based on an estimate of the consumption for the first month of the bi-monthly period. Bills are due when rendered and shall be considered as received by the Customer when left at, or mailed to, the address where service is rendered, or such other address as designated by the Customer. A billing month is the period upon which a Customer's monthly charges and consumption are computed and for which a bill is rendered. For Residential Customers, the billing month is a period of not less than 26 or greater than 35 days. An initial bill for a new Residential Customer may be less than 26 days or greater than 35 days; provided however, if an initial bill exceeds 60 days the Residential Customer shall be given the opportunity to amortize the amount over a period equal to the period covered by the initial bill without penalty. A final bill due to the discontinuance may be less than 26 days or greater than 35 days but may never exceed 42 days. In cases involving termination, a final bill may be less than 26 days. In addition, bills for less than 26 days or more than 35 days shall be permitted if they result from rebilling initiated by the Company or Customer dispute to correct a billing problem. Bills for less than 26 days or more than 35 days shall be permitted if they result from a meter reading route change initiated by the Company.

8.2 Estimated Consumption. When the Company is unable to obtain an actual meter reading because of inability to gain access to the meter, or because of extreme weather conditions, emergencies, equipment failures, work stoppages or any other circumstances, the Company will render appropriately marked estimated bills.

8.3 Application of a Rate Schedule. The Company will compute bills under the rate schedule selected by and for which the customer qualifies. In the event the customer does not select a Rate Schedule, the Company may discontinue service or place the Customer on a rate schedule for which the Customer qualifies.

8.4 Budget Billing. Residential Heating Customers may elect an optional billing procedure which averages the estimated Company regulated service costs over a revolving twelve (12) month Budget Billing plan. These Customers will be billed for the use of gas during the next eleven (11) months beginning with whatever month that they select. Company will review the Budget Billing amount on the fourth (4th), seventh (7th) and tenth (10th) months annually adjusting upward or downward the Budget Billing amount based on actual charges to date and projected charges to the end of the twelve (12) month Budget Billing. The twelfth bill will be for usage for the month, with an adjustment for the difference between payments made and actual charges for gas service for the prior eleven (11) months, inclusive. At the conclusion of the budget billing year, any resulting reconciliation amount exceeding \$100 may be amortized over a twelve (12) month period upon Residential Heating Customer request.

The optional twelve (12) month Budget Billing plan, as described above, is available to Commercial and Industrial Heating Customers provided that at least seventy-five (75) percent of the Customer's total gas consumption is for space heating. If a Customer has an unpaid balance equal to the amount of two (2) Budget Bill Plan bills, billing under this plan may be terminated by the Company.

8.5 Payment Due Date. The due date for payment of Residential Customers' bills shall not be less than twenty (20) days from the date of mailing and fifteen (15) days for a Non-Residential Customer's bill with the exception that bills to the Commonwealth of Pennsylvania, the Government of the United States, or any of their

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**8. BILLING AND PAYMENT - Continued**

agencies, and elementary and secondary schools shall be due fifteen (15) days after the date of mailing unless otherwise extended to thirty (30) days by mutual agreement. For all billings, if the due date for payment should fall on a Saturday, Sunday, bank holiday or any other day when the offices of the Company where payments are regularly received are not open to the general public, the due date shall be extended to the next business day. Failure to receive a bill will not release the Customer from payment obligations.

8.6 Date of Payment for Residential Customers. For payments by mail, the effective date of payment shall be the date of the postmark. For payments made through electronic transmission, the effective date of payment shall be the date of actual receipt of payment by the Company. For payments made at a branch office or an Authorized Payment Agent, the effective date of payment shall be the date of actual receipt of payment at that location.

8.7 Late Payment Charge. Late Payment Charges will be applied as follows to the balance due which is not paid by the due date including amounts billed by the Company on behalf of natural gas suppliers other than the Company. Residential Customers will be charged a late payment charge of one and one half (1 1/2) percent per month on the balance due not paid by the due date; provided that, for a Residential Customer's payment by mail, the Company shall not impose a late payment charge unless payment is received more than 5 days after the due date. Non-Residential Customers will be charged five (5) percent per month on the balance due not paid by the due date and an additional one and one half (1 1/2) percent per month for each month thereafter.

8.8 Return Check Service Charge. The Company may impose a service charge of the greater of thirty-five dollars (\$35.00) or maximum allowed by Commonwealth of Pennsylvania for each check received in payment of bill(s) which is dishonored and returned by the bank upon which it is drawn. The Company may require a Customer to tender non-electronic payment after the Customer tenders two (2) consecutive electronic payments that are subsequently dishonored, revoked, canceled or otherwise not authorized.

8.9 Due Date Extension Program. Residential Customers meeting the qualification requirements of the Due Date Extension Program shall, upon written application, have the due date for payment of bills for service to their personal residence extended. To qualify, Applicants must submit proof that their sole source of support, and that of others in their household, is derived from a permanent fixed income plan, issuing monthly checks. Under the program, the due date for payment on a bill normally falling due between the sixth day of the month and the twentieth day of the month shall be extended to the first working day after the twentieth of the month. The due date for payment on a bill normally falling due between the twenty-first day of the month and the fifth day of the following month, shall be extended to the first working day after the fifth day of the latter month.

8.10 Application of Payments for Rates RT and NT. Where Company renders a bill for natural gas supply service on behalf of a Choice Supplier and a partial payment received, the partial payment shall first be applied to pre-retail access Company balances and then to post-retail access balances. In the event a customer has a pre-retail access Company balance, partial payment shall be applied in the following order of priority:

RULES AND REGULATIONS**8. BILLING AND PAYMENT - Continued**

1. First to outstanding pre-retail access Company balances, or the installation amount on a payment arrangement with the Company on this balance; then to
2. Current regulated Company charges; then to
3. Choice Supplier supply charges; then to
4. Non-Basic Service charges; then to
5. Hardship Energy Fund contributions.

In the event a Customer develops a post-retail access balance, partial payment shall first be applied to the pre-retail access Company balances in the order of priority specified above. Thereafter, partial payment shall be Company applied in the following order of priority:

1. First to outstanding post-retail access Company Balances, or the installat amount on a payment arrangement with the Company on this balance; then to
2. Current regulated Company charges; then to
3. Choice Supplier service charges; then to
4. Non-Basic service charges; then to
5. Hardship Energy Fund contributions.

Where Company renders a budget bill on behalf of a Choice Supplier for Natural Gas Supply service, partial payments shall be applied on a pro rata basis after outstanding pre-retail access balances and post retail access balances have been paid in accordance with the orders of priority specified above. For purposes of this Section, pre-retail access balances means outstanding account balances incurred prior to Customer transferring to Rate RT and NT.

For purposes of this Section, post-retail access balances means outstanding account balances incurred after Customer transfers to Rate RT and NT.

8.11 Joint Billing. Joint Billing provides Customers with one combined account and a combined invoice that displays charges for both their gas and electric service and pertains to Customers that are the same class as described below and receive both gas service from the Company and electric service from UGI Utilities, Inc. - Electric Division ("UGI-ED") at the same premises. Joint billing shall become available to eligible customers beginning with their billing cycle occurring after a scheduled upgrade to the Company's customer information system which is expected to occur in September of 2017. Eligible Customers shall be Residential Customers receiving service under Rate Schedules R and RT who are also Residential Customers of UGI-ED receiving electric distribution service under UGI-ED Rate Schedules R, RWT, and RTU, and Commercial and Industrial Customers receiving service under Rate Schedules N and NT who are also Commercial and Industrial Customers of UGI-ED receiving electric distribution service under UGI-ED Rate Schedules GS1, GS4, and GS5, unless they elect otherwise in writing or through mutual agreement with Company. Eligible Customers shall be combined into a single Customer account for service received from the Company and UGI-ED, and shall receive combined bills separately listing charges from each company. The Company and UGI-ED shall, for such combined accounts, and subject to applicable statutory and regulatory requirements, establish a reasonable hierarchy of categories for the posting of partial payments to such joint accounts, and within each such category payments shall first be posted, as applicable, to UGI-ED or Electric Generation Supplier charges before being posted to UGI PNG or Natural Gas Supplier charges.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

8. BILLING AND PAYMENT - Continued

8.12 Payment Refunds. Refunds due customers greater than two dollars (\$2) shall be mailed to the Customer. Refunds less than two dollars (\$2) may be picked up at the office within sixty (60) days. After sixty (60) days, the refund shall be applied to Operation Share.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**9. TERMINATION AND DISCONTINUANCE OF SERVICE**

9.1 (a) Termination of Service. The Company may terminate service on reasonable notice and remove its equipment in case of Customer's (i) nonpayment of an undisputed delinquent account, (ii) failure to complete payment of a deposit, provide a guarantee of payment or establish credit, (iii) failure to permit access to meters, service connections or other property for the purpose of replacement, maintenance, repair or meter reading, (iv) failure to comply with the material terms of a payment arrangement, or (v) violation of tariff Rules and Regulations. The Company may terminate service promptly and without notice for Customer's (i) Unauthorized Use of Service delivered on or about the affected dwelling or premises, (ii) fraud or material misrepresentation of the Customer's identify for the purpose of obtaining service, (iii) abuse of or tampering with the meters, connections or other equipment of the Company, (iv) violating tariff Rules and Regulations which endanger the safety of a person or the integrity of the Company's distribution system, (v) tendering payment for reconnection of service that is subsequently dishonored, revoked, canceled or otherwise not authorized and which has not been cured or otherwise made in full payment within three business days of the Company's notice, or (vi) after receiving termination notice from the Company, tendering payment which is subsequently dishonored under 13 Pa. C.S. § 3502, or, in the case of an electronic payment, that is subsequently dishonored, revoked, canceled or otherwise not authorized and which has not been cured or otherwise made in full payment within three business days of the Company's notice. Prior to restoration of service terminated for any of the foregoing reasons, the Company may require a payment in advance of all arrearages, applicable deposit, and a reconnect charge of seventy-three dollars (\$73).

(b) For Residential Customers, the Company will use financial information from the Customer provided within the most recent twelve (12) month period to determine if a customer exceeds the 250% federal poverty level threshold. The Company will not require customer information to verify income if the customer has established income verification through receipt of LIHEAP within the past twelve (12) months or if the customer is currently participating in CAP. The Company will accept the following as verification of household income in determining whether an account under Chapter 56 is protected from termination during the period of December 1 through March 31: (i) recent pay stubs or W-2 forms, (ii) access card or statement from Department of Public Welfare ("DPW"), (iii) if a source of income is rental income, then a verified copy of rent receipt(s), (iv) if the Residential Customer receives social security payments, pension payments, disability payments, Supplemental Security Income (SSI) payments, or any other source of fixed income with direct deposit, then a copy of bank statement or benefit letter, (v) child support and/or alimony support verification letter, (vi) if the Residential Customer receives payments from unemployment benefits or workers' compensation, then a copy of the determination letter or check stub, (vii) previous year's income tax statement, (viii) a filed 1099 form showing any interest income, annuity or dividends, and (ix) a verification letter from DPW of any approved cash or crisis grant applicable to the current heating season.

9.2 Discontinuance of Service. Any Customer who is about to vacate any premises supplied with gas service or wishes to have service discontinued for any reason shall give at least seven (7) days written notice to the Company and any non-Customer Occupant of the premises to which service is being supplied, specifying the date on which it is desired that service be discontinued. If a Residential Customer requests a Discontinuance of Service at the Residential Customer's residence, and the Residential Customer and the members of the Residential Customer's household are the only Occupants, the Company may discontinue service without additional notice to the affected premise. If a Customer (other than a landlord ratepayer) requests a Discontinuance of Service

RULES AND REGULATIONS**9. TERMINATION AND DISCONTINUANCE OF SERVICE - Continued**

at a dwelling other than the Customer's residence or at a single meter, multi-family residence, whether or not the Customer's residence, the Customer must state in writing (under penalty of law) that the premises are unoccupied. If the premises are occupied, the Customer's written notice requesting Discontinuance of Service must be endorsed by all affected Occupants. If the foregoing conditions are not met, the Company may discontinue service at the affected premises upon notice to the affected premises in accordance with Chapter 56. The Customer shall be liable for gas consumed until transfer of the account or the meter shut off. When Discontinuance of Service by Customer is for a period of less than twelve (12) months, the Company may require a payment of customer charges for each month the service has been discontinued in order to have the service restored.

9.3 If service to any Non-Residential Customer is terminated for the reasons set forth in Sections 9.1 (Termination of Service) or discontinued in accordance with 9.2 (Discontinuance of Service) hereof, the Company shall not be under any obligation to resume service to the same Customer at the same premises within twelve months unless it shall receive payment of an amount equal to the minimum bill for each month of the intervening period.

9.4 Reconnect Charge. If service to a Customer is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to such customer, at the same premises, within twelve (12) months from the date service was discontinued, unless they shall first receive a reconnection charge of Seventy-Three Dollars (\$73.00). In addition, if the Customer's service was discontinued at the Customer's request, a payment of the applicable minimum charge for each month that service was discontinued shall be required. A Customer at the same premise who requests seasonal service and has gas shut off and turned on within twelve-month period shall be billed an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the twelve month period.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

10. RIDER A

STATE TAX ADJUSTMENT SURCHARGE

The State Tax Adjustment Surcharge is applicable to the net monthly rates and minimum charges contained in this Tariff. The surcharge shown below will be recomputed when a tax rate used in the calculation changes and/or the Company implements a change in rates.

The recomputation of the surcharge will be submitted to the PUC within 10 days after the occurrence of a reason for surcharge recomputation shown above. If the recomputed surcharge is less than the one in effect the Company will, and if more may, submit a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after the filing.

Rider A - State Tax Adjustment Surcharge is 0.00%

This Rider applies to Rates R, RT, N, NT, GL, DS, and LFD.

Issued:

Effective for Service Rendered on and after

UGI PENN NATURAL GAS, INC.

11. RIDER B**SECTION 1307(F) PURCHASED GAS COSTS**Provisions for Recovery of Purchased Gas Costs

Rates for each MCF (1,000 cubic feet) of gas supplied under Rate Schedules R, N, IS, and GL of this Tariff shall include purchased gas costs, calculated in the manner set forth below, pursuant to Section 1307(f) of the Public Utility Code. Such rates for gas service shall be increased or decreased, from time to time, as provided by Section 1307(f) of the Public Utility Code and the PUC's regulations, to reflect changes in the level of recovery of purchased gas costs.

Computation of Purchased Gas Costs per MCF

Purchased gas costs shall be computed to the nearest one-hundredth cent (0.01¢) per MCF in accordance with the formula set forth below:

$$\text{PGC} = \frac{(\text{C}-\text{E})}{(\text{S})}$$

Projected purchased gas costs, so computed, shall be included in rates charged to Customers for gas service pursuant to the rate schedules identified above for consecutive twelve month periods. The amount of purchased gas costs per MCF will vary, if appropriate, based upon annual filings pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the PUC's Regulations adopted pursuant thereto.

In the event a Natural Gas Supplier discontinues service or defaults before its contract with the Customer expires, any costs incurred by the Company during the period between the Natural Gas Supplier's discontinuance of service or default and the first day of the Customer's next regular billing cycle which cannot be recovered from the Natural Gas Supplier shall be considered a Purchased Gas Cost.

Definitions

In computing purchased gas costs pursuant to the formula above, the following definitions shall apply:

"PGC" - Purchased Gas Cost determined to the nearest one-hundredth cent (0.01¢) per MCF to be included in rates for gas supplied under the rate schedules identified above.

"Purchased Gas" - The volume of gas purchased by the Company that is delivered to the Company's Customers, plus such portion of the Company's used and unaccounted-for gas, including, but not limited to, natural gas, synthetic gas, liquefied natural gas, and natural gas substitute, including liquefied propane and naphtha.

"C" - The current cost of gas ("C-Factor") determined as follows: (a) for all types of purchased gas, project the cost for each purchase (adjusted for net current gas stored) for the projected period when rates will be in effect plus (b) the arithmetical sum of (1) the projected book value of noncurrent gas at the beginning of the computation year minus (2) the projected book value of noncurrent gas at the end of the computation year.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

11. RIDER B - Continued

SECTION 1307(F) PURCHASED GAS COSTS

As applicable, to the extent such charges are not directly paid, Purchased Gas Costs shall include credits related to the use of PGC capacity by transportation customers where the Customer or NGS utilizes Company assigned or released pipeline capacity. In addition, revenues related to balancing services provided pursuant to Sections 20.2 and 20.4; Rate NNS; Rate MBS; capacity or commodity gas sales made pursuant to Customer elections under the Retail Standby Rider; Unauthorized Overrun; OFO, DFD and NGS penalty charges and bundled city gas sales made to NGSs shall be credited to the PGC.

"E" - Experienced net overcollection or undercollection of purchased gas costs ("E-Factor"). Such net overcollection or undercollection statement shall begin with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. Each over-under collection statement shall also provide for refund or recovery of amounts necessary to adjust for over or underrecoveries of E factor amounts under the previous 1307(f) rate.

Interest shall be computed monthly at the rate provided for in Section 1307(f) (5) of the Public Utility Code from the month that the over or undercollection occurs to the effective month such overcollection is refunded or such undercollection is recouped.

Additionally, supplier refunds will be included in the calculation of "E" with interest added at the annual rate of six percent (6%) calculated in accordance with the foregoing procedure, beginning with the month such refund is received by the Company.

Computation and Application of the E-Factor

The E-Factor shall be computed to the nearest one-hundredth cent (0.01¢) per Mcf in accordance with the formula set forth below:

$$\text{E-Factor} = (-E/S)$$

Each E-Factor so computed shall be applied to customer's bill for a one (1) year period during the Computation Year.

"S" - Projected MCF of gas to be billed to Customers during the projected period when rates will be in effect.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**11. RIDER B - Continued****SECTION 1307(F) PURCHASED GAS COSTS**

Revenue Sharing Incentive Mechanism: The PGC rate determined in this section may be adjusted to reflect the operation of a Revenue Sharing Incentive Mechanism as defined hereafter.

Off-system Sales: If and when the Company makes an off-system sale of natural gas, either in the Company's market area or upstream of the Company's market area with or without the use of PGC assets, the net revenues from the sale shall be shared by both the Company and the Company's retail customers served pursuant to this section of the tariff. The net revenues of the sale shall mean the total revenues from the sale of gas to a third party, less (1) the sum of the cost of natural gas, transportation commodity charges, and fuel retainage, if the sale or exchange is made upstream of the Company's market area or (2) the average city gate commodity cost of all gas purchased and flowing on the first of the month, including the natural gas, transportation commodity, and fuel, if such sale is made at the Company's city gate or in the Company's market area. The sharing of such net revenues shall be allocated in accordance with the Revenue Sharing Allocation procedure in this section.

Exchanges of Natural Gas: If and when the Company and a third party agree to make a location exchange of natural gas in which both parties receive like quantities of gas, with no adverse economic effect on the Company's Customers, any revenues received by the Company for performing this service shall be shared by the Company and the Company's retail Customers served pursuant to this section of the Tariff. Any revenues received from the exchange of natural gas, either upstream of the Company's city gate, or at the Company's city gate, shall be allocated in accordance with the Revenue Sharing Allocation procedure in this Section.

Capacity Release on Interstate Pipelines: Capacity release revenue generated by administrative releases to third parties that fill the Company's storage shall be credited 100% to PGC customers. Other revenue received by the company for off system Capacity Release of interstate pipeline capacity will be credited in accordance with the Revenue Sharing Allocation procedure in this Section.

Storage Asset Management: If and when the Company has a third party manage gas supply assets paid for by the PGC, any revenues received from the third party ("Asset Management Fees") shall be allocated in accordance with the Revenue Sharing Allocation procedure in this Section.

Revenue Sharing Allocation: Effective December 1, 2012, through November 30, 2021 the sum of the revenues derived from all Off-System Sales, Exchanges of Natural Gas, Capacity Release on interstate pipelines and Storage Asset Management, will be allocated 75% to the retail customers served and 25% to the Company.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

11. RIDER B- Continued

SECTION 1307(F) PURCHASED GAS COSTS

The amount retained by the Company will be an incentive to pursue additional sales and will be treated below the line for ratemaking purposes. For purposes of calculating this margin, the cost of gas will be equal to the monthly average commodity cost of gas plus variable transportation costs to deliver the gas to the off-system customer. The monthly average commodity cost of gas shall be defined as the monthly average commodity cost of gas purchases for all supplies scheduled at the beginning of the month; provided, however, that if an additional unscheduled purchase is made during the month specifically for an off-system sale, such purchase shall be considered to be the gas used to make the off-system sale and the commodity cost of such purchase will be assigned to off-system sales up to the volume of the purchase.

