BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. R-2015-2518438

UGI Utilities, Inc. – Gas Division

Statement No. 7-R

Rebuttal Testimony of
Robert R. Stoyko

Topics Addressed:	**Other Advertising Expense** **Technology and Economic Development Rider** **Certain Tariff Rules** **Negotiated Rates**

Dated: May 10, 2016

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert R. Stoyko and my business address is 2525 North 12th Street, Reading, PA 19612-2677.

Q. Did you previously submit direct testimony in this proceeding on behalf of UGI Utilities, Inc. – Gas Division ("UGI Gas" or the "Company")?

A. Yes. I submitted my direct testimony, UGI Gas Statement No. 7, on January 19, 2016.

Q. What is the purpose of your rebuttal testimony?

A. My testimony responds to certain portions of the following direct testimony submitted by intervenors: the Direct Testimony of Lisa A. Gumby, I&E Statement No. 2; the Direct Testimony of Mr. Glen A. Watkins, OCA Statement No. 3; the Direct Testimony of Robert D. Knecht, OSBA Statement No. 1; the Direct Testimony of B. Tucker Schreiber, UGIII Statement No. 1; the Direct Testimony of Jason Davey, UGIII Statement No. 2; the Direct Testimony of Michael Trzesniowski, UGIII Statement No. 3; the Direct Testimony of Robert A. Rosenthal, UGIII Statement No. 4; and the Direct Testimony of Orlando Magnani, RESA Statement No. 1.

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony responds to the Bureau of Investigation and Enforcement's ("I&E") recommended adjustments to the Company's other advertising expense claim. I also will address the Office of Consumer Advocate's ("OCA") and Office of Small Business Advocate's ("OSBA") opposition to the Company's proposed Technology and Economic Development ("TED") Rider. My testimony also responds to various issues and concerns raised by the UGI Industrial Intervenors ("UGIII") and RESA related to certain tariff rules and practices. Finally, I will respond to the OSBA's concerns and proposals regarding negotiated rates.

II. OTHER ADVERTISING EXPENSE

Q. What costs has UGI Gas sought to recover through its Other Advertising claim?

A. UGI Gas's claim includes costs for branded promotional materials; the costs of attending meetings and trade shows; sponsorships, which constitute the largest part of the claim; and a few other minor associated expenses. Additional detail on the individual components of this claim were provided in the Company's discovery response to I&E Interrogatory RE-96, which is attached to my Rebuttal Testimony as UGI Gas Exhibit RRS-4.

Q. In I&E Statement No. 2, page 31, lines 6-9, Ms. Gumby recommends that disallowance of UGI Gas's claim for Other Advertising expense in the amount of $896,543 because "advertising such as branded promotional products, trade shows, and sponsorships is not necessary for the provision of safe and reliable gas service . . . nor does it meet the requirements of statute for recoverable advertising expenses . . . ." Do you agree with this recommendation?

A. No. It appears that Ms. Gumby is taking the position that the only time advertising serves the public interest, and is recoverable in rates, is when it is absolutely necessary for the provision of safe and reliable gas service to customers. Ms. Gumby's position would presumably limit advertising expense cost recovery primarily to public safety and regulatory messages, and would exclude all advertising designed to promote the use of natural gas and the expansion of natural gas distribution systems. However, the promotion of natural gas and the associated encouragement of the expansion of natural gas distribution systems in an economic manner provide many benefits, including, but not limited to:

(a) Providing direct rate benefits to existing customers;

(b) Promoting energy efficiency since on a source to site basis natural gas is far more efficient than alternative energy sources such as oil and electricity, which in almost all instances an expansion of natural gas distribution displaces;

(c) Providing significant economic development and community benefits by providing the Commonwealth's businesses and homes with access to a low cost and secure source of energy;

(d) Providing further significant economic and community benefits, chronicled on the Commission's Act 13 website at https://www.act13-reporting.puc.pa.gov, since Pennsylvania is a significant producer of natural gas, with natural gas producers paying well impact fees distributed to support a number of diverse and important public purposes;

(e) Encouraging energy independence since the United States, and the Commonwealth in particular, has become a significant producer; and

(f) Providing significant environmental benefits since natural gas in almost all instances produces far fewer emissions than the energy sources it displaces.

Both the General Assembly and the Commission have recognized the significant benefits of expanding access to natural gas within the Commonwealth through various legislative proposals and, at the Commission level, through approval of innovative mechanisms such as UGI Gas's GET Gas pilot program.

Q. Do you agree with Ms. Gumby's assessment that UGI Gas's Other Advertising claim does not meet the statutory standard for the recovery of advertising expense?

A. No. I am advised by counsel that Section 1316 of the Public Utility Code authorizes the recovery of advertising expenses which (a) "[e]ncourages energy independence by promoting the wise development and use of domestic sources of . . . natural gas"; (b) "[p]rovides important information to the public regarding . . . energy conservation"; (c) "[p]rovides a direct benefit to ratepayers"; and (d) "[i]s for the promotion of community service or economic development." I submit that each of the components of UGI Gas's Other Advertising claim meet one or more of these standards, which by their plain language do not limit the recovery of advertising expenses to only those required for the provision of safe and reliable natural gas distribution service, as suggested by Ms. Gumby.

Q. How does growing UGI Gas's natural gas distribution system provide direct rate benefits to UGI Gas customers?

A. Under UGI Gas's line extension rules provide that the incremental investments made by UGI Gas must, as a general matter, be economically justified by the anticipated revenue to be received. This means each addition, at a minimum, can reasonably be expected to impose no additional costs on existing ratepayers, and in many cases may contribute incremental revenues in excess of costs, thereby contributing to fixed system costs and putting downward pressure on base rates. Moreover, each extension of UGI Gas's distribution system offers the potential for placing a new group of potential customers within reach of further expansions of UGI Gas's system with the associated prospect of additional contributions towards shared system costs. This virtuous cycle offers real rate benefits to existing customers, and has been a significant contributing factor in deferring the need for UGI Gas to seek rate relief, something which I am sure our customers appreciate and which has undoubtedly contributed to the multiple J.D. Power awards UGI has earned in recent years. See UGI Gas Statement No. 7, page 16, line 22 through page 17 line 4; UGI Gas Exhibit RRS-3.

Q. Would this growth happen without the promotion of the UGI Gas brand?

A. Potential customers are constantly being exposed to competing commercial messages and lead busy lives. It is vitally important to establish a positive brand identity to promote and develop contacts with potential customers so that they can be presented with necessary information to make informed energy decisions. Such informed decisions lead to a growing customer base because of the many benefits natural gas offers customers in most instances, and a growing customer base creates the virtuous cycle I previously discussed. The creation of a positive brand identity requires constant and sustained effort, and while some lesser level of customer growth might occur without such efforts, UGI Gas's sustained efforts to create a positive brand identity over time has led to levels of customer additions far in excess of other Commonwealth NGDCs, and distinguishes UGI Gas and its affiliated NGDCs from them. According to statistics published by the United States Energy Information Agency, Pennsylvania added 31,265 residential natural gas customers between 2012 and 2014, while during this same period UGI Gas added 21,910 residential customers, or over 70 percent of all residential customer additions statewide.

Q. How does advertising promoting UGI Gas encourage the wise development and use of natural gas, and provide important information to the public regarding energy conservation?

A. Expanding the reach of the Commonwealth's natural gas distribution systems in an economic manner enables more of the Commonwealth's business and residents to directly use natural gas. Such direct end-uses of natural gas are highly efficient since about 92 percent of the inherent energy is converted into useful heat, where if natural gas is burned to produce electricity, only about 32% of the inherent energy is converted into useful energy because of conversion and electric line losses. Thus, advertising that promotes the expansion of UGI Gas's system promotes the wise development and use of natural gas, and provides important information about energy conservation and environmental benefits.

Q. How does UGI Gas's advertising promote energy independence?

A. Virtually all the natural gas consumed in the United States is produced, transported and consumed in the United States. In comparison, even with recent increases in domestic oil production, a significant portion of oil consumed in the United States is imported from overseas.

Q. A portion of UGI Gas's other advertising claim represents the recovery of costs associated with branded promotional materials. How is the recovery of such costs consistent with the standards set forth in Section 1316 of the Public Utility Code?

A. Within its service territory, UGI Gas does not face competition from other natural gas distribution companies, and thus the promotion of the UGI Gas name or brand is the functional equivalent to promoting natural gas and the increased use or potential expansion of UGI Gas's system. Distributing branded materials, such as shirts or mugs bearing the UGI Gas name is a very cost-effective means of promoting the many benefits of natural gas since the persons using or displaying such materials are raising awareness of the UGI Gas brand and the many benefits discussed above which the brand represents.

Q. A portion of UGI Gas's other advertising claim represents the recovery of costs associated with the sponsorship of sporting and cultural events or arenas. How is the recovery of such costs consistent with the standards set forth in Section 1316 of the Public Utility Code?

A. Cultural and sporting events are opportunities to place the UGI Gas name and the underlying messaging about the benefits of natural gas, which it represents, in a cost-effective manner before local audiences who can often benefit from the message. In addition, the sponsorship of suites or boxes at sporting and cultural venues presents a cost-effective means of attracting existing or prospective customers to a location where the benefits of natural gas can further be promoted in an effort to retain or expand current customer loads. Finally, in many instances the sponsorship of sporting and cultural venues is integral to local economic development efforts. A good example of this is UGI Gas's support for the Allentown Arena, which is an important part of that City's redevelopment efforts.

Q. Does UGI Gas's other advertising claim also include support for community service and economic development organizations?

