UGIII STATEMENT NO. 1
6/2/16 Hbg TX

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2015-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	Docket Nos. C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph P. Sandoski	:	C-2016-2529638
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

DIRECT TESTIMONY
AND EXHIBITS

OF

B. TUCKER SCHREIBER
OF EAST PENN
MANUFACTURING COMPANY,
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")

Issues Addressed:
Rate XD Service Agreements
System Bypass
Operational Flow Orders/Daily Flow Directives
Service Expansions
Operation of UGI System
Lack of Transparency and Coordination

APRIL 12, 2016

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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DIRECT TESTIMONY OF B. TUCKER SCHREIBER
OF EAST PENN MANUFACTURING COMPANY,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is B. Tucker Schreiber. My business address is 102 Deka Road, Lyon Station, Pennsylvania, 19536.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of East Penn Manufacturing Company ("East Penn") as a member of the UGI Industrial Intervenors ("UGIII").

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR CURRENT POSITION?

A. I am employed by East Penn as an Electrical Engineer.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.

A. I graduated from Pennsylvania State University in 2009 with a Bachelor of Science degree in Electrical Engineering. Upon graduation, I worked for WorleyParsons as an Associate Electrical Engineer. At WorleyParsons I performed various studies including short circuit analysis, arc flash analysis along with designs and specifications for several simple cycle and combined cycle gas-fired power plants. In 2011, I began working at East Penn as an Electrical Engineer. UGIII Exhibit BTS-1 summarizes my professional experience.

Q. WHAT ARE YOUR RESPONSIBILITIES AT EAST PENN IN YOUR CURRENT POSITION?

A. My primary responsibility is to design, maintain, and improve East Penn's electrical distribution system to ensure reliable site power. I design plant and equipment electrical systems and lighting for new and existing plants being constructed by East Penn. My other responsibilities include managing the site's natural gas that includes purchasing basis and commodity, along with daily forecasting and balancing responsibilities. I also forecast the site's daily electric usage that is submitted to our supplier for PJM Interconnection, L.L.C.'s Day-Ahead market.

Q. HAVE YOU EVER PROVIDED TESTIMONY BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION ("PUC" OR "COMMISSION") OR ANY OTHER REGULATORY BODY IN A PREVIOUS PROCEEDING?

A. No, I have not.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. UGI Utilities, Inc. – Gas Division's ("UGI" or "Company) proposed Tariff does not propose any adjustments to the rates of its negotiated contracts under Rate XD, which UGIII supports. However, UGI's proposed Tariff does propose to change or continue certain Tariff rules that harm customers' operations and costs. My testimony will address issues associated with UGI's proposed Tariff rules on system bypass options and concerns about transparency. Specifically, Rules 2.3 and 2.6 of UGI's proposed Tariff would penalize East Penn for failure to seek UGI's approval on any of East Penn's future gas facility development efforts. Furthermore, the proposed Tariff permits UGI to insert itself into East Penn's operations by enabling UGI to submit counteroffers to any of East Penn's proposed system infrastructure initiatives. My testimony will also address UGI's issuances of Operational Flow Orders ("OFOs") and Daily Flow Directives ("DFDs"), UGI's increasingly conservative operation of its system, and the punitive nature of the proposed balancing charges. East Penn believes that enhanced transparency and communication between UGI and its large transportation customers will benefit both UGI and the customers, and is preferable to imposing excessive penalties and delivery constraints on transportation customers.

Q. PLEASE PROVIDE AN OVERVIEW OF EAST PENN.

A. East Penn was established in 1946. We make thousands of different sizes and types of lead-acid batteries, accessories, and wire and cable products for industrial, automotive, commercial, marine, stationary, and specialty markets.

East Penn's headquarters are located on a 422-acre plant site in Lyon Station, Pennsylvania. East Penn's Berks County facilities consist of over 3.5 million square feet of manufacturing, warehouse, office, and lab space. This includes a US EPA Part B permitted lead smelter and refinery, as well as a recycling center, as we recycle almost 100% of every used lead-acid battery returned to us. Our Lyon Station facility is the largest lead acid battery manufacturing site in the industry, and we are the largest manufacturing employer in Berks County, employing approximately 7,500 people in this area.

Q. PLEASE DESCRIBE EAST PENN'S NATURAL GAS NEEDS.

A. East Penn relies upon predictable delivery of large volumes of natural gas in order to conduct its daily operations. This is why we contract and pay for firm transportation service and No Notice Service and have in recent years been willing to make substantial contributions beyond our contract charges to increase our Daily Firm Requirement ("DFR"). In addition, East Penn projects that its manufacturing operations will remain strong and continue to grow in the coming years. Natural gas supply and delivery service are essential to its manufacturing operations. East Penn is very concerned about any proposals that will negatively affect East Penn's ability to secure its natural gas requirements in a predictable and cost-effective manner and to optimize the use of the natural gas infrastructure for which substantial investments have been made.

Q. DOES EAST PENN RECEIVE SERVICE FROM UGI?

A. Yes. East Penn receives firm service to meet its DFR from UGI through two individual meters under Rate Schedule XD. East Penn also purchases No Notice Service to address inadvertent fluctuations in gas usage. East Penn's XD accounts gas burns are very temperature and production sensitive. No Notice Service gives East Penn a buffer to help with temperature fluctuations and variation in production.

RULES 2.3 AND 2.6 – CUSTOMER FACILITIES AND SYSTEM BYPASS

Q. PLEASE DESCRIBE YOUR EXPERIENCE IN NEGOTIATING FOR SERVICE UNDER RATE XD.

A. East Penn has taken service pursuant to a Rate XD service agreement for approximately 16 years. However, in my experience, negotiating with UGI is challenging and time-consuming. Negotiations are not truly negotiations because there is no level playing field. The way that UGI operates, it seems like all negotiations are conducted through one point of contact that limits the communication flow, which, in turn, seems to limit the availability of information and cause unreasonable and unnecessary delays for customers. While we understand needing to have a consistent message from UGI, the information flow is slow for reasons that are unclear to us. Therefore, inviting UGI into another scenario where the customer is working with other vendors is not helpful to the customer.

Q. DOES EAST PENN HAVE THE OPTION TO BYPASS THE UGI DISTRIBUTION SYSTEM?

A. Yes, however, East Penn's existing contract limits the option of a UGI system bypass at this time. East Penn would be in a position to bypass the UGI system if it chose to do so upon contract expiration. Over the years, East Penn has considered this option at times. East Penn also expects that it will continue to consider the bypass option in the future, particularly as its manufacturing activities continue to grow and the operation of the UGI system becomes less predictable and less consistent for transportation customers. I will address the decline in consistency and predictability in the later section of my testimony regarding system management. East Penn's long-range forecast estimates a potential max burn of up to 9,000 Mcf per day. UGI has already informed East Penn that it currently would not be able to support that size load at this site. Increasing the DFR to 9,000 Mcf per day would require a direct line to the interstate pipeline as the UGI system is configured and operated currently.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF PROPOSED RULE 2.3.

A. Rule 2.3 contains provisions regarding facilities and systems access. *See* Rule 2.3 in Exhibit BTS-2. Generally, it requires customers with DFRs or peak usage capability above 1,000 Mcf per day to inform UGI about facilities development efforts and make changes in facilities planning in accordance with UGI's demands and requirements. Specifically, based on my reading of Rule 2.3(a), East Penn must give prior notice to UGI if it wants to acquire, construct, or enter into a contract for gas service facilities. After reviewing the customer's proposal, UGI can respond with an alternative set of proposals for the customer's consideration. Also, under Rule 2.3(b), UGI forces customers to supply UGI with copies of blueprints and other construction documents before construction can begin. If UGI believes that the proposed project could somehow interfere with UGI's system, UGI has the right to approve the design and location of the customer's project. UGI, however, is not required to provide a written explanation to the customer before exercising this right. Finally, under Rule 2.3(c), UGI reserves the right to apply a $1,000 per day penalty against any customer who fails to comply with Rule 2.3.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF RULE 2.6.

A. Rule 2.6 discourages a customer from exercising its right to bypass UGI or maintaining an additional alternate supply source on its premises. *See* Rule 2.6 at Exhibit BTS-3. Unless system bypass is specifically permitted by agreement, if a customer bypasses all or a portion of UGI's system, UGI may stop serving the customer. In addition, if a customer engages in a form of system bypass and continues to purchase natural gas transportation service from UGI, Rule 2.6 allows UGI to charge a negotiated rate for continued, subsequent, or standby service that, at a maximum, is solely established by "competitive market conditions."

Q. WHAT ARE YOUR CONCERNS REGARDING RULE 2.3 IN UGI'S PROPOSED TARIFF?

A. Rule 2.3 places UGI in a position to delay or obstruct efforts by East Penn to design an efficient and effective delivery system and gas management strategy for its manufacturing operations. For example, Rule 2.3 could restrict East Penn from bypassing UGI's facilities or establishing two supply connections on the same premises. The rule gives UGI a right to be part of our project planning process and timeline. While we may elect to discuss alternative delivery designs with UGI, it is unfair for UGI to compel us to do so, especially since UGI has already indicated it will not be able to accommodate our long-range estimated maximum firm requirements. This provision provides UGI with too much negotiating leverage and complicates East Penn's planning processes. This provision also fails to include measures that would hold UGI accountable – such as providing a customer with a written explanation if and when UGI exercises any of its rights. We recently coordinated with UGI to increase East Penn's DFR. This process was not transparent, and it was extremely time consuming and frustrating. Requiring UGI to be involved in subsequent facility-related projects will only provide UGI with an opportunity to impede our pursuit of natural gas options that make the best business sense for East Penn. In addition, UGIII's counsel has indicated that the

Commission's rules and regulations do not authorize a utility to impose a non-cost based penalty on customers for this type of activity.

One of East Penn's greatest strengths is its ability to be flexible and change production processes to better serve its customers. If we must report all production process changes to UGI, this may negatively impact the deployment of new processes and force East Penn to wait for UGI until it can proceed as planned. East Penn does not have the right to object to UGI's designs or plans for its system as long as our reliability is not impacted. The converse should also be true.