Filing with the PUC: Audit, Rectification

The Company's annual reconciliation statement shall be submitted to the Commission by May 1 of each year, or such other time as the PUC may prescribe.

Quarterly Adjustments

When making the December 1, March 1, June 1 and September 1 quarterly C-factor adjustments, the Company will refund or recover all actual and projected incremental over or under collections from December 1 through November 30 over remaining PGC year sales volumes. Any quarterly PGC rate change on December 1, March 1 and June 1 will be capped at 25% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. Any quarterly PGC rate change on September 1 will be capped at 15% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments.

Rider B - Purchased Gas Cost

Annual C-Factor	\$ 3.3279 /Mcf
Annual E-Factor	(\$ 0.1733) /Mcf
Purchased Gas Cost	<u>\$ 3.1546 /Mcf</u>

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

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UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**13. RIDER D****MERCHANT FUNCTION CHARGE**Applicability and Purpose

This Rider shall be applied to rates for each MCF (1,000 cubic feet) of gas supplied under Rate Schedules R, and N of this Tariff, and shall be reflected in the Price to Compare. The Rider is equal to the fixed percentage, established by the PUC in Company's last general base rate proceeding, of purchased gas costs which are expected to be uncollectible, and shall not be reconciled to reflect actual results. Rider D is intended to make Company's Price to Compare more comparable to the gas supply service prices offered of other Natural Gas Suppliers that presumably reflect anticipated uncollectible expenses.

Rider D Charge

Rider D charges shall be equal to 1.83% for Residential PGC Customers and 0.25% for Non-Residential PGC Customers of Rider B (Purchased Gas Costs).

The collection of the Rider D charges will be summarized by Rate Schedule sub-accounts in the Gas Operating Revenue FERC Account No. 480000 for Rate R and 481000 for Rates N. The associated costs are recorded in FERC Account Nos. 904001 and 904002.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

14. Rider E

GAS PROCUREMENT CHARGE

Applicability

This non-reconcilable Rider shall be applied to rates for each Mcf (1,000 cubic feet) of gas supplied under Rate Schedules R and N of this Tariff, and shall be reflected in the Price to Compare. Rider E shall be a volumetric charge as described below, and shall remain in effect until reviewed and updated in the Company’s next base rate case.

Rider E, or Gas Procurement Charge (“GPC”), recovers costs associated with gas procurement that were unbundled from base rates in the Commission’s Order at Docket No. R-2012-2314224. The GPC rate is calculated by dividing total unbundled gas procurement costs by the sales volumes for the 12 months ending September 30, 2018, for Rate R and N.

Rider F Charge

Rates: R and N: \$ 0.0420 per Mcf

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

15. PRICE TO COMPARE

The Price to Compare ("PTC") is composed of the Annual C-Factor, Annual E-Factor, Gas Procurement Charge and Merchant Function Charge. The PTC rate will change whenever any components of the PTC change. The current PTC rate is detailed below:

Price to Compare - Rate Schedule R

Annual C-Factor	\$ 0.33279 / CCF
Annual E-Factor	(\$ 0.01733) / CCF
Gas Procurement Charge	\$ 0.00420 / CCF
Merchant Function Charge	\$ 0.00577 / CCF
Total Rate Schedule R Price to Compare	<u>\$ 0.32543 / CCF</u>

Price to Compare - Rate Schedules N

Annual C-Factor	\$ 3.3279 / MCF
Annual E-Factor	(\$ 0.1733) / MCF
Gas Procurement Charge	\$ 0.0420 / MCF
Merchant Function Charge	\$ 0.0079 / MCF
Total Rate Schedule N Price to Compare	<u>\$ 3.2045 / MCF</u>

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**16. RIDER F****UNIVERSAL SERVICE PROGRAM**APPLICABILITY AND PURPOSE

This Rider shall be applicable to all residential customers except customers in the Company's Customer Assistance Program ("CAP"). This Rider has been established to recover costs related to the Company's Universal Service and Conservation Programs, excluding internal administrative costs.

RATE

In addition to the charges provided in this tariff, an amount shall be added to the otherwise applicable charge for each MCF of sales volumes or distribution volumes distributed by the Company to customers receiving service under Rate Schedules R and RT.

The USP rate: \$0.2426/Mcf

CALCULATION OF RATE

The Rider USP rate shall be calculated to recover costs for the following programs: Low Income Usage Reduction Program (LIURP); Customer Assistance Program (CAP); Hardship Funds; and any other replacement or Commission-mandated Universal Service Program or low income program that is implemented during the period that the Rider is in effect.

LIURP costs will be calculated based on the projected number of Level 1 income homes to be weatherized. Hardship Fund costs will be calculated on the projected level of an allocated share of administrative funds incurred by the UGI Operation Share Energy Fund.

CAP costs will be calculated to include

- 1) the projected CAP credit
- 2) projected CAP customer application and administrative costs; and
- 3) projected CAP pre-program arrearage forgiveness.

CAP Credit shall be defined as the difference between the total calculated Rate R bill, excluding Rider USP and CAP customer GET Gas charges, and the CAP bill and an adjustment for unearned credit amounts based upon the current discounts at normalized annual volumes of the then-current CAP participants and the projected CAP Credit for projected customer additions to CAP during the period that the CAP Rider rate will be in effect at the average discount of current CAP participants at normalized annual volumes.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**16. RIDER F - Continued****UNIVERSAL SERVICE PROGRAM****QUARTERLY ADJUSTMENT**

Any time that the Company makes a change in base rates or PGC rate affecting residential customers, the Company shall recalculate the Rider USP rate pursuant to the calculation described above to reflect the Company's current data for the components used in the USP rate calculation. The Company shall file the updated rate with the PUC to be effective one (1) day after filing.

ANNUAL RECONCILIATION

On or before November 1 of each year, the Company shall file with the PUC data showing the reconciliation of actual revenues received under this Rider and actual recoverable costs incurred for the preceding twelve months ended September. The resulting over/undercollection (plus interest calculated at 6% annually) will be reflected in the CAP quarterly rate adjustment to be effective December 1. Actual recoverable costs shall reflect actual CAP costs, actual application costs, actual pre-program arrearage forgiveness, actual LIURP costs, actual Hardship Administrative costs. Actual recoverable CAP credit costs and pre-program arrearage forgiveness shall be based upon actual CAP credits granted and pre-program arrearage forgiveness granted less a 14.1% adjustment for amounts granted to participants in excess of 6,500. The 14.1% adjustment related to CAP credits and pre-program arrearage forgiveness will be based on the following:

For each reconciliation period, the average annual CAP credit per participant will be determined by dividing the total actual CAP credits granted during the reconciliation period by the average monthly number of participants receiving CAP credits during the reconciliation period. The average monthly number of participants receiving CAP credits exceeding 6,500 will be multiplied by the average annual CAP credit granted per participant and then multiplied by 0.1410 in order to determine the amount of the CAP Credits recovered through Rider USP.

For each reconciliation period, the average pre-program arrearage forgiveness per participant will be determined by dividing the total actual pre-program arrearage forgiven during the reconciliation period by the number of participants receiving pre-program arrearage forgiveness. The number of participants receiving pre-program arrearage forgiveness exceeding 6,500 will be multiplied by the average pre-program arrearage forgiveness per participant and then multiplied by 0.1410 in order to determine the amount of the pre-program arrearage forgiveness which will not be recovered through Rider USP.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**17. RIDER G****ENERGY EFFICIENCY AND CONSERVATION RIDER**Applicability and Purpose

The Energy Efficiency and Conservation Rider ("EEC Rider") shall recover costs related to the Company's Energy Efficiency and Conservation Plan ("EECP"). The EEC Rider shall be computed separately for each of the following four customer classes:

1. Residential customers served under Rate Schedules R/RT,
2. Non Residential customers served under Rate Schedules N/NT,
3. Non Residential customers served under Rate Schedule DS, and
4. Non Residential customers served under Rate Schedule LFD.

EEC Rider Rate:

Rate R/RT	\$0.0760/Mcf
Rate N/NT	\$0.0339/Mcf
Rate DS	\$0.0429/Mcf
Rate LFD	\$0.0208/Mcf

The EEC Rider shall be subject to the State Tax Adjustment Surcharge.

Calculation

The EEC Rider shall be determined as follows:

1. Costs to be recovered shall include Company incurred costs to implement its Commission approved EECP during each plan year (October 1st through September 30th) (Plan Year), including all costs incurred to develop and administer the Company's EECP.
2. The Residential EEC Rider shall be calculated in accordance with the formula below and shall be rounded to the fourth decimal:

$$\text{Residential EEC Rider} = (\text{Cr} / \text{Sr}) - (\text{Er} / \text{Sr}) \text{ where}$$

Cr = Projected Residential EECP Costs.

Sr = Projected Residential Class Sales.

Er = Net over or under collection of the Residential EEC Rider resulting from the difference between the EEC Rider revenues received and the EECP costs incurred.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**17. RIDER G - Continued****ENERGY EFFICIENCY AND CONSERVATION RIDER**

3. The Non Residential EEC Rider shall be calculated in accordance with the formula below and shall be rounded to the fourth decimal:

Non Residential EEC Rider = $(Cn / Sn) - (En / Sn)$ where

Cn = Projected Non Residential EEC Costs.

Sn = Projected Non Residential Class Sales.

En = Net over or under collection of the Non Residential EEC Rider resulting from the difference between the EEC Rider revenues received and the EEC costs incurred.

4. The Residential and Non Residential EEC Riders will be updated annually and will be filed with the Commission on one day's notice to be effective December 1 of each year. The Company reserves the right to make an interim reconciliation filing to adjust the EEC Riders.

5. Any over or under collection at the end of the plan period shall be recovered or refunded either through a subsequent EEC approved by the Commission or through continuation of the EEC Riders until full recovery or refunding has occurred.

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RULES AND REGULATIONS

18. RIDER H

TECHNOLOGY AND ECONOMIC DEVELOPMENT RIDER

Availability. The Technology and Economic Development Rider ("TED") is a negotiated rider available in the entire territory to Customers served by the Company which the Company determines, in its sole discretion, has prospective additional gas usage applicable to service under Tariff Rate Schedules N, NT, DS or LFD at the time of execution or renewal of a Service Agreement. The Rider TED is established for the purpose of adjusting the customer's overall distribution charge to address project specific or competitive issues to gain access to and expand use of natural gas within the Commonwealth of Pennsylvania. The negotiated Rider TED may be either a surcharge or credit depending on project specific customer and Company economic requirements, such that the overall economics must meet the requirements of Section 5.1 of this Tariff. Rider TED will be utilized to support the expansion of new technologies such as combined heat and power and natural gas vehicles, develop brownfields, and support economic development in Pennsylvania by facilitating business retention and attraction as well as other gas distribution system expansion activities.

General Terms. The Customer must execute a Rider TED service agreement.

MONTHLY RATE TABLE

Monthly Charge: _____ Negotiable

Plus

Charge per Mcf: _____ Negotiable

Issued:

Effective for Bills Rendered on and after

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RULES AND REGULATIONS**18.A Rider I****DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)**

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply.

18.A.1 Purpose. To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

18.A.2 Eligible Property.

The DSIC-eligible property will consist of the following:

- Piping, Couplings, Valves, Excess Flow Valves, Risers - Distribution & Transmission. (374, 376, 365, 367)
- Measuring & Regulator Stations - Distribution & Transmission (375, 378, 379, 366, 369, 370)
- Gas Service Lines and Insulated and Non-Insulated Fittings (378, 380)
- Meters, Meter Bars, Meter Installations (381, 382)
- House Regulators & Installations (383, 384)
- Industrial & Farm Tap Measuring & Regulator Station Equipment (385, 386)
- Miscellaneous Equipment and Material- Distribution & Transmission (387, 371)
- Equipment - Electronic Systems & Software (391)
- Vehicles, Power Equipment, Tools, Shop & Garage Equipment (392, 394, 396)
- Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities.
- Gathering lines (332)
- Storage lines (353)
- Other related capitalized costs.

18.A.3 Computation of the DSIC. The DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update in accordance with the Commission Order in Docket No. R-2016-2580030.

RULES AND REGULATIONS

18.A Rider I - Continued

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date of Change</u>	<u>Date to which DSIC-Eligible Plant Additions Reflected</u>
April 1	December 1 through February 28
July 1	March 1 through May 31
October 1	June 1 through August 31
January 1	September 1 through November 30

18.A.4 Determination of Fixed Costs. The fixed costs of eligible distribution system improvements will consist of depreciation and pre-tax return, calculated as follows:

1. Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.
2. Pre-Tax Return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Utility's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of the Jurisdictional Utilities released by the Commission.

18.A.5 Application of DSIC. The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the otherwise applicable rates and charges, excluding amounts billed for the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of STAS.

Formula: The formula for the calculation of the DSIC is as follows:

$$DSIC = \frac{(DSI * PTRR) + Dep + e}{PQR}$$

Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = Pre-tax return rate applicable to DSIC-eligible property.

Dep = Depreciation expenses related to DSIC-eligible property.

e = Amount calculated under the annual reconciliation feature or Commission audit, as described below.

RULES AND REGULATIONS**18.A Rider I - Continued****DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)**

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period.

Revenues will be determined as one-fourth (1/4) of projected annual revenues as determined in accordance with 18.A.7.5.

18.A.6 Quarterly Updates. Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Audits, Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

18.A.7 Customer Safeguards.

1. Cap: The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.
2. Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. § 1350, et seq., shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year or the Company may elect to subject the DSIC to quarterly reconciliation but only upon request and approval by the Commission. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year, or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. § 101, et seq.) and will be refunded in the same manner as an over-collection. The Company is not permitted to accrue interest on under collections.
3. New Base Rates: The DSIC will be reset to zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
4. Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall be included with the first billing
5. All Customer Classes: The DSIC shall be applied equally to all customer classes, except that the Company may reduce or eliminate the Rider DSIC to any customer with competitive alternatives who are paying flexed or discounted rates and customers having negotiated contracts with the Company, if it is reasonably necessary to do so.

RULES AND REGULATIONS**18.A Rider I - Continued****DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)**

6. Earnings Reports: The DSIC will also be reset to zero, if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section. The Company shall file a tariff supplement implementing the reset to zero due to overearning on one-days' notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Company has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed costs.

7. Residual E-Factor Recovery Upon Reset to Zero: The Company shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The Company can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The utility shall refund any overcollection to customers and is entitled to recover any undercollections as set forth in Section 18.A.7.2. Once the Company determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the Company shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS

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RULES AND REGULATIONS**19. GAS EMERGENCY PLANNING**

19.1 Company's Right To Reduce or Curtail Service. An emergency exists whenever the aggregate demand for firm service on the Company's system, or confined segment of the system, exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess creates an immediate threat to the Company's system operating integrity with respect to Priority 1 Customers. In the event of a natural gas emergency, the Company shall have the right to impose a mandatory reduction or curtailment on any Customer's use of gas.

- (a) Prior to taking any action under section 19.2 to curtail Customer usage, provided sufficient time exists as determined by the Company in its sole judgement, the Company shall use reasonable efforts and methods to:
 - (1) interrupt all interruptible services, (2) issue Operational Flow Orders or Daily Flow Directives and, (3) call for voluntary usage reductions by any or all Customers.
- (b) In planning for natural gas emergency situations, the Company shall make reasonable efforts to make contractual or informal arrangements with Customers and others which would allow the Company to obtain supplies or implement usage reductions in an effort to avoid or mitigate any emergency action pursuant to subsections 19.2 or 19.3 requiring firm service reductions. In making such arrangements, the Company may enter into specific negotiated terms, conditions and rates with any Customer or entity where a clear benefit exists to the Company for the management or avoidance of an emergency. Related costs, if any, may be included as gas costs for recovery under Section 11 of this Tariff.

19.2 Priority-Based Curtailments. In the event of an emergency, where the Company has mandated priority-based curtailments, the available gas supplies to the Company shall be prorated, if practicable, among Customers and NGSSs according to the priorities set forth below, listed in descending order. Customers in a higher priority category shall not be curtailed until all Customers falling into a lower priority category have been curtailed to plant protection use levels, unless operational circumstances or physical limitations warrant a different result. Additionally, where only a partial restriction of a category is required, implementation shall be pro rata to the extent practical under the circumstances. Whenever possible, as determined by the Company in its sole discretion, allocation actions shall be limited to confined geographic or operational portions of the Company's system where the emergency exists.

- (a) Priority 1. Service for residential and firm critical commercial essential human needs use.
- (b) Priority 2. Firm service not included in Priority 1, which for purpose of curtailment shall be prioritized in the following subcategories:
 - (1) Firm small commercial and industrial service for plant protection under Rates N, NT, and DS.

RULES AND REGULATIONS**19. GAS EMERGENCY PLANNING - Continued**

(2) Firm large commercial and industrial service for plant protection under Rates LFD and XD.

(3) Firm commercial and industrial service under Rates NT, DS, LFD and XD, to the extent actual gas deliveries are being made to the Company's system on behalf of the Customer; all except for plant protection.

(4) Firm commercial and industrial service provided by Company gas purchase activities; all except for plant protection.

19.3 Mandatory Reductions

(a) In the event of an emergency under subsection 19.1, the Company may require each commercial and industrial retail and transportation Customer that is not a Priority 1 Customer to reduce its consumption of gas. In requiring mandatory reductions, the gas supplies available to the Company may be allocated to Customers in accordance with the priorities of use specified in subsection 19.2.

- (1) The reduction required shall be determined by the Company without regard to priorities of use, as necessary to minimize the potential threat to public health and safety.
- (2) The mandatory reduction shall be for a period specified by the Company and may be until further notice. The Company may change a Customer's authorized usage, upon notice, at any time during an emergency.
- (3) Mandatory reductions shall be for a maximum duration of five (5) consecutive business days, unless extended by PUC order.
- (4) Except as provided in 19.3(a)(5), the minimum authorized usage may not be lower than the minimum usage of firm service necessary for plant protection use.
- (5) When all other service has been curtailed except for Priority 1 service and the Company continues to be unable to meet Priority 1 requirements, the Company shall exercise its judgment as to any further curtailment that may be necessary and shall utilize measures designed to minimize harm to Customers if curtailments to plant protection use are found to be necessary.
- (6) Consistent with its responsibility to maintain system integrity at all times, the Company shall provide periodic status updates and restore service as soon as practicable to any gas-fired electric generation facility that is deemed critical to electric system reliability by the electrical system's control area operator.
- (7) Transportation Customers and NGSS are required to deliver, or cause to be delivered, natural gas supplies to the Company's system during an emergency, regardless of any mandatory gas consumption reductions imposed by the Company on such transportation Customers or NGSS' Customers. Such natural gas delivery may be required up to the Customer's or NGS's applicable DFR, MDQ, DDR or otherwise specified daily delivery quantity as determined by the Company in its discretion.

RULES AND REGULATIONS**19. GAS EMERGENCY PLANNING - Continued**

19.4 Notice of Restriction or Curtailment

- (a) Notice of any restriction or curtailment shall be made to affected Customers or NGSs via methods and mediums most reasonably expected to accomplish such notice; these may include, but are not limited to: telephone, facsimile, website, or electronic data exchange. If necessary, the Company will make notice through the media in order to communicate specific requests to large groups of Customer categories that are affected, including any relevant geographic limitations.
- (b) It is the Customer's or NGS's responsibility to provide the Company with appropriate contact information, and to keep such information updated, in order to assure timely and efficient notices can be provided.
- (c) The Company shall endeavor to provide the maximum notice time possible in the event of any notice of restriction or curtailment.
- (d) The Company shall provide specific restriction or curtailment notices stating gas usage reduction percentages, absolute usage allowances or other reduction actions. In addition, the Company shall specify compliance timelines and restriction or curtailment durations as appropriate for the circumstance.

19.5 Emergency Allocation. The Company reserves the sole right to authorize exemptions in cases of verified Customer emergency situations affecting health and welfare.