A. This portion of UGI Gas's other advertising claim only represents payments made to promote the UGI brand, through sponsorship, at events sponsored by community service and economic development organizations, and is distinct from charitable contributions or membership dues that UGI Gas might make to the organizations sponsoring events presenting the brand promotion opportunities. For example, UGI Gas might pay dues as a member of Chambers of Commerce and Rotary clubs, but has only included in its other advertising expense claim payments made to sponsor events hosted by such organizations where the UGI Gas brand is promoted through the display of UGI Gas banners or other similar actions. These expenditures once again promote the UGI Gas brand, and the important message concerning the many benefits of natural gas the brand incorporates.

III. TECHNOLOGY AND ECONOMIC DEVELOPMENT RIDER

Q. Please summarize the OCA's position on the Company's TED Rider proposal.

A. In OCA Statement No. 3, page 53, lines 9-15, Mr. Watkins states that he "strongly disagrees with proposals to negotiated discount rates to Rate DS and LFD customers or other potential new customers simply to attract new business for UGI. *If the Company's TED Rider is approved, there will be situations in* which mains are extended to serve new commercial and industrial customers yet, they will be offered discounted distribution rates (with potentially no Mains extension funding requirements). Again, these subsidized rates, and/or uneconomic expansions must ultimately be borne by all existing ratepayers."

Q. Are these valid criticisms of the proposed TED Rider?

A. No. I directly addressed Mr. Watkins concerns about the use of the TED Rider to make uneconomic investments in my Direct Testimony. Specifically, in UGI Gas Statement No. 7, page 8, lines 10-22, I stated that the TED Rider projects would be evaluated using the same economic tests that have been applied to UGI Gas's new business extension tariff. That test requires anticipated revenues, at a minimum, to be sufficient to justify the anticipated investment. This means that each project will have to stand on its own economic merits and should not result in any cross subsidization by existing customers, which very well could lead to benefits for such customers.

In theory, a small percentage of projects involving use of a TED Rider could involve a customer who becomes bankrupt or insolvent before anticipated revenues used to determine the economic viability of the project, and not guaranteed through the provision of financial security, are received. However, the exact same risk applies where investments are made where no up-front CIAC payments are required under UGI Gas's tariff due to the anticipated distribution revenues that alone justify the investment. Such remote and speculative possibilities should not be a basis for rejecting the proposed TED Rider and its promise of being able to attract incremental economic customer loads which would not otherwise be served.

A far more likely possibility is that incremental customer loads made possible by the flexibility the TED Rider will provide the needed response to individual customer circumstances that will provide some incremental contribution to shared system costs to the benefit of existing customers. The TED Rider will only apply to an initial specified term, and the customer would thereafter pay the applicable tariff rate without the TED Rider adjustment.

Q. Is Mr. Watkins correct on page 53, line 14 of OCA Statement No. 3 that when a TED Rider discount is provided the customer will be receiving a "subsidized rate"?

A. No. The term "subsidized rate" suggests that existing customers will be funding an uneconomic investment. Once again, however, as I noted in my direct testimony, see UGI Gas Statement No. 7, page 8, lines 10-22, the TED Rider would only be applied to obtain customer loads which are economic, meaning that the combination of CIAC payments and anticipated revenues must justify any related investment, thereby protecting existing customers from providing any kind of subsidy. In this regard, if a customer is willing to pay the full required CIAC, make the incremental capital investments downstream from our system to install new gas technologies such as natural gas re-fueling stations or fuel cells, *and pay the full tariff distribution rate, no* TED Rider *will be required or applied.*

In certain instances, however, such as the example set forth in my direct testimony, see UGI Gas Statement No. 7, page 8, lines 3-8, a customer may be willing to pay a substantial CIAC and make the substantial downstream capital investments required to install a gas technology, but may need a small discount from distribution rates to make its gas technology investment economic. In such instances, as long as the combination of CIAC and distribution revenues inclusive of the TED Rider fully justifies or exceeds the economic thresholds applied to UGI Gas's new business extension tariff, new loads will be added to UGI Gas's system, which will benefit or at the very minimum not harm existing customers. As noted above, the TED Rider would only apply for a specified term. At the end of the term, the customer would pay the full tariff distribution rate.

Q. Does UGI Gas have any economic incentive to make uneconomic investments for customers subject to a TED Rider?

A. No. Except for certain limited exceptions not relevant here, UGI Gas's rates are not subject to adjustment between base rate cases, and the rates for existing customers are not subject to adjustment between base rate cases to permit recovery of uneconomic investments, whether such investments include the TED Rider or not. Moreover, UGI Gas's investment would be subject to full examination in future base rate cases, and recovery might be disallowed. Thus, UGI Gas's shareholders would bear the consequences of the uneconomic investment, either permanently or until the effective date of the rates established in its next base rate case.

Therefore, UGI Gas has no incentive to use the TED Rider or any other negotiated rate to make uneconomic investments to the detriment of existing customers. I also would note that a substantial portion of UGI Gas's throughput, and all of its non-residential line extensions, involve negotiated economic terms, and that UGI Gas has consistently shown the ability to negotiate favorable terms, which have enabled UGI Gas to add customer loads to its system in a profitable manner to the benefit of its existing customers.

Q. Please summarize the OSBA's concerns about the TED Rider.

A. In OSBA Statement No. 1, page 36, lines 24-27, Mr. Knecht expresses concern about the TED Rider stating: "I am particularly concerned about the rate discount mechanism, which would appear to provide unfair advantages to new customers at the expense of existing customers. With regard to potential credits, this mechanism would appear to be a return to economic development rates of yesteryear."

Q. Do you agree with Mr. Knecht's concerns?

A. No. As noted above, the TED Rider, whether used to provide incremental revenues to make a UGI Gas investment economic, or used to provide a reduced distribution rate to add incremental customer loads to UGI Gas's system that would otherwise be lost, will have to provide a combination of CIAC payments and anticipated distribution revenues necessary to make any required UGI Gas investment economic, thereby protecting and more likely benefiting existing customers.

Q. In OSBA Statement No. 1, page 37, lines 18-21, Mr. Knecht argues that in the case where the TED Rider would be used to provide incremental revenues to justify a UGI Gas investment, the TED rider would "essentially shift more risk from the new customer to the existing ratepayers, by reducing the required CIAC and replacing it with a much less certain revenue stream." Is this criticism valid?

A. It is true that the TED Rider would provide additional flexibility for a potential customer and UGI Gas to negotiate contract terms, which could include an agreement under which the potential customer would pay a reduced CIAC with a

TED Rider to make a UGI Gas investment economic. However, this does not present a significant or unusual risk to existing customers since:

(a) UGI Gas's shareholders share in the risk of a future customer default thereby providing UGI Gas with every incentive to negotiate terms, such as the provision of financial security, to minimize the risk of future default;

(b) Commercial and industrial default rates are very low;

(c) The risks of default are no greater than the risks of default for investments not requiring CIAC payments under existing and proposed line extension rules; and

(d) Once a capital investment in gas utilization equipment is made at a service location, there is a good chance that even if a customer becomes bankrupt or insolvent, a new customer will assume control of the service location and gas equipment, and apply for and receive natural gas distribution service from UGI Gas.

Moreover, the additional flexibility afforded by the TED Rider provides the ability to attract new loads that would not otherwise be possible. This added flexibility offers the prospect of contributions to shared system costs that will more than compensate existing customers for any incremental risk.

Q. In OSBA Statement No. 1, page 37, line 28 through page 38, line 4, Mr. Knecht also criticizes the use of the TED Rider to provide reduced distribution rates since this "would serve to reduce the contributions to the cost of the existing system from new customers, and shift that value to new customers[,]" which Mr. Knecht considers "unduly discriminatory." Is this criticism valid?

A. No. It is not discriminatory, and is most likely beneficial to existing customers if new customer loads, which otherwise would not occur, are added on an economic basis as UGI Gas has proposed. UGI Gas has every incentive to maximize its revenue and there is no reasonable basis to expect it would apply the TED Rider to reduce customer rates unless it believes it is necessary to do so to capture load which would not otherwise occur.

I also note that the line extension provisions of UGI Gas's tariff apply to existing as well as new customers. Thus, an existing customer requesting a required system upgrade to accommodate new firm requirements at its service location would potentially qualify for a TED Rider. Thus, the "benefits" of the proposed TED Rider are available to existing as well as new customers on a non-discriminatory basis.

IV. <u>TARIFF RULES</u>

A. <u>Tariff Rule 1.4</u>

Q. Please summarize UGIII witness Mr. Davey's concerns regarding the proposed Tariff Rule 1.4.

A. In UGIII Statement No. 2, page 5, line 2 through page 7, line 12, Mr. Davey of Carpenter Technology Corporation ("Cartech") objects to proposed Tariff Rule 1.4. He argues that it prevents Cartech from combining two meters served under Rate DS on a property Cartech acquired from a prior owner into its Rate XD service agreement, see UGIII Statement No. 2, page 5, lines 18-22, and argues the rule should be stricken since "there appears to be no justification for this rule." *See* UGIII Statement No. 2, page 6 line 23 through page 7, line 1.