Q. WHAT ARE YOUR CONCERNS REGARDING UGI'S PROPOSED RULE 2.6?

A. This provision prevents East Penn from securing a fair contract for delivery services with UGI. Rule 2.6 discourages East Penn from exercising its ability to bypass UGI's system and/or secure an alternate source of supply for its premises in the future. Also, there is no justification for UGI's supposed right to renegotiate a transportation rate, or implement some other charge based upon market conditions, if a customer has alternative sources of delivery. UGI does not explain what "market conditions" affect the delivery rate, which makes us believe that this charge could exceed UGI's costs of providing the connection.

By the end of our Rate XD contract, which includes a fixed monthly payment to UGI, East Penn will have paid substantial amounts to UGI to compensate them for a return of and on the Company's investment in the infrastructure that serves our facility. We also have made three sizeable one-time contributions in aid of construction to increase our DFR, the amounts of which are confidential pursuant to our contract with UGI. If UGI consents to disclosing the amounts, we will supplement this testimony with the actual amounts of East Penn's payments. We should not be faced with a non-cost-based standby charge under Rule 2.6. Taken to a logical conclusion, Rule 2.6 would allow UGI to charge a customer a non-cost based standby charge even if a customer already has paid 100% of the costs of UGI's system to serve the customer.

Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING RULES 2.3 AND 2.6?

A. Both Rules 2.3 and 2.6 should be eliminated from the proposed Tariff. In the alternative, and at a minimum, Rule 2.3 could 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.

LACK OF TRANSPARENCY REGARDING FACILITY ENHANCEMENTS

Q. PLEASE EXPLAIN YOUR GENERAL UNDERSTANDING OF THE PROVISIONS UNDER TARIFF RULE 5.

A. The provisions under Rule 5 of the Tariff permit UGI to expand its delivery infrastructure facilities if the requested expansion will not adversely affect the gas supply and the Company's investment in infrastructure is warranted by its Annual Base Revenue. *See* Rule 5 at Exhibit BTS-4. UGI's position regarding new service and expansions may conflict with its obligation to serve its customers fairly and efficiently. The provisions in this section concern me, especially Rule 5.7 which exempts certain UGI negotiations from the otherwise applicable provisions and protections in Rule 5.

Q. WHAT DO YOU RECOMMEND FOR TARIFF RULE 5 AND ITS SUB-PROVISIONS?

A. Tariff Rule 5 should be amended to provide a customer seeking an expansion of gas infrastructure with more information regarding the project(s). Specifically, UGI should provide customers with a written explanation of UGI's calculations of project costs and its maximum allowable investment. UGI should also 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 customers can start relying on increased deliverability and, presumably, predictability of delivery service. Throughout the process of increasing East Penn's DFR and contract extension, we asked multiple times for a project timeline and for a description of project scope. East Penn wanted to know exactly where and how East Penn's investment dollars were being spent. These requests were continually ignored.

Also, Rule 5.7 should be modified to ensure that the protections of Rule 5 apply to all negotiations, including those for special utility service. As proposed, Rule 5.7 gives UGI too much discretion that, based on East Penn's experience, could impede customers' opportunities and increase customers' costs without any transparency.

DFDs and OFOs - CONSERVATIVE SYSTEM OPERATIONS

Q. EARLIER IN YOUR TESTIMONY YOU STATED UGI'S OPERATION OF ITS SYSTEM APPEARS TO BE INCREASINGLY LESS CONSISTENT AND PREDICTABLE FOR LARGE TRANSPORTATION CUSTOMERS. WOULD YOU PLEASE EXPLAIN THE BASIS FOR THIS OPINION?

A. In recent years, East Penn has experienced more and more DFDs and OFOs. Recently each year on December 1 UGI informs us that we are in a "gas-in/gas-out interruption" and that interruption will continue until further notice. Attached as Exhibit BTS- 7 are the communications we received from UGI for 2014/2015 and 2015/2016 informing East Penn of the restriction. UGI, however, does not provide an explanation for the factors that caused this restriction. Typically, this "gas-in/gas-out interruption" ends on March 31.

In addition, East Penn had 33 days since December 2013 where UGI restricted East Penn's usage, above and beyond the standing "gas-in/gas-out interruption." Furthermore, whereas previously such events occurred only in the middle of winter, UGI now issues DFDs or OFOs any time between December and March on top of the gas-in/gas-out interruption. Whenever DFDs and OFOs are issued, East Penn experiences significant operational difficulties. East Penn has also incurred costs in the form of balancing charges, switching to an alternate fuel, and liquidation costs.

Frequently, UGI issues its OFOs and DFDs with little advanced notice. This makes it very difficult to plan and conduct our businesses in an efficient and cost-effective way. In addition, UGI provides no explanation for the circumstances causing the OFOs and DFDs. East Penn views UGI's OFO and DFD issuance process as a "black box" where customers obtain very little (if any) information about the factors prompting UGI to issue an OFO or DFD or what UGI will and can do under those circumstances. UGI's "black box" approach has cost East Penn approximately $60,000 during the winter of 2014/2015.

Finally, there seems to be no rhyme or reason to when UGI calls OFOs or DFDs. The absence of any criteria or parameters that explain when UGI could call OFOs or DFDs make it impossible to plan from a customer's perspective. The table below illustrates my point.

DATE	AVG. DAILY TEMPERATURE[1] (degrees Fahrenheit)	UGI INTERRUPTION	RESTRICTION
January 22, 2014	4.9	None	None
January 23, 2014	9.4	None	None
January 24, 2014	9.5	None	None
January 28, 2014	8.4	Yes	240MCF / Hour max
January 6-9, 2015	14.8	Yes	Limited to DFR
January 10, 2015 (Saturday)	11.9	Yes	Limited to DFR
January 13-16, 2015	24.2	Yes	Limited to DFR
January 17, 2015 (Saturday)	20.6	Yes	Gas-In / Gas-out No NNA
January 18, 2015 (Sunday)	30.6	Yes	Gas-In / Gas-out No NNA
January 19-22, 2015	30.2	Yes	Limited to DFR
January 25, 2015 (Sunday)	34.3	Yes	Limited to DFR
January 26-30, 2015	22.5	Yes	Limited to DFR

[1] As measured at East Penn's on-site meteorological station.

January 31, 2015 (Saturday)	15.2	Yes	Limited to DFR

Similarly, it is not consistent or predictable when UGI will restrict or cancel East Penn's No Notice Service. When the No Notice Service is restricted or cancelled, East Penn relies on the air/propane system to provide the required BTUs to the plants rather than natural gas. The air/propane system typically operates to avoid the tariff penalties and to keep our burns in balance. The problem with the lack of predictability and consistency is that East Penn plans its gas purchases for the particular month based on having the No Notice Service available. Most gas operational decisions are circumstantial and require consideration for daily balancing as well as monthly balancing to avoid liquidation of the monthly excess gas. When that happens our options are as follows: the air/propane system must be run and/or additional gas must be purchased. We run the risk of paying the excessive tariff penalties when we are informed the night or morning before the next gas day that an interruption will occur and what restrictions are imposed. These developments show that UGI's system operations are becoming increasingly constrained and unpredictable for large transportation customers like East Penn who invest significant time and resources in planning their business operations and procurement of their necessary natural gas requirements.

Q. **DID YOU READ UGI'S PROPOSED DEFINITIONS FOR DFDS AND OFOS? IF YES, PLEASE EXPLAIN ANY CONCERNS YOU MIGHT HAVE ABOUT THESE PROVISIONS.**

A. Yes. I have read UGI's proposed definitions for DFDs and OFOs. These definitions are very broad and seem to allow UGI to make calls for economic reasons. *See* OFO

Definition and DFD Definition at UGIII Exhibit No. BTS-5. It was always my understanding that OFOs and DFDs were intended to address system reliability concerns, not economic considerations. East Penn acknowledges that transportation service must, at times, be constrained to ensure that service continues for residential customers and other facilities such as hospitals. These proposed definitions of OFO and DFD restrict firm service in ways and for reasons never intended by tariff or contracts without explanation. These provisions cause me to suspect that UGI is trying to operate its system by providing firm transportation customers only the barest minimum of "firm" service while continuing to charge for firm service that the customer contracted for under different assumptions concerning the operation of the system. This is not what we expected when we contracted for firm service. East Penn does not agree with this purpose for OFOs, DFDs or elimination of the No Notice Service for which East Penn pays.

Q. WHAT IS YOUR RECOMMENDATION REGARDING UGI'S OFO DEFINITION?

A. UGI needs to revise its OFO and DFD provisions to promote predictability and transparency. Specifically, UGI needs to clearly list criteria that justify implementation of OFOs and DFDs and clarify that OFOs and DFDs will only be issued to address issues of system reliability and integrity. In addition, UGI needs to add a provision to the OFO and DFD rules that notes UGI will not use transportation service constraints outside of the Tariff's boundaries in order to issue an OFO and DFD. If an emergency occurs and UGI needs to operate outside of the Tariff in order to issue a corrective OFO and/or DFD, it should notify the customers immediately and clearly explain what the emergency is and how an OFO or DFD will rectify the problem. For example, UGI should explain whether the OFO or DFD is being issued because of a supply system problem or a distribution system problem. Customers pay for distribution system improvements so they deserve to know why their distribution services are not working properly. This transparency provision will provide customers with valuable feedback and encourages collaboration between UGI and its customers.

Q. DO YOU HAVE ANY RECOMMENDATIONS FOR HOW UGI SHOULD GIVE NOTICE OF OFOS AND/OR DFDS?

A: UGI should not include facsimile as a proper form of notice of pending DFDs and/or OFOs, as facsimiles are an outdated form of communication. UGI should use the customer's preferred method of notice (*e.g.*, telephone, email, text messages, etc.)

Q. ARE THE CURRENT NOTICE TIMEFRAMES ADEQUATE?

A. No, they are not. The gas day starts at 10:00 AM. As a result, East Penn recommends that UGI provides notice of a curtailment as soon as possible, but not later than noon the day prior to the curtailment. This advance notice would give us time to either purchase intraday gas or secure the air/propane deliveries that we would need to replace the natural gas quantities.

Q. DO YOU HAVE ANY OTHER SUGGESTIONS TO ENHANCE TRANSPARENCY AND COORDINATION?

A. Yes. East Penn believes that both transportation customers and UGI would benefit from greater coordination during the year regarding system planning and modeling, more notice regarding likely OFO, DFD or other transportation constraint conditions, and greater transparency regarding the reasons for various constraints that are being imposed on our facility and other transportation accounts.