19.6 Definitions

- (a) Residential Use - Gas usage in a residential dwelling or unit for space heating, air conditioning, cooking, water heating, or other domestic purposes; all residential Customers served under Rates R, RT, and GL and apartments served under Rate N, NT, and GL, or subsequent rates classified by the Company as residential.
- (b) Firm Service - Natural gas service offered by the Company to Customers under Tariffs or contracts that anticipate no interruptions. Such schedules are Rate R, RT, GL, N, NT, DS, LFD, and XD or subsequent firm rate schedules.
- (c) Commercial Use - Gas usage by Customers engaged primarily in the sale of goods or services including consumption by office buildings, institutions and government agencies, and classified as commercial class for Company accounting purposes. Commercial Customers are served under Rates GL, N, NT, DS, LFD, XD, and IS or subsequent rates classified by the Company as commercial.

RULES AND REGULATIONS**19. GAS EMERGENCY PLANNING - Continued**

- (d) Essential Human Needs Use - Gas usage into any building where persons normally dwell, including residences, apartment houses, dormitories, hotels, hospitals and nursing homes.
- (e) Industrial Use - Gas usage by Customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power, and classified as industrial for Company accounting purposes. Industrial Customers are served under Rates GL, N, NT, DS, LFD, XD, and IS, or subsequent rates classified by the Company as Industrial.
- (f) Plant Protection Use - Minimum usage of natural gas required to prevent physical harm to an industrial or commercial consumer's plant facilities or danger to plant personnel at the facility when the protection cannot be afforded through the use of an alternate fuel. Plant protection uses include usage necessary for the protection of the material in process as would otherwise be destroyed, but does not include deliveries required to maintain production.

19.7 Limitation of Liability.

In the event of any limitation of service or curtailment, the Company may restrict, curtail or discontinue service in accordance with this Section 15, or PUC order, without incurring any penalty or liability for any loss, injury or expense that may be sustained by the Customer except when the restriction or discontinuation of service is a result of the Company's willful or wanton misconduct.

19.8 Appropriation Liability.

- (a) The Company may appropriate natural gas and/or pipeline capacity pursuant to this Section 19, a PUC policy statement, directive or order, or an emergency order issued by the Governor of Pennsylvania.
- (b) The Company shall compensate the Customer or the Customer's NGS for the cost of appropriated gas supplies. The compensation, in the aggregate, shall equal but not exceed, the greater of:
- (1) the city gate cost of the appropriated natural gas including all transportation charges up to the Company's city gate; or,
 - (2) the reasonable cost actually paid by the Customer or the Customer's NGS for delivered substitute energy, as documented by the Customer or the Customer's NGS and presented as evidence to the Company. Such compensation may be a later delivery of in-kind gas service at the sole discretion of the affected Customer or NGS.

RULES AND REGULATIONS**19. GAS EMERGENCY PLANNING - Continued**

19.9 Discontinuance of Service.

The Company may discontinue service at its sole discretion, without notice, for the duration of an emergency, to any Customer that continues to take gas in violation of any rules, notice of limitation or curtailment provided for under this Section 19.

19.10 Penalties for Unauthorized Takes.

- (a) The Company may, in its sole discretion, issue penalties for any unauthorized taking of gas to any Customer failing to comply with any restriction or curtailment made under this Section 19.
- (b) The penalty for unauthorized takes associated with this section shall be equivalent to those for a Critical Day in Section 20.4 General Terms for Delivery Service For Rate Schedules DS, LFD, XD, and IS - Maximum Daily Excess Balancing Charge. Payment of penalties under this section shall be in addition to any liability for direct or indirect damages resulting from Customer's or Customer's NGS failure to comply.
- (c) The Customer shall be liable to the Company for any costs incurred in taking action to discontinue service in accordance with actions taken under subsection 19.9.

RULES AND REGULATIONS**20. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS**

20.1 Application of Rates

- (a) Applicable Rates: DS, LFD, XD and IS.
- (b) Notification of Delivery; Nomination Procedures. Customer shall notify the Company of any and all gas deliveries to the Company's system, including, but not limited to, the provision of nomination, revised nomination and scheduling information, in accordance with the Company's *Nomination Procedure*, as may be amended from time to time, and made available on the Company's Gas Management Website ("Nomination Procedure"). The quantity of gas received on behalf of the Customer shall be determined by allocation or other method by the Company if required in its sole discretion. It is the Customer's responsibility to arrange that any necessary billing information be provided to the Company and/or delivery gas source.
- (c) Nominating Agents. A Customer shall notify the Company of its designated nominating agent ("Agent") for purposes of nominating the volumes of natural gas to be delivered to the Company's system on the Customer's behalf in accordance with the Nomination Procedures. Customer shall notify Company, on a form designated by the Company in the Nomination Procedures, of the responsibilities of the Agent, and shall provide Company with the Agent's valid e-mail address and valid 24-hour contact information. Customer shall remain liable for all charges and penalties notwithstanding Customer's designation and use of an Agent in accordance with the provisions herein.
- (d) Penalties for Customer's Default. Customers failing to provide nomination, billing, scheduling, agent, supplier and/or other required information to the Company or pipeline(s) in accordance with the provisions of the Tariff, or otherwise failing to comply with the Company's *Nomination Procedure*, shall be subject to applicable imbalance charges and, in addition, be charged an Administrative Scheduling Fee in an amount no greater than \$1,000 per day for every day such required information is delayed. If a Customer default of these provisions occurs and is occurring for a period of 90 days, the Company may impose retail or standby rates on the Customer's account beginning the first day after such 90-day period through and until such time as the Company deems the Customer default to have been resolved.
- (e) Sequencing for Billing. Unless otherwise agreed by the Company and the Customer, customer-owned gas delivered under the transportation rate schedules shall be sequenced for billing as the first gas through the meter, and gas purchased under the Retail and Standby Rider shall be sequenced for billing purposes as the last gas through the meter. Gas billed under firm rate schedules shall be billed prior to gas billed under interruptible rate schedules. In lieu of otherwise specified tariff provisions, where the Company and Customer agree, Company shall use pipeline metering facilities for measuring and billing total deliveries to the Customer's facility.

RULES AND REGULATIONS**20. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
(Continued)**

- (f) Payment of Charges, Penalties. The Customer shall pay the Company for any and all additional charges incurred on the Customer's behalf or resulting from the Customer's actions or inactions which the Company can demonstrate arise out of the provision of transportation service including, but not limited to, pipeline transportation and service charges. Any such charge, penalty or obligation imposed by a pipeline transporter or supplier as result of balancing of gas delivered to the Customer shall be paid by the Customer in addition to otherwise applicable charges.
- (g) The Billing Pool Agent is required to notify Company at least ten days prior to dropping a Customer from a Billing Pool. If adequate advance notice is not provided, the Company reserves the right to not drop the Customer from the Billing Pool.
- (h) Billing Pools. One or more transportation Customers may join together in pooled transactions for the purchase and delivery of gas. The Company may allocate among all such customers the volumes of gas or imbalances for purposes of determining responsibility for charges, rates, penalties or other obligations imposed by the Company, or in connection with operation of the pool. A Supplier to a Billing Pool must notify the Company prior to initiating gas deliveries. A Customer is required to submit in writing a request for entry into a Billing Pool.
- (1) Each Billing Pool shall appoint an Agent who will coordinate nomination, billing, reconciliation, allocation and any other necessary communication between the Billing Pool and the Company.
- (2) All members of a Billing Pool shall be of like balancing service election. The Company may restrict formation or operation of any Billing Pool in order to meet like balancing service election or pipeline imposed eligibility requirements.
- (3) Automated Meter Reading. The Company has the right as a condition of being a pool member, to install, at the Customer's expense, automated meter reading ("AMR") equipment for the purposes of daily collection or monitoring, and billing Customer volumes at each related service meter. Where AMR equipment is installed, the Customer shall maintain, at its expense, unless otherwise directed by the Company, a dedicated phone connection and electric service to the AMR equipment which will allow the Company unlimited remote access to the AMR device at all times. Failure to maintain a required phone and/or electric service may result in Customer being removed from a Billing Pool and being placed on a rate schedule not requiring daily measurement capability.
- (4) Service under Rate NNS is required by, and shall be individually billed to, any and all members of a Billing Pool except when all pool members are monitored on a daily basis through the use of Company owned AMR equipment at all meter locations. Additionally, service under Rate MBS is required by, and shall be individually billed to, any and all members of a Billing Pool when the billing month for each pool member does not end on the same calendar date; Billing Pools having all customers monitored and billed through the use of Company owned AMR equipment at all meter locations shall be exempt from this requirement.

RULES AND REGULATIONS

**20. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
(Continued)**

- (i) Recognition of Supplies. Volumes transported on behalf of the Customer will be recognized in the Customer's current billing month based on nominated or scheduled volumes information and may be adjusted after notification is received from the pipeline supplier(s) of the volumes transported on behalf of the Customer. Volumes scheduled shall be determined on the basis of best available actual or confirmed pipeline and/or Company information at the time of billing.
- (j) Unless otherwise negotiated under Rate XD, the Company shall retain for Company use gas, and lost and unaccounted for gas, 1.8% of the total volume of gas delivered into its system for the Customer's account.

20.2 Balancing and No-Notice Service.

- (a) Each Customer shall use best efforts to balance purchases, deliveries and receipts of gas at all times. Except as specified in 20.1(f), for the purposes of balancing excess deliveries and shortfalls and purchasing services under Rates NNS and MBS, Billing Pools may be treated as a single entity. Subject to the terms and conditions set forth below, the Company shall provide no-notice and monthly balancing services under Rate Schedules NNS and MBS. Service under Rate Schedules NNS and MBS is available only for inadvertent fluctuations, limited by the terms and conditions of each Rate Schedule, and is not available to speculate as to fuel prices or otherwise to permit imbalances which reasonably could have been avoided. In the event the Customer fails to use best efforts to balance deliveries and receipts, or otherwise misuses no-notice or balancing services as determined by the Company in its sole discretion, Section 20.4 shall apply for the period of such default or misuse.
- (b) Daily Balancing. The Company shall allow Customer's daily demand to inadvertently vary from daily scheduled deliveries by +/-2.5% without imposing Daily Balancing Charges, provided the total daily quantity taken does not exceed Customer's Daily Firm Requirement, MDQ or otherwise specified contract demand limit. Daily imbalances in excess of the +/-2.5% tolerance, unless otherwise provided by service elected under Rate NNS, shall be assessed a Maximum Daily Excess Balancing Charge in accordance with Section 20.4 under Critical Day and Non-Critical Day criteria unless otherwise specified in Customer's contract, in addition to the charges specified in Rates DS, LFD, XD and IS, on all such quantities.
- (c) Imbalance Resolution. Customer's monthly imbalances will be calculated at the end of each billing period to determine if any overdelivery (excess) or underdelivery (shortfall) condition exists for volumes scheduled versus volumes metered. If the Customer is determined to be in an imbalance condition, and has not elected service under Rate MBS, then the Company shall sell and the Customer shall buy any shortfall amount according to the following cash-out pricing:

<u>Shortfall Percent</u>	<u>Cash-Out Price</u>
Up to 5%	Shortfall Monthly Index ("SMI")
Greater than 5%, but not greater than 15%	SMI x 1.1
Greater than 15%, but not greater than 25%	SMI x 1.3
Greater than 25%	SMI x 1.5

RULES AND REGULATIONS

**20. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
(Continued)**

Likewise, the Customer shall sell and the Company shall buy any excess amount according to the following cash-out pricing:

<u>Excess Percent</u>	<u>Cash-Out Price</u>
Up to 5%	Excess Monthly Index ("EMI")
Greater than 5%, but not greater than 15%	EMI x 0.9
Greater than 15%, but not greater than 25%	EMI x 0.7
Greater than 25%	EMI x 0.5

The SMI (Shortfall Monthly Index) shall be the highest of the average of the published *Gas Daily* Midpoint index prices for: Transco, Leidy line receipts PLUS the maximum published Rate IT transportation charges for deliveries from zone 6 to zone 6 on Transcontinental Gas Pipeline Company, LLC; Transco zone 6 non-N.Y.; Transco, zone 6 non-N.Y. North; or Transco, zone 6 non-N.Y. South during the Customer's billing month.

The EMI (Excess Monthly Index) shall be the lowest of the average of the published *Gas Daily* Midpoint index prices for: Transco, Leidy line receipts; Transco, zone 6 non-N.Y.; Transco, zone 6 non-N.Y. North; or Transco, zone 6 non-N.Y. South during the Customer's billing month.

The SMI and EMI are applicable to the above tables only for inadvertent monthly imbalances. The HMI (Highest Monthly Index) or the LMI (Lowest Monthly Index) as defined below shall apply respectively to shortfall and excess conditions in those situations where intentional imbalances are involved.

The HMI shall be calculated as the highest of the published *Gas Daily* Absolute index prices for: Transco, Leidy line receipts PLUS the maximum published Rate IT transportation charges for deliveries from zone 6 to zone 6 on Transcontinental Gas Pipeline Company, LLC; Transco, zone 6 non-N.Y.; Transco, zone 6 non-N.Y. North; or Transco, zone 6-non-N.Y. South during the Customer's billing month.

The LMI shall be calculated as the lowest published *Gas Daily* Absolute index prices for: Transco, Leidy line receipts; Transco, zone 6 non-N.Y.; Transco, zone 6 non-N.Y. North; or Transco, zone 6-non-N.Y. South during the Customer's billing month.

- (d) The Company may extend the balancing period for gas volumes and may increase volumes eligible for balancing in its discretion, but only if it determines that such action is consistent with its obligations to other customers.
- (e) Supply Transfers. In order to facilitate Monthly balancing related to inadvertent imbalances in Company's sole discretion, the Company shall allow Supply Transfers among Customers and Billing Pools, Customers-to-Billing Pools and Billing Pools-to-Customers at a fee of \$125 per transaction, provided however: (1) such transfer is requested prior to the end of the billing month for both the transferee and the transferor, (2) such transfer

RULES AND REGULATIONS**20. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
(Continued)**

is physically possible given pipeline interconnection and delivery point limitations which require transfers to be between parties located on the same segment of the Company's distribution system, and system supplies and reliability are not adversely affected.

- (f) Competitive Volume Customers. In the case of Customers or applicants seeking service for facilities with a design volume capability allowing for direct connection to transmission or gathering lines for bypass of Company facilities, Company shall have the right to establish daily and monthly balancing tolerances at levels other than those specified in subsections (b) and (c) of this Section 20.2 to reflect specific operational limitations or to protect the interests of other Customers, as determined by the Company in its sole discretion. Additionally, the Company may establish special nomination rules, imbalance resolution rules and communication protocols that reflect the Customer's or applicant's commercial alternatives, and which are consistent with its obligations to other Customers.

20.3 Service Agreement and General.**(a) Limitation on Liability.**

- (1) The Company shall not be liable for curtailment of service under Rates DS, LFD, XD and IS, or loss of the Customer's gas as a result of any steps taken to comply with any law, regulation or order of any governmental agency with jurisdiction to regulate, allocate or control gas supplies or the rendition of service hereunder, and regardless of any defect in such law, regulation or order.
- (2) Gas transported and delivered by the Company to the Customer hereunder shall be and remain the property of the Customer. The Customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such gas before, during and after receipt by the Company.
- (3) The Company shall not be liable for any loss to the Customer arising from or out of service hereunder, including loss of gas in the possession of the Company or any other cause, except gross or willful negligence of the Company's own employees or agents. The Company reserves the right to commingle gas of the Customer with other supplies.

- (b) Warranty, indemnity and special provisions. The receipt of service constitutes Customer's agreement to the following representations and warranties, together with related provisions in the service agreement:

RULES AND REGULATIONS**20. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
(Continued)**

- (1) clear and marketable title to the Customer's gas;
- (2) delivery points, pressure, quality and other specifications acceptable to gas transmission pipeline(s) and the Company;
- (3) eligibility of the Customer for service;
- (4) existence of lawful authority for sale, transportation and delivery;
- (5) agreement to pay all excise, sales, use, gross receipts, or other taxes (other than income taxes), all tariff charges and all penalties, charges, fees for transportation, balancing etc., associated with delivered gas, which may be levied upon or incurred by the Company at any time;
- (6) agreement to indemnify and hold the Company harmless from breach of representations or warranties, and any liability associated with Customer's gas while on the Company's system.

Copy of Gas Purchase Agreements, Other Documents. When requested by the Company, the Customer shall provide the Company with a copy of Customer's gas purchase contract and any related transportation, marketing and brokerage contracts, or, in lieu of providing such contracts, certify pertinent information as required by the Company, and, in order to meet state or federal requirements, provide a sworn affidavit setting forth the Customer's cost of gas for the period requested by the Company. The Company shall endeavor to protect the confidentiality of information provided by the customer in accordance with this provision. The Company will provide such information to third parties only when required to do so by law, regulation or order and in such case, will attempt to maintain confidentiality to the extent possible.

20.4 Maximum Daily Excess Balancing Charge

The Daily Excess Balancing Charge that occurs on Critical Days shall be as follows:

The charge for exceeding daily balancing limits shall be ten times the highest price for delivery in: Transco, Leidy line receipts PLUS the maximum published Rate IT transportation charges for deliveries from zone 6 to zone 6 on Transcontinental Gas Pipeline Company, LLC; Transco, zone 6 non-N.Y.; Transco, zone 6 non-N.Y. North; or Transco, zone 6-non-N.Y. South, as published in *Gas Daily* on the table "Daily Price Survey." This rate shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of the interstate pipelines which deliver gas into Pennsylvania.

RULES AND REGULATIONS**20. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
(Continued)**

The Daily Excess Balancing Charge that occurs on Non-Critical Days shall be as follows:

<u>Daily Imbalance Percent</u>	<u>Penalty</u>
Up to 15%	GDI
Greater than 15%, but not greater than 30%	GDI x 2
Greater than 30%, but not greater than 45%	GDI x 3
Greater than 45%, but not greater than 60%	GDI x 4
Greater than 60%	GDI x 5
Intentional imbalances	GDI x 5

The GDI (Gas Daily Index) shall be equal to the difference in price between the highest published *Gas Daily* index price for Transco, zone 6 Non-NY; Transco, zone 6 non-N.Y. North; or Transco, zone 6-non-N.Y. South and the lowest published *Gas Daily* index price for Transco, Leidy line receipts but shall not be lower than \$0.25/Mcf.

The Company shall not charge any Maximum Daily Excess Balancing Charges if the Excess Daily Imbalance is anticipated to benefit the distribution systems daily balancing position as determined by Company in its sole discretion.

20.5 Operational Flow Orders and Daily Flow Directives

The Company has the right to issue Operational Flow Orders and Daily Flow Directives at any time. Failure to comply with any OFO or DFD shall result in a penalty charge of Twenty-Five (\$25) per Mcf or the charge calculated in compliance with Section 20.4 Maximum Daily Excess Balancing Charge, whichever is greater.

RULES AND REGULATIONS**21. GENERAL TERMS FOR INTERCONNECTION COORDINATION
SERVICES FOR CONNECTING ENTITIES**

Any entity with actual or potential sources of gas supply connected to Company facilities (Connecting Entity) shall be obligated to enter into an agreement with the Company (Coordination Agreement) addressing, to the extent applicable: (1) the duties and obligations of the parties with respect to their respective facilities, (2) measurement of deliveries of gas, (3) gas quality standards, (4) nomination requirements, (5) permitted variations in supply deliveries and imbalance resolution and (6) other operational issues raised by the nature of the supply source connection

UGI PENN NATURAL GAS, INC.

RATE R**GENERAL SERVICE - RESIDENTIAL**AVAILABILITY

This rate applies to all Residential Customers in the entire gas service territory of the Company and available at one location, for the total requirements of any residential Customer. Residential Customers are customers receiving the Company's gas service to a single-family dwelling or building, or through one meter to four or fewer units in a multi-family dwelling or premises used as a single family.

MONTHLY RATE TABLE

Customer Charge: \$13.25 per customer

Plus

Distribution Charge: \$0.40772/Ccf

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider B - Section 1307 (f) Purchased Gas Cost
Rider D - Merchant Function
Rider E - Gas Procurement Charge
Rider F - Universal Service Program
Rider G - Energy Efficiency and Conservation
Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12 month intervening period.

PAYMENT

In accordance with Section 8.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

UGI PENN NATURAL GAS, INC.