Q. Do you agree with Mr. Davey's position?

A. I do not. Rule 1.4 is an extremely important provision in the Company's tariff. It is designed to make sure that customers, such as Cartech, pay for the cost incurred by UGI Gas to serve them and to make sure that such costs are not paid for by other customers. Rule 1.4 also is designed to help ensure that the assumptions made in developing rate designs are reasonably adhered to in practice and ensure that UGI Gas has a reasonable opportunity to earn its revenue requirement. Proposed Tariff Rule 1.4 provides that each service to a different location or meter shall be billed as a separate customer. However, the proposed Tariff Rule 1.4 continues the intent and effect of the existing Tariff Rule 2.4 by allowing customers who take service at two or more locations on the same property under the same rate schedule to request at the time initial service is established to combine their gas usage. Stated otherwise, proposed Tariff Rule 1.4 specifies a one-time determination if meters may be combined for billing purposes at the time service is initiated. I note that proposed Tariff Rule 1.4 is similar the tariff rules used by other Pennsylvania natural gas distribution companies.

Q. Do you agree with Mr. Davey that there is no justification for the limitation in proposed Tariff Rule 1.4 on combining meters after the time initial service is established?

A. No. It is important to understand why UGI Gas, and other Pennsylvania natural gas distribution companies, does not generally allow customers to combine meters. For example, if a customer is served by 47 meters, the revenue requirement to serve that customer is determined by the customer charge for each meter, as well as the applicable demand and block charges. In this instance, UGI Gas bought and installed the 50 meters to serve the customer. The Company recovers the cost of the meter through a customer charge, so this customer should pay 50 customers charges to cover the cost of 50 meters. Under UGIII's proposal, however, this customer could combine the 50 meters to avoid paying 50 separate customer charges and, instead, only pay a single customer charge, which results in the customer paying less than the total revenue requirement to serve that customer. Such a result would be unfair because it would force the company to absorb this cost between rate cases at which point other customers would pay for the costs of the other 49 meters.

Q. If this is true, then why does the proposed Tariff Rule 1.4 permit a one-time opportunity to combine meters for billing purposes?

A. At the time service is initiated, the Company applies the economic test reflected in its main extension policy to determine the costs that will be paid by the Company and the costs that will be paid by the customers. That economic test, designed in part to protect the interests of other customers from having to fund uneconomic extensions of service, requires reasonably anticipated revenues to justify and provide a reasonable return on the expected capital investment. An important part of this calculation is a projection of estimated revenues from the customer. The revenue from the customer will vary substantially depending on whether multiple meters are combined for billing purposes as this will affect not only customer charge revenue, but also usage revenue depending on whether the customer's demand is combined or not combined for billing purposes. If the customer elects combined billing at this time, it will reduce the revenues anticipated from the customer and may increase the amount of main extension cost to be borne by the customer. Conversely, if the customer elected not to pursue combined billing, the amount of expected revenue would be higher and the customer contribution would be lower. It would be fundamentally unfair for the customer to convert to combined billing later on, since this would reduce revenues to the Company, prevent it from recovering its revenue requirement and require subsidies from other existing customers. Moreover, if, after service was initiated, customers could request the combination of meters for billing purposes, the economic assumptions initially used for determining any required customer contribution and negotiated rates would no longer apply since the reasonably anticipated revenues associated with any required economic investment could decrease, thereby turning an economic investment supported by adequate revenues into an uneconomic investment not supported by adequate revenues. This would shift the burden of paying the costs to serve the customer onto shareholders or other customers.

Q. Please summarize UGIII witness Mr. Trzesniowski's concerns regarding proposed Tariff Rule 1.4.

A. In UGIII Statement No. 3, page 6, line 5 through page 10, line 18, Mr. Trzesniowski of Lehigh University expresses concern about proposed Tariff Rule

1.4 and existing Tariff Rule 2.4 since it does not permit the University to combine 42 existing metered accounts with 64 other meters which are bundled together into a single bill. In particular, he expresses concern that meters combinations can only be considered at the time service is initiated, leading to the prospect of additional metered accounts in the future. See UGIII Statement No. 3, page 8, line 16 through page 9, line 22.

Q. What is your reaction to these concerns?

A. I have addressed the purpose and need for proposed Tariff Rule 1.4 above in response to Mr. Davey's testimony, and the same response applies here. UGI Gas bought and installed 42 meters to serve Lehigh University and, therefore, Lehigh University should be paying for the meters. I also note that the existing bundled meters for Lehigh University may have been combined prior to the adoption of current tariff rules that limit meter aggregations. Presumably, at the time this decision was made, which I believe may have been a long time ago, the combination was expected to generate anticipated revenues to justify associated costs. That might not be the case, however, if the additional 42 customer accounts, or future accounts, were permitted to be rolled into a single account.

B. <u>Tariff Rules 2.3 and 2.6</u>

Q. UGIII raises concerns regarding the Company's proposed Tariff Rules 2.3 and 2.6. Can you please describe these Tariff Rules and their intended purposes?

A. Yes. Proposed Tariff Rule 2.3 is not a new tariff rule, and essentially restates what is set forth in existing Tariff Rule 17.3. This tariff rule was designed to give UGI Gas advance notice of a customer's proposed installation of alternative natural gas distribution facilities at its service location. This provides: (a) UGI Gas the opportunity to determine if the proposed alternate natural gas distribution facilities will interfere with the continued operation of its own facilities; (b) important safety information to UGI Gas operational personnel in the event they have to perform work at the customer's service location; and (c) gives UGI Gas the opportunity to propose any available alternatives, including an expansion of UGI Gas facilities, which might better serve the customer's needs. From a gas safety perspective, this rule is important since the installation of customer natural gas facilities could potentially harm UGI Gas's existing facilities, or result in the flow of alternative gas supplies into UGI Gas facilities. Moreover, it is important for UGI Gas personnel to know of the location and design of alternative customer natural gas facilities when responding to gas emergencies or performing routine work on UGI Gas facilities. Also, such notice is important for UGI Gas to know, from a system planning perspective, whether large loads will be leaving its system because of a bypass. Such knowledge also presents an opportunity for UGI Gas to propose alternatives, which the customer may be unaware of, that might preserve system load and contributions towards fixed system costs to the benefit of all customers. Such alternative proposals, if made, are not binding on the customer who remains free to accept or reject such proposals. For example, UGI Gas could be planning a major system upgrade to serve other customers that a customer contemplating a bypass might not be aware of.

Proposed tariff Rule 2.6 is also not a new tariff rule, and carries over the language found in existing Tariff Rule 17.6(d). The purpose of this rule is to recognize that if a customer elects to bypass UGI Gas's system, it will no longer be a reliable source of revenue justifying existing and future capital or gas supply investments. Accordingly, the rule provides that UGI Gas no longer has an obligation to serve the customer upon demand, and states that to the extent UGI Gas elects to provide future service, "the Company 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."

Q. What are UGIII's concerns with proposed Tariff Rules 2.3 and 2.6?

A. UGIII's concerns regarding the proposed Tariff Rules are addressed in the Direct Testimony of Mr. Schreiber, UGIII Statement No. 1, page 6, line 5 through page 9, line 10, and in the Direct Testimony of Mr. Davey, UGIII Statement No. 2, page 7, line 16 through page 10, line 5. Mr. Schreiber notes that his employer, Penn East Manufacturing Company ("East Penn"), is considering bypassing UGI Gas for some, or all, of its load on UGI Gas's system upon the expiration of its current Rate XD agreement, and believes these tariff provisions could be an impediment to such a bypass. See UGIII Statement No. 1, page 5, lines 15-20. He also construes the above-quoted language from proposed Tariff Rule 2.6 as:

> [A] "non-cost based penalty" and argues that East Penn "should not be faced with non-cost-based standby charges under Rule 2.6. Taken to its

> logical conclusion, Rule 2.6 would allow UGI to charge a customer a non-cost based standby charge even if a customer already paid 100% of the costs of UGI's system to serve the customer." (UGIII Statement No. 1, *page 8, line 23 through page 9, line 3)*

In this regard Mr. Schreiber notes that East Penn has made three customer contributions for system upgrades to increase its DFR, see UGIII Statement No. 1, page 8, lines 19-21, and has been informed that to meet East Penn's anticipated future maximum requirement of 9,000 Mcf per day, UGI Gas would have to construct a new pipeline to an interstate pipeline to support this load. See UGIII Statement No. 1, page 6, line 22 through page 7 line 3. Mr. Davey raises similar concerns in his Direct Testimony. See UGIII Statement No. 2, page 8 line 21 through page 9, line 23.

Q. Is there any merit to UGIII concerns about proposed Tariff Rule 2.3?

A. No. *UGI Gas has valid and legitimate gas safety and operational reasons to* know if larger customers are constructing natural gas facilities to meet their natural gas requirements. Requiring advance notice and review of the design of such facilities does not place any meaningful burden on a large customer's ability to ultimately bypass UGI Gas's system; if it is in the economic interest of East Penn to bypass UGI Gas, it strains credulity to believe that a prior notice and review requirement would meaningfully impact East Penn's timetable or decision to bypass.