East Penn uses natural gas to manufacture its products. We engage in extensive purchasing and planning activities to minimize our gas supply costs. A key element of that planning is having a better understanding of when UGI will be able to deliver gas to our plant, when and under what specific conditions those deliveries will be constrained, and when we will likely need to reduce our natural gas supplies and rely on air/propane. Undoubtedly, UGI's systems and operations people engage in extensive modeling and planning to ensure reliability operations. Unfortunately, there is little communication with East Penn and other customers in advance of the request to constrain our transportation service through an OFO, DFD or the elimination of No Notice Service. For example, during the winter of 2014/2015, we noticed that UGI seemed to be operating its system more conservatively than the previous winter. After repeated inquiries, during the middle of the winter in February, a UGI representative finally confirmed to us that UGI had been operating the system more conservatively. If we had known that in September or October, we would have modified our gas purchases for the winter based on the increased likelihood of the No Notice Service being unavailable for more extended periods that winter. Enhanced communication and transparency could also benefit UGI if we can voluntarily offer to limit our gas usage when it makes sense for East Penn and UGI needs that action to maintain reliability.

Finally, East Penn and its supplier have been actively monitoring the conditions when various transportation constraints are implemented so we can incorporate those conditions into our gas management planning and strategy. UGI does not adequately explain the reasons for the transportation constraints that it implements. Prior to 2015 UGI had not provided weather based conditions for curtailments. It would be beneficial for East Penn if UGI were to share market or weather criteria that will most likely result in a restriction or loss of No Notice Allowance or an interruption of all gas flows over the DFR. For example, if we know that a 24-hour average temperature of 10 degrees Fahrenheit results in a system issue where East Penn would lose its No Notice Allowance or be restricted to the DFR, we could plan ahead and purchase additional gas and/or purchase propane accordingly. We suggest that UGI inform or warn the customers of the specific reasons for each transportation constraint, including whether the issue is localize or system-wide. We also suggest that UGI schedule on or before October 1 of each year a pre-winter meeting inviting all large transportation customers who would be in a position to utilize UGI's system planning information in order to coordinate their business operations with the system needs for the upcoming winter, as well as a post-winter meeting to discuss lessons learned and best practices for the following winter.

RULE 20.4 – MAXIMUM DAILY EXCESS BALANCING CHARGES

Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF RULE 20.4.

A. Rule 20.4 creates a new "Maximum Daily Excess Balancing Charge." *See* Rule 20.4 at Exhibit BTS-6. This charge applies in situations where (i) UGI believes a customer is misusing No Notice Services or balancing services; (ii) the customer fails to use best efforts to balance deliveries and receipts; (iii) the customer's daily imbalance fluctuates +/- 10% and the customer does not have No Notice Service or balancing service; (iv) the customer is out of balance on a Critical Day; or (v) the customer does not comply with an

OFO or DFD. Under this provision, UGI can also impose a 10x multiplier for "intentional imbalances."

Rule 20.4 contains extremely subjective criteria. It gives UGI too much discretion in determining whether a customer is "misusing" its No Notice Service or balancing services or committing "intentional imbalances." Under this rule, UGI can unilaterally make this determination, and yet UGI is not required under this rule to inform customers that UGI thinks they "aren't doing their best efforts." We understand that UGI designed the Tariff so that it protects the firm customers and residential customers; however, the industrial XD customers should not be arbitrarily used to enhance UGI profitability. In other words, there needs to be an appropriate balance between the various customer classes, especially when a manufacturer buys firm service and is using gas as we are to create and maintain thousands of jobs. Firm customers should get the service they contracted and paid for, and when they do not get those services, the burden should be on UGI to be transparent and provide detailed and timely written notice. Furthermore, a 10x multiplier for "intentional imbalances" is not cost-based and seems excessive. Customers deserve more information from UGI on the criteria that constitute an "intentional imbalance" and factors that weigh into whether a customer meets those criteria. Customers also deserve advance notice that they are noncompliant in the form of written warnings.

Q. WHAT IS YOUR RECOMMENDATION REGARDING RULE 20.4?

A. Rule 20.4 needs to place more responsibility on UGI to remain transparent and consistent in its application of balancing charges. UGI continues to issue OFOs and DFDs without warning, which disrupts supply flows that ultimately result in the assessment of balancing charges against East Penn. Rule 20.4 needs language that obligates UGI to communicate with customers well in advance of a disruptive DFD or OFO and provides customers with the information necessary to adjust their operations accordingly. With more transparency, customers can plan ahead to ensure consistent supply flows and avoid assessment of balancing charges.

CONCLUSION

Q: PLEASE PROVIDE A SUMMARY OF YOUR RECOMMENDATIONS FOR UGI'S PROPOSED TARIFF.

A: In short, my recommends include the following:

1. Any negotiated contracts under Rate XD should be honored per the negotiated rates and terms;
2. Elimination of Rules 2.3 and 2.6. In the alternative, and at a minimum, Rule 2.3 could 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. In addition, these rules (and the Tariff in general) should be modified to require UGI to provide customers with written notices and explanations if and when UGI exercises its rights or discretion.
3. The Tariff should be revised to define "market conditions" as that term is used in Rule 2.6.
4. With respect to Rule 5, UGI should be required to provide customers with a written explanation of UGI's calculations regarding project costs and maximum allowable investment; a written timetable for completion of upgrades; and written notice of project completion. In addition, Rule 5.7 should be modified to ensure that the protections of Rule 5 apply to all negotiations, including those for special utility service.
5. The UGI Tariff should identify the criteria that justify implementation of OFOs and DFDs and provide that OFOs and DFDs will only be issued to address issues of system reliability and integrity. Furthermore, UGI should not be able to implement transportation service constraints that are not found in the Tariff.

6. UGI should provide notice of OFOs/DFDs using a customer's preferred form of notice and such notice should be provided no later than noon the day before a curtailment.

7. On or before October 1 of each year, UGI should schedule a pre-winter meeting inviting all large transportation customers who would be in a position to utilize UGI's system planning information in order to coordinate their business operations with the system needs for the upcoming winter, as well as a post-winter meeting to discuss lessons learned and best practices for the following winter.

8. Rule 20.4 should be revised to eliminate provisions authorizing the Maximum Daily Excess Balancing Charge for an "intentional imbalance" or a "misuse" of balancing services, and to add a requirement that UGI provide advance written notice to customers who may be non-compliant.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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UGIII EXHIBIT BTS-1

TO

UGIII STATEMENT NO. 1

B. Tucker Schreiber

btschreiber@comcast.net

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(610) 401- 4908
[redacted]

WORK EXPERIENCE

East Penn Manufacturing, Lyon Station, PA
Electrical Engineer, January 2011 – Present

- Designing, improving, and maintaining power distribution system from 69kV to 480V
- Performing short circuit, relay coordination, and arc flash calculations
- Keeping electrical safety program updated to latest industry standards
- Designing power system and plant lighting for all new plant construction projects
- Managing electrical contractors for all capital projects and procuring materials for the projects
- Managing plants natural gas including basis, commodity, and physical day to day forecasting and operations.
- Designing, installing, and programming full site relay upgrades to new SEL microprocessor based relays including real time automation controllers
- Representing East Penn as an active member of users groups including PJMICC, MEIUG, IECPA, and UGIII

WorleyParsons, Reading, PA
Associate Electrical Engineer E.I.T., May 2009 – January 2011

- Performed design calculations such as UPS Sizing and battery system design, load flow studies, transformer sizing, short circuit calculations, lighting, and arc flash protection
- Field experience with power station site walk downs - four months in the field examining entire power systems at nine power stations
- Designed the lighting layout for the Richmond County Energy Center, Block 5
- Determined feasibility of motor starting sequence for Siemens Power and also investigated the need for a soft starter on the fuel gas compressor
- Attended multiple Nuclear training sessions and lunch and learn seminars

EDUCATION

The Pennsylvania State University, State College, PA
B.S. Electrical Engineering, May 2009
GPA 3.51/4.0

SKILLS

Working Knowledge of ETAP, SKM Power*Tools, SEL relay programming, AGi32, MATLAB, Multisim, P-Spice, AutoCAD, SharePoint, MS Word, Excel, Access, and Power Point

HONORS

Engineer in Training (E.I.T.)

Dean's List fall 2005 – spring 2007 and spring 2008

Nominated for Eta Kappa Nu, the International Electrical Engineering Honor Society

VOLUNTEER EXPERIENCE

Big Brother Big Sister Volunteer
January 2010 - Present

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
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	:	
UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT BTS-2

TO

UGIII STATEMENT NO. 1

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 mutually plan and coordinate with the Company, development of all gas facilities to the Customer's premises (including pipelines, mains, service lines and appurtenances), in order to minimize duplication of facilities and to avoid unnecessary construction, 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 for or commencement date for construction of Customer gas facilities. The Company shall be provided with sufficient information and a reasonable opportunity to evaluate the proposal and to submit to Customer for its consideration one or more alternative proposals (including expansion of Company facilities or other methods).

(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 90 days after the latter of submission of all design and construction specifications and drawings to the Company, or Customer notification required under Rule 2.3(a). Customer gas facilities will be deemed to encroach upon the Company's facilities when they would interfere with or prevent the Company from accessing, maintaining or operating its facilities or when the Customer gas facilities would be configured or located in a manner that would cause safety or reliability concerns with respect to the Company's facilities.

(c) If the full 60-day notice required in Rule 2.3(a) is not given or if the Customer otherwise fails to comply with Rule 2.3, then the Customer shall pay the Company the amount of $1,000 per day for each day the Customer failed to comply but in no event more than $30,000.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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UGI Utilities, Inc. – Gas Division	:	

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Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
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UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT BTS-3

TO

UGIII STATEMENT NO. 1

RULES AND REGULATIONS

2. CONTRACT FOR GAS SERVICE - Continued

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 such Customer under regulations specified herein. In addition, to the extent that such Customer continues to purchase natural gas or natural gas transportation service from the Company, 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.

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:

(a) Applicant 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) Applicant agrees that the Company may at any time cancel service upon thirty (30) days' written notice to applicant and applicant agrees that upon receipt of such notice of cancellation to immediately discontinue his connection for 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 Law.

(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.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
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UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT BTS-4

TO

UGIII STATEMENT NO. 1

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 the 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. 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.