RATE RT**GENERAL SERVICE - RESIDENTIAL TRANSPORTATION**AVAILABILITY

This Rate applies to all Residential Customers in the entire gas service territory who are served by a qualified Choice Supplier receiving service under Rate AG and available at one location, for the total requirements of any residential Customer. Residential Customers are customers receiving the Company's gas service to a single-family dwelling or building, or through one meter to four or fewer units in a multi-family dwelling or premises used as a single family.

MONTHLY RATE TABLE

Customer Charge: \$13.25 per customer

Plus

Distribution Charge: \$0.40772/Ccf

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider F - Universal Service Program
Rider G - Energy Efficiency and Conservation
Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12 month intervening period.

Issued:

Effective for Service Rendered on and after

UGI PENN NATURAL GAS, INC.

Rate RT (Continued)

GENERAL SERVICE - RESIDENTIAL TRANSPORTATION

PAYMENT

In accordance with Section 8.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

RULES AND REGULATIONS

Where a Customer is returned to the Company or an alternate Supplier of Last Resort prior to the next regular meter reading date, due to the Licensed Choice Natural Gas Supplier's non-performance, Customer will receive service from Company or alternate Supplier of Last Resort for the remainder of the billing month at the contract rate between the Customer and Choice Supplier. Customer must provide evidence of the applicable contract rate, if requested by Company, to receive the contract rate price. As of the next regular meter read date, Customer will be transferred to Rate R, unless enrolled as a Rate RT customer by another Choice Supplier, effective as of the next regular meter read date.

GENERAL TERMS

Company Use and Unaccounted For gas shall be retained in accordance with Section 5, Operational Requirements, paragraph 5.1, Daily Delivery Requirements, of the Gas Choice Supplier Tariff.

UGI PENN NATURAL GAS, INC.

RATE GLGENERAL SERVICE - GAS LIGHT SERVICEAVAILABILITY

This service is available for street, highway, driveway or other lighting or sign illumination, where measurement by meter of the gas consumed is not practicable or economical. As used herein, "light" means a single lamp or sign having one (1) gas-flow orifice and one (1) or more mantles, and of a type approved by the Company.

MONTHLY RATE TABLE

Distribution Charge: \$3.9270/Mcf

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider B - Section 1307(f) Purchased Gas Cost
Rider I - Distribution System Improvement Charge

Monthly usage is assumed to be 1.8 Mcf, however, for larger consumption input fixtures, the Company reserves the right to modify

BILLS DUE

All bills for continuing service are due each month when rendered, and the final due date stated on the bill shall be no less than fifteen (15) days from the date of presentation. Upon discontinuance of service, bills are due and payable upon presentation.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

SPECIAL TERMS AND CONDITIONS

Gas will be supplied to lights furnished, erected and maintained by the customer only when equipped with regulators and such devices as the Company considers necessary for turning lights on and off for maintenance and safety purposes.

UGI PENN NATURAL GAS, INC.

RATE NGENERAL SERVICE - NON-RESIDENTIALAVAILABILITY

This Rate applies in the entire territory served by the Company and is available to all Non-Residential Customers, using gas for any purpose including gas purchased by another public utility for resale. Service will be supplied only where the Company's facilities and the available quantity of gas are suitable to the service desired. Rate N service may not be applied to supplement or back up any transportation service.

MONTHLY RATE TABLE

Customer Charge: \$34.00 per customer

Plus

Distribution Charge: \$2.5368 per Mcf

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider B - Section 1307(f) Purchased Gas Cost
Rider D - Merchant Function Rider
Rider E - Gas Procurement Charge
Rider G - Energy Efficiency and Conservation
Rider H - Technology and Economic Development
Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

The Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12 month intervening period.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

Issued:

Effective for Service Rendered on and after

UGI PENN NATURAL GAS, INC.

RATE NTGENERAL SERVICE - NON-RESIDENTIAL TRANSPORTATIONAVAILABILITY

This Rate applies in the entire territory served by the Company and is available to all Customers who are served by a Choice Supplier receiving service under Rate AG, except residential Customers, using gas for any purpose. Service will be supplied only where the Company's facilities and the available quantity of gas are suitable to the service desired. Rate NT service may not be applied to supplement or back up any transportation or retail service.

MONTHLY RATE TABLE

Customer Charge: \$34.00 per customer

Plus

Distribution Charge: \$2.5368 per MCF

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider G - Energy Efficiency and Conservation
Rider H - Technology and Economic Development
Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

The Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

UGI PENN NATURAL GAS, INC.

RATE NT - CONTINUED

GENERAL SERVICE - NON-RESIDENTIAL TRANSPORTATION

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

RULES AND REGULATIONS

Where a Customer is returned to the Company or an alternate Supplier of Last Resort prior to the next regular meter reading date, due to the Licensed Choice Natural Gas Supplier's non-performance, Customer will receive service from Company or alternate Supplier of Last Resort for the remainder of the billing month at the contract rate between the Customer and Choice Supplier. Customer must provide evidence of the applicable contract rate, if requested by Company, to receive the contract rate price. As of the next regular meter read date, Customer will be transferred to Rate N, unless enrolled as a Rate NT customer by another Choice Supplier, effective as of the next regular meter read date.

GENERAL TERMS

Company Use and Unaccounted For gas shall be retained in accordance with Section 5, Operational Requirements, paragraph 5.1, Daily Delivery Requirements, of the Gas Choice Supplier Tariff.

UGI PENN NATURAL GAS, INC.

RATE DSDELIVERY SERVICEAVAILABILITY

This service applies in the entire territory served by the Company. Firm Delivery Service shall be provided for all volumes supplied by the Customer for which the Company has available on system delivery capacity, subject to Section 19 - Gas Emergency Planning provisions of the Company's tariff, applicable rules and regulations of the PUC and any other governmental mandates.

The Customer must execute a Service Agreement for not less than (1) one year. The contract shall continue in force for consecutive (1) year periods unless cancelled by the Customer upon ninety (90) days written notice to Company prior to the expiration of a contract term.

Gas service in excess of volumes delivered by the Customer shall only be provided in accordance with applicable delivery service balancing provisions or in accordance with optionally elected and approved balancing or standby services.

Service under Rate DS is subject to the terms set forth under General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

MONTHLY RATE TABLE

The charge for each monthly billing period shall be the sum of the Customer Charge, the Capacity Charge if applicable, and the Distribution Charge as described below. The following are maximum rates.

Customer Charge: \$229.00

Plus

Capacity Charge: The Company's unitized weighted average cost of firm transportation capacity.

Plus

Maximum Distribution Charge:
\$1.8488/MCF (all volumes)

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider G - Energy Efficiency and Conservation
Rider H - Technology and Economic Development
Rider I - Distribution System Improvement Charge

UGI PENN NATURAL GAS, INC.

RATE DS - CONTINUED

DELIVERY SERVICE

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

RETAINAGE RATE

Company Use and Unaccounted For gas shall be retained in accordance with Section 20, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, AND IS, paragraph 20.1(j).

RATE NNSNO-NOTICE SERVICEAVAILABILITY

This Rate is available upon request to any Customer served on Rate DS, LFD, XD or IS who, after review and acceptance of such request by Company, has entered into a service agreement with Company for service under Rate NNS. The term of the service agreement shall be concurrent with that of the Customer's underlying Delivery Service Schedule.

Service under this Rate is available for inadvertent fluctuations only and is not available to speculate as to fuel prices or otherwise to permit imbalances which reasonably could have been avoided.

Service to large volume users, such as electric generation facilities, may be limited as determined by the Company. Service under Rate NNS is subject to the terms and conditions set forth under Section 20 General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

TERMS AND CONDITIONS

Customers shall elect a specific level of no-notice service under this Rate. Such election shall be made through the specification of a No-Notice Allowance ("NNA"), in MCF per day, of an amount no less than 2.5% and no greater than 100% of Customer's Daily Firm Requirement, Maximum Daily Quantity or otherwise specified daily contract limit. The elected NNA shall be effective for a fixed period equal to the lesser of one year or the remaining balance of the Customer's service agreement or, a lesser time period mutually agreeable to both the Customer and the Company. In no instance shall a NNA be effective for a period of less than one month.

No-notice service shall be provided under this Rate whereby the Company shall forward or bank no-notice supplies to the Customer on a daily basis in such amounts necessary to balance the Customer's daily deliveries with the Customer's daily consumption. Forwarded amounts shall be limited in amount by the lesser of the sum of the Customer's daily nomination plus elected NNA or, the Customer's DFR, MDQ or otherwise specified contract limit except as allowed. Banked amounts shall be limited to an amount no greater than the Customer's NNA election.

Customer electing an NNA shall be billed for no-notice service according to that specific level of service.

Volumes in excess of the daily limits shall be subject to Daily Excess Imbalance Charges as set forth in Section 20.4 General Terms For Delivery Service for Rate Schedules DS, LFD, XD and IS on all such excess quantities, in addition to the charges specified in the Customer's Delivery Service Schedule.

MONTHLY RATE TABLE

\$0.266 per Mcf per day of elected NNA

RATE MBSMONTHLY BALANCING SERVICEAVAILABILITY

This Rate is available upon request to any Customer served on Rate DS, LFD, XD or IS who, after review and acceptance of such request by Company, has entered into a Service Agreement with Company for service under Rate MBS. The term of the Service Agreement shall be concurrent with that of the Customer's underlying Rate Schedule.

Service under Rate MBS is available for inadvertent fluctuations only, limited to an amount not to exceed 10% of the customer's total scheduled deliveries for the month, and is not available to speculate as to fuel prices or otherwise to permit imbalances which reasonably could have been avoided. Service under Rate MBS is subject to the terms set forth in Section 20 General Terms For Delivery Service for Rate Schedules DS, LFD, XD, and IS.

Rate MBS is available as a monthly banking service for Customer transportation deliveries. Service under Rate MBS allows Customer transportation imbalances (metered volumes less total scheduled nominations) which are within 10% of Customer's total scheduled nominations for the month to be carried forward in the Customer's MBS Account ("Balance Account") for redelivery of excesses or receipt of shortfalls in subsequent months.

TERMS AND CONDITIONS

Balance Account Operation. To the extent Customer's total deliveries exceed Customer's total consumption at the end of a Billing Month, the excess volumes shall be added to the Customer's Balance Account. To the extent Customer's total consumption exceeds Customer's total deliveries at the end of a Billing Month, the shortfall volumes shall be subtracted from the Customer's Balance Account.

Balance Account Limits. At no time, as calculated at the end of a Billing Month, shall a Customer exceed a Balance Account excess or shortfall balance greater than 10% of the Customer's total scheduled deliveries for the month, as determined by the Company in its sole discretion. Any such imbalance on the Customer's Balance Account shall result in an immediate zeroing of the Balance Account balance in accordance with the Cash-In/Cash-Out pricing set forth in Section 20.2.

The Company, in its sole discretion, may zero out the Customer's Balance Account at the end of any Billing Month by purchasing or selling such net imbalance volumes in the Customer's Balance Account at the prevailing month's Cash-In/Cash-Out pricing at set forth in Section 20.2, provided such zero out may occur only if necessitated by operational needs of the Company or as a result of a requirement of an applicable interstate pipeline.

MONTHLY RATE TABLE

Monthly Transportation Volume

Rate DS/IS	\$0.0039/Mcf x Monthly Billed Volumes
Rate LFD	\$0.0024/Mcf x Monthly Billed Volumes
Rate XD	\$0.0013/Mcf x Monthly Billed Volumes

RATE LFD**LARGE FIRM DELIVERY SERVICE****AVAILABILITY**

This Rate applies in the entire territory served by the Company. It is available to any Customer who executes a Service Agreement with the Company for an on system Daily Firm Requirement (DFR), as agreed to by Customer and Company in said agreement, for not less than fifty (50) MCF of gas per day of firm service. Volumes delivered under this Rate shall be metered separately from service under any of the Company's other rates, except as provided for in Rates IS, NNS, and MBS. In lieu of separate metering, the Company may accept contractual commitments specifying minimum volumes of service under Rate LFD.

Service will be provided by the Company where the Customer provides suitable gas delivered to a Company authorized receipt point, as determined by the Company in its sole discretion, provided Company has available on-system and/or pipeline capacity available in such quantities to meet Customer requirements. The Company shall be under no obligation to maintain on-system facilities required for service beyond the term of an executed service agreement.

Unless otherwise agreed by the Customer and Company, the Customer must enter into a Service Agreement for a minimum term of two (2) years. The Service Agreement shall continue in force for consecutive two (2) year periods unless cancelled by Customer upon one (1) year written notice to the Company prior to the expiration of the then current Service Agreement term. The Customer shall remain liable for minimum bill requirements for the length of the Service Agreement under this Rate, including applicable penalties, in the event the Customer defaults on its Service Agreement before the end of its term.

Firm Delivery Service shall be provided for all volumes provided by the Customer for which the Company has available delivery capacity, subject to the curtailment provisions of the Company's Tariff, applicable rules and regulations of the PUC and any other governmental mandates.

Gas service in excess of volumes delivered by the Customer shall only be provided in accordance with applicable balancing provisions or in accordance with optionally elected and approved balancing or standby services.

The DFR shall be the Company's contracted maximum firm delivery obligation to the Customer on any day and shall be no less than fifty (50) MCF. Service in excess of the DFR is interruptible in accordance with the terms of Rate IS.

Service under Rate LFD is subject to the terms set forth under Section 20 - General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

UGI PENN NATURAL GAS, INC.

RATE LFD - CONTINUEDLARGE FIRM DELIVERY SERVICEMONTHLY RATE TABLE

The charge for each monthly billing period shall be the sum of the Customer Charge, the Demand Charge, the Distribution Charge and any Excess Take Charge as described below. The following are maximum rates.

Customer Charge: \$700.00

Plus

Maximum Demand Charge: \$3.6100/Mcf of Customer's elected DFR.

Plus

Maximum Distribution Charge: \$0.9167/Mcf (all volumes)

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge

Rider G - Energy Efficiency and Conservation

Rider H - Technology and Economic Development

Rider I - Distribution System Improvement Charge

RETAINAGE RATE

Company Use and Unaccounted For gas shall be retained in accordance with Section 20, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, AND IS, paragraph 20.1(j).

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

EXCESS TAKE CHARGE

Except as provided in the Company's *Nomination Procedure*, for authorized usage on any day in excess of the Daily Firm Requirement there will be a charge of \$6.00 per MCF in addition to the charges specified in the rate table.

UGI PENN NATURAL GAS, INC.

RATE LFD - CONTINUED**LARGE FIRM DELIVERY SERVICE**MINIMUM BILL

Monthly: The Minimum Monthly Bill shall be the Customer Charge, Demand Charge and Charge for Other Transportation.

Annual: The Minimum Annual Bill shall be based on the Customer maintaining a 0.50 annual load factor and shall be due and payable with the bill for the 12th month in the contract year. The Customer's actual load factor shall be determined by dividing the total volume of gas taken during the contract year (including volumes taken under the Retail and Standby Rider, the Cash-Out provisions of Section 20.2) by the sum of the Daily Firm Requirements for the contract year. If the actual load factor is less than 0.50, then, in addition to payment for actual usage, the Customer shall pay a Minimum Annual Bill charge equal to the product of: (1) the difference between 0.50 and the actual load factor, (2) the sum of the Customer's Daily Firm Requirements for the contract year, and (3) the average delivery charge paid by the Customer over the previous 12-month period, as calculated by the Company. If the Customer's actual load factor is greater than or equal to 0.50, no Minimum Annual Bill charge will be required.

CHARGE FOR OTHER TRANSPORTATION

If the Customer chooses to use the Company as agent in regard to transportation service by others, any costs calculated by or billed to the Company, with regard to such agency, shall be billed to the customer by the Company and may include an applicable administrative fee as agreed by the Customer and Company.

CHARGE FOR UNAUTHORIZED OVERRUN

Whenever it is necessary to restrict gas supplied under this Rate, the Company will provide due notice of such restriction. If a Customer, after having received due notice of restriction, shall take gas in excess of the amount made available by such notice, then the Customer shall be billed for such excess gas at the rate of Twenty-Seven Dollars and Fifty Cents (\$27.50) per MCF, or the charge be calculated in compliance with Section 20.4 Maximum Daily Excess Balancing Charge, whichever is greater, plus the charge specified in the monthly rate table. Customer shall indemnify Company from any claims by third parties resulting from Customer's unauthorized overrun.

SERVICE UNDER OTHER RATES

Volumes purchased under the Retail and Standby Rider or under the Cash-Out provisions of Section 20.2 or taken under Rate NNS shall be included for the purposes of determining Excess Take Charge and Unauthorized Overrun gas.

Issued:

Effective for Service Rendered on and after

RATE XD**EXTENDED LARGE FIRM DELIVERY SERVICE****AVAILABILITY**

This Rate applies in the entire territory served by the Company on request of a Customer which the Company determines, in its sole discretion, has a prospective gas volume usage of at least 200,000 MCF per year at the time of execution or renewal of a Service Agreement.

Service will be provided by the Company where the Customer provides suitable gas delivered to a Company authorized receipt point, as determined by the Company in its sole discretion, provided Company has available on-system and/or pipeline capacity available in such quantities to meet Customer's requirements. The Company shall be under no obligation to maintain facilities required for service beyond the term of an executed Service Agreement.

Unless otherwise agreed to by the Customer and the Company, the Customer must enter into a service agreement for a minimum term of three (3) years. For a Customer requesting firm service, the Service Agreement shall specify an initial Daily Firm Requirement (DFR). The Customer shall remain liable for minimum bill requirements for the length of the Service Agreement under this Rate, including applicable penalties, in the event the Customer defaults on its Service Agreement before the end of its term.

For Customers requesting firm service, Delivery Service shall be provided for all volumes provided by the Customer for which the Company has available delivery up to DFR, subject to the Section 19 - Gas Emergency Planning provisions of the Company's tariff, applicable rules and regulations of the PUC and any other governmental mandates.

Service in excess of volumes delivered by the Customer shall only be provided in accordance with applicable balancing provisions or in accordance with optionally elected and approved balancing or standby services.

The DFR shall be the Company's contracted maximum firm delivery obligation to the Customer on any day. Service in excess of the DFR is interruptible and will be provided under terms and conditions identical to those set forth under Rate Schedule IS.

Service under Rate XD is subject to the terms set forth under Section 20 - General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

UGI PENN NATURAL GAS, INC.

RATE XD -CONTINUED**EXTENDED LARGE FIRM DELIVERY SERVICE**MONTHLY RATE TABLE

The charge for each monthly billing period shall be negotiable and shall be the sum of the Customer Charge, Distribution Charge, Demand Charge if applicable, and the Minimum Annual Bill as described below.

The following are maximum rates.

Customer Charge: Charge as determined by negotiation.

Plus

Maximum Demand Charge: Charge as determined by negotiation.

Plus

Maximum Average Delivery Charge: \$0.9167/Mcf

Plus

SURCHARGES and RIDERS

Rider G - Distribution System Improvement Charge

RETAINAGE RATE

Unless otherwise agreed between the Customer and the Company, Company Use and Unaccounted For gas shall be retained in accordance with Section 20, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS, paragraph 20.1(j).

MINIMUM BILL

Minimum Bill Volumes and terms shall be defined in the Service Agreement and determined by negotiation.

CHARGE FOR OTHER TRANSPORTATION

If the Customer chooses to use the Company as agent in regard to transportation service by others, any costs calculated by or billed to the Company, with regard to such agency, shall be billed to the Customer by the Company and may include an applicable administrative fee as agreed by the Customer and Company.

UGI PENN NATURAL GAS, INC.

RATE XD - CONTINUED**EXTENDED LARGE FIRM DELIVERY SERVICE**CHARGE FOR UNAUTHORIZED OVERRUN

Whenever it is necessary to restrict gas supplied under this Rate, the Company will provide due notice of such restrictions. If a Customer, after having received due notice of a restriction, shall take gas in excess of the amount made available by such notice, then the Customer shall be billed for such excess gas at the rate of Twenty-Seven Dollars and Fifty Cents (\$27.50) per MCF, or the charge calculated in compliance with Section 20.4 Maximum Daily Excess Balancing, whichever is greater, plus the charge specified in the monthly rate table. Customer shall indemnify Company from any claims by third parties resulting from Customer's unauthorized overrun.

Volumes purchased under the Retail and Standby Rider or under the Cash-Out provisions of Section 20.2 or taken under Rate NNS shall be included for the purpose of determining Unauthorized Overrun gas.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

RATE R/SRETAIL AND STANDBY RIDERAVAILABILITY

Retail and Standby services are available under the Retail and Standby Rider to any Customer receiving service under Rate Schedules DS, LFD, XD and IS. Service shall be supplied only where the Company's facilities are suitable and available for the service desired. Service is subject to curtailment under Tariff Rule No. 19, Emergency Gas Planning.