Q. Is there any merit to UGIII's concerns about proposed Tariff Rule 2.6?

A. No. While UGI Gas may have a defined service territory where it is the only natural gas distribution company authorized by the Commission to provide natural gas distribution service, this does not mean that UGI Gas does not face intense competition for the business of its largest customers, such as East Penn. Such large and sophisticated customers have the ability and resources to turn to alternate energy sources or to bypass UGI Gas, which Mr. Schreiber candidly admits East Penn is considering. See UGIII Statement No. 1, page 5, lines 16-20. The Rate XD provisions of UGI Gas's existing and proposed tariff have no specified fixed class-wide rate. Rather, in recognition of market realities applicable to its largest customers, UGI Gas must negotiate rates based on the market conditions and options applicable to each of its Rate XD customers to try to maximize their contribution to shared system costs. To make sure that the investments needed to serve such customers are justified by anticipated revenues, or, from the customer's perspective, that customer contributions or rates to support a Daily Firm Requirement ("DFR") are justified by future firm service commitments, UGI Gas and Rate XD customers negotiate what are often long-term service agreements. To the extent such customers need future increases in firm service commitments from UGI Gas during the terms of these service agreements, they must either re-negotiate the rates specified in their service agreements to guarantee future revenue streams justifying the incremental investment needed to boost their DFRs, or pay contributions for the uneconomic, *i.e.*, the portion of the investment not justified by expected revenues, portion of the required investment. At the end of a negotiated Rate XD service agreement, if a customer elects to reduce its DFR or not renew its firm service, the pipeline capacity which formerly supported its prior firm service commitment does not sit idle waiting for potential future customer firm service commitments just because the customer made a contribution towards a system upgrade. Instead, the capacity is made available to other system customers willing to make a firm service commitment. If, in the future, a bypassing customer returns and seeks a new firm service commitment from UGI Gas, that customer, to the extent UGI Gas does not have available pipeline capacity, might be required to make a further contribution to support a further upgrade to UGI Gas's system, and UGI Gas will have every incentive to provide such future service if the appropriate customer contribution is provided. This is also the exact same system UGI Gas experiences when it contracts for and then relinquishes firm capacity on interstate pipelines. That is, if UGI Gas relinquishes a firm interstate pipeline contract, and subsequently wishes to subscribe to firm capacity again, it may have to pay for the construction of incremental firm delivery capabilities.

Stated another way, proposed Tariff Rule 2.6 recognizes that if a customer elects not to renew its DFR commitment and instead elects to receive service from bypass facilities, it cannot expect to be able to return and receive natural gas distribution service from UGI Gas under the same economic terms it might have received if it elected to renew its service contract with UGI Gas. Instead, it will have to negotiate new rates, which may be higher or lower, that will be reflective of then existing market conditions. The fact that East Penn might not be able to return to UGI Gas's system under the same economic terms as it could have if it elected to renew its service contract is not a "penalty", and instead simply reflects the market risks and uncertainties associated with electing to pursue a bypass.

Q. Does UGI Gas have an obligation to serve a firm customer if the customer pursues a partial bypass?

A. Yes. UGI Gas would continue to have an obligation to serve a firm service customer up to the firm requirements defined in its firm service agreement.

Q. What recommendations does UGIII make concerning proposed Tariff Rules 2.3 and 2.6?

A. UGIII recommends elimination of the rules. See UGIII Statement No. 1, page 9, line 6; UGIII Statement No. 2, page 10, line 3. Alternatively, UGIII recommends that Rule 2.3 "be changed to enable UGI to review customer plans only for purposes of system safety in a clearly defined process in which the customer is involved, and UGI should be required to complete that type of safety review in a predictable and timely manner." See UGIII Statement No. 1, page 9, lines 6-10. With respect to Rule 2.6, UGIII suggests that the term "market conditions" be defined. See UGIII Statement No. 1, page 8, lines 15-16; UGIII Statement No. 2, page 9, lines 21-23.

Q. Do you agree with these recommendations?

A. I do not support the elimination of proposed Tariff Rules 2.3 and 2.6 for the reasons stated above. Specifically, with respect to Rule 2.3, UGI Gas has legitimate gas safety and operational reasons to have advance knowledge of and to review the installation of alternative natural gas facilities. The provision in Section 2.3 addressing the UGI Gas's potential identification of alternatives places no obligation on the customer. The customer may in fact benefit from having more knowledge of possible alternatives, but is free to decline or ignore such offers. It would be UGI Gas's intention to perform any Section 2.3 reviews with customer involvement and in a timely manner. However, it is uncertain how the Company would develop tariff language to "clearly define" what each review would entail in any meaningful manner due to the potential diversity of possible situations that might occur, and no suggested language has been offered by UGIII. Certainly, as a regulated public utility, UGI Gas is required to act reasonably in providing service. However, I note that UGIII does not describe any past or current occurrences where such reviews have been delayed or not involved the customer.

With respect to proposed Tariff Rule 2.6, UGI Gas does not think the term "market conditions" is ambiguous, and no alternative tariff language has been proposed. The market conditions referenced in this rule are not intended to be different from the market conditions which determine any Rate XD negotiation.

I further note that as explained in the Rebuttal Testimony of Mr. Szykman, UGI Gas Statement No. 1-R, the natural gas utility business is significantly different from other fixed utilities, *e.g.*, electric and water, in that there is always a substitute for natural gas. Indeed, as noted by Mr. Szykman, the Commission has recognized this difference in establishing main extension policies and otherwise, including in setting rates for gas customers who have readily available competitive alternatives.

C. <u>Tariff Rule 4.1</u>

Q. Please summarize UGIII witness Mr. Davey's concerns about proposed Tariff Rule 4.1.

A. In UGIII Statement No. 2, page 12, line 4 through page 13, line 2, Mr. Davey claims "UGI transferred various fuel line downstream of UGI meters to Cartech[,]" says that Cartech would like for UGI to work with Cartech to determine ownership of the lines and expresses concern that proposed Tariff Rule 4.1 should not determine the outcome of this investigation.

Q. What is your response to these concerns?

A. Proposed Tariff Rule 4.1 simply adopts similar language found in the tariffs of UGI CPG and UGI PNG, and accurately describes the general rules concerning the ownership of facilities. I believe the situation at Cartech described by Mr. Davey resulted from UGI Gas's decision, some time ago, to permit Cartech to combine its meters for billing purposes, and I believe in connection with this decision that combination fuel lines were transferred. It is my understanding that UGI Gas has been working with Cartech to determine ownership of the lines, and will continue to do so. In short, I see nothing in Mr. Davey's description of the situation that would merit any modification to proposed Tariff Rule 4.1.

D. <u>Tariff Rule 5.7</u>

Q. Please summarize the intervenors' concerns regarding the proposed Tariff Rule 5.7.

A. In UGIII Statement No. 1, page 10, lines 15-17, Mr. Schreiber suggests proposed Tariff Rule 5.7, addressing special utility service, gives UGI Gas "too much discretion" and could lead to increased line extension costs for East Penn. Conversely, in OCA Statement No. 3, page 51, line 12 through page 52, line 23, Mr. Watkins argues that Rule 5.7 would give UGI Gas the discretion to make uneconomic line extensions and that "there must be predefined constraints to *prevent abuses by the Company in simply extending its mains that are not* economically feasible and which must ultimately be borne by all existing ratepayers."

Q Do you have a response to these concerns regarding proposed Tariff Rule 5.7?

A. Yes. UGI Gas proposed Tariff Rule 5.7 to promote uniformity. The proposed Tariff Rule 5.7 simply adopted language currently found in the Commission-approved tariffs of UGI PNG and UGI CPG. I believe this special utility service language dates to a time when natural gas distribution utilities had rigid "allowances" for line extensions, as opposed to economic tests, and the term "special utility service" was used to define instances where such allowances should not apply and negotiated terms could be substituted.

Since UGI Gas's proposed and existing tariffs provide for economic tests for judging line extensions, these tests should provide UGI Gas with sufficient flexibility to account for special circumstances where anticipated revenue or anticipated expenses are not typical, and protect existing customers from the costs of uneconomic line extensions. Accordingly, UGI Gas is willing to modify or eliminate proposed Tariff Rule 5.7 to the extent its ability to apply economic tests in making line extension decisions is preserved.

Q. Does Mr. Schreiber also express more generalized concerns about UGI Gas's proposed line extension rules?

A. Yes. He expresses generalized concerns about the negotiations that led to two upgrades allowing East Penn to increase its DFRs, stating that "UGI should be required to provide, in writing, the timetable for completion of the upgrade and provide the customer with written notice once the project is finished so that the customers can start relying on increased deliverability and, presumably, predictability of delivery service." See UGIII Statement No. 1, page 10, lines 6-9.

Q. What is your reaction to these concerns?

A. Under UGI Gas's proposed and existing tariff, large customers such as East Penn are free to negotiate whatever terms they think are appropriate for line extensions, including the date when an associated increased DFR becomes effective. In the case of East Penn, the dates when its increased DFR would be effective were clearly stated in mutually executed amendments to its Rate XD service agreement.

For most customers, including East Penn when it negotiated the recent increases in its DFR, the contribution amount and DFR effective date are the most pertinent terms. Where negotiations lead to fixed contribution amounts and settled DFR modification dates, information about final upgrade costs and construction schedules become irrelevant, since UGI Gas is taking 100% of the risk of cost overruns or construction delays. This removes uncertainty for the customer, and provides flexibility to UGI Gas to modify the project if unexpected conditions occur. I note that in the case of East Penn's recent DFR increases, East Penn voluntarily elected to pay a fixed contribution amount, making the tracking and reconciliation of final project costs irrelevant and shielding East Penn from the impact of any cost overruns. Similarly, East Penn voluntarily agreed to a fixed dates when its DFRs would increase, thereby rendering the actual day-to-day status of upgrades irrelevant.

E. Tariff Rule 5

Q. Please summarize UGIII witness Mr. Rosenthal's suggestions regarding proposed Tariff Rule 5.

A. In UGIII Statement No. 4, page 10, line 20 through page 11, line 11, Mr. Rosenthal suggests that proposed Tariff Rule 5 should state that its economic tests and contribution requirements may apply to customers seeking to move from interruptible to firm transportation or seeking increases in their DFR.