RULES AND REGULATIONS

5. EXTENSION REGULATION - Continued

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

(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, deposit, or advance charged to the Extension Applicant.

RULES AND REGULATIONS

5. EXTENSION REGULATION - Continued

5.7 Special Utility Service. The provisions set forth in Rule 5 do not apply to applications for Special Utility Service, which include:

(1) A request for service from an Extension Applicant with installed alternate fuel capacity.

(2) A request for service from an Extension Applicant located in an area where another natural gas utility also is authorized to serve.

(3) A request for service from an Extension Applicant who, in the sole judgment of the Company, may not remain on the Company's system for a sufficient period of time to justify the extension or expansion.

(4) Extension Applicants eligible for service under Rate Schedule XD.

(5) Extension Applicants receiving or capable of receiving gas from an interstate pipeline, local production fields, or production facilities.

Applications for Special Utility Service shall be resolved on a case-by-case basis through negotiations between the Extension Applicant and Company.

5.8 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.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
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	:	
UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT BTS-5

TO

UGIII STATEMENT NO. 1

DEFINITIONS - GENERAL - CONTINUED

Commodity:	The gas delivered to a Customer during the billing month.
Company:	UGI Utilities, Inc. - Gas Division
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 including the Company's obligations pursuant to 1307 (f) gas procurement activities, but not solely for other economic reasons. DFDs will be communicated to affected Customers or NGSs 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.

DEFINITIONS - GENERAL - CONTINUED

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.
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 including the Company's obligation pursuant to 107 (f) gas procurement activities, but not solely for other economic reasons. OFOs will be communicated as soon as reasonably practical to affected Customers or NGSs 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.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT BTS-6

TO

UGIII STATEMENT NO. 1

RULES AND REGULATIONS

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

Unless otherwise provided by contract, if any 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 such Customer under regulations specified herein. In addition, to the extent that such Customer continues to purchase natural gas or natural gas transportation service from the Company, 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.

20.4 Maximum Daily Excess Balancing Charge

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

The charge for exceeding daily balancing limits shall be ten times the highest price for delivery in Texas Eastern, M-3, 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.

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

Daily Imbalance Percent	Penalty
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 10

The GDI (Gas Daily Index) shall be equal to the difference in price between the highest published Gas Daily index price for Texas Eastern, M-3 and the lowest published Gas Daily index price for Texas Eastern, M-2 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 Fifty ($50) per Mcf or the charge calculated in compliance with Section 20.4 Maximum Daily Excess Balancing Charge, whichever is greater.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT BTS-7

TO

UGIII STATEMENT NO. 1

From: Wentzel, Barry <BWentzel@uqi.com>
Sent: Tuesday, February 24, 2015 10:24 AM
To: Tucker Schreiber
Subject: RE: UGI Interruptions - Continue through March, 2015

Tucker,

The UGI Gas In/Gas Out Interruption, as explained below, will continue through the month of March.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

From: Wentzel, Barry
Sent: Wednesday, January 28, 2015 8:13 AM
To: 'Tucker Schreiber'
Subject: RE: UGI Interruptions - Continue through February, 2015

Tucker,

The UGI Gas In/Gas Out Interruption, as explained below, will continue through the month of February.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

From: Wentzel, Barry
Sent: Tuesday, December 23, 2014 1:10 PM
To: 'Tucker Schreiber'
Subject: RE: UGI Interruptions - Continue through January, 2015

Tucker,

The UGI Gas In/Gas Out interruption, as explained below, will continue through the month of January.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

From: Wentzel, Barry
Sent: Tuesday, November 25, 2014 3:06 PM

To: 'Tucker Schreiber'
Subject: UGI Interruptions - Start December 1, 2014

Tucker,

As per our conversation, starting with December 1, 2014 at 10:00 AM and continuing indefinitely, UGI is instituting a Gas In/ Gas Out interruption with 100% NNA. Your account will be daily balanced so please make sure enough natural gas is nominated each day to cover your daily burns. If your burns are not covered, the penalties could be significant. Any deliveries above your DFR of 4,800 Mcf per day must flow on third party capacity.

If you have any additional questions, please let me know.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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UGI Utilities, Inc. – Gas Division	:	

VERIFICATION

I, B. Tucker Schreiber, Electrical Engineer at East Penn Manufacturing Company, hereby state that the facts set forth in UGI Industrial Intervenors ("UGIII") Statement No. 1 (Direct Testimony and Exhibits of B. Tucker Schreiber), Statement No. 1R (Rebuttal Testimony of B. Tucker Schreiber), and Statement No. 1-SR (Surrebuttal Testimony and Exhibit of B. Tucker Schreiber) are true and correct to the best of my knowledge, information, and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

6/1/2016
Date

B. Tucker [signature]
Signature

UGIII STATEMENT NO. 1R
6/2/16 [illegible]

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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	:	
UGI Utilities, Inc. – Gas Division	:	

REBUTTAL TESTIMONY

OF

B. TUCKER SCHREIBER
OF EAST PENN
MANUFACTURING COMPANY,
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")

Issues Addressed:
Negotiated Rates
System Bypass

MAY 10, 2016

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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UGI Utilities, Inc. – Gas Division	:	

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REBUTTAL TESTIMONY OF B. TUCKER SCHREIBER
OF EAST PENN MANUFACTURING COMPANY,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is B. Tucker Schreiber. My business address is 102 Deka Road, Lyon Station, Pennsylvania, 19536.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of East Penn Manufacturing Company ("East Penn") as a member of the UGI Industrial Intervenors ("UGIII").

Q. ARE YOU THE SAME PERSON WHO PROVIDED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. HAVE YOU REVIEWED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I have reviewed the Direct Testimony of Glenn A. Watkins, who testified on behalf of the Pennsylvania Office of Consumer Advocate ("OCA") in this proceeding.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My Rebuttal Testimony will respond to proposals in OCA's Direct Testimony regarding negotiated rates and threats of system bypass. OCA asserts that Rate XD customers do not pose legitimate threats of system bypass because of their distance to alternate supply sources. OCA claims that UGI should not be allowed to negotiate any new Rate XD agreements until the Rate XD tariff provisions are revised to include appropriate pricing parameters. I disagree with OCA's assertions, and as a member of UGIII I am opposed to the OCA's proposal.

Q. DOES EAST PENN HAVE THE OPTION TO BYPASS THE UGI DISTRIBUTION SYSTEM?

A. As I testified in my Direct Testimony, East Penn will be in a position to bypass the UGI system if it elects to do so after its contract expires. We have been considering system bypass for a long time, and we anticipate that we will continue to consider bypassing UGI in the future as our manufacturing capabilities increase and the operation of the UGI system becomes unpredictable.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF OCA WITNESS WATKINS'S DIRECT TESTIMONY AT PAGE 27 AT LINES 10 THROUGH 29, PAGE 28 AT LINES 1 THROUGH 9, AND PAGE 40 AT LINES 4 THROUGH 22.

A. Watkins's Direct Testimony alleges that there is no threat of bypass and therefore Rate XD Firm customers bear too little of the rate increase when compared to the other rate classes. Watkins performed his own investigation and concludes that distance to alternative gas supplies is not enough to warrant flex contracts with negotiated rates to avoid bypassing UGI's system. Watkins claims that "[i]t is inconceivable that a private firm with no powers of eminent domain could secure the rights of way over a 20-mile path in order to build a stand-alone pipeline of this distance" and "[n]otwithstanding the unrealistic legal hurdles that would have to be met in order to secure the rights-of-way to build a stand-alone pipeline of this distance, the economic cost of building and maintaining such a stand-alone pipe over this distance is almost certainly prohibitive." Watkins also alleges that "many (if not most) of the XD Firm customers use the Company's distribution facilities in a joint manner just like any other customer that is served under Commission established rates."

Wakins goes on to say that the distribution fees imposed on XD Firm customers are "in many cases exceptionally low – so low in fact, that they cannot be justified as being fully compensatory." Because those rates are low, Watkins argues that UGI will "assign as few costs as possible to this class of customer in order to lend legitimacy to these exceptionally low rates." Watkins notes that UGI's resistance to increasing these customers' rates "circumvents the regulatory pricing authority and responsibility of this Commission."

Q. DO YOU HAVE A RESPONSE TO OCA WITNESS WATKINS'S ASSERTIONS ON PAGE 27 AT LINES 10 THROUGH 29, PAGE 28 AT LINES 1 THROUGH 9, AND PAGE 40 AT LINES 4 THROUGH 22?

A. Yes, Watkins miscalculates the threat of system bypass. From Watkins's point of view, only distance to alternative supplies is a proxy for establishing bypass risk. Distance to alternate sources of supply, however, is not the only factor to consider when determining whether a credible threat of bypass exists. It is simply one factor in a customer's cost-benefit analysis. Because each customer's situation is different, the factors that should be considered will vary. Another important factor is a customer's capital outlay compared to the potential benefits of the capital investment. For a company like East Penn that has been in business for decades, and intends to remain in business for decades to come, the cost-benefit analysis may be based on a long-term return on investment. Other relevant factors include: quality and quantity of available alternative supplies, difficulty in negotiating a flex contract with UGI, and the regulatory risk exposure associated with a long-term flex contract. The regulatory risk seems to be taking on even greater importance now that UGI has stated that it intends to file rate cases every two years, and in light of UGI's recently filed petition for a Distribution System Improvement Charge that would apparently apply to negotiated contracts.

Q. ARE THERE OTHER FACTORS THAT SHOULD BE CONSIDERED IN DETERMINING THE REASONABLENESS OF THE NEGOTIATED DELIVERY RATES?

A. Yes. As explained in my Direct Testimony, East Penn has paid substantial Contributions in Aid of Construction for UGI's facilities serving our plant. Looking only at the delivery rates is an incomplete and inaccurate analysis of this issue.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF OCA WITNESS WATKINS'S DIRECT TESTIMONY AT PAGE 40, LINES 26 THROUGH 29, AND AT PAGE 41, LINES 1 AND 2.

A. Watkins recommends that UGI amend the tariff provisions pertaining to XD customers "to include appropriate pricing parameters to ensure that all future contracts for negotiated rates are fair and reasonable." The witness further advises that "UGI not be allowed to enter into any new contracts for negotiated rates for Rate XD until the Commission has approved UGI's revised Rate XD tariff." Watkins adds that his recommendation "will not affect any existing contracts, only future contracts."