Retail and Standby services under this schedule may be provided on a firm and/or interruptible basis. Subject to the Company's sole discretion, services shall be provided only if, and to the extent, sufficient Company and/or Customer provided capacity exists for the transportation of available gas supplies. Unless otherwise agreed by the Company and Customer, the Customer must enter into a service agreement for a minimum term of one (1) year with monthly payments for service taken.

The Company may provide capacity, supply or a bundled service, retail or standby, to the Customer under this rate schedule as per one or more of the following: For Customers having upstream capacity rights: Company shall provide, or stand ready to provide, gas supplies to the Customer in such amounts and at such delivery or receipt points as necessary to meet Customers' contract requirements, as specified on a daily, monthly, seasonal or annual basis.

For Customers providing, selling or forwarding gas supplies to the Company for redelivery to Customer: Company shall provide, or stand ready to provide, pipeline and/or system capacity to deliver such gas supplies to the Customer.

For Customers requiring bundled sales service: Company shall provide, or stand ready to provide, the necessary pipeline and/or system capacity, and gas supplies necessary to provide gas service to the Customer at the Customers' metered location.

Where applicable, Customer must nominate standby service requirements by specifying a Nominated Standby Requirement (NSR) in MCF and a Daily Standby Requirement (DSR) in MCF per day of amounts equal to the Customer's total and daily standby supply requirements. Unless otherwise agreed by the Company and Customer, the firm or interruptible DSR shall be equal to the NSR divided by the number of days in the standby period.

Customers served under firm Rate Schedules DS, LFD, XD and IS may take firm retail and/or standby service under this rate schedule in any amount up to their available Daily Firm Requirement (DFR) or otherwise specified contract limit. All other terms and conditions of service as specified in Customer's Rate Schedules DS, LFD and XD and/or contract shall continue to apply.

Capacity and/or supply utilization under this rate schedule shall be on an as available basis for customers requesting retail and/or standby services. Subject to the Company's sole discretion, other incrementally obtained capacity and/or supply shall be assigned according to a Customer request queue or otherwise specified auction procedure. When necessary, such request queue or auction procedure shall be established in accordance with the terms outlined in the Company's *Nomination Procedure*.

The Company, upon notice to the Customer, may specify minimum levels of retail and/or standby nominations required for service under this rate schedule.

RATE R/S - CONTINUEDRETAIL AND STANDBY RIDER

Service under Rate R/S is subject to the terms set forth in Section 20.2.

MONTHLY RATE TABLE

The charge for each Billing Month shall be the sum of the Customer Charge

Plus

The Capacity/Reservation Charge corresponding to the Customer's service election,

Plus

The Commodity Charge as shown below,

Plus

Administrative Service Fee: \$75 per month.

Capacity/Reservation Charge:

Firm Retail Option: The applicable market price for available upstream capacity, plus the applicable charge for available system capacity, less any capacity charges paid under the Customer's applicable Rate Schedule, but in no case less than zero.

Firm Standby Option: The applicable Firm Standby Reservation Charge per MCF of DSR and/or per MCF of NSR.

- a) The Firm Standby Reservation Charge shall be equal to the sum of the monthly contract demand rates charge by the Company's interstate pipeline suppliers divided by the sum of the daily contract demands.
- b) The Firm Standby Reservation Charge shall be subject to increase or decrease whenever any of the Company's interstate pipeline suppliers make changes in their contract demand rates. Any change in the Standby Rate shall become effective on the first day of the month following the date on which the change in pipeline contract demand rate becomes effective.
- c) The Firm Standby Reservation Charge revenues will be credited to the PGC.

Interruptible Standby Option: The applicable interruptible standby reservation charge per MCF of DSR and/or per MCF of NSR.

Plus

Commodity Charge: The distribution charge applicable under the Customer's Rate Schedule plus the applicable commodity cost, which shall be the identifiable additional cost of supply necessary to serve the Customer's usage, plus any applicable reservation cost of supply.

UGI PENN NATURAL GAS, INC.

RATE R/S (Continued)

RETAIL AND STANDBY RIDER

The minimum monthly bill under this rate schedule shall be the sum of the Customer and Capacity/Reservation Charges plus any commodity reservation costs per MCF of NSR.

SURCHARGES

Rider A - State Tax Adjustment Surcharge
Rider G - Distribution System Improvement Charge

Any charges or penalties imposed by pipeline suppliers as a result of usage under this rider shall, at the Company's sole discretion, be allocated to Customers according to each Customer's contractual obligation or be assigned to the Customer responsible for the incurrence of the charges or penalties.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

RATE IS**INTERRUPTIBLE SERVICE****AVAILABILITY**

This Rate applies in the entire territory served by the Company. It is available to any commercial or industrial Customer using gas for any purpose when Customer has executed a Service Agreement with a term of at least one (1) year for use of gas under the terms of this Tariff.

Service under this Rate shall only be provided when, in the Company's sole discretion, sufficient system capacity is available.

Unless otherwise agreed by both Customer and Company, service under Rate IS is available only to Customer loads with documented installed capability to consume an alternate fuel, and the Customer must enter into a Service Agreement for a minimum term of one (1) year with monthly payments for service taken. The Customer shall remain liable for minimum bill requirements for the length of the Service Agreement under this Rate, including applicable penalties, in the event the Customer defaults on its Service Agreement before the end of its term.

The Customer and Company agree that a Manual Interruptible (MI) Customer must demonstrate that they have the capability of consuming at least 5,000 MCF of gas during April through October ("Off Peak Period". For all Automatic Temperature Control ("ATC") Customers, the Customer shall install and operate equipment to transfer the fuel source of its interruptible equipment from natural gas to an alternate fuel at a predetermined temperature setting as determined annually by the Company.

The Company shall verify, prior to commencement of service for new Customers that the customer load being served qualifies under these provisions. The Company shall be permitted to inspect the facilities and piping at the premises of the Customer from time to time to confirm that the load being served so qualifies. The Company, at its discretion, may require such separate metering and piping and elimination of any cross-connection to non-qualifying end use equipment as may be necessary to enforce these provisions and to ensure the interruption of service hereunder during periods of restricted service. It is the Customer's responsibility to ensure qualifying alternate fuel capability is maintained in good working order as Company shall maintain no obligation for service during periods of interruption. If the Customer fails to meet any of the applicable conditions listed below, as determined by the Company in its sole discretion, the Company may discontinue service or transfer the Customer to the otherwise applicable firm or standby rate schedule, provided sufficient on-system capacity is available:

- 1) ability to maintain qualified alternate fuel facilities
- 2) 24-hour notification capability
- 3) maintain operable ATC equipment

Service will be provided by the Company where the Customer provides suitable gas delivered to a Company authorized contract receipt point, as determined by the Company in its sole discretion and only when in the opinion of the Company there are sufficient facilities and gas supply. The Company maintains sole discretion to determine the appropriate allocation of gas to Customers.

RATE IS - CONTINUEDINTERRUPTIBLE SERVICE

Gas service in excess of volumes delivered by the Customer shall be provided only in accordance with applicable balancing provisions or in accordance with optionally elected and approved balancing or standby services.

INTERRUPTION NOTIFICATION

MI Customers agree to maintain a twenty-four hour capability to receive notification of interruptions by the Company. When notified by the Company, the MI customer must discontinue use of natural gas for the Rate IS account until notification of Company to resume use of natural gas under Rate IS. Except in an emergency circumstance, the Company will provide reasonable notice of any interruption at least two hours prior, or upon written request of the Customer, if agreed by Company, of up to six hours.

ATC Customers agree to maintain equipment required to automatically switch fuels from natural gas to Customer's alternate fuel and from alternate fuel back to natural gas based on outside temperatures, as determined solely by the Company and noticed annually to the Customer. The ATC equipment shall meet specifications as provided by the Company and shall be in working order at all times from November through March of each year.

The Company reserves the right to periodically verify MI and ATC Customer's alternate fuel as well as to verify the proper operation of ATC equipment.

MONTHLY RATE TABLE

Customer Charge: Charge as negotiated between the Customer and the Company.

Plus,

Distribution Charge:

Charge as negotiated between the Customer and Company based upon the alternate fuels that the Customer has the economic capability of consuming, inclusive of related business factors.

MINIMUM ANNUAL BILL

For ATC Customers: Shall be as negotiated by the Customer and Company, but shall be no less than the product of five hundred (500) MCF times the distribution rate in effect on the first day of the Service Agreement or subsequent anniversary date if renewed Service Agreement.

For MI Customers: Shall be as negotiated by the Customer and Company, but shall be no less than five thousand (5,000) MCF of natural gas in Off Peak Period times the distribution rate in effect on the first day of the Service Agreement or subsequent anniversary date if renewed Service Agreement.

UGI PENN NATURAL GAS, INC.

RATE IS - CONTINUED**INTERRUPTIBLE SERVICE**

Unless the Company otherwise agrees, the Minimum Annual Bill shall be calculated at the end of any Service Agreement period, anniversary, or termination of service in accordance with terms of the Service Agreement. Volumes of natural gas taken under Standby Service during the Service Agreement period shall be credited to the Minimum Annual Bill volumes.

SURCHARGES and RIDERS

Rider G - Distribution System Improvement Charge

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

CHARGE FOR UNAUTHORIZED OVERRUN

Whenever it is necessary to restrict gas supplied under this Rate, the Company will provide due notice of such restriction. If a Customer, after having received due notice of restriction, shall take gas in excess of the amount made available by such notice, then Customer shall be billed for such excess gas at the rate of Fifty Dollars (\$50.00) per MCF, or the charge calculated in compliance with Section 20.4 Maximum Daily Excess Balancing Charge, whichever is greater, plus the charge specified in the monthly rate table. Customer shall indemnify Company from any claims by third parties resulting from Customer's unauthorized overrun.

Gas delivered under the Rate IS or purchased under the Cash-Out provisions of Section 20.2 or the Retail and Standby Rider or taken under Rate NNS shall be included in the determination of Unauthorized Overrun gas.

RETAINAGE RATE

Company Use and Unaccounted For gas shall be retained in accordance with Section 20, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, AND IS, paragraph 20.1(j).

Issued:

Effective for Service Rendered on and after

UGI PENN NATURAL GAS, INC
GAS CHOICE SUPPLIER TARIFF NO. 9-S

Rates and Rules
Governing the
Furnishing of
Gas Aggregation Service

Issued: Effective for service rendered on and
after

Issued By:
Paul J. Szykman
Chief Regulatory Officer
2525 N. 12th Street, Suite 360
Post Office Box 12677
Reading, PA 19612-2677

<http://www.ugi.com/png>

RULES AND REGULATIONS**1. THE CHOICE SUPPLIER TARIFF**

- 1.1 Filing and Inspection. A copy of this Choice Supplier Tariff (Sections 1 - 11) (hereinafter "Supplier Tariff"), which includes the Charges and Rules and Regulations under which the Company will supply Aggregation Service to Company approved Natural Gas Suppliers (Choice Suppliers) serving customers under Rate Schedules RT and NT, is on file with the Pennsylvania Public Utility Commission and is available on the Company's website <http://www.ugi.com/png/>.
- 1.2 Application. The provisions of the Supplier Tariff apply to all Choice Suppliers serving customers under Rate Schedules RT and NT.
- 1.3 Statement by Agents. No representative has authority to modify a Supplier Tariff rule or provision, or to bind the Company by any contrary promise or representation.
- 1.4 Rule and Regulations. The Rules and Regulations, as part of this Supplier Tariff, are a part of every Aggregation Agreement entered into by the Company pursuant to this Supplier.
- 1.5 Purpose of Tariff. This Supplier Tariff sets forth the basic requirements for interactions and coordination between the Company in its role as a Natural Gas Distribution Company (NGDC) and Choice Suppliers, and includes rules necessary for maintaining the delivery of gas to customers served under Rate Schedules RT and NT.

RULES AND REGULATIONS**2. CHOICE SUPPLIER QUALIFICATION**

- 2.1 Service under this Tariff is contingent upon the Choice Supplier completing the Company's Choice Supplier Application Form to Serve Choice Customers (Application) and Company's approval of such Application. Choice Supplier shall include with its returned Application, payment of a non-refundable Enrollment Fee of five hundred dollars (\$500). In the event the Choice Supplier submits an incomplete application, the Company shall provide written notice to the Choice Supplier of the Application's deficiencies. An incomplete Application will not be processed by the Company until it is fully completed by the Choice Supplier and received by the Company. Failure to submit a fully completed Application within thirty (30) calendar days following notice that the Application was incomplete will result in a rejection of the Application.
- 2.2 Choice Supplier must meet all pipeline credit standards and prove it is qualified by the pipeline to receive an assignment, release or transfer of pipeline capacity.
- 2.3 Processing of Application. The Company shall promptly process each Application and notify the Choice Supplier of the results of Company's review of such Application. If the Company rejects an application, the Company will provide a reason.
- 2.4 Approval of Application. Upon approval of Choice Supplier's Application, Company shall execute the duplicate originals of the Aggregation Agreement tendered by the Choice Supplier and return one copy to the Choice Supplier.
- 2.5 Supplemental Evaluations. Company may require additional periodic credit evaluations to ensure ongoing financial fitness as set forth in Section 8 of this Tariff. The Choice Supplier will be assessed a \$250 fee for all credit evaluations performed by Company. The evaluation will be based on standard credit factors such as previous Choice Supplier's customer service record, Dun & Bradstreet or similar financial and credit ratings, trade references, bank information, unused line of credit, and financial information. Company shall have sole discretion to determine creditworthiness based on the above criteria, but will not deny creditworthiness without reasonable cause.

RULES AND REGULATIONS**3. CUSTOMER LIST**

- 3.1 Customer Choice List. Company will maintain a list of Rate R and RT customers that have authorized the release of their information in a secure portion of a Web Site accessible to Choice suppliers in compliance with the requirements of Rule 3.2. Company will also maintain a list of Rate N, NT, and DS customers with annual usage less than 300 MCF per year that have authorized the release of their information in a secure portion of a Web Site accessible to Choice suppliers in compliance with the requirements of Rule 3.2. When authorized by the customer, this list shall also include account number, address, rate code and / or historical usage.
- 3.2 Customer List Confidentiality. Such list shall only be accessible by Choice Suppliers that have executed a Confidentiality Agreement and are otherwise qualified to serve Rate RT and NT customers under this Tariff.

RULES AND REGULATIONS**4. CHOICE SUPPLIER OBLIGATIONS**

- 4.1 Unless otherwise authorized by Company, Choice Suppliers must comply with the provisions of Section 7 of the Choice Supplier Tariff.
- 4.2 A Choice Supplier must provide and maintain a bond or other financial guarantee in a form and amount as set forth in Section 8 that is acceptable to Company and/or other Commission-approved Supplier of Last Resort.
- 4.3 A Choice Supplier must acquire or agree to acquire an adequate supply of natural gas to serve Choice Supplier's Aggregation Pool and make or cause to be made arrangements by which such gas supplies can be transported to Company's city gates, as directed by Company. Such supplies must be ranked on the transporting pipeline at the pipeline's highest Predetermined Allocation ranking.
- 4.4 A Choice Supplier must enter into an Aggregation Agreement to serve Choice customers under Rate Schedules RT and NT.
- 4.45 A Choice Supplier must comply with Company system reliability requirements, including Daily Flow Directives (DFDs), Operational Flow Orders (OFOs), and notice requirements.
- 4.6 A Choice Supplier must comply with applicable communications standards, including approved internet based Electronic Data Exchange (EDI) procedures.
- 4.7 A Choice Supplier must cooperate with Company in the preparation of an annual reliability plan presented to the PUC.
- 4.8 A Choice Supplier must acquire and maintain a PUC license.
- 4.9 A Choice Supplier (including their nominating agents, if applicable) who nominates gas for delivery to the Company's system must have and maintain Internet access. The Choice Supplier shall also provide Company with a valid email address and 24-hour contact information.
- 4.10 The Company's provision of Aggregation Service is contingent upon the Choice Supplier paying all amounts billed to it by the Company in a timely manner.
- 4.11 Failure to comply with all Choice Supplier Obligations will result in the Company disqualifying the Choice Supplier from serving customers under Rate Schedules RT and NT. In the event the Company disqualifies a Choice Supplier, the Choice Supplier may appeal the disqualification to the PUC. If the PUC does not reverse the disqualification within 45 days, the Choice Supplier will be disqualified at the end of the 45-day period and its customers will be returned to sales service or switched to another Choice Supplier. Any Company disqualification will be on a non-discriminatory basis.

RULES AND REGULATIONS**5. OPERATIONAL REQUIREMENTS**

- 5.1 Daily Delivery Requirements. The Company will communicate to each Choice Supplier a Daily Delivery Requirement (DDR). The DDR will be the required amount of gas to be delivered for the indicated date for each Choice Supplier's pool of customers served under Rate Schedules RT and NT, and may specify the required points of delivery. The DDR includes a volume of gas that the Company will retain for Company use gas, and lost and unaccounted for gas, equal to 1.8% of total volume of gas delivered into its system for the Customer's account. Choice Suppliers who fail to deliver their DDR will be subject to penalties and imbalance charges as outlined in Rate AG.
- 5.2 Daily Flow Directive. An order issued by the Company to address system management issues including actions necessary to comply with statutory directives and obligations. DFDs will be communicated to affected Customers or NGSs via e-mail if the Customer or NGSs prefer to receive notice in this manner and provide a valid e-mail address, or if no such preference is expressed, either electronically, by telephone, by facsimile, through the use of the media or by an alternate mutually agreed upon method between the Company and the Customer or NGS. DFD notices shall include an explanation of the cause of the DFD. Customers and NGSs must provide the Company with a 24-hour contact for DFDs. Failure to comply with a DFD may result in the Customer or NGS being assessed the penalty charge set forth in Section 20.4 of the Company's Gas Service Tariff.
- 5.3 Operational Flow Orders. A directive issued by the Company that is reasonably necessary to alleviate conditions that threaten the operational integrity of the Company's system, including actions necessary to comply with statutory directives and obligations. OFOs will be communicated as soon as reasonably practical to affected Customers or NGSs via e-mail if the Customer or NGSs prefer to receive notice in this manner and provide a valid e-mail address, or if no such preference is expressed, either electronically, by telephone, by facsimile, through the use of the media or by an alternate mutually agreed upon method between the Company and the Customer or NGS. OFO notices shall include an explanation of the cause of the DFD. Customers and NGSs must provide the Company with a 24-hour contact for OFOs. Failure to comply with an OFO may result in the Customer or NGS being assessed the penalty charge set forth in Section 20.4 of the Company's Gas Service Tariff.

RULES AND REGULATIONS**6. BILLING AND PAYMENT**

- 6.1 Billing Period. On or before the 15th of a month, Company shall send each Choice Supplier an invoice reflecting all charges incurred by the Choice Supplier for the prior calendar month activities. Such invoice may include charges related to adjustments for prior periods.
- 6.2 Payment. Payments will be due 10 days following issuance of the invoice. Choice Supplier shall make payment to the Company of such invoiced amount by wire transfer to the bank and account specified on the invoice. If the invoiced amount is less than \$1,000, payment can be made by check, payable to the Company. Unpaid balances shall accrue interest at the rate of 1.5 percent per month. Unpaid balances may result in the Company accessing the financial security posted by the Choice Supplier and / or the Choice Supplier being disqualified from providing Aggregation Service.
- 6.3 Billing Dispute. If Choice Supplier asserts a good faith billing dispute, the Choice Supplier shall inform the Company in writing of such dispute and pay the undisputed amount. The disputed amount shall accrue interest at the effective prime rate of interest as published under "Money Rates" by "The Wall Street Journal", or the maximum contract rate permitted by law, whichever is less. The Choice Supplier and the Company shall endeavor to resolve any disputes promptly and the amount determined to be properly invoiced, plus accrued interest on such amount shall be paid to the Company within fifteen (15) days following such resolution. Unpaid amounts not subject to dispute shall accrue interest at the rate specified in 6.2.
- 6.4 Licensed Supplier Budget Billing. The Company will bill all budget billing amount calculated and provided by the Licensed Supplier. The Company will not determine a License Supplier's budget bill charge.
- 6.5 Application of Payments for Rates RT and NT. Payments will be applied in accordance with Sections 8.10 and 8.11 of the Gas Tariff.