Q. Do you agree with this recommendation?

A. UGI Gas's transportation rate schedules already state that the service is only available where existing on-system capacity is available, and I do not believe there is any confusion among transportation customers that the Commission would not support system expansions that are not justified by anticipated revenues. Restating this in the line extension provisions of UGI Gas's tariff would not necessarily be harmful, but not particularly helpful either.

F. <u>Tariff Rule 6.5</u>

Q. Please summarize UGIII witness Mr. Rosenthal's concerns regarding proposed Tariff Rule 6.5.

A. In UGIII Statement No. 4, page 11, line 16 through page 13, line 6, Mr. Rosenthal expresses concern about UGI Gas's proposed Tariff Rule 6.5, addressing service continuity and damages, which uses different language than existing Rule 12.1.

Q. Do these concerns have merit?

A. No. The language in proposed Tariff Rule 6.5 simply carries over identical language appearing in the tariffs of UGI CPG and UGI PNG, establishes a reasonable standard for limiting damages for service interruptions that protects ratepayers from excessive damage claims, and sets reasonable expectations for service continuity. Contrary to Mr. Rosenthal's assumptions, this tariff language cannot and does not change UGI Gas's statutory obligation to act reasonably under Section 1501 of the Public Utility Code, and has no applicability to tariff penalties or balancing. Moreover, despite Mr. Rosenthal's claims to the contrary, the exemption for liability language is not significantly different than existing tariff language, which he recommends UGI Gas retain, see UGIII Statement No. 4, page 13, lines 5-6, which exempts UGI Gas from liability for "damages, direct or consequential, resulting from such interruption or failure."

G. Tariff Rule 7.3

Q. In UGIII Statement No. 2, page 13, lines 5-17, Mr. Davey raises concerns about proposed Tariff Rule 7.3. Please describe proposed Tariff Rule 7.3 and its intended purposes?

A. Proposed tariff Rule 7.3 simply adopts similar language found in the tariff of UGI CPG, and is intended to provide flexibility to permit higher pressure deliveries. It reserves to UGI Gas wide discretion to reject such requests since it is not practical, or potentially possible, to imagine in advance every potential situation where elevated pressure deliveries could cause system reliability or safety issues. It also clarifies that a customer requesting elevated pressure deliveries shall be required to pay for installation of a device to correct meter readings for pressure and temperature, and references line extension rules to clarify that the costs of providing the non-standard service must be justified by anticipated revenues.

Q. What are Mr. Davey's concerns with proposed Tariff Rule 7.3?

A. Mr. Davey suggests, without proposing any specific alternative language, that UGI Gas needs to: (a) add language to its tariff to define the exact methods it would use to correct for temperature and pressure, (b) add language to its tariff to permit negotiation of cost responsibility, and (c) remove language from its tariff that gives UGI Gas the unilateral right to reject an application for elevated pressure service. See UGIII Statement No. 2, page 13, line 20 through page 14, line 5.

Q. Do you believe these recommendations have merit?

A. No. UGI Gas is a regulated public utility that is required to provide service pursuant to reasonable terms and conditions. If Cartech believes UGI Gas has acted unreasonably, Cartech has the ability to raise its concerns to the Commission, which has a dedicated staff and rules of procedure for handling such disputes.

UGI Gas also believes that it would be counterproductive, in a section dealing with non-standard service, to try to anticipate every potential non-standard service situation and try to address in advance how each situation would be handled. UGI Gas also does not think the payment for the incremental costs of equipment should be a subject of negotiation since there should be no situations where other customers should be expected to subsidize such costs. In this regard, I note that Cartech's Rate XD service rates are subject to negotiation based on its ability to entirely bypass UGI Gas's facilities, and UGI Gas has no power to force Cartech to pay more for its service than the costs of its alternatives.

Finally UGI Gas believes it should retain broad discretion to reject such elevated service pressure requests, subject to Commission oversight if it acts unreasonably, since it cannot foresee and address all potential operational problems in advance.

H. <u>Tariff Rule 19</u>

Q. Does UGIII witness Robert A. Rosenthal express certain concerns about UGI Gas's proposed Tariff Rule 19 addressing Gas Emergency Planning?

A. Yes. In UGIII Statement No. 4, page 5, line 2 through page 6, line 19, Mr. Rosenthal sees an inconsistency between the proposed Tariff Rule 20.5, which states that UGI Gas has the right to issue OFOs and DFDs (as defined in the definition section of the proposed tariff) at any time, and the reference to the issuance of OFOs and DFDs in proposed Tariff Rule 19.1(a) which states in part:

> *Prior to taking any action under section 19.2 to curtail Customer usage, . . . Company shall use reasonable efforts and methods to: . . .(2) issue Operational Flow Orders or Daily Flow Directives and (3) call for voluntary usage reductions by any and all Customers.*

Mr. Rosenthal sees this reference to OFOs and DFDs in the Gas Emergency Planning rules as the "mixing of true emergency or critical management of the distribution system with economic or non-critical issues". See UGIII Statement No. 4, page 5, lines 17-18.

Q. Is there any merit to this concern?

A. No. The language in proposed Tariff Rule 19.1(a) merely tracks the language found in the Commission's regulations at 52 Pa. Code § 59.73(b), which define the actions NGDCs should take, including the issuance of OFOs, to avoid the need for emergency curtailments. The reference to actions UGI Gas would take to avoid emergency curtailments of firm service, and the identical references in the Commission's regulations, do not suggest that there is a mixing of emergency curtailment rules with non-emergency rules.

Q. Does Mr. Rosenthal have any other concerns with proposed tariff Rule 19.1(a)?

A. Yes. In an apparent reference to the portion of proposed Tariff Rule 19.1(a) addressing calls for voluntary usage reductions, Mr. Rosenthal states the "second problem is the reliance on the use of media messages for critical day management when direct messages to large customers or suppliers is the defined method of communication in Rule 19.4(a)". See UGIII Statement No. 4, page 5, lines 19-21. Proposed Tariff Rule 19.4(a) provides:

> *(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 notice through the media in order to communicate specific requests to large groups of Customer categories that are affected, including relevant geographic limitations.*

Q. Does this concern have any merit?

A. No. I see no inconsistency between proposed Tariff Rule 19.1(a)'s statement that UGI Gas use reasonable efforts to call for voluntary usage reductions prior to initiating mandatory curtailments of firm service, and proposed Tariff Rule 19.4(a), which is addressing how notice of mandatory restrictions to firm service will be made. Once again, the language in proposed Tariff Rule 19.1(a) simply tracks identical language found in the Commission's regulation at 52 Pa. Code § 59.73(b).

Q. Does Mr. Rosenthal have any other apparent concerns with proposed tariff Rule 19.1(a)?

A. Yes, referencing the Maximum Daily Excess Balancing Charge ("MDX") found in proposed Tariff Rule 20.4, he states "[t]he third problem is application of the MDX to customers regardless of their best effort and when the culprit may be a supplier or pool operator." See UGIII Statement No. 4, page 5, line 21 through page 6, line 1.

Q. Does this concern have any merit?

A. No. Initially I would note that the MDX penalties would not be applicable in a Gas Emergency Curtailment, and that proposed Tariff Rule 19.10 addresses penalties for unauthorized takes of gas during a Gas Emergency. Both MDX and proposed Tariff Rule 19.10 penalties are appropriately placed on the customer since the customer controls its contractual relationship with its supplier, including any pooling arrangements. UGI Gas has no knowledge of these customer-supplier contractual relationships. To the extent a supplier is responsible for an improper take of gas during a Gas Emergency, a customer can pursue its legal remedies against its supplier, as many customers did when excess takes were experienced during the recent two very cold winters (2014 and 2015).

Q. Does Mr. Rosenthal have any other apparent concerns with proposed tariff Rule 19.1(a)?

A. Yes, he also states, in an apparent reference to proposed Tariff Rule 19.4(a), "[t]he fourth problem is the use a (sic) media for information exchange which may not reach the immediate region or subarea that is experiencing the critical issue." See UGIII Statement No. 4, page 6, lines 1-2.

Q. Does this concern have any merit?

A. No, nothing in the language of proposed Tariff Rule 19.4(a) suggests that UGI Gas would not communicate directly with affected customers when it is able to do so, or if communication links were broken, that it would not tailor alternative contacts through media outlets to targeted areas.

Q. Do you have any other comments concerning this portion of Mr. Rosenthal's testimony?

A. Yes. Mr. Rosenthal may be operating under the assumption that existing and proposed Gas Emergency Planning rules are being used for the day-to-day management of UGI Gas's system. In fact, the Gas Emergency Planning provisions of UGI Gas's and other Pennsylvania NGDCs' tariffs are mandated by the provisions of 52 Pa. Code § 59.63. This regulation was passed at a time when there was a concern the implementation of gas choice for small volume core market customers might lead to supply disruptions requiring the curtailment of firm service and the confiscation of transportation customer gas deliveries to meet core market customer needs. However, no such gas emergency has ever had to be declared on UGI Gas's system, and to my knowledge there has never been such a gas emergency on any NGDC system in Pennsylvania.

I. <u>Tariff Rule 20.2</u>

Q. Does Mr. Rosenthal also express concern about proposed Tariff Rule 20.2(a)?

A. Yes. Proposed Tariff Rule 20.2(a) defines transportation customer balancing responsibilities and provides, in part, that:

> *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.*

Mr. Rosenthal believes the best efforts language is too vague and should be removed, and that the Company and should not have the unilateral right to determine culpability. See UGIII Statement No. 4, page 7, line 11 through page 12, line 8.