Q. DO YOU HAVE A RESPONSE TO OCA WITNESS WATKINS'S ASSERTIONS AT LINES 26 THROUGH 2?

A. Yes, Witness Watkins's recommendation should be rejected. Witness Watkins's testimony narrowly focuses on the distance between a customer and alternative supply sources and does not consider that there are multiple factors that create a threat of system bypass. Large, energy-intensive Rate XD customers like East Penn view negotiated contracts as a critical factor in their decision to take service from UGI. If negotiated contracts are prohibited in the future, or subject to undefined “pricing parameters,” such measures may result in negative consequences, such as a reduction in the number of Rate XD customers on the UGI system.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

UGIII STATEMENT NO. 1-SR

6/2/16 [illegible]

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

SURREBUTTAL TESTIMONY AND EXHIBITS

OF

B. TUCKER SCHREIBER
OF EAST PENN MANUFACTURING COMPANY,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Issues Addressed:

Rule 2.3
Rule 2.6
Rule 5.7
Proposed Line Extensions
Rule 20.4
Operational Flow Orders
Daily Flow Directives

MAY 25, 2016

(Corrected on June 1, 2016)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

SURREBUTTAL TESTIMONY OF B. TUCKER SCHREIBER OF EAST PENN MANUFACTURING COMPANY, ON BEHALF OF THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is B. Tucker Schreiber. My business address is 102 Deka Road, Lyon Station, Pennsylvania, 19536.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of East Penn Manufacturing Company ("East Penn") as a member of the UGI Industrial Intervenors ("UGIII").

Q. ARE YOU THE SAME PERSON WHO PROVIDED DIRECT TESTIMONY AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. HAVE YOU REVIEWED REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, I have reviewed the Rebuttal Testimony of Robert R. Stoyko and the Rebuttal Testimony of Angelina Borelli, each of whom testified on behalf of UGI Utilities, Inc. – Gas Division ("UGI" or "Company") in this proceeding.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. My Surrebuttal Testimony responds to Mr. Stoyko's and Ms. Borelli's assertions in their pieces of Rebuttal Testimony. Specifically, I will address Mr. Stoyko's assertions regarding Rules 2.3, 2.6, 5, 5.7, and 20.4. I will also discuss Ms. Borelli's assertions regarding Operational Flow Orders ("OFOs") and Daily Flow Directives ("DFDs").[1]

Q. DO YOU HAVE ANY OVERALL COMMENTS REGARDING UGI'S REBUTTAL TESTIMONY?

A. Yes. As a large customer of UGI, I was not surprised that UGI seemed to very easily gloss over my concerns about various tariff and operational rules. I deal with suppliers of various products. I have found UGI an extremely difficult supplier with which to work. Our customer service representative is a genuinely nice person, and I do not want my comments to be viewed as problems with him. Rather, there appears to be a general corporate attitude that the Company has discretion to do whatever it pleases, and that we should not question its decisions or ask for more transparency or accountability.

My testimony and request for transparency and accountability reflects East Penn's experiences with UGI over the last 16 years. If the status quo activities were providing sufficient information, notices, transparency and accountability, then I would not have provided my Direct Testimony. Just because UGI has discretion over certain issues (such as operations) does not mean that it should not have to explain its decisions to customers. I also find it ironic that UGI vigorously defends the tariff provisions that require very detailed obligations on the part of customers (such as the provisions regarding bypass and advanced approval of natural gas facility construction on customers' properties) while just as vigorously opposing the changes that we suggest to provide customers with more information and certainty regarding the operation of the system. If anything, it seems that the utility should be required to provide more detail and information than customers are required to supply since it is the entity that is regulated by the Commission.

RULES 2.3 AND 2.6

Q. PLEASE SUMMARIZE WITNESS STOYKO'S OVERVIEW OF RULES 2.3 AND 2.6 IN HIS REBUTTAL TESTIMONY ON PAGE 19, LINE 20, THROUGH PAGE 25, LINE 4.

A. According to Mr. Stoyko, Rule 2.3 is designed to provide UGI with advance notice of a customer's proposed installation of alternative natural gas distribution facilities at its service location. According to Mr. Stoyko, Rule 2.6 provides that if a customer bypasses UGI's system, it will no longer be a reliable source of revenue that justifies existing and future capital or gas supply investments. According to this witness, UGI no longer has an obligation to serve the customer upon demand and if UGI elects to provide service, it can do so at a negotiated rate that is at a maximum established by competitive market conditions. In his overview of the tariff rules, Mr. Stoyko does not identify the "competitive market conditions" that make up the price cap for continued service to a bypassing customer. UGI's witness acknowledges that East Penn is contemplating a bypass opportunity and that East Penn has previously made three customer contributions for system upgrades to increase its Daily Firm Requirement ("DFR").

Q. PLEASE SUMMARIZE WITNESS STOYKO'S COMMENTS REGARDING RULE 2.3 ON PAGE 25, LINE 23, THROUGH PAGE 26, LINE 16.

A. The witness rejects UGIII's recommendation to eliminate Rule 2.3 altogether, or, in the alternative, to modify Rule 2.3 so that UGI may review customer plans only for purposes of system safety in a defined process with customer involvement. Mr. Stoyko claims that UGI has "legitimate gas safety and operational reasons to have advance knowledge of and to review the installation of alternative natural gas facilities." UGI notes that it would involve the customer in any Section 2.3 reviews and execute this process in a timely fashion, but the Company claims it is uncertain how it would clearly define what each review would entail due to the diversity of possible situations that may occur. UGI states that UGIII has not provided guidance as to what language would clearly define this process.

Q. WHAT IS YOUR RESPONSE TO WITNESS STOYKO'S RECOMMENDATION FOR RULE 2.3?

A. UGI's position is flawed. Through Rule 2.3, UGI practically obtains a right of first refusal on any customer's potential system infrastructure projects under the premise that it "might impact" UGI. UGIII members would effectively become captives of UGI's system, and our construction plans on our own properties would become contingent on UGI's approval. East Penn has a campus with roughly 20 separate buildings with internal gas mains and we produce hundreds of products. If our gas facilities are not interconnected with the UGI main, there is no reason for us to submit plans to UGI. Therefore, this rule should be eliminated.

If UGI is unwilling to eliminate Rule 2.3, UGIII would be open to an alternative solution: modification of Rule 2.3's language so that it properly respects and acknowledges that customers have a right to control construction on their properties, including construction of internal natural gas facilities. In addition, customer protection measures should be written into Rule 2.3. First, UGI should only be able to review projects under Rule 2.3 if there is a possibility of backflow of alternate supplies into UGI's system. Second, Rule 2.3 reviews should be conducted through a defined process with customer involvement and a timeline. Specifically, Rule 2.3 should include a 20-day period for UGI to respond to the customer's proposed facility after submission, and if UGI does not respond within that time period, then the customer can move forward as planned. Third, UGI's "penalty" for a customer failing to provide plans should be eliminated. Alternatively, the Public Utility Commission ("PUC" or "Commission") could make it apply to both parties so UGI has sufficient motivation to meet the 20-day review period.

Q. PLEASE SUMMARIZE WITNESS STOYKO'S COMMENTS REGARDING RULE 2.6 AT PAGE 22, LINE 24 THROUGH 27, LINE 4.

A. Mr. Stoyko alleges that UGI gas faces intense competition from large customers such as East Penn. Mr. Stoyko states that UGI needs to negotiate rates based on "market conditions and options applicable to each of its Rate XD customers to try to maximize their contribution to shared system costs." Thus, UGI negotiates long-term service contracts with customers in order to confirm that the investment needed to serve each customer is justified by anticipated revenues and that the customer's rates to support a

DFR are justified by future firm service commitments. If customers want increases in firm service commitments during the terms of those service agreements, UGI wants them to re-negotiate their rates.

If a customer reduces its DFR or does not renew its flex contract for firm service, then UGI claims that the pipeline capacity that served that customer is made available to other system customers willing to undertake a firm service commitment. UGI alleges that if a bypassing customer wants to return to UGI's system, it will have to negotiate for new rates that reflect existing "market conditions." According to UGI, a returning customer cannot expect to return and receive service from UGI under the same terms it previously enjoyed. Mr. Stoyko disagrees that setting rates according to "market conditions" is an ambiguous term, and notes that the market conditions in this rule are not intended to be different from the market conditions that determine any other Rate XD negotiation.

Q. WHAT IS YOUR RESPONSE REGARDING WITNESS STOYKO'S STATEMENTS AND RECOMMENDATIONS FOR RULE 2.6?

A. I disagree with the witness's assertion that the term "market conditions" does not merit further definition. Customers deserve to know how their rates are created. UGI needs to provide clear and timely explanations. If the tariff does not specifically define the types of factors that affect the rates for Rate XD customers, then UGI possesses unfettered discretion to design rates in a "black box" scenario.

In my view, "market conditions" should mean market-based options that reflect the real costs of customers' alternatives and the real cost of UGI serving us. If market conditions adequately account for the various costs associated with establishing a new contract, then this should be confirmed and memorialized in the tariff.

Furthermore, UGI should not be able to charge a returning customer (a customer that once bypassed UGI's system but later returned to UGI for service) a rate that is different from its original contract price if UGI cannot prove that someone else took over the distribution system capacity. For some situations in rural areas, like our service in Lyons, Pennsylvania, it is not guaranteed that the distribution system capacity will be used by others.

RULE 5.7

Q. PLEASE SUMMARIZE WITNESS STOYKO'S STATEMENTS REGARDING RULE 5.7 ON PAGE 28, LINE 2, THROUGH PAGE 29, LINE 7.

A. Witness Stoyko concedes that Rule 5.7 correlates to circumstances from another era, when natural gas distributions had rigid "allowances" for line extensions. The term "special utility service" defined instances where those allowances did not apply. Today, UGI uses economic tests to judge line extensions. Therefore, UGI proposes that it will modify or eliminate Rule 5.7 so long as it retains its ability to apply economic tests in making line extension decisions.

Q. WHAT IS YOUR RESPONSE TO WITNESS STOYKO'S STATEMENTS REGARDING RULE 5.7?

A. We appreciate UGI's willingness to work with customers regarding Rule 5.7, and East Penn would prefer that this rule be eliminated entirely.