Where Company renders a budget bill on behalf of a Choice Supplier for Natural Gas Supply service, partial payments shall be applied on a pro rata basis after outstanding pre-retail access balances and post retail access balances have been paid in accordance with the orders of priority specified above.

For purposes of this Section, pre-retail access balances means outstanding account balances incurred prior to Customer transferring to Rate RT and NT.

For purposes of this Section, post-retail access balances means outstanding account balances incurred after Customer transfers to Rate RT and NT.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**7. NOMINATION PROCEDURE**

- 7.1 Customer Choice Nomination Procedure. The Nomination Procedure specifies requirements for nominating, scheduling, balancing, and communicating information relating to Choice Supplier's gas deliveries for customers served under Rates RT and NT.
- 7.2 Contact Persons. A list of Company contact persons will be posted on the Company's Web Site, located at <http://www.ugi.com/gasmgmt/UGIP/>, or its successor, along with their department affiliation, telephone number, and fax number.
- 7.3 Mandatory Assignment. As used in this tariff the term "Firm Commodity Supply Alternative" shall mean a Company purchase of natural gas, delivered directly to its distribution system or at points along Company pipeline capacity routes (Commodity Delivery Points), constituting a component of Company's PGC supply portfolio and an alternative to pipeline capacity contracts upstream of the Commodity Delivery Points or other firm sources of PGC supply. Firm Commodity Supply Alternative contractual arrangements may require the payment of demand charges or minimum take requirements. Except as provided below, Choice supplier shall be required to accept releases of Company pipeline capacity combined with bundled city gate sales and, as applicable, peaking sales of gas from Company and sales of gas associated with Firm Commodity Supply Alternative arrangements, in accordance with the following assignments:

A monthly release of interstate pipeline capacity or allocation of Firm Commodity Supply Alternative in an amount equal to fifty-six percent (56%) of the PDDR of the Choice Customers served by the Choice Supplier during the month shall be released or allocated at a price equal to the projected weighted average demand cost of all PGC capacity, storage, peaking and Firm Commodity Supply Alternative assets, divided by .56.

The Company shall also provide Choice Suppliers with a must-take Monthly Bundled Sale Quantity ("MBSQ") during each winter month of November through March, and the Choice Supplier would be permitted to nominate and purchase gas at the Company's city gates throughout each winter month, subject to the Maximum Daily Quantity ("MDQ") limits, up to the MBSQ. The MDQ equals twenty-eight percent (28%) of the PDDR of the Choice Customers served by the Choice Supplier during the month multiplied by the percentage shown on PNG's Gas Management website under the heading Maximum Daily Bundled Sale Percentages. The minimum daily quantity is zero. Choice Suppliers would be required to nominate to the Company a daily quantity for bundled sales no later than 8:45 A.M. Eastern Prevailing Time on each Intercontinental Exchange ("ICE") trading day for deliveries applicable to the ICE flow dates. If no nomination is received, the nomination quantity would default to zero. The Company reserves the right to issue Operational Flow Orders ("OFO") that can modify the daily bundled sale flexibility or require certain levels of deliveries from the released firm transportation contracts. These OFOs would be issued for operational reasons only. MBSQs would be based on the Company's storage withdrawal plan, to be updated annually, and communicated as a percentage of each Choice Supplier's pre-month normalized delivery requirements, which will be shown on PNG's Gas Management website under the heading Must-Take Monthly Bundled Sale Percentages.

RULES AND REGULATIONS**7. NOMINATION PROCEDURE - CONTINUED**

If the full MBSQ is not nominated and purchased by the end of each such winter month, the shortfall ("Bundled Sale Cash-In quantity") would be purchased by the PGC ("Bundled Sale Cash-In amount") as follows:

- a. The DDR Variation Percentage is the sum of the actual DDRs experienced by a Choice Supplier divided by the sum of the pre-month average DDRs that was used to calculate the MBSQ, converted to a percentage. For any month where the DDR Variation Percentage is greater than ninety percent (90%), the Bundled Sale Cash-In amount would equal (1) the product of (a) 0.90 times the lowest absolute low for the Transco, Leidy Line receipts index price as published in Platts' Gas Daily for the applicable month of flow minus (b) the summer index price used for bundled sales (the "Bundled Sale Cash-In index") times (2) the Bundled Sale Cash-In quantity. If the resulting amount is positive, it would be credited to the Choice Supplier, or if negative, would be billed to the Choice Supplier.
- b. In recognition of the effects of extreme warm weather conditions, shortfall amounts would be purchased as follows under such conditions:
 - i. For any month where (a) the DDR Variation Percentage is less than or equal to ninety percent (90%) and (b) the Bundled Sale Cash-In quantity is less than or equal to the MBSQ minus the product of the DDR Variation Percentage times the MBSQ, then the Bundled Sale Cash-In amount would equal (1) the First of the Month Price called "Transcontinental Gas Pipe Line Corp., Zone 4" as published in Platts' Gas Daily Price Guide ("Inside FERC") for the month subsequent to the applicable month in which the Bundled Sale Cash-In quantity was created minus the summer index price used for bundled sales (the "Alternate Bundled Sale Cash-In Index") times (2) the Bundled Sale Cash-In quantity. If the resulting amount is positive, it would be credited to the Choice Supplier, or if negative, would be billed to the Choice Supplier.
 - ii. For any month where (a) the DDR Variation Percentage is less than or equal to ninety percent (90%) and (b) the Bundled Sale Cash-In quantity is greater than the MBSQ minus the product of the DDR Variation Percentage times the MBSQ, then the Bundled Sale Cash-In amount would equal (1) the Alternate Bundled Sale Cash-In Index, as defined in Section 7.3.b.i, times the DDR Variation Percentage times the MBSQ plus (2) the Bundled Sale Cash-In Index, as defined in Section 7.3.a, times the difference of the Bundled Sale Cash-In quantity minus the product of the DDR Variation Percentage times the MBSQ. If the resulting amount is positive, it would be credited to the Choice Supplier, or if negative, would be billed to the Choice Supplier.

RULES AND REGULATIONS**7. NOMINATION PROCEDURE - CONTINUED**

In addition to the bundled sales described above, Choice Suppliers shall be required to purchase from Company a separate bundled sale on peak days ("Peaking Sale") equal to an amount up to sixteen percent (16%) of the PDDR of the Choice Customers served by the Choice Supplier during the month. The Peaking Sale would be made on winter days when the Choice Supplier's DDR exceeds the sum of the released firm capacity and the MDQ associated with the bundled sale. The Peaking Sale quantity would be the difference of the Choice Supplier's DDR minus the sum of the released firm capacity and the MDQ associated with the bundled sale. The Peaking Sale price would be based on the commodity cost of UGI's peaking services. If weather conditions cause the Choice Supplier's DDR to exceed the Choice Supplier's PDDR, the Choice Supplier would be responsible for arranging for supplies to meet the additional delivery requirements for its Choice Customers.

Also in addition to the bundled sales described above, to the extent Company's design cold PGC supply portfolio includes Firm Commodity Supply Alternative contractual arrangements containing minimum take requirements, Choice Supplier shall also be required to make monthly purchases of natural gas from Company in an amount and at the commodity price Company would have been required to pay under the Firm Commodity Supply Alternative contractual arrangements had the Choice Customers projected to be served by the Choice Supplier during the month received PGC service. To the extent Company's design cold PGC supply portfolio includes Firm Commodity Supply Alternative contractual arrangements not containing minimum take requirements, Choice Supplier may elect on a month-to-month basis to make monthly bundled city gate purchases of natural gas from Company in an amount and at the commodity price Company would have been required to pay had the Choice Customers projected to be served by the Choice Supplier during the month received PGC service, provided, however, that nothing in this section shall preclude the Company from issuing OFOs requiring additional purchases of natural gas in accordance with the provisions of Section 5.3 of this tariff.

- 7.4 Capacity Recall. All capacity assigned, released or transferred by Company is subject to recall, or in the event:
- a. A Choice Supplier is disqualified as an approved Choice Supplier on Company's system; or
 - b. The amount of capacity assigned, release or otherwise transferred is no longer required to serve the Choice Supplier's Pool; or
 - c. The Choice Supplier fails to comply with Section 4 of this tariff (Supplier Obligations) and the capacity is required by the Company or Commission approved Supplier of Last Resort to meet its firm commitments.
 - d. The capacity is needed to protect the Company's gas distribution system integrity or meet the Company's public utility obligations.

RULES AND REGULATIONS**7. NOMINATION PROCEDURE - CONTINUED**

- 7.5 Agents. A Choice Supplier may have one or more agents who perform one or more supply obligations under this Supplier Tariff. In the event such an agent or agents are utilized, Choice Supplier shall notify Company of the responsibilities of the Agent, and shall provide Company with the Agent's valid e-mail address, 24-hour contact, fax number and phone number for contact purpose. Choice Suppliers using Agents shall remain liable for all charges and penalties.
- 7.6 Determination of Capacity Assignment Quantities. Assignments, releases or transfers of upstream pipeline firm transportation capacity made pursuant to Section 7.3. shall be made on the basis of and in accordance with the supply portfolio held by Company at the time of assignment and the composition of the Choice Supplier's Pool. Each month the Company will evaluate and adjust the capacity releases quantity made to the Choice Supplier from time to time, as required.
- 7.7 City Gate Receipt Points. For nomination purposes, all transportation volumes received on behalf of customers served under Rates RT and NT shall be nominated to the Company's City Gate receipt points. Company reserves the right to specify delivery receipt points.
- 7.8 Daily Nominations. Choice Suppliers serving Rate RT and NT customers shall submit daily nominations equal to the DDR, consistent with the Company's requirements.
- 7.9 Third Party Supply Nominations - Customer Consent. All Company Choice Customers must provide consent to any Choice Supplier nominating on their behalf. Enrollments by Choice Suppliers are deemed to constitute that the customer has provided such consent. For transportation customers served under Rates RT and NT the Choice Supplier must maintain and produce upon request by Company evidence of customer consent within one business day notice.

RULES AND REGULATIONS**8. FINANCIAL SECURITY**

- 8.1 Financial Security. A Choice Supplier shall provide financial security to ensure that Company and/or other PUC-approved Supplier of Last Resort is able to receive, without undue delay, funds or other forms of remuneration sufficient to meet the financial consequences of a Choice Supplier's failure to perform its natural gas supply delivery service obligations hereunder. Company may also use such forms of financial security to satisfy in part or in whole a Choice Supplier's obligation to pay the penalties authorized by this Supplier Tariff. The amount and the form of the security, if not mutually agreed upon by the Company and the Choice Supplier, shall be based on the criteria established under 52 Pa. Code § 62.111(c) and as set forth in this Section 8.
- 8.2 Amount of Financial Security. A Choice Supplier seeking to be licensed to provide service on Company's system shall be required to provide an initial amount of \$50,000 in financial security. After the Choice Supplier begins to serve customers on Company's system the amount of financial security shall, unless otherwise mutually agreed, be equal to \$134.63/Dth times the Design Day Requirement (in Dth) for Choice Supplier's pool of Choice customers (as established at Docket No. P-00032054), but in no event shall the amount of financial security be less than \$50,000. This security level shall be subject to adjustments as provided in Section 8.5
- 8.3 Forms of Financial Security. For purposes of satisfying the amount of financial security determined under Section 8.2 hereof, the Choice Supplier shall provide financial security in one or more of the following manners, in a form reasonably acceptable to the Company and/or other PUC-approved Supplier of Last Resort, and shall reimburse Company for attorneys' fees and all related external costs incurred by Company in implementing and enforcing the form of financial security provided by Choice Supplier:
- (a) cash;
 - (b) performance bond;
 - (c) irrevocable letter of credit;
 - (d) guarantee from a third party;
 - (e) call options satisfying the requirements of Section 8.4 hereof;
 - (f) in the case of Choice Suppliers with annual operating revenues of less than \$1 million; real or personal property placed in escrow or other arrangement that would make the property readily available to Company in the event of the Choice Supplier's non-performance or entering into bankruptcy, provided that the Choice Supplier (i) provides a verified statement, certified by a third party report, showing that the Choice Supplier has clear title to the property and that the property has not been pledged as collateral, or otherwise encumbered in regard to any other legal or financial transaction; (ii) provides a current appraisal report of the market value of the property; and (iii) grant the Company, upon request, a security interest in such property in a form acceptable to Company; or
 - (g) another form of financial security mutually acceptable to Company and Choice Supplier.

RULES AND REGULATIONS**8. FINANCIAL SECURITY - CONTINUED**

- 8.4 Call Option Requirements. A Choice Supplier may meet some or all of its financial security obligations determined under Section 8.2 hereof by providing to Company or paying the Company to procure a Call Option for a volume equal to the monthly Design Day Requirements of the Choice Supplier's customers served under Rate Schedules RT and NT. Unless otherwise authorized by Company, the Call Option must have a strike price equal to or less than the Choice Supplier's contract price(s) with its customers served under Rate Schedules RT and NT. The Call Option shall allow Choice Supplier or Company to call on a volume equal to the Choice Supplier's Design Day Requirement on each and every day the Call Option is in place such that the exercise on any day does not preclude or impact the ability to exercise the option on a subsequent day. Call Options shall be subject to the following requirements:
- (a) If procured by Choice Supplier, the Call Option must enable Company to exercise the Call Option in the event of non-performance by the Choice Supplier without obtaining the prior consent of Choice Supplier;
 - (b) If procured by Choice Supplier, the Call Option may be exercised by it for any reason, including economic reasons, on any day when Company and/or other Commission-approved supplier of last resort does not need to exercise it because of Choice Supplier's failure to perform its natural gas supply delivery service obligations hereunder;
 - (c) Company shall specify the period over which the Call Option may be exercised;
 - (d) The Call Option may be a direct NYMEX instrument or it may be obtained indirectly from a third party. If the Call Option is a direct NYMEX instrument, the Choice Supplier shall assign the applicable capacity to Company. If the Call Option is obtained indirectly from a third party, then the transaction point shall be at a Company-approved city gate receipt point; and
 - (e) Choice Supplier shall be responsible for the cost of the Call Option.
- 8.5 Adjustments to Financial Security Level. From time to time, the Company shall review the financial security provided by a Choice Supplier and determine whether any adjustments are required consistent with the formula under Section 8.2 hereof. The Company shall use the following factors to determine whether any such adjustments are required:
- (a) A change in the Choice Supplier's recent operating history on Company's system or on other NGDS systems has materially affected Company system operation or reliability. A change that could materially affect the Company system or reliability may occur when the Choice Supplier fails to deliver natural gas supply sufficient to meet its customers' needs on 5 separate occasions within a 30-day period, or fails to comply with Company Operational Flow Orders as defined at 52 Pa. Code § 69.11.

RULES AND REGULATIONS**8. FINANCIAL SECURITY - CONTINUED**

- (b) A significant change in the number of customers served, in the volume of gas delivered, or in the unit price of natural gas or a change in the class of customers being served by the Choice Supplier. A change over a consecutive 30-day period of 25% in the number of customer served, in the volume of gas delivered or in the average unit price of natural gas would represent a significant change.
- (c) A change in the Choice Supplier's credit reports that materially affects the Choice Supplier's creditworthiness. A Choice Supplier's creditworthiness could be materially affected when two of the following credit rating companies change the Choice Supplier's credit rating: Dun & Bradstreet, Standard & Poor's Rating Services, Inc., TransUnion LLC, EQUIFAX Inc., Experian Information Solutions, Inc.
- (d) A change in operational or financial circumstances that materially affects the Choice Suppliers' creditworthiness. A Choice Supplier's creditworthiness could be materially affected when two of the following investment rating companies change the Choice Supplier's rating of its issued securities from an investment grade or good rating to a speculative or moderate credit risk rating, and vice versa: Standard and Poor's Rating Services, Inc., Moody's Investment Services, Inc., Fitch, Inc., A.M. Best Company, Inc. and DBRS, Inc.

8.6 Notice. If the Company determines, based on the criteria in Section 8.5 hereof, that an adjustment in the amount or type of security that a Choice Supplier must provide is warranted, the Company shall provide notice of its determination to the Choice Supplier in writing. The Choice Supplier shall comply with the Company's determination no later than 5 business days after the date the Choice Supplier was served with notice of the Company's determination. If the Choice Supplier disagrees with the Company's determination, the Choice Supplier may file a dispute with the Company and the Company and the Choice Supplier must attempt to resolve the dispute within 30 days after the date that the Company was notified of the dispute.

RULES AND REGULATIONS**9. ENROLLMENT OF CUSTOMERS INTO RATE SCHEDULES RT AND NT**

- 9.1 To be served under Rate Schedules RT and NT, a Customer must be enrolled by the Choice Supplier elected by the Customer. Such enrollment by the Choice Supplier must be provided in an electronic file to the Company via an approved internet based EDI transaction. The requirement filed shall include:
- a. The customer's name;
 - b. The customer's address;
 - c. The customer's Company account number;
 - d. The specific transaction;
 - e. The elected billing option.
- 9.2 Company Confirmation. Company will electronically confirm receipt of the enrollment information and within one (1) business day and subsequently provide an electronic validation of the Choice Supplier's transmitted information.
- 9.3 Determination of Gas Flow Date. For enrollments received on or before the 15th of any calendar month, the customer will be switched to Rate Schedule RT and NT, where the customer does not respond within 5 days from the Company's mailing of a letter confirming the election to be served by the Choice Supplier, on the Customer's regularly scheduled meter reading date in the calendar month immediately following the month the enrollment information was received. For enrollments received after the 15th of any calendar month, the customer will be switched to Rate Schedule RT and NT, where the customer does not respond within 5 days from the Company's mailing of a letter confirming the election to be served by the Choice Supplier, on the Customer's regularly scheduled meter reading date in the second calendar month following the month the enrollment information was received.

RULES AND REGULATIONS**10. RATE AG - AGGREGATION SERVICE**

AVAILABILITY

Rate AG - Aggregation Service (AG Service) is available to and required for an approved Natural Gas Supplier (Choice Supplier) licensed by the PUC to provide natural gas supply service to customers who qualify to receive service under Rate RT (General Service - Residential Transportation) or Rate NT (General Service - Non-residential Transportation) (hereinafter a Choice Supplier).

AGGREGATION SERVICE

A Choice Supplier qualified to receive Rate AG Aggregation Service shall aggregate the load of customers served under Rates RT and NT customers in an Aggregation Pool. Such Aggregation Pool is limited to customers served under Rates RT and NT.

ASSIGNMENT OF COMPANY PIPELINE CAPACITY

Company has the right to require the Choice Supplier to accept a release, assignment or transfer of Company pipeline capacity on a recallable basis. The minimum such assignment shall be is one (1) Dth per day per pipeline path.

RATE TABLE

Balancing Fee for Choice Supplier (\$/MCF) - AS posted.

(Total Cost of Pipeline Assets Retained by Company for System Balancing - Balancing Related PGC Credits) divided by (Projected Annual Sales and Transportation Volumes Utilizing the Assets, as projected in each annual 1307(f) filing). This rate will be posted on Company's Delivery Service Web Site or its successor and will be updated as required.

Pipeline Capacity and Bundled Sales:

Choice Supplier shall be responsible for applicable charges pursuant to Section 7.

RULES AND REGULATIONS**10. RATE AG - AGGREGATION SERVICE - CONTINUED**

PENALTIES

Failure to Deliver DDR:

The difference in price between the highest published index price for the following locations: Transco, Leidy line receipts PLUS the maximum published rate IT transportation charges for deliveries from zone 6 to zone 6 on Transcontinental Gas Pipeline Line Company, LLC; Transco, zone 6 non-N.Y.; Transco, zone 6 non-N.Y. North; or Transco, zone 6-non-N.Y. South and the lowest published index price for Transco, Leidy line receipts, as published in *Platts' Gas Daily* on the table "Daily Price Survey", but shall not be lower than \$0.25/per Dth, applied to the difference between the DDR and the delivered volumes, plus all incremental costs incurred by Company as a result of the failure to deliver the DDR.

The Company may not charge for delivering in excess or under of the DDR if the overdelivery or underdelivery is anticipated to benefit the distribution system's daily balancing position as determined by Company in its sole discretion.