Q. Do you believe this position has merit?

A. No. UGI Gas's system is a dynamic one that must remain in balance at all times, and it is important that transportation customers be made aware of their balancing responsibilities. It is not possible to define every conceivable circumstance that could arise and define the precise expected response, and the phrase "best efforts" appropriately conveys the expected level of diligence. Moreover, in operating a dynamic system, each call by UGI Gas cannot be subject to a lengthy company sponsored dispute resolution process. Thus, it is appropriate that UGI Gas should have the authority to exercise reasonable discretion in determining whether a customer is attempting to abuse balancing rules.

Just because UGI Gas exercised its "sole discretion" does not mean that its decisions are not subject to the standards of Section 1501 of the Public Utility Code, *and cannot be challenged through the well-established processes at the* Commission. Adopting Mr. Rosenthal's suggestion to entirely delete the language of proposed Tariff Rule 20.2(a) would simply encourage transportation customer abuse, while providing no real benefit. UGI Gas's existing tariff rules contain the same language Mr. Rosenthal objects to, and while large customer transportation volumes have constituted a significant portion of UGI Gas's system throughput for over twenty years, UGI Gas is not aware of any significant problem this language has caused for transportation customers. Finally, I note that "best efforts" is standard language in commercial contracts, and is well understood by business entities and the courts.

J. <u>Tariff Rule 20.4</u>

Q. In UGIII Statement No. 1, page 18, lines 3-7, Mr. Schreiber suggests that UGI Gas's proposed tariff rules give it too much discretion in deciding when to impose the Maximum Daily Excess Balancing Charge set forth in proposed Tariff Rule 20.4. Do you believe this assertion has merit?

A. No. It appears that Mr. Schreiber is arguing against his own interest. If UGI Gas did not have discretion, the Company would have to impose the Maximum Daily

Excess Balancing Charge in all instances. In addition, Mr. Schreiber does not propose alternate tariff language. I do not believe it is possible to precisely define every potential circumstance under which a customer might abuse tariff rules in a manner which jeopardizes reliability and warrants the penalties specified in Section 20.4.

Moreover, it is important to recognize that UGI Gas does not have the ability to automatically and remotely cut off gas supplies to a customer abusing system rules, in much the same way that traffic authorities do not have the ability to remotely control the vehicles traveling on the Commonwealth's highways. In both instances, clear rules of expected behavior are specified, and penalties having a sufficient deterrent effect must be present to encourage compliance and protect public safety. These rules and penalties must have a sufficient scope to cover many types of behavior that cannot necessarily be anticipated and defined in advance. UGI Gas does not have a history of abusing its authority to impose penalties, and should it do so, East Penn could seek relief from the Commission.

Q. Does Mr. Rosenthal express concerns about UGI Gas's proposed MDX penalties set forth in proposed Tariff Rule 20.4?

A. Yes. Mr. Rosenthal expresses concern that setting the penalty at ten times the index price of a critical day for intentional imbalances is "not cost based", and is in excess of interstate pipeline penalties. See UGIII Statement No. 4, page 7, lines 18-21. He also asserts that the term "intentional" is too vague and reiterates his concern that a customer could be held responsible for marketer errors. See UGIII Statement No. 4, page 7, line 21 through page 8, line 2.

Q. Do these concerns have merit?

A. No. Penalties are not meant to be "cost based", and are instead designed to discourage customer behavior that UGI Gas cannot directly control since it does not have the infrastructure to directly control customer draws of gas from its system. UGI Gas's distribution system is an "open valve" system that is shared by many customers. UGI Gas provides transportation customers with a specified level of balancing tolerances, provides optional supplemental balancing services and permits pooling to assist with balancing. Customers should be able to easily comply with these balancing rules, but, if they do not, both cost impacts on other customers and dangers to system reliability can result. Penalties are and should be designed to discourage damaging behavior, and if successful should cause no impact on transportation customers since they will encourage full compliance. Returning to my prior analogy, nobody would expect fines for speeding on the Commonwealth's highways to be cost-based and only assessed when accidents occur causing actual damages, because such a "cost-based" traffic penalty system would encourage risky behavior. Similarly, imbalance penalties should not be based on actual costs. Finally, for the reasons previously stated, penalties must be assessed to transportation customers, and not the marketers they may contract with, since UGI Gas is not a party to and does not have the right to enforce such private contractual relationships.

Q. **In RESA Statement No. 1, page 7, line 5 through page 8, line 2, Mr. Magnani raises concerns about penalty levels proposed in Tariff Rule 20.4. Do you have a response?**

A. Yes. My response is the same as that to the similar concerns expressed by Mr. Rosenthal. I would note that Mr. Magnani argues that there should be no arbitrage risk if the penalty is set at only 1.1 times the index price. See RESA Statement No. 1, page 7, lines 11-17. This is simply not correct, however, since gas prices can and do vary substantially between points. Thus, there can be arbitrage opportunities in some geographic locations significantly in excess of index pricing established at another geographic location.

V. <u>NEGOTIATED RATES</u>

Q. **In OSBA Statement No. 1, page 15, lines 6-12, Mr. Knecht notes that he believes rate "discounts" should only be offered where the resulting rate exceeds incremental cost, the customer and the utility can make a clear demonstration that the customer has a cost-effective competitive alternative, and the "discounted rate does not create unfair competitive advantages for some customers at the expense of others." What is your reaction to these principles?**

A. I do not think it is appropriate to use the terminology rate "discounts" for Rate XD firm customers and all interruptible customers since their rates are determined by negotiation and cannot exceed the costs of customer alternatives. I agree in theory that in setting negotiated rates, a rate should not be set below incremental costs, but that begs the question of what incremental costs are.

Since UGI Gas in almost all instances designs its system to only serve firm loads, and has every incentive under its current rate structure to make sure that any incremental costs incurred to serve an interruptible customer are justified or "covered" by a negotiated rate, I believe the incremental cost of serving an interruptible customer is very low. Stated another way, I believe it is in the best interests of the customers sharing the costs of UGI Gas's system to capture as much incremental revenue as possible from every interruptible customer to provide some contribution towards shared fixed system costs.

While advocating for a significant allocation of costs in a cost of service study to large firm and interruptible customers may initially appear to be in the best interests of such customers by apparently supporting lower initial firm rate levels, I believe such customers are better served in the long run by fully incentivizing UGI Gas to find and exploit every opportunity to maximize incremental revenue contributions from customers with competitive alternatives, thereby deferring the need for future base rate relief. I believe that UGI Gas's ability to defer base rate relief for over twenty years while significantly growing its system is a testament to the benefits of incentivizing creative and flexible rate mechanisms to maximize revenues from customers with competitive alternatives that most likely would not contribute any revenues towards fixed system costs on NGDC systems with less flexible and incentivized rate structures.

With respect to Mr. Knecht's condition that there should be a "clear" demonstration of competitive alternatives, see OSBA Statement No. 1, page 15, lines 8-10, I believe the most appropriate means of maximizing the beneficial effects of incremental contributions towards fixed system costs is to provide a strong incentive to UGI Gas to seek out every opportunity and to negotiate hard to maximize rates from customers with competitive alternatives. I have been involved in many of these negotiations and attest that they often can be tense since customers have a strong incentive to try to seek rates well below the costs of their supply alternatives. Since it is often not in the customer's interest in such negotiations to reveal all pertinent information about their true competitive alternatives, exact information is not always available to be provided to regulators. I do not think the hard work needed to maximize contributions from customers with competitive alternatives should be further burdened with excess requirements of proof.

Finally, I am not sure what Mr. Knecht means when he says that customers should not be offered negotiated rates if such rates would place them at a competitive disadvantage. See OSBA Statement No. 1, page 15, lines 11-12. Each customer's competitive alternatives will depend on its geographic location, regulations impacting alternative fuel use, ability to move operations to other locations and a myriad of other factors. As such, the process of maximizing contributions to fixed system costs will result in significantly varying rates among customers. UGI Gas has no way of knowing if the geographic and other choices made by customers in locating their facilities resulting in varying alternative energy options and costs will put them at a "competitive disadvantage" versus their competitors. Furthermore, UGI Gas's focus should only be in assuring, to the extent possible, that it is able to maximize the revenue contribution from such customers to the long-term benefit of the other customers sharing UGI Gas's distribution system, while applying its approach for maximizing such revenue in a reasonably non-discriminatory manner.

Q. Mr. Knecht states on page 15 of OSBA Statement No. 1 that the one very large interruptible customer should be treated as a "flex rate" XD customer, with rates established based on consideration of both cost of service and the price of alternative fuels, for cost allocation and rate design purposes. How do you respond?

A. The large customer being referred to by Mr. Knecht is already included as a Rate XD customer. This customer is a bypass customer and as such, their long-term rate was tied to the fixed cost of a bypass pipeline and not subject to the fluctuating cost of an alternative fuel. Since the customer has a long-term Rate XD service agreement with UGI Gas, it is inappropriate to recommend breaking the agreement to charge a "flex rate". Thus, the customer's current Rate XD rates should remain in UGI Gas's cost of service and Mr. Knecht's recommendation should be rejected.

Q. Mr. Knecht argues on pages 30-31 of OSBA Statement No. 1 that "the Company has not provided sufficient evidence that the current negotiated

rates are necessary to retain these customers[,]" and specifies certain elements of proof that he believes UGI Gas must show to avoid having additional revenue requirement responsibility assigned to interruptible customers. What is your reaction to Mr. Knecht's position?

A. Under UGI Gas's current rate structure, it has every incentive to maximize the revenues it received from interruptible service customers. I believe it strains credulity to believe that UGI Gas is, for unspecified reasons, deliberately reducing its revenues and profit by negotiating interruptible service rates below otherwise achievable levels.