PROPOSED LINE EXTENSIONS

Q. PLEASE SUMMARIZE WITNESS STOYKO'S STATEMENTS REGARDING PROPOSED LINE EXTENSIONS ON PAGE 29, LINE 9 THROUGH PAGE 30, LINE 15.

Mr. Stoyko acknowledges East Penn's request that the Company be required to provide, in writing, a project timetable and a formal notice of completion for any upgrades that permit customers to increase their DFRs. The witness alleges that UGI permits large customers to negotiate the terms of their line extension agreements. UGI also notes that when the customers pay a fixed contribution amount and settle 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." Stoyko concludes that if customers agree to fixed dates for DFR increases, daily status updates for these expansion projects become irrelevant.

Q. WHAT IS YOUR RESPONSE TO WITNESS STOYKO'S STATEMENTS REGARDING PROPOSED LINE EXTENSIONS?

A. We are relying on completion of upgrades that we pay for to ensure enhanced deliverability of our gas to our facility. As I explained in my Direct Testimony, East Penn engages in sophisticated forecasting and analysis for our gas needs, including when and to what extent we may need to rely on alternate fuels. Knowing that the improvements we are paying for have been completed factors into that analysis. In addition, we should know the actual price to see how it compares to UGI's estimate. This will help us in future negotiations with UGI so it does not overestimate costs and Contributions in Aid of Construction ("CIAC").

East Penn does not understand why UGI is unwilling to be transparent about the status and final costs of a customer-funded upgrade. It is critical for customers to know whether their CIAC and other expenditures were actually applied towards necessary services. The potential that UGI could require an unnecessary contribution from customers is enough reason to require the Company to provide additional information about system upgrades. As previously mentioned, there are additional reasons for us to know this information (*i.e.*, gas planning and future CIAC requirements). Therefore, we still insist that UGI be required, through its tariff, to provide a written schedule, periodic status updates and the final cost of line extensions or other upgrades that are paid for, in whole or part, through CIACs.

RULE 20.4

Q. PLEASE SUMMARIZE WITNESS STOYKO'S STATEMENTS REGARDING RULE 20.4 ON PAGE 39, LINE 18, THROUGH PAGE 40, LINE 15 OF HIS REBUTTAL TESTIMONY.

A. Rule 20.4 discusses imposition of the Maximum Daily Excess Balancing Charge. The witness claims that if UGI did not have discretion in application of this balancing charge, then it would have to impose the charge in all instances. Mr. Stoyko also asserts that it is impossible in UGI's eyes to define all situations where a customer might abuse tariff rules and jeopardize reliability, warranting Rule 20.4 penalties. Furthermore, the witness states that UGI lacks ability to cut off service to a customer in violation of the tariff, and therefore Rule 20.4's penalties have to be sufficiently strong to deter misconduct. According to Mr. Stoyko, these penalties need a broad scope to cover all types of behavior that cannot be anticipated in advance.

Q. WHAT IS YOUR RESPONSE TO THE WITNESS'S STATEMENTS REGARDING RULE 20.4?

A. I disagree with Mr. Stoyko's conclusions. East Penn simply wants an objective list of actions (or inactions) that would subject a customer to penalties under Section 20.4. As we are planning for gas management activities, we need to understand what will trigger these penalties. Also, UGI should remove "intentional imbalance" from its tariff language and replace that term with an objective and defined standard. In addition, UGI should include language in Rule 20.4 that permits the Company to waive penalties if circumstances warrant it (*e.g.*, there was no reliability problem, or the customer and the supplier were acting in good faith, etc.). Furthermore, imbalance penalties should be only as high as needed to deter inappropriate behavior, and be explicitly detailed by the tariff. UGI has not explained why it believes a 10x multiplier is the correct penalty, while a 1.1x multiplier is not.

<u>OFOs AND DFDs</u>

Q. PLEASE SUMMARIZE WITNESS BORELLI'S ASSERTIONS REGARDING CAUSES FOR INTERRUPTIONS OF SERVICE, WHICH SPAN FROM PAGE 8, LINE 1, THROUGH PAGE 12, LINE 9 OF THE WITNESS'S REBUTTAL TESTIMONY.

A. Witness Borelli claims that customers are entitled to their contracted-for levels of firm service, and while they may receive interruptible service to the extent that system capabilities are available, they cannot always expect such service. Ms. Borelli explains that interruptions occur because loads on a segment of UGI's distribution system are likely to exceed the delivery capabilities of that system. She notes that these physical limitations on UGI's system guide UGI in determining whether it can provide service to new customers, or increase service to existing customers. UGI relies upon real-time information to operate its system, and because UGI's models are constantly changing, UGI believes that interruptible service customers do not have the right to expect a certain number of interruptions over time. She suggests that if those customers want additional service, they should expand their DFR and be willing to invest in system upgrades to provide that additional level of service. In addition, those customers can elect a fully interruptible No Notice Service to assist them with balancing loads.

Q. WHAT IS YOUR RESPONSE TO THE WITNESS'S STATEMENTS REGARDING CAUSES OF SERVICE INTERRUPTIONS?

A. Section 69.12(d) of the Commission's regulations mandates that "[n]atural gas service to interruptible gas service customers should be interrupted, pursuant to the terms and conditions of the [natural gas distribution company's ("NGDC")] tariff, if the safety and reliability of firm service would be impeded by the interruptible customer's continued use of natural gas." 52 Pa. Code. § 69.12(d) (emphasis added). Ms. Borelli's interpretation of when interruptions can occur seems to be very different from the Commission's perspective. UGI's testimony implies that the Company can interrupt service for any reason at any time, with no explanation to customers. In many instances, those interruptions occur for long periods of the winter season, and occur winter after winter. If system conditions are degrading the quality of service customers receive from UGI, then the Company should explain why these conditions are occurring and what it intends to do to fix the problem. Customers should be able to expect consistency in the conditions that cause interruptions. The Company should not be able to call interruptions whenever it wants and demand that customers upgrade their DFR if they do not like being interrupted. UGI must adhere to certain parameters to assist customers with business planning.

Then, on top of the elimination of the interruptible portion of our service, UGI implements transportation constraints such as cancelling the No Notice Service for inadvertent fluctuations (or defining slight customer demand changes as not qualifying as "inadvertent" like they did in the messages that I pulled from the UGI Gas Management website). Similarly, UGI issues a "gas-in/gas-out" constraint that is not even specified in its tariff that can last for a month.

The lack of transparency and incomplete explanations for those events are all of significant concern to us. The problem can, at times, then be compounded by the OFOs and DFDs that UGI issues. UGI seeks to minimize the impact of DFDs and OFOs by noting that there were only 48 and 2 respectively, called since 2004. Ms. Borelli fails to acknowledge that many of these restrictions are imposed for multiple days. It is not necessarily the number of DFD and OFO restrictions, but rather the duration of these restrictions and the fact that they are unexplained. A single OFO or DFD can last for many days, and that is very disruptive to our operations. For example, since 2004 UGI has claimed 2 OFOs and 48 DFDs, which altogether resulted in 99 days where East Penn was interrupted. This 99-day figure was in addition to the winter-long interruption to our interruptible service that seems to occur every year.

Q. PLEASE SUMMARIZE THE WITNESS'S REMARKS REGARDING UGI'S PROPOSED DEFINITIONS OF DFDs AND OFOs ON PAGE 13, LINES 4 THROUGH 12, PAGE 15, LINES 18 THROUGH 23, AND PAGE 16, LINES 1 THROUGH 11 OF HER REBUTTAL TESTIMONY.

A. Witness Borelli states that UGI cannot implement restrictions for economic reasons. She notes that UGI has "certain statutory least cost fuel procurement and reliability obligations to its core market customers," but otherwise UGI's proposed definitions of DFDs and OFOs stipulate that they will not be called "'solely for other economic reasons.'" She also adds that "UGI Gas must comply with statutory directives and obligations, whether they are found in Section 1307(f) or elsewhere – and changing the tariff language would not change these statutory obligations."

Q. WHAT IS YOUR RESPONSE TO WITNESS BORELLI'S STATEMENTS REGARDING THE PROPOSED DEFINITIONS OF DFDs AND OFOs?

A. I disagree with her explanation. The situation that Ms. Borelli describes is an economic reason, as Mr. Rosenthal addresses in more detail in his Surrebuttal Testimony.

Q. PLEASE SUMMARIZE WITNESS BORELLI'S CONCLUSIONS REGARDING NOTIFICATIONS OF OFOs AND/OR DFDs ON PAGE 12, LINE 11, THROUGH PAGE 15 , LINE 10 OF THE WITNESS'S REBUTTAL TESTIMONY.

A. Witness Borelli claims that UGI posts notifications of OFOs and DFDs on its Gas Management Website soon after interstate pipelines release this information. According to the witness, these notices include the reasons for the DFDs and OFOs. The witness notes that UGI is open to altering the language of DFD and OFO tariff provisions to reflect customers' concerns regarding notice content, but indicates that it wants customer input in that regard. Ms. Borelli also suggests that UGI is open to working with customers to obtain a mutually acceptable form of communication.

The witness's testimony specifies, however, that it is unreasonable to require all notices to be provided before noon on the preceding day because unexpected conditions may occur on both UGI's system and on upstream pipelines serving UGI; in that case, DFDs and OFOs would need to be issued with less advance notice. According to UGI, "reliability of firm service must take precedence over transportation customer inconvenience" in responding to DFDs and OFOs.

Finally, Ms. Borelli responds to UGIII's request for further collaboration to exchange key data impacting the availability of firm and interruptible transportation service and facilitating better gas management decisions. While Ms. Borelli invites large customers to attend supplier collaborative meetings hosted by UGI twice each year, she notes that it is "not clear that enough actionable information can be given in advance of each winter to justify specific gas purchase decisions as apparently envisioned by Mr. Schreiber." She also recommends that large customers reach out to their UGI relationship managers if they have further questions.