Failure to Comply with an OFO or DFD:

The Company has the right to issue Operational Flow Orders and Daily Flow Directives at any time. Failure to comply with any OFO or DFD shall result in a penalty charge of Fifty Dollars (\$50) per Dth or the charge calculated in compliance with Section 20.4 Maximum Daily Excess Balancing Charge, whichever is greater.

NOTICE

A Choice Supplier must provide Company, or any Commission-authorized alternative Supplier of Last Resort and its Rate RT and NT Customer(s) with ninety (90) days advance written notice of its intention to exit the market. In the event a Choice Supplier discontinues service or exits the market before its contract for natural gas supply service to a Rate RT and NT Customer expires and such Customer returns to its Supplier of Last Resort, Choice Supplier shall provide all contract billing data required by Company or other Commission-approved Supplier of Last Resort to render bills to Choice Supplier's customers for the period between Choice Supplier's default or exit from the market and the customer's next meter reading date.

BALANCING

Company will balance the daily difference, if any, between the anticipated Customer use, as communicated through the DDR, and the actual usage of Choice Supplier's customers. For this service, the Choice Supplier shall pay to Company the applicable Balancing Fees shown in this rate schedule, per MCF of Aggregation Pool usage, as measured at the meter.

UGI PENN NATURAL GAS, INC.

RULES AND REGULATIONS**10. RATE AG - AGGREGATION SERVICE - CONTINUED**

RECONCILIATION

Company shall calculate the difference between the actual deliveries of each Choice Supplier's Aggregation Pool, and the usage of each such Aggregation Pool. The Company shall adjust future DDRs to account for any usage differences between forecasted weather and actual weather. Where actual meter reads cannot be obtained, the Company will estimate usage and such estimate shall be deemed actual usage. At the time a Choice Supplier no longer has any Choice Customers enrolled, the cumulative difference between delivered volumes and usage of the Choice Supplier's Aggregation Pool shall be cashed out at Company's average cost of gas purchased for the most recent 12 months. The average cost of gas shall be calculated as the product of the total commodity cost of gas purchases including transportation and fuel used and accounted for the most recent 12 months, divided by tariff sales for the same 12-month period.

NATURAL GAS SUPPLY PLANS

Choice Supplier shall cooperate with Company in the preparation of such reliability plans required under Section 1317 of the Public Utility Code, and shall provide all reasonable information related to gas deliverability assets under its control required by Company including providing copies of pipeline capacity contracts or delivered supply contracts, or, in lieu of providing such contracts, warrant pertinent information as required by the Company or any regulatory authority. Choice Supplier shall also enter into any necessary contractual arrangements, or make any required regulatory filings, to ensure that contracts and assets under its control, which are relied upon in Company's reliability plan, are available to Company or Commission-authorized supplier of last resort in accordance with Choice Supplier's obligations under its Aggregation Agreement and this Tariff.

COMPLIANCE WITH COMMISSION REQUIREMENTS

Choice Supplier shall at all times comply with all applicable Commission requirements and regulations.

UGI PENN NATURAL GAS, INC.

**11. AGGREGATION AGREEMENT
FOR RATE SCHEDULES RT and NT
(Pro Forma)**

This Aggregation Agreement for Rate Schedules RT and NT ("Aggregation Agreement") is made and entered into this _____ day of _____, 20____, by and between UGI Penn Natural Gas, Inc., a Pennsylvania Corporation ("Company"), and _____, a _____ ("Choice Supplier").

WHEREAS, Company is a Pennsylvania public utility that, amongst other things, provides intrastate transportation service to Rate RT and NT customers located within its certificated service territory; and

WHEREAS, Choice Supplier is engaged in the business of selling natural gas supply services, and desires to market such services to Rate RT and NT customers located within Company's certificated service territory; and

WHEREAS, pursuant to the terms and conditions set forth in this Aggregation Agreement, Company is willing to receive natural gas supplies at specified points of interconnection situated between Company's facilities and the facilities of one or more interstate natural gas pipeline companies to serve the aggregated load of Rate RT and NT customers served by Choice Supplier, and to provide other services to facilitate the provision by Choice Supplier of natural gas supply services to customers; and

WHEREAS, pursuant to the terms and conditions set forth in this Aggregation Agreement, Choice Supplier is willing to deliver natural gas supplies for receipt by Company for subsequent transportation and redelivery at specified end-use customer locations, and to acquire aggregation services from Company.

NOW, THEREFORE, intending to be legally bound hereby, Company and Choice Supplier agree as follows:

ARTICLE I. DEFINITIONS

For the purposes of this Aggregation Agreement, in addition to any definitions set forth in Company's Gas Service Tariff and *Nomination Procedure*, which are hereby incorporated herein by reference, the following definitions apply:

1. **Aggregation Service** means services provided by Company to Choice Supplier to facilitate the delivery of gas supplies to customers receiving service under Rates RT and NT.

2. **Balancing** means services provided by Company to cover differences between a Choice Supplier's Daily Delivery Requirement and the actual usage of the Choice Supplier's Aggregation Pool.

3. **Customer** means a recipient of service under Rate Schedules RT and NT that contracts for natural gas supply service from a Choice Supplier.

4. **Daily Delivery Requirement (DDR)** means the daily quantities of natural gas supplies a Choice Supplier is required to deliver for an Aggregation Pool, as forecasted and communicated by Company, and may specify the required points of delivery. Such forecast shall be calculated to include volumes needed for end-use requirements, prior imbalances and Company use and unaccounted for gas.

5. **Delivery Point** means a point specified by Company where Choice Supplier may deliver natural gas supplies for subsequent redelivery by Company to Choice Marketer's Rate RT and NT customers.

6. **Rate Ready Billing** is the method of billing used by the Company to calculate the natural gas supply services provided by the Choice Supplier. Under this method, the Company uses actual meter readings obtained by the Company, or estimated consumption when the Company is unable to obtain an actual meter reading, and billing rate information provided by the Choice Supplier to calculate the bill.

7. **Transportation** means a service provided by Company on its facilities that enables gas owned by others to be received into, moved through, and delivered out of facilities owned, leased, or operated and controlled by Company.

8. **Upstream Capacity Assignment, Release or Transfer** means the process to provide access to interstate pipeline capacity and storage contracts owned by Company to Choice Supplier pursuant to Company's tariff and any applicable regulatory rules.

ARTICLE II. **TERM**

This Aggregation Agreement shall become effective on _____ and shall remain in effect, unless terminated pursuant to Section 6.1 hereof, or by either party by providing ninety (90) days' prior written notice, for so long as Choice Supplier is qualified to receive Rate AG service from Company. In the event this Aggregation Agreement expires or terminates, Company shall have no obligation, as between Choice Supplier and Company, to accept any natural gas supplies tendered by Choice Supplier for receipt into Company's facilities, and Choice Supplier's payment and financial obligations shall continue until fully discharged.

ARTICLE III. **CHOICE SUPPLIER'S OBLIGATIONS**

1. **Compliance**. Choice Supplier agrees that it shall comply with all of the applicable terms and conditions of Company's Gas Service Tariff and Company's Supplier Tariff, both of which are hereby incorporated by reference.

2. **Creditworthiness**. Choice Supplier shall establish, and maintain throughout the term of this Aggregation Agreement, and thereafter until all of Choice Supplier's payment obligations incurred under this Aggregation Agreement have been fully discharged, a satisfactory Financial Security status with Company. To enable the Company to determine credit status, Choice Supplier will provide to the Company the following: 1) relevant financial information to determine creditworthiness; 2) appropriate trade and banking references; and 3) written consent for Company to conduct a credit investigation. In addition, Choice Supplier shall comply with the Financial Security provisions of Company's Supplier Tariff, and may, based on Choice Supplier's credit standing with Company, be required to provide financial security in excess of the minimum amounts specified therein.

3. **Standards of Conduct.** Choice Supplier shall abide by all standards of conduct and other legal requirements applicable to Choice Supplier's line of business, including but not limited to the standard of conduct applicable to Choice Suppliers set forth in rules and regulations established by regulatory bodies having jurisdiction over Choice Supplier's activities, and other applicable law.

4. **Payments.** Choice Supplier will remit payment for all services within 10 days after receipt of Company invoice. A late payment charge of 1.50% per month will be applied to all outstanding balances as of the due date.

5. **Customer List.** Choice Supplier shall execute an Electronic Trading Partner Agreement and will keep confidential any customer information acquired either directly or indirectly from Company, and use such information solely for the purpose of offering natural gas supply service to Rate RT and NT customers. In the event the Company determines the Choice Supplier impermissibly released customer information to another party, in addition to all available remedies, Company may, at its option, immediately cancel this Aggregation Agreement.

ARTICLE IV. COMPANY'S OBLIGATIONS

1. **DDR.** Company shall provide Choice Supplier with its DDR for each Gas Day. Company shall accept receipt of all gas volumes up to the DDR. Company shall have the right to accept, but shall in no instance be required to accept, an Over-delivery by Choice Supplier. The acceptance of such over delivery shall not constitute any waiver of any provisions of the Company's Gas Service Tariff or *Nomination Procedure*.

2. **Monthly Statement.** Company shall bill Choice Supplier by the 15th of each month for services provided by Company during the preceding month and other amounts due to Company.

3. **Enrollment Notification.** Company shall generate and send a letter to all customers enrolled by a Choice Supplier indicating the supplier selected and the date service from the Choice Supplier is scheduled to commence. All customers enrolled by

the 15th of each month will be transferred to their respective Choice Supplier effective with their next calendar meter read if customer does not respond within five (5) days following confirmation to challenge the enrollment. Company shall send an electronic message confirming the selection to the Choice Supplier.

4. **Rate AG.** Company shall provide all of the other aggregation services applicable to Choice Supplier specified in the Rate AG provisions of its tariff.

ARTICLE V. BILLING SERVICE

5.1 **Standard Billing Service.** Company shall bill Choice Supplier's Rate RT and NT customers for natural gas supply services provided by Choice Supplier unless a Choice Supplier's customer elects to receive a separate bill for such services from its Choice Supplier. Choice Supplier must provide all billing rate information no later than fifteen (15) days prior to the effective date of such rate. Company will input all requests for new plans within a reasonable time frame based on the number of requests received.

5.2 **Standard Billing Charges.** Choice Supplier shall pay to Company the following fees for billing services:

Billing Fee \$0.25/Bill.

Billing Adjustment Fee

Affecting One (1) Month - \$3.10/Revised Bill

Affecting More than One (1) Month - \$3.60/Revised Bill

5.3 **Negotiated Billing Service.** In the event a Choice Supplier wants Company to provide a billing service other than the Standard Billing Service, such service shall be negotiated between Company and Choice Supplier.

5.4 **Choice Supplier Budget Billing.** The Company will bill all budget billing amounts calculated and provided by the Choice Supplier. The Company will not determine or reconcile a License Supplier's budget bill charge.

ARTICLE VI. REMEDIES

6.1. **Termination Upon Default.** In addition to other rights a party may have under this Aggregation Agreement, if either party fails to perform an obligation, or breaches any representation or warranty ("Defaulting Party") under this Agreement, then the other party (Non-Defaulting Party") shall have the right to terminate this Agreement by providing prior written notice thereof to the Defaulting Party. Termination pursuant to this Article shall be without waiver of any additional remedy, whether at law or in equity, to which the party not in default otherwise may be entitled for breach of this Agreement.

6.2. **Limitation of Liability.** Except as expressly permitted under this Agreement and Company's Gas Service Tariff, neither party shall be entitled to recover incidental, consequential or punitive damages, or lost profits, for any breach by the other party of an obligation, representation or warranty under this Agreement, provided such limitation shall not apply to willful or grossly negligent misconduct on the part of the Defaulting Party.

ARTICLE VII. REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION

Choice Supplier warrants that 1) it shall have good title to all natural gas tendered for receipt by Company hereunder, or is authorized by the owner of such gas to tender it for delivery to Company, and 2) such gas will be free and clear of all liens, encumbrances, and claims whatsoever. Choice Supplier shall fully indemnify

Company, and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of a breach of such warranties.

ARTICLE VIII. LIMITATION OF THIRD PARTY RIGHTS

This Agreement is entered into solely for the benefit of the Company and the Choice Supplier, and is not intended and should not be deemed to vest any rights, privileges or interests of any kind or nature to any third party, including, but not limited to the Customers that comprise Choice Supplier's Pool under this Agreement.

ARTICLE IX. SUCCESSION AND ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto. However, no assignment of this Agreement, in whole or in part, will be made without the prior written approval of the non-assigning party. The written consent to assignment shall not be unreasonably withheld.

ARTICLE X. APPLICABLE LAW AND REGULATIONS

This Agreement shall be construed under the laws of the State of Pennsylvania and shall be subject to all valid applicable State, Federal and local laws, rules, orders, and regulations. Nothing herein shall be construed as divesting or attempting to divest any regulatory body of any of its rights, jurisdiction, powers or authority conferred by law.

ARTICLE XI. NOTICES AND CORRESPONDENCE

Written notice and correspondence to Company shall be addressed as follows:

UGI Penn Natural Gas, Inc.
2525 N. 12th Street, Suite 360
P.O. Box 12677
Reading, PA 19612-2677
Attention: Manager, Tariff & Supplier Administration
Email: EDI-GAS@UGI.COM

Written notices and correspondence to Choice Supplier shall be addressed as follows:

Name
Address

Attention: _____
Telephone:
Email:

Either party may change its address for receiving notices effective upon receipt, by written notice to the other party.

ARTICLE XII. MISCELLANEOUS

12.1 No modification of the terms and provisions of this Agreement shall be or become effective except by execution of written contracts or by modification of Company's Gas Service Tariff.

12.2. No waiver by any party of any one of more defaults by any other party of any provisions of this Agreement shall operate or be construed as a waiver of any subsequent or previous default or default, whether of a like or a different character.

12.3. In the event any tax or assessment is imposed, directly or indirectly, upon the gas tendered to, or received by Company for redelivery, Choice Supplier agrees to bear the amount of such tax or assessment. In the event that Company is required to pay such tax, Choice Supplier agrees to reimburse Company for such payment.

12.4. The subject heading of the articles of this Agreement are inserted for the purpose of convenient reference and are not intended to be a part of the Agreement nor considered in any interpretation of the same.

12.5. In the event of a conflict between the provisions of this Agreement and Company's Gas Service Tariff, the provisions of Company's Gas Service Tariff shall govern.

IN WITNESS WHEREOF, the parties hereto executed this Agreement on the day and year first above written.

ATTEST:

UGI PENN NATURAL GAS, INC.

BY _____

ATTEST

CHOICE SUPPLIER

BY _____

Appendix B
Proof of Revenues

UGI Penn Natural Gas, Inc.
Proof of Revenue Summary - Total Revenue
for the 12-Months Ending September 30, 2018

Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase
R/RT	152,184	16,108,797	\$ 138,272,302	\$ 146,118,468	\$ 7,846,166	5.7%	69.7%
N/NT	16,243	6,583,326	\$ 33,888,852	\$ 36,178,830	\$ 2,289,978	6.8%	20.4%
DS	439	3,955,641	\$ 9,259,646	\$ 10,108,072	\$ 848,427	9.2%	7.5%
LFD	138	5,422,994	\$ 7,238,568	\$ 7,659,332	\$ 420,764	5.8%	3.7%
XD - Firm	15	132,893,895	\$ 16,684,990	\$ 16,550,361	\$ (134,629)	-0.8%	-1.2%
Interruptible	33	1,214,816	\$ 2,603,597	\$ 2,583,000	\$ (20,597)	-0.8%	-0.2%
Subtotal	169,052	166,179,469	\$ 207,947,955	\$ 219,198,063	\$ 11,250,108	5.4%	
Other Operating Revenue			\$ 2,278,000	\$ 2,278,000	\$ -		
Total			\$ 210,225,955	\$ 221,476,063	\$ 11,250,108	5.4%	

UGI Penn Natural Gas, Inc.
Residential Service & Residential Transportation Service - Rate Schedules R & RT
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2018

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (6)	Proposed Revenue (7)	Proposed Revenue Change (8)
Customer Charge	1,826,208		\$ 13.17	\$ 24,051,159	\$ 13.25	\$ 24,197,256	\$ 146,097
GET Gas Customer Charge	8,160		\$ 13.72	\$ 111,956	\$ 13.72	\$ 111,956	\$ -
Distribution Charges							
First 8		8,620,833	\$ 3.5036	\$ 30,203,950	\$ 4.0772	\$ 35,148,860	\$ 4,944,910
All Over 8		7,487,964	\$ 3.3036	\$ 24,737,238	\$ 4.0772	\$ 30,529,927	\$ 5,792,689
Total Distribution Charges		16,108,797		\$ 54,941,188		\$ 65,678,787	\$ 10,737,599
State Tax Adjustment Surcharge (STAS) - Rider A			-0.46%	\$ (638,992)	0.00%	\$ -	\$ 638,991.95
Purchased Gas Costs (PGC) - Rider B	1/	15,724,920	\$ 3.1546	\$ 49,605,832	\$ 3.1546	\$ 49,605,832	\$ -
Merchant Function Charge (MFC) - Rider D		15,724,920	3.20%	\$ 1,587,387	1.83%	\$ 907,787	\$ (679,600)
Gas Procurement Charge (GPC) - Rider E		15,724,920	\$ 0.0400	\$ 628,997	\$ 0.0420	\$ 660,447	\$ 31,450
Universal Service Program (USP) - Rider F	2/	15,383,901	\$ 0.2426	\$ 3,732,134	\$ 0.2426	\$ 3,732,134	\$ -
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 4,252,641	0.00%	\$ -	\$ (4,252,641)
Energy Efficiency & Conservation Rider (EEC) - Rider G		16,108,797	\$ -	\$ -	0.0760	\$ 1,224,269	\$ 1,224,269
Total - Rates R/RT	1,826,208	16,108,797		\$ 138,272,302		\$ 146,118,468	\$ 7,846,166

1/ The PGC rate is the rate effective December 1, 2016.

2/ The USP rate is the rate effective December 1, 2016.

UGI Penn Natural Gas, Inc.
 Non-Residential Service & Non-Residential Transportation Service - Rate Schedules N & NT
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2018

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (6)	Proposed Revenue (7)	Proposed Revenue Change (8)
Customer Charges							
Rate N	147,708		\$ 32.41	\$ 4,787,216	\$ 34.00	\$ 5,022,072	\$ 234,856
Rate NT	45,084		\$ 32.41	\$ 1,461,172	\$ 34.00	\$ 1,532,856	\$ 71,684
Rate DS - NT	2,124		\$ 174.91	\$ 371,509	\$ 34.00	\$ 72,216	\$ (299,293)
Total Customer Charges	194,916			\$ 6,619,898		\$ 6,627,144	\$ 7,246
Distribution Charges							
Rates N & NT		6,135,481	\$ 2.1243	\$ 13,033,602	\$ 2.5368	\$ 15,564,672	\$ 2,531,070
Rate DS - NT		447,845	\$ 1.6171	\$ 724,210	\$ 2.5368	\$ 1,136,106	\$ 411,896
Total Distribution Charges		6,583,326		\$ 13,757,812		\$ 16,700,778	\$ 2,942,966
State Tax Adjustment Surcharge (STAS) - Rider A			-0.46%	\$ (156,609)	0.00%	\$ -	\$ 156,609
Purchased Gas Costs (PGC) - Rider B	1/	3,940,642	\$ 3.1546	\$ 12,431,148	\$ 3.1546	\$ 12,431,148	\$ -
Merchant Function Charge (MFC) - Rider D		3,940,642	0.40%	\$ 49,725	0.25%	\$ 31,078	\$ (18,647)
Gas Procurement Charge (GPC) - Rider E		3,940,642	\$ 0.0400	\$ 157,626	\$ 0.0420	\$ 165,507	\$ 7,881
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 1,029,253	0.00%	\$ -	\$ (1,029,253)
Energy Efficiency & Conservation Rider (EEC) - Rider G		6,583,326	\$ -	\$ -	\$ 0.0339	\$ 223,175	\$ 223,175
Total - Rates N/NT	194,916	6,583,326		\$ 33,888,852		\$ 36,178,830	\$ 2,289,978

1/ The PGC rate is the rate effective December 1, 2016.