Q. How does UGI Gas approach interruptible rate negotiations?

A. UGI Gas closely follows the costs of typical alternative fuels and the expected premium that it anticipates customers will pay for gas because of such factors as environmental permit restrictions on the use of alternative fuels, and communicates this information to its negotiation teams. Those teams will also consider any unique circumstances that might apply to a particular service location or customer. Those considerations might include, in addition to the use of alternative fuels or bypass capabilities, credible evidence of the ability to shift gas-consuming operations to a location outside of UGI Gas's service territory. If there is a significant load that presents a credible bypass opportunity, our marketing teams will also develop engineering estimates of the likely costs of constructing bypass facilities. All of these factors will be considered in negotiating the highest possible overall revenue while reasonably ensuring that the customer will use UGI Gas's natural gas distribution facilities.

Q. Mr. Knecht suggests on page 31 of OSBA Statement No. 1 that UGI Gas must prove that an interruptible customer has ready access to a specified alternate fuel. What actions does UGI Gas take to verify the customer's alternate fuel capability?

A. Where an alternate fuel capability is required under UGI Gas's tariff, UGI Gas personnel will inspect a prospective customer's facilities to establish the alternate fuel capability, and for existing customers UGI Gas personnel will perform periodic inspections. Before each winter heating season, UGI Gas has sent and will continue to send letters to interruptible customers reminding them of their alternate fuel capability obligations.

Q. Mr. Knecht also suggests on page 31 of OSBA Statement No. 1 that UGI Gas needs to "prove" that its negotiated interruptible delivery rates are equal to the costs of the alternative fuel less the commodity cost of gas. Is UGI Gas able to prove this?

A. As I previously noted, UGI Gas closely follows the costs of customer alternatives, and seeks to maximize the revenues that it receives. In many instances, the final negotiated rates will not only reflect the commodity costs of customer alternatives, but will also include a premium, to the extent market conditions allow, that reflects the desirable operating and environmental benefits of natural gas, which might discourage a particular customer from switching to the use of an alternative fuel. I am not sure what proof UGI Gas is expected to produce concerning the specifics of each rate negotiation, but if Mr. Knecht desires to investigate any particular negotiation or subset of negotiations he could have done so through the discovery process.

Q. Mr. Knecht also suggests on page 31 of OSBA Statement No. 1 that UGI Gas needs to prove that flex distribution rates are updated regularly to reflect changes in alternative fuel prices. Does UGI Gas do so?

A. Yes. In certain instances customer rates are adjusted pursuant to an alternate fuel cost index. In other instances, where it is important to the customer to have price certainty for a specified period of time, an agreement will be negotiated specifying a fixed price for a specified term at prices UGI Gas considers favorable. The Company has every incentive to maximize its negotiated rates in negotiating such agreements. There is no evidence to suggest that the Company is not maximizing prices.

Q. Finally, Mr. Knecht suggests on page 31 of OSBA Statement No. 1 that UGI Gas must prove that the flex distribution revenues used in this proceeding reasonably reflect current expectations of alternative fuel prices during the forecast test year. Did UGI Gas do so?

A. Flex rate revenues were projected using the same budgeting process used to develop all claims in this proceeding, with appropriate adjustments being addressed by UGI witness Ms. Kelly, UGI Gas Statement No. 2-R.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

UGI Gas Exhibit RRS-4

RE-96

Request:

Reference UGI response to I&E-RE-24-D regarding UGI Other Advertising Programs, provide the following:

A. Fully explain the 861% increase in Meetings/Trade Shows from 2015 to 2016;

B. Provide a complete yearly breakdown of expenses included in Meetings/Trade Shows for 2013 to 2017;

C. Fully explain the 30% increase in Sponsorships from 2015 to 2016;

D. Fully explain what constitutes a Sponsorship expense;

E. Fully explain why Sponsorship expenses are deemed appropriate above-the-line expenses for ratemaking purposes;

F. Provide a complete yearly breakdown of expenses included in Sponsorships for 2013 to 2017.

Response:

A. In 2016 and 2017, business entertainment expenses related to meetings and tradeshows are included in the miscellaneous advertising budget, while they were charged to different cost elements in prior years. These meetings and tradeshows consist of discussions and interactions with members of local economic development organizations and business leaders in an effort to promote regional economic development and community involvement. In all cases, they are listed by the venue/location where the meetings occurred. When these costs are placed side by side by relevant category and year, the variation from year to years is substantially less. See Attachment I&E RE-96-B.

B. Please see Attachment I&E-RE-96-B.

C. Starting with the 2016 budget, the PBS program underwriting of $75,000 was budgeted to miscellaneous advertising where it had previously been assigned to a different advertising cost element. In addition, the 2016 miscellaneous advertising

RE-96 (Continued)

budget included two new sponsorships for the Allentown Arena for $15,000 and the Lancaster Chamber for $30,000. In exchange for these funds, UGI received electronic signage within the Allentown Arena and naming rights for the new Lancaster Chamber building, which is proposed to be the single facility for regional economic development organizations in Lancaster County.

D. These are funds paid to community service and economic development organizations in return for promoting UGI and domestic natural gas through special event activities, event program ads, website displays, etc. These expenses do not reflect organization membership dues, but represent costs associated with the promotion of UGI and domestic natural gas through community service and economic development organizations in order to expand community service and economic development activities within our service territory.

E. The success of community service and economic development organizations within UGI's service territory directly benefits UGI's customers by attracting new customers as well as supporting existing customers. The activities associated with these organizations which contribute to UGI's growth or assist UGI customers with services that may lead to lower payment delinquency, all help reduce the need for future rate increases. These expenses are incurred for the promotion of community service and economic development within UGI's service territory, and the promotion of natural gas.

F. Please see Attachment I&E-RE-96-F. These costs are largely broken down into the categories of encouraging community and economic development and the promotion of natural gas.

Prepared by or under the supervision of: Robert R. Stoyko

BUILDER MEETINGS/TRADE SHOWS* - COST ELEMENT 4790

	2013	2014	2015	2016	2017
LANCASTER CHAMBER	$ 25				
SANTANDER ARENA	$ 18,500			$ 10,000	$ 10,100
IRON PIGS LUXURY SUITE		$ 14,999	$ 16,083	$ 23,668	$ 23,905
GIANT CENTER		$ 7,500		$ 45,550	$ 46,006
MISCELLANEOUS				$ 12,000	$ 12,893
PHILADELPHIA EAGLES CLUB SEATS				$ 25,000	$ 25,250
LANCASTER BARNSTORMERS				$ 7,700	$ 7,777
BUILDER NIGHT AND BUSINESS LEADERS				$ 7,500	$ 7,575
HARRISBURG SENATORS				$ 23,245	$ 23,477
TOTAL	$ 18,525	$ 22,499	$ 16,083	$ 154,663	$ 156,983

BUILDER MEETINGS/TRADE SHOWS* - OTHER RELEVANT COST ELEMENTS

	2013	2014	2015	2016	2017
LANCASTER CHAMBER			$ 40	$ -	$ -
SANTANDER ARENA	$ 12,127	$ 9,715	$ 28,019	$ -	$ -
LEHIGH VALLEY IRON PIGS	$ 28,334	$ 978	$ 11,651	$ -	$ -
GIANT CENTER	$ 79,855	$ 50,979	$ 48,066	$ -	$ -
LANCASTER BARNSTORMERS	$ 2,592	$ 3,760	$ 8,404	$ -	$ -
HARRISBURG SENATORS	$ 25,916	$ 7,390	$ 14,961	$ -	$ -
TOTAL	$ 148,825	$ 72,822	$ 111,140	$ -	$ -

COMBINED BUILDER MEETINGS/TRADE SHOWS* - ALL RELEVANT COST ELEMENTS

	2013	2014	2015	2016	2017
LANCASTER CHAMBER	$ 25	$ -	$ 40	$ -	$ -
SANTANDER ARENA	$ 30,627	$ 9,715	$ 28,019	$ 10,000	$ 10,100
IRON PIGS LUXURY SUITE	$ 28,334	$ 15,977	$ 27,734	$ 23,668	$ 23,905
GIANT CENTER	$ 79,855	$ 58,479	$ 48,066	$ 45,550	$ 46,006
MISCELLANEOUS	$ -	$ -	$ -	$ 12,000	$ 12,893
PHILADELPHIA EAGLES CLUB SEATS	$ -	$ -	$ -	$ 25,000	$ 25,250
LANCASTER BARNSTORMERS	$ 2,592	$ 3,760	$ 8,404	$ 7,700	$ 7,777
BUILDER NIGHT AND BUSINESS LEADERS	$ -	$ -	$ -	$ 7,500	$ 7,575
HARRISBURG SENATORS	$ 25,916	$ 7,390	$ 14,961	$ 23,245	$ 23,477
TOTAL	$ 167,350	$ 95,321	$ 127,224	$ 154,663	$ 156,983

* These are expenses related to builder meetings/tradeshows, not donations, and are included for rate making purposes.