Q **WHAT IS YOUR RESPONSE TO THE WITNESS'S STATEMENTS REGARDING NOTIFICATIONS OF OFOs OR DFDs?**

A. We want UGI to show transparency when it issues and explains OFOs and DFDs, as well as other transportation restrictions (*e.g.*, elimination of interruptible service, gas-in/gas-out and elimination of No Notice Service). The fact that customers are asking UGI for more transparency means that the Company's current efforts to provide notice are not working and require change. In my experience, UGI's customer service representatives try to obtain additional information when requested, but are often unable to respond in the level of detail that we need because additional input is required from other UGI employees. *See* UGIII Exhibit BTS-8 to UGIII Statement No.1-SR for examples of UGI's communications that fail to adequately describe the justifications for OFO and/or DFD issuances. UGI should use quick, effective, and public means to deliver notices that clearly denote *why* UGI is issuing DFDs and/or OFOs. Instead of noting a "pressure condition," the notice should, at a minimum, specify the regions where the pressure issue is occurring and why it is occurring. Knowing why OFOs and/or DFDs are issued may help us to anticipate the duration of the event and future situations where the conditions may occur. It takes time to get a response from UGI regarding more details. The experience we had with UGI trying to get an explanation of the increased transportation constraints in the 2014-2015 winter illustrates how long this process can take. We were not able to schedule a meeting with our representative until January 28, 2015, three weeks after we endured nearly daily restrictions on our transportation service. It is our understanding that UGI knew it would be operating the system more conservatively in November 2014 but did not share that information with customers.

Q. DID MS. BORELLI ADEQUATELY ADDRESS YOUR REQUEST FOR NOTICES TO BE ISSUED BY NOON THE GAS DAY BEFORE THE CONSTRAINTS WILL APPLY?

A. No. Notifications should be issued prior to Noon on the preceding gas day, unless extraordinary conditions warrant otherwise. Receiving the notices by Noon is not just a convenience, but it enables East Penn and our NGS to plan gas nominations that must occur under the interstate pipeline procedures and to arrange for propane deliveries if necessary. This would lead to more efficient operation of the system and will help us to manage our gas supply and its related costs.

UGI asserts that this deadline is impractical because unexpected conditions may occur on upstream pipelines or on UGI's system. However, most of the issues that resulted in

UGI's DFDs and OFOs according to Ms. Borelli are known a day ahead of schedule (*e.g.* weather forecasts and increasing supply demand in the Northeast region of the United States). Pipeline explosions and other disastrous events are very rare and comprise a very small percentage of causes for UGI's OFOs and DFDs. Therefore, I do not see why it would be impossible for UGI to provide notice by Noon on the preceding gas day unless there is an emergency. Getting this notice can help us plan our gas nominations and thereby attempt to mitigate the economic impact of any events.

Furthermore, UGI should provide periodic updates throughout the day with statistical information on the likelihood of a DFD or OFO occurrence (a DFD or OFO "forecast," much like that of a weather report accessible online). UGI could provide customers with access to its dynamic models and real-time predictions and give customers an idea of how likely it is that a DFD or OFO will be issued. Increased transparency and communication would assist us in better planning for our production and gas use and maximize our efforts.

Q. WILL THE SUPPLIER MEETINGS BE SUFFICIENT TO ADDRESS YOUR REQUEST FOR UGI TO HOLD PRE- AND POST-WINTER MEETINGS WITH ITS LARGE CUSTOMERS AS A GROUP?

A. Maybe, but I will need to attend a few meetings to make that determination. In the end, whether the meeting meets my concerns depends on when and how it is conducted, whether sufficient advanced notice is given, and whether we can get full answers to our questions about the past and future conditions on the system. Based on UGI's resistance to providing information in its testimony, I am not optimistic that the supplier meetings will provide an adequate forum for customers.

Section 69.18 of the PUC's regulations seems to contemplate a cooperative communications approach among the utility, NGSs and other entities to "define and describe the type, form, and frequency of communications necessary to successfully fulfill customer requirements in an operating environment of increased retail choice. Effective and consistent communications are critical to reduce errors, and provide all entities with the information necessary to properly fulfill their respective responsibilities." 52. Pa. Code § 69.18. This regulation also contemplates that regular meetings will be held, with "joint agenda development responsibilities, including the potential scheduling of operational conference calls."

When I first heard of these biannual collaborative sessions, I was surprised. I found it ironic that the Company has historically told its customers to work issues out with suppliers but yet it held private meetings with suppliers to discuss critical information. These events are not well-advertised to customers like East Penn, despite the fact that East Penn has a dedicated representative who is supposed to notify us of critical issues. It seems that these meetings may provide helpful insight into current issues with UGI's delivery system and upcoming trends affecting reliable supply. Therefore, East Penn would be willing to accept UGI's invitation to attend these meetings as long as they are scheduled at convenient times and locations in the service territory, and at least 30 days' advanced notice is given. However, East Penn expects that UGI will comply with § 69.18's principles, including permitting customers to contribute to a "joint agenda" for each of the meetings. If these meetings do not live up to our expectations, then we will go back to the Commission to discuss UGI's communication techniques.

Finally, UGI can and should require its dedicated customer representatives to make individual calls to large customers one month in advance of these collaborations so that customers can attend and ask questions or get additional data from UGI during those meetings.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	
Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT BTS-8

TO

UGIII STATEMENT NO. 1-SR

http://gasmngmt.ugi.com/UGIU/

Energy to do more

UGI Energy Management Sites: UGI Utilities - Gas UGI Penn Natural UGI Central Penn UGI Utilities - Electric

GAS MANAGEMENT WEBSITE

UGI UTILITIES

Home - UGI Utilities
Tariff
Procedures
LDC System Info
Supplier Activities
FAQs
Contact
Login

Operational Notices

Hide 05/11/2016 - Daily Flow Directive - Lifted

Effective immediately, UGI is lifting the Daily Flow Directive for Texas Eastern, issued on April 30, 2016.

Hide 05/03/2016 - Choice Marketer Notice

In a notice posted earlier today, May 3, 2016, UGI advised Choice Marketers that it will provide a delivered supply sale on Texas Eastern for the period April 29, 2016 through May 2, 2016.

The price of the delivered supply is listed below:
4/29/16-4/30/16 - $1.31
5/1/16-5/2/16 - $1.415

View 05/03/2016 - Texas Eastern Force Majeure - Update
View 04/30/2016 - Daily Flow Directive
View 04/29/2016 - Texas Eastern Force Majeure
View 04/12/2016 - Updated Choice Projected Demand Costs Now Available
View 03/18/2016 - Web Nomination Issues - Resolved
View 03/15/2016 - Daily Flow Directive - Lifted

▸ **Hide** 02/11/2015 - Daily Flow Directive

Due to the forecast of very cold temperatures and restrictions anticipated by several interstate pipelines, UGI is issuing a Daily Flow Directive effective Thursday, February 12, 2015 at 10:00 a.m. until further notice, directing transportation deliveries to match increased customer usage. As a reminder, no-notice balancing service is only available for inadvertent fluctuations. Excess imbalances due to increased customer demand without a corresponding increase in delivered supplies or a decrease in delivered supplies without a corresponding decrease in customer demand is not considered inadvertent. If UGI determines a lack of compliance with this Daily Flow Directive, UGI may issue an Operational Flow Order and/or impose penalties up to $75 per Mcf plus incremental costs pursuant to Sections 15.11 and 17.1(C) of UGI's tariff.

UGI thanks you in advance for your timely attention and cooperation.

▾ **View** 02/06/2015 - Daily Flow Directive - Lifted

▸ **Hide** 02/04/2015 - Daily Flow Directive

Due to the forecast of very cold temperatures and restrictions anticipated by several interstate pipelines, UGI is issuing a Daily Flow Directive effective Thursday, February 5, 2015 at 10:00 a.m. until further notice, directing transportation deliveries to match increased customer usage. As a reminder, no-notice balancing service is only available for inadvertent fluctuations. Excess imbalances due to increased customer demand without a corresponding increase in delivered supplies or a decrease in delivered supplies without a corresponding decrease in customer demand is not considered inadvertent. If UGI determines a lack of compliance with this Daily Flow Directive, UGI may issue an Operational Flow Order and/or impose penalties up to $75 per Mcf plus incremental costs pursuant to Sections 15.11 and 17.1(C) of UGI's tariff.

Charleton, Lisa

From: Wentzel, Barry <BWentzel@ugi.com>
Sent: Friday, January 23, 2015 12:29 PM
To: Tucker Schreiber; Mark Chasse
Cc: Eshbach, Becky
Subject: UGI Utilities Natural Gas Interruption

Hi Mark & Tucker.

Mark per our phone conversation today, the specifics for the UGI Utilities interruption restriction of the East Penn DFR are as shown below.

1b - **Interruption type – Pressure Related Restriction Above DFR**

The purpose of this email is to notify you that beginning at **10:00 AM on January 25, 2015 and continuing until 10:00 AM on January 28, 2015** (for Gas Days Sunday, Monday and Tuesday) UGI is initiating a pressure related interruption that will affect service to your Rate XD account.

During this interruption period, your facility cannot burn natural gas above your contracted Firm DFR of 4,800 mcf and must use an alternate fuel for volumes above your contracted DFR. Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the Rate IS, Rate R/S tariff and Section 17.4 (PNG-CPG Section 16.3) which could be as much as $1,000 per Mcf.

For UGI to effectively manage its system during this interruption period you cannot burn any natural gas above your DFR. I will call you on Monday to discuss updates related to the rest of next week but I would be on alert that it looks cold for next week so an extension of this DFR pressure restriction interruption is very possible.

Also, just as a reminder any Gas Days you are not on a DFR pressure restriction interruption in January, 2015 you will be on a Gas In / Gas Out interruption with NNA as is the case for the current Gas Day and the Gas Day for this Saturday.

Please confirm receipt with a reply back to me Mark. Thanks.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

or distribute this message. If you have received this communication in error please notify us immediately by e-mail and delete the original message and destroy all copies. //

Charleton, Lisa

From: Wentzel, Barry <BWentzel@ugi.com>
Sent: Tuesday, January 20, 2015 9:29 AM
To: Tucker Schreiber (TSchreiber@dekabatteries.com); Mark Chasse
Cc: Eshbach, Becky
Subject: UGI Utilities Natural Gas Interruption

Hi Mark & Tucker. Tucker I hear you are surviving with your new arrival – hang in there they grow up quickly.

Mark per our phone conversation today, the specifics for the UGI Utilities interruption restriction of the East Penn DFR are as shown below.