UGI Penn Natural Gas, Inc.
Delivery Service - Rate Schedule DS
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2018

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (6)	Proposed Revenue (7)	Proposed Revenue Change (8)
Customer Charges							
Rate DS	3,732		\$ 174.91	\$ 652,764	\$ 229.00	\$ 854,628	\$ 201,864
Rate N/NT - DS	1,536		\$ 32.41	\$ 49,782	\$ 229.00	\$ 351,744	\$ 301,962
Total Customer Charges	5,268			\$ 702,546		\$ 1,206,372	\$ 503,826
Distribution Charges							
Rate DS		3,195,915	\$ 1.6171	\$ 5,168,115	\$ 1.8488	\$ 5,908,608	\$ 740,493
Rates N/NT - DS		759,726	\$ 2.1243	\$ 1,613,886	\$ 1.8488	\$ 1,404,581	\$ (209,305)
Total Distribution Charges		3,955,641		\$ 6,782,001		\$ 7,313,189	\$ 531,188
State Tax Adjustment Surcharge (STAS) - Rider A			-0.46%	\$ (42,791)	0.00%	\$ -	\$ 42,791
Purchased Gas Costs (PGC) - Rider B (N - DS)	1/	449,760	\$ 3.1546	\$ 1,418,814	\$ 3.1546	\$ 1,418,814	\$ -
Merchant Function Charge (MFC) - Rider D (N - DS)	2/	449,760	0.40%	\$ 5,675	0.00%	\$ -	\$ (5,675)
Gas Procurement Charge (GPC) - Rider E (N - DS)	3/	449,760	\$ 0.0400	\$ 17,990	\$ -	\$ -	\$ (17,990)
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 375,411	0.00%	\$ -	\$ (375,411)
Energy Efficiency & Conservation Rider (EEC) - Rider G		3,955,641	\$ -	\$ -	\$ 0.0429	\$ 169,697	\$ 169,697
Total - Rate DS	5,268	3,955,641		\$ 9,259,646		\$ 10,108,072	\$ 848,427

1/ There will be no Purchased Gas Costs in the future year under Rate DS for N customers transitioning to Rate DS.

2/ There will be no Merchant Function Charge in the future year under Rate DS for N customers transitioning to Rate DS.

3/ There will be no Gas Procurement Charge in the future year under Rate DS for N customers transitioning to Rate DS.

UGI Penn Natural Gas, Inc.
Large Firm Delivery Service - Rate Schedule LFD
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2018

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (6)	Proposed Revenue (7)	Proposed Revenue Change (8)
Customer Charges							
Rate LFD	1,260		\$ 499.91	\$ 629,887	\$ 700.00	\$ 882,000	\$ 252,113
Rate N/NT - LFD	84		\$ 32.41	\$ 2,722	\$ 700.00	\$ 58,800	\$ 56,078
Rate DS - LFD	312		\$ 174.91	\$ 54,572	\$ 700.00	\$ 218,400	\$ 163,828
Total Customer Charges	1,656			\$ 687,181		\$ 1,159,200	\$ 472,019
Distribution Charges							
Rate LFD		4,797,995	\$ 0.8510	\$ 4,083,093	\$ 0.9167	\$ 4,398,322	\$ 315,229
Rate N/NT - LFD		68,829	\$ 2.1243	\$ 146,213	\$ 0.9167	\$ 63,095	\$ (83,118)
Rates DS - LFD		556,171	\$ 1.6171	\$ 899,384	\$ 0.9167	\$ 509,842	\$ (389,542)
Total Distribution Charges		5,422,994		\$ 5,128,690		\$ 4,971,259	\$ (157,431)
Demand Charges							
Rate LFD		280,560	\$ 3.0500	\$ 855,708	\$ 3.6100	\$ 1,012,822	\$ 157,114
Rate N/NT - LFD		4,645	\$ -	\$ -	\$ 3.6100	\$ 16,767	\$ 16,767
Rate DS - LFD		35,749	\$ -	\$ -	\$ 3.6100	\$ 129,053	\$ 129,053
		320,953		\$ 855,708		\$ 1,158,642	\$ 302,934
Minimum Bills				\$ 151,431		\$ 151,431	\$ -
State Tax Adjustment Surcharge (STAS) - Rider A			-0.46%	\$ (33,451)	0.00%	\$ -	\$ 33,451
Purchased Gas Costs (PGC) - Rider B (N - LFD)	1/	33,603	\$ 3.1546	\$ 106,002	\$ 3.1546	\$ 106,002	\$ -
Merchant Function Charge (MFC) - Rider D (N - LFD)	2/	33,603	0.40%	\$ 424	0.00%	\$ -	\$ (424)
Gas Procurement Charge (GPC) - Rider E (N - LFD)	3/	33,603	\$ 0.0400	\$ 1,344	\$ -	\$ -	\$ (1,344)
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 341,239	0.00%	\$ -	\$ (341,239)
Energy Efficiency & Conservation Rider (EEC) - Rider G		5,422,994	\$ -	\$ -	\$ 0.0208	\$ 112,798	\$ 112,798
Total - Rate LFD	1,656	5,422,994		\$ 7,238,568		\$ 7,659,332	\$ 420,764

1/ There will be no Purchased Gas Costs in the future year under Rate LFD for N customers transitioning to Rate LFD.

2/ There will be no Merchant Function Charge in the future year under Rate LFD for N customers transitioning to Rate LFD.

3/ There will be no Gas Procurement Charge in the future year under Rate LFD for N customers transitioning to Rate LFD.

UGI Penn Natural Gas, Inc.
 Extended Large Firm Delivery Service - Rate Schedule XD
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2018

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (6)	Proposed Revenue (7)	Proposed Revenue Change (8)
Customer Charges	180		\$ 69,906	\$ 12,583,061	\$ 69,906	\$ 12,583,061	\$ -
Distribution Charges		132,893,895	\$ 0.0299	\$ 3,967,300	\$ 0.0299	\$ 3,967,300	\$ -
State Tax Adjustment Surcharge (STAS) - Rider A			-0.46%	\$ (77,106)	0.00%	\$ -	\$ 77,106
Distribution System Improvement Charge (DSIC) - Rider I	1/		5.00%	\$ 211,735	0.00%	\$ -	\$ (211,735)
Total - Rate XD	<u>180</u>	<u>132,893,895</u>		<u>\$ 16,684,990</u>		<u>\$ 16,550,361</u>	<u>\$ (134,629)</u>

UGI Penn Natural Gas, Inc.
 Interruptible Service - Rate Schedule IS
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2018

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (6)	Proposed Revenue (7)	Proposed Revenue Change (8)
Customer Charges	396		\$ 2,649	\$ 1,049,095	\$ 2,649	\$ 1,049,095	\$ -
Distribution Charges		1,214,816	\$ 1.2613	\$ 1,532,280	\$ 1.2613	\$ 1,532,280	\$ -
Minimum Bills				\$ 1,625		\$ 1,625	\$ -
State Tax Adjustment Surcharge (STAS) - Rider A			-0.46%	\$ (12,032)	0.00%	\$ -	\$ 12,032
Distribution System Improvement Charge (DSIC) - Rider I	1/		5.00%	\$ 32,629	0.00%	\$ -	\$ (32,629)
Total - Rate IS	396	1,214,816		\$ 2,603,597		\$ 2,583,000	\$ (20,597)

Appendix C

Proposed Findings of Fact

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2016-2580030
Office of Consumer Advocate	:	C-2017-2585510
Office of Small Business Advocate	:	C-2017-2589092
Michael Ochs	:	C-2017-2596537
	:	
v.	:	
	:	
UGI Penn Natural Gas, Inc.	:	

JOINT PROPOSED FINDINGS OF FACT

UGI Penn Natural Gas, Inc. (“UGI PNG” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), and Direct Energy,¹ all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”), hereby propose the following findings of fact:

1. On January 19, 2017, UGI PNG filed Tariff Gas – PA. P.U.C. Nos. 9 and 9-S to be effective for service rendered on or after March 20, 2017, proposing changes to UGI PNG’s base retail distribution rates designed to produce an increase in revenues of approximately \$21.7 million, based upon data for a fully projected future test year ending September 30, 2018.

¹ Direct Energy collectively refers to Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC.

2. On February 9, 2017, the Commission issued an Order suspending Tariff Gas – PA. P.U.C. Nos. 9 and 9-S until October 20, 2017, unless permitted by Commission Order to become effective at an earlier date. Together with the suspension order, the Commission issued the Statement of Vice Chairman Andrew G. Place directing the Parties to address specific questions as part of this distribution base rate case.

3. UGI PNG is a jurisdictional public utility providing natural gas distribution service to customers in thirteen counties in the Commonwealth of Pennsylvania.

4. I&E is the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance with the state and federal motor carrier safety and gas safety laws and regulations. *Implementation of Act 129 of 2008 Organization of Bureau and Offices*, Docket No. M-2008-20071852 (Order entered August 11, 2011).

5. Complainant OCA is authorized to represent the interests of consumers before the Commission. Act 161 of 1976, 71 P.S. § 309-2.

6. Complainant OSBA is authorized and directed to represent the interest of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41399.50.

7. CAUSE – PA is an unincorporated association of low-income individuals that advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunications services.

8. CEO is a not-for-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania which serves as an advocate for the low-income population of Luzerne County.

9. Direct Energy is a natural gas supplier (“NGS”) that operates in UGI PNG’s service territory.

10. The United States Department of Defense and all other Federal Executive Agencies (collectively, the “DOD”) operate several installations that are served by UGI PNG. On June 1, 2017, the DOD submitted a Notice of Nonparticipation in this proceeding.

11. Michael Ochs is a self-represented complainant residing at 1633 Scott Street, Williamsport, PA 17701. Docket No. C-2017-2596537.

12. The active parties engaged in extensive discovery throughout the proceeding.

13. I&E, OCA, OSBA, CAUSE-PA, and CEO submitted testimony in opposition to various portions of the Company’s base retail distribution rate filing.

14. The active parties submitted a total of five rounds of testimony in support of their respective positions, including: Company direct testimony, Company supplemental direct testimony, other parties’ direct testimony, rebuttal testimony, and surrebuttal testimony. The testimony addressed, among other things, the specific questions raised in the Statement of Vice Chairman Andrew G. Place issued with the Commission’s suspension order.

15. The active Parties agreed to a settlement that fully resolves all issues among them.

16. The active Parties are in full agreement that the Settlement is in the public interest as a reasonable resolution of their respective interests and should be approved.

Appendix D

Proposed Conclusions of Law

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2016-2580030
Office of Consumer Advocate	:	C-2017-2585510
Office of Small Business Advocate	:	C-2017-2589092
Michael Ochs	:	C-2017-2596537
	:	
v.	:	
	:	
UGI Penn Natural Gas, Inc.	:	

JOINT PROPOSED CONCLUSIONS OF LAW

UGI Penn Natural Gas, Inc. (“UGI PNG” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), and Direct Energy,² all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”), hereby propose the following conclusions of law:

1. Rates made, demanded, or received by any public utility shall be just and reasonable, and in conformity with regulations or orders of the commission. 66 Pa.C.S. § 1301.
2. The burden of proving the justness and reasonableness of the utility’s rate increase rests upon the public utility. 66 Pa.C.S. § 315(a); *Lower Frederick Twp. V. Pa. Pub. Util. Comm’n*, 409 A.2d 505 (Pa.Cmwlt. Ct. 1980).

² Direct Energy collectively refers to Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC.

3. While the burden of proof remains with the public utility throughout the rate proceeding, the Commission has stated that where a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Commission Opinion and Order entered July 17, 2008).

4. The Commission is not required to consider expressly and at length each contention and authority brought forth by each party to the proceeding. *University of Pennsylvania v. Pa. Pub. Util. Comm'n.*, 86 Pa.Cmwlth. 410, 485 A.2d 1217 (1984).

5. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401.

6. Parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013).

7. In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered July 22, 1991).

8. The Joint Petition for Approval of Settlement of All issues is in the public interest.

Appendix E

Proposed Ordering Paragraphs

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2016-2580030
Office of Consumer Advocate	:	C-2017-2585510
Office of Small Business Advocate	:	C-2017-2589092
Michael Ochs	:	C-2017-2596537
	:	
v.	:	
	:	
UGI Penn Natural Gas, Inc.	:	

JOINT PROPOSED ORDERING PARAGRAPHS

UGI Penn Natural Gas, Inc. (“UGI PNG” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), and Direct Energy,³ all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”), hereby propose the following ordering paragraphs:

1. That the Joint Petition for Settlement (“Settlement”) of all Issues is approved without modification.
2. That the proposals set forth in UGI PNG’s January 19, 2017 distribution base rate increase filing at Docket No. R-2016-2580030, are approved subject to the terms and conditions of the Joint Petition for Settlement of All Issues.

³ Direct Energy collectively refers to Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC.

3. That the *pro forma* tariff attached to the Joint Petition for Settlement of All Issues as Appendix A is approved.

4. That UGI PNG is authorized to file the tariff approved in Ordering Paragraph 3 to be effective for service rendered on and after October 20, 2017.

5. That the proof of revenues attached to the Joint Petition for Settlement of All Issues as Appendix B is approved.

6. That UGI PNG shall file the proof of revenues approved in Ordering Paragraph 5 with its tariff filing.

7. That UGI PNG shall allocate the authorized increase in operating revenue to each customer class and rate schedule within each in the manner prescribed in the Final Commission Order.

8. That annual differences between \$1.25 million and actual expenditures for environmental costs shall be deferred as a regulatory asset where expenditures are greater than \$1.25 million per year or as a regulatory liability where expenditures are less than \$1.25 million on an annual basis and accumulated for book and ratemaking purposes until UGI PNG's next base rate case, consistent with Settlement Paragraph 19(a).

9. That UGI PNG shall be permitted to recover an annual amount of \$639,000 over a five-year amortization period for the deferred balance of environmental costs that has accumulated pursuant to the deferral reconciliation mechanism authorized by the Commission at Docket No. R-2008-2079660, and that any under- or over-amortized balance as of the end of the historic test year in the Company's next general rate filing shall be rolled into the accumulated deferred balance authorized in Settlement Paragraph 19(a.)

10. That UGI PNG's Accumulated Deferred Income Taxes pro-rationing

methodology is approved.

11. That UGI PNG shall submit an update to Exhibit No. 3, Schedule 1 of the Commission's Bureau of Investigation & Enforcement, as well as to UGI PNG's filing requirement Attachment SDR ROR-14, to the Commission's Bureau of Investigation & Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate, no later than January 1, 2018, and an additional update no later than January 1, 2019, per Settlement Paragraph 23.

12. That, as of the effective date of the Commission's Final Order in this case, UGI PNG is eligible to include plant additions in the Distribution System Improvement Charge ("DSIC") once DSIC-eligible account balances exceed the levels projected by UGI PNG at September 30, 2018 on UGI PNG Exhibit No. HGB-3, consistent with Settlement Paragraph 25(a).

13. That, for purposes of calculating its DSIC, UGI PNG shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities as updated each quarter per Settlement Paragraph 25(b).

14. That UGI PNG's proposed accounting treatment for its cloud-based information systems is approved.

15. That the revenue allocations in Settlement Paragraph 27 are approved.

16. That the customer charges in Settlement Paragraph 28 are approved.

17. That the elimination of the block design as provided in Settlement Paragraph 29 is approved.

18. That the Technology and Economic Development Rider is approved as a three-year pilot program, consistent with Settlement Paragraph 30. Six months before the end of the

three-year pilot program, UGI PNG will report on the economics of the Technology and Economic Development Rider. If UGI PNG files a general base rate case during the three-year pilot period, the Company will provide information, as part of its initial filing, showing the pro forma rate of return on incremental investment for Technology and Economic Development Rider customers as a subclass in its filed cost of service study.

19. That UGI PNG's Energy Efficiency and Conservation ("EE&C") Plan is approved as revised by the Settlement.

20. That UGI PNG's EE&C Plan New Construction ("NC") Program Budget will be allocated per Settlement Paragraph 32.

21. That recoverable utility costs for the non-residential prescriptive program, the non-residential retrofit program, and the non-residential new construction program over the five-year life of the EE&C Plan shall be limited to 55% of the overall costs for these three programs in the aggregate, consistent with Settlement Paragraph 33. Grant funding will be considered a source of participant funding. To the extent that UGI PNG deems that utility contributions in excess of 55% of overall program cost are required to achieve desired participation levels, UGI PNG may voluntarily make the necessary contributions without EE&C cost recovery.

22. That UGI PNG will forego recovery of 35% of the administrative costs expended by the Company over the five year period of the EE&C Plan if, at the end of its five-year EE&C Plan, the Company does not achieve a minimum of 75% of the aggregated projected Total Resource Benefit Cost Ratio of the total EE&C Portfolio of 1.29 (inclusive of CHP) as set forth in table 16 of its EE&C Plan per Settlement Paragraph 34.

23. That UGI PNG will not recover in rates EE&C administrative costs in excess of the projections included in its filing per Settlement Paragraph 35.

24. That UGI PNG will designate \$100,000 per year of its EE&C Plan, to be collected through the EE&C Rider, for low income projects that will be administered through the Company's Low Income Usage Reduction Program ("LIURP"), and will increase its LIURP budget by \$50,000, which amount will be recovered through the Universal Service Plan ("USP") Rider mechanism, per Settlement Paragraph 36. These amounts will take effect on January 1, 2018, are in addition to the increase in LIURP budget in Settlement Paragraph 39 below, and will continue for each year in which the EE&C Plan remains in place.

25. That UGI PNG will inform customers who contact it or its EE&C Conservation Service Providers with interest in participating in the EE&C Plan that they might qualify for LIURP and be referred accordingly, consistent with Settlement Paragraph 37.

26. That Customer Assistance Program ("CAP") costs are recoverable using the Universal Service Plan Rider up to and including 6,500 customers. For costs incurred for customers over the 6,500 participation level, UGI PNG shall offset the CAP credits and actual pre-program arrearages by 14.1%, consistent with Settlement Paragraph 38.

27. That UGI PNG will increase its LIURP budget by 5.7%, consistent with Settlement Paragraph 39.

28. That, in its next Universal Service and Energy Conservation Plan ("USECP") filing, UGI PNG will include a provision to allow customers, and applicants for service, to apply and/or recertify for CAP over the phone, with provision of supportive documentation through mail or other means per Settlement Paragraph 40.

29. That UGI PNG will continue to use Community Base Organizations ("CBOs") to assist in the implementation of its 2018-2020 USECP.

30. That UGI PNG will continue to screen for eligibility and/or refer all individuals calling about a payment arrangement or similar credit-related issue to appropriate Universal Service programs per Settlement Paragraph 42.

31. That, in its next USECP filing, UGI PNG will include provisions in its USECP filing to address the repair or replacement of its residential customers' inoperable furnaces within the UGI PNG service territory, consistent with Settlement Paragraph 43.

32. That UGI PNG will host an in-person collaborative meeting to discuss inter-utility coordination of LIURP services within six (6) months of the date of settlement, and a second meeting within six (6) months of the first meeting, consistent with Settlement Paragraph 44.

33. That, in its next USECP filing, UGI PNG will propose to directly provide CBOs with low-income indicated customer lists for direct CAP solicitation, consistent with Settlement Paragraph 45.

34. That, in addition to the current uses, Hardship Funds through Operation Share may be utilized to pay for reconnection fees for customers or applicants who are otherwise income-qualified for the program per Settlement Paragraph 46.

35. That the proposed modification to Tariff Rule 20.4 is approved consistent with Settlement Paragraph 48.

36. That the proposed modification to Tariff Rule 20.5 is approved consistent with Settlement Paragraph 49.

37. That UGI PNG will keep the charge for Unauthorized Overruns at \$27.50 per Mcf per Settlement Paragraph 50.

38. That UGI PNG's Capacity Release Program is approved.

39. That UGI PNG will hold a collaborative open to all interested parties no later than 30 days from the date of the final order approving this settlement to address any concerns regarding capacity releases per Settlement Paragraph 51(b).

40. That issues pertaining to assignment of capacity to Rate DS and LFD customers may be addressed in the Company's annual Purchased Gas Cost proceedings or a base rate case, consistent with Settlement Paragraphs 51(c) and 51(d).

41. That the investigation at Docket No. R-2016-2580030 is terminated upon the filing of the approved tariffs.

42. That the formal Complaint filed by the Office of Consumer Advocate at Docket No. C-2017-2585510, is closed as satisfied.

43. That the formal Complaint filed by the Office of Small Business Advocate at Docket No. C-2017-2589092, is closed as satisfied.

44. That the formal Complaint filed by the Michael Ochs at Docket No. C-2017-2589092, is dismissed.