SPONSORSHIPS*

COMMUNITY SERVICE, ECONOMIC DEVELOPMENT

ORGANIZATION	2013	2014	2015	2016	2017
AMERICAN HEART ASSOCIATION	$ -	$ 3,500	$ 3,500	$ -	$ -
ANNUAL CHAMBER DINNERS	$ -	$ -	$ -	$ 6,000	$ 6,090
ARTSQUEST	$ 2,500	$ 2,500	$ 2,500	$ 2,554	$ 2,592
BERKS CHAMBER OF COMMERCE ANNUAL DINNER	$ -	$ -	$ -	$ 2,500	$ 2,538
BERKS COUNTY CONSERVANCY	$ 2,500	$ 10,000	$ 7,500	$ 7,661	$ 7,776
BOY SCOUTS OF AMERICA	$ 4,500	$ 15,000	$ 3,333	$ 10,215	$ 10,368
BUILDING INDUSTRY ASSOC OF LANCASTER CO	$ 8,750	$ 28,750	$ 31,379	$ 28,750	$ 29,181
CONTACT HELPLINE INC	$ -	$ 2,500	$ 2,500	$ 1,532	$ 1,555
ECONOMIC DEVELOPMENT CO OF LANC COUNTY	$ 2,750	$ 2,950	$ 2,750	$ 3,000	$ 3,045
Girl Scouts of Eastern PA	$ -	$ 1,500	$ 2,500	$ 1,532	$ 1,555
GREATER READING CHAMBER OF COMMERCE	$ 3,000	$ 3,800	$ 7,600	$ 5,435	$ 5,517
HARRISBURG CHAMBER OF COMMERCE - Annual Dinner	$ -	$ -	$ -	$ 1,500	$ 1,523
HARRISBURG REGIONAL CHAMBER & CREDC - CATALYST AWARD	$ -	$ -	$ 3,500	$ -	$ -
HAZLETON CAPITAL CAMPAIGN REVITALIZATION 6 YR	$ -	$ -	$ -	$ 2,500	$ 2,538
JUNIOR ACHIEVEMENT OF CENTRAL PA - SPONS	$ 3,000	$ -	$ -	$ -	$ -
LANCASTER CHAMBER NAMING RIGHTS	$ -	$ -	$ -	$ 30,000	$ 30,450
LANCASTER CHAMBER OF COMMERCE & INDUSTRY	$ 9,300	$ 10,000	$ 10,370	$ 13,000	$ 13,195
LANCASTER EDUCATION FOUNDATION	$ -	$ -	$ 2,000	$ -	$ -
LEHIGH VALLEY ECONOMIC DEVELOPMENT CORP	$ 2,000	$ -	$ -	$ -	$ -
LVEDC ENVISION LEHIGH VALLEY	$ -	$ -	$ -	$ 2,000	$ 2,030
MILAGRO HOUSE INC	$ 300	$ 3,500	$ 2,800	$ -	$ -
MISCELLANEOUS SPONSORSHIPS (<=$1,500)	$ 14,260	$ 21,210	$ 28,352	$ 19,109	$ 19,396
NEW BIRTH OF FREEDOM COUNCIL	$ 1,200	$ 1,200	$ 1,500	$ 1,532	$ 1,555
OPPORTUNITY HOUSE	$ 300	$ 2,800	$ 300	$ 306	$ 311
PENNSYLVANIA CHAMBER OF BUSINESS & IND	$ 8,850	$ 375	$ -	$ 8,651	$ 8,781
PENNSYLVANIA DUTCH COUNCIL - BSA	$ 5,000	$ 10,000	$ 5,000	$ 7,500	$ 7,613
READING CHAMBER COMMUNITY LEADER SPONSORSHIP	$ -	$ -	$ -	$ 2,500	$ 2,538
REDESIGN READING	$ -	$ -	$ 2,500	$ -	$ -
ROTARY CLUB OF LANCASTER	$ 2,500	$ 3,071	$ 3,500	$ 2,554	$ 2,592
Salvation Army (Breakfast - Sponsorship)	$ -	$ -	$ -	$ 5,107	$ 5,184
STRASBURG-HEISLER LIBRARY	$ -	$ 2,165	$ -	$ -	$ -
THE SALVATION ARMY	$ 2,432	$ 6,250	$ 13,750	$ -	$ -
UNITED WAY OF BERKS COUNTY EVENT	$ 13,000	$ 13,000	$ 10,000	$ 13,278	$ 13,478
United Way of the Greater Lehigh Valley Event	$ 500	$ 1,000	$ 2,000	$ 511	$ 518
UPPER NAZARETH TOWNSHIP	$ -	$ -	$ 2,000	$ -	$ -
WELLER HEALTH EDUCATION CENTER	$ -	$ -	$ 1,500	$ 1,532	$ 1,555
WILDLANDS CONSERVANCY	$ -	$ 5,100	$ 2,500	$ 2,554	$ 2,592
WILLIAMS UNITED WAY	$ 5,225	$ 5,000	$ 5,000	$ -	$ -
COMMUNITY SERVICE, ECONOMIC DEVELOPMENT	$ 91,867	$ 155,170	$ 160,134	$ 183,312	$ 186,062

PROMOTION OF DOMESTIC NATURAL GAS

ORGANIZATION	2013	2014	2015	2016	2017
2015 US WOMENS OPEN - EVENT HOST	$ -	$ -	$ 9,311	$ -	$ -
ALLENTOWN ARENA	$ -	$ -	$ -	$ 15,000	$ 15,225
ALVERNIA UNIVERSITY	$ -	$ 3,025	$ 2,000	$ 3,090	$ 3,136
ATLANTIC COMMUNICATION	$ -	$ -	$ -	$ 2,500	$ 2,538
Be Utility Wise	$ -	$ -	$ -	$ 3,064	$ 3,110
BODY ZONE SPORTS & WELLNESS COMPLEX	$ -	$ -	$ 2,800	$ 2,800	$ 2,842
BUSINESS CLIMATE AD-LV	$ -	$ -	$ -	$ 2,360	$ 2,395
CENTRAL PENN BUS JOURNAL (ENERGY SYMPOSIUM EVENT)	$ 6,360	$ -	$ -	$ 7,150	$ 7,257
FULTON THEATRE	$ 7,876	$ 28,119	$ 12,500	$ 13,500	$ 13,703
GIANT CENTER	$ 10,000	$ 10,000	$ 10,300	$ 16,000	$ 16,240
HARRISBURG SENATORS BILLBOARD/PROG AD	$ 6,000	$ 11,500	$ 11,500	$ 6,000	$ 6,090
HBA OF METROPOLITAN HARRISBURG	$ -	$ -	$ 14,000	$ 13,500	$ 13,703
HERSHEY ENTERTAINMENT & RESORT COMPANY	$ -	$ -	$ 12,000	$ -	$ -
HOME BUILDERS ASSOCIATION OF BERKS COUNTY	$ -	$ 2,600	$ 800	$ -	$ -
JOURNAL COMMUNICATIONS INC	$ -	$ -	$ 2,360	$ -	$ -
KEYSTONE WOUNDED WARRIORS	$ -	$ 7,500	$ -	$ -	$ -
LANCASTER BARNSTORMERS	$ 10,000	$ 5,000	$ -	$ 10,000	$ 10,150
LEHIGH UNIVERSITY	$ 7,500	$ 32,500	$ -	$ -	$ -
LEHIGH VALLEY BUSINESS SYMPOSIUM	$ -	$ 2,750	$ -	$ 3,500	$ 3,553
LEHIGH VALLEY COMMUNITY BROADCASTERS	$ -	$ -	$ -	$ 1,500	$ 1,523
LEHIGH VALLEY IRON PIGS	$ 13,500	$ 22,000	$ 42,000	$ 25,000	$ 25,375
LEHIGH VALLEY STEELHAWKS	$ -	$ 2,500	$ 2,500	$ 2,500	$ 2,538
MIDWEST ENERGY ASSOCIATION	$ 5,000	$ -	$ -	$ -	$ -
MILLERSVILLE UNIVERSITY	$ -	$ -	$ 3,466	$ 2,500	$ 2,538
MISCELLANEOUS SPONSORSHIPS (<=$1,500)	$ 16,302	$ 23,826	$ 23,611	$ 16,621	$ 16,870
NATIONAL CIVIL WAR MUSEUM	$ 5,000	$ -	$ -	$ -	$ -
NORTH MUSEUM OF NATURAL HIST & SCIENCE	$ -	$ 3,000	$ 1,000	$ 2,554	$ 2,592
PBS	$ 45,770	$ -	$ -	$ 75,000	$ 76,125
PENNSYLVANIA STATE UNIVERSITY	$ 1,352	$ 13,680	$ 10,990	$ 13,000	$ 13,195
READING FIGHTIN PHILS	$ 25,935	$ 35,480	$ 2,577	$ 28,315	$ 28,740
SANTANDER ARENA	$ -	$ 2,500	$ 11,814	$ 2,500	$ 2,538
SUSTAINABLE ENERGY FUND	$ 2,683	$ 5,000	$ 5,000	$ 5,107	$ 5,184
WGAL LEARNING MATTERS	$ 150,000	$ 150,000	$ 150,000	$ 153,212	$ 155,510
PROMOTION OF DOMESTIC NATURAL GAS	$ 313,278	$ 360,980	$ 330,528	$ 426,273	$ 432,667

OTHER

ORGANIZATION	2013	2014	2015	2016	2017
GOLF SPONSORSHIPS	$ -	$ -	$ -	$ 3,000	$ 3,045
GOVERNOR'S BREAKFAST	$ -	$ -	$ -	$ 1,500	$ 1,523
MISCELLANEOUS SPONSORSHIPS (<=$1,500)	$ -	$ -	$ -	$ 22,663	$ 23,003
Special Events	$ -	$ -	$ -	$ 2,596	$ 2,635
OTHER	$ -	$ -	$ -	$ 29,759	$ 30,206

TOTAL SPONSORSHIPS	$ 405,145	$ 516,150	$ 490,663	$ 639,344	$ 648,934

* These are sponsorships with advertising value, not donations or membership dues, and are included for rate making purposes.