1b - **Interruption type – Pressure Related Restriction Above DFR**

The purpose of this email is to notify you that beginning at **10:00 AM on January 21, 2015 and continuing until 10:00 AM on January 23, 2015** (for Gas Days Wednesday and Thursday) UGI is initiating a pressure related interruption that will affect service to your Rate XD account.

During this interruption period, your facility cannot burn natural gas above your contracted Firm DFR of 4,800 mcf and must use an alternate fuel for volumes above your contracted DFR. Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the Rate IS, Rate R/S tariff and Section 17.4 (PNG-CPG Section 16.3) which could be as much as $1,000 per Mcf.

For UGI to effectively manage its system during this interruption period you cannot burn any natural gas above your DFR. I will continue to call you on a daily basis to provide future updates.

Also, just as a reminder any Gas Days you are not on a DFR pressure restriction in January, 2015 you will be on a Gas In / Gas Out interruption with NNA.

Please confirm receipt with a reply back to me Mark. Thanks.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

Charleton, Lisa

From: Wentzel, Barry <BWentzel@ugi.com>
Sent: Friday, January 16, 2015 3:56 PM
To: Tucker Schreiber; Mark Chasse
Cc: Eshbach, Becky
Subject: UGI Utilities Natural Gas Interruption

Hi Mark & Tucker. Congratulations Tucker on your new arrival!

Mark per our phone conversation today, the specifics for the UGI Utilities interruption restriction of the East Penn DFR are as shown below.

1b - <u>**Interruption type – Pressure Related Restriction Above DFR**</u>

The purpose of this email is to notify you that beginning at **10:00 AM on January 19, 2015 and continuing until 10:00 AM on January 21, 2015** UGI is initiating a pressure related interruption that will affect service to your Rate XD account.

During this interruption period, your facility cannot burn natural gas above your contracted Firm DFR of 4,800 mcf and must use an alternate fuel for volumes above your contracted DFR. Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the Rate IS, Rate R/S tariff and Section 17.4 (PNG-CPG Section 16.3) which could be as much as $1,000 per Mcf.

For UGI to effectively manage its system during this interruption period you cannot burn any natural gas above your DFR. Also, please be on alert, this interruption might be extended next week. I will call you on Monday to provide an update. I will a

discussion with Gene.

Also, just as a reminder you are on a Gas In/Out restriction for this weekend from Saturday at 10 AM to Monday at 10 AM.

Please confirm receipt with a reply back Mark. Thanks.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

Charleton, Lisa

From:	Wentzel, Barry <BWentzel@ugi.com>
Sent:	Wednesday, January 14, 2015 9:16 AM
To:	Tucker Schreiber
Cc:	Eshbach, Becky
Subject:	Extended UGI Utilities Natural Gas Interruption

Hi Tucker. The specifics for the UGI Utilities extended DRF interruption restriction of the East Penn DFR are as shown below.

1b - **Interruption type – Pressure Related Restriction Above DFR**

The purpose of this email is to notify you that beginning at **10:00 AM on January 13, 2015 and continuing until 10:00 AM on** January 17, 2015 UGI is initiating a pressure related interruption that will affect service to your Rate XD account.

During this interruption period, your facility cannot burn natural gas above your contracted Firm DFR of 4,800 mcf and must use an alternate fuel for volumes above your contracted DFR. Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the Rate IS, Rate R/S tariff and Section 17.4 (PNG-CPG Section 16.3) which could be as much as $1,000 per Mcf.

For UGI to effectively manage its system during this interruption period you cannot burn any natural gas above your DFR.

Please confirm receipt with a reply back to me Tucker.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

Charleton, Lisa

From:	Wentzel, Barry <BWentzel@ugi.com>
Sent:	Monday, January 12, 2015 11:38 AM
To:	Tucker Schreiber
Cc:	Eshbach, Becky
Subject:	UGI Utilities DFR Interruption

Hi Tucker. The specifics for the UGI Utilities interruption restriction of the East Penn DFR are as shown below.

1b - **Interruption type – Pressure Related Restriction Above DFR**

The purpose of this email is to notify you that beginning at **10:00 AM on January 13, 2015 and continuing until 10:00 AM on January 15, 2015** UGI is initiating a pressure related interruption that will affect service to your Rate XD account.

During this interruption period, your facility cannot burn natural gas above your contracted Firm DFR of 4,800 mcf and must use an alternate fuel for volumes above your contracted DFR. Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the Rate IS, Rate R/S tariff and Section 17.4 (PNG-CPG Section 16.3) which could be as much as $1,000 per Mcf.

For UGI to effectively manage its system during this interruption period you cannot burn any natural gas above your DFR.

There is a chance we could also interrupt on Thursday, January 15 gas day from 10 AM until Saturday January 17 at 10 AM. I will let you know if these additional gas days of interruption are needed as we get closer to that gas day. I appreciate your cooperation.

Please confirm receipt with a reply back to me Tucker.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

Charleton, Lisa

From: Wentzel, Barry <BWentzel@ugi.com>
Sent: Wednesday, January 07, 2015 1:36 PM
To: Tucker Schreiber
Cc: Eshbach, Becky
Subject: Extended UGI Utilities Natural Gas Interruption

Hi Tucker. As a follow-up to our discussion today, the specifics for the UGI Utilities extended DFR interruption are as shown below.

1b - **Interruption type – Pressure Related Restriction Above DFR**

The purpose of this email is to notify you that beginning at **10:00 AM on January 6, 2015 and continuing until 10:00 AM on January 11, 2015** UGI is initiating a pressure related interruption that will affect service to your Rate XD account.

During this interruption period, your facility cannot burn natural gas above your contracted Firm DFR of 4,800 mcf and must use an alternate fuel for volumes above your contracted DFR. Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the Rate IS, Rate R/S tariff and Section 17.4 (PNG-CPG Section 16.3) and could be in the $1,000 per Mcf range.

For UGI to effectively manage its system during this interruption period you cannot burn any natural gas above your DFR.

I appreciate your cooperation.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

Charleton, Lisa

From: Wentzel, Barry <BWentzel@ugi.com>
Sent: Monday, January 05, 2015 2:12 PM
To: Tucker Schreiber
Cc: Eshbach, Becky
Subject: UGI Utilities DFR Interruption

Hi Tucker. I just left you a voice mail message regarding an interruption restricting East Penn to your DFR. The specifics for the UGI Utilities interruption are as shown below.

1b - **Interruption type – Pressure Related Restriction Above DFR**

The purpose of this email is to notify you that beginning at **10:00 AM on January 6, 2015 and continuing until 10:00 AM on January 9, 2015** UGI is initiating a pressure related interruption that will affect service to your Rate XD account.

During this interruption period, your facility cannot burn natural gas above your contracted Firm DFR of 4,800 mcf and must use an alternate fuel for volumes above your contracted DFR. Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the Rate IS, Rate R/S tariff and Section 17.4 (PNG-CPG Section 16.3)

For UGI to effectively manage its system during this interruption period you cannot burn any natural gas above your DFR.

There is a chance we could also interrupt on the Friday January 9 gas day from 10 AM until Saturday January 10 at 10 AM. I will let you know if this day of interruption is needed as well as we get closer to that gas day. I appreciate your cooperation.

Barry L. Wentzel
Senior Project Leader
UGI Utilities, Inc.
610-796-3548
bwentzel@ugi.com

Charleton, Lisa

From:	Carroll, Eugene <ECarroll@ugi.com>
Sent:	Wednesday, November 25, 2015 10:24 AM
To:	Tucker Schreiber (TSchreiber@dekabatteries.com)
Cc:	Wentzel, Barry
Subject:	UGI Gas In Gas Out interruption
Importance:	High

Tucker

Per our conversation, UGI is instituting a Gas In Gas Out interruption effective December 1, 2015. The interruption will continue until further notice. This is a Gas In / Gas Out interruption with allowances for Car Tech's DFR, ERO and NNA listed below. During this interruption period, your facility can continue to burn natural gas; however, the gas deliveries must exceed the amount of metered volumes. If you wish to continue burning natural gas, you must arrange with your marketer to have all gas volumes in excess of your DFR delivered to the UGI city gate on non-UGI capacity (3rd Party). For volumes Gas consumed in excess of the delivered volume will be considered unauthorized usage and will be billed unauthorized overrun charges and retail standby charges in accordance with the UGI tariff. The charges are market based and can exceed $100 per Mcf.

DFR – 6,200 Mcf/day
NNA- 750 Mcf/day.

If you have any questions, please contact me.

Gene

Gene Carroll
Director – Major Accounts
UGI Utilities, Inc.
2525 N 12th Street, Suite 360
PO Box 12677
Reading, PA 19612-2677

Phone – (610) 796-3465
Email – ecarroll@ugi.com

UGIII STATEMENT NO. 2
6/2/16 [illegible] VT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2015-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	Docket Nos. C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph P. Sandoski	:	C-2016-2529638
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

**DIRECT TESTIMONY
AND EXHIBITS**

OF

**JASON DAVEY
OF CARPENTER TECHNOLOGY
CORPORATION,
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")**

Issues Addressed:
Rule 1.4 – Meter Grouping
Rules 2.3 And 2.6 – Customer Facilities and System Bypass
System Operations
Rule 4.1 - Facilities Ownership
Rule 7.3 - Pressure Correction

APRIL 12, 2016

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

DIRECT TESTIMONY OF JASON DAVEY
OF CARPENTER TECHNOLOGY CORPORATION,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Jason Davey. My business address is P.O. Box 14662 – 101 West Bern Street, Reading, Pennsylvania 19612.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Carpenter Technology Corporation ("CarTech") as a member of the UGI Industrial Intervenors ("UGIII").

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR CURRENT POSITION?

A. I am employed by CarTech as an Energy Manager.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.

A. I am a Mechanical Engineer and a Certified Energy Manager. I began my career in industrial equipment sales, design, and manufacturing. My experience with equipment design and business development drove my interest in energy matters, particularly issues involving energy conservation. I have helped many commercial users manage their energy risks and expenses, and I currently do the same for CarTech. UGIII Exhibit No. JD-1 summarizes my professional experience.

Q. WHAT ARE YOUR RESPONSIBILITIES AT CARTECH IN YOUR CURRENT POSITION?

A. My primary responsibility is executing CarTech's Energy Management Program, which includes managing electricity, natural gas, and cryogenic gas supply services. My other responsibilities include leading electricity and natural gas curtailment activities and energy risk policy.

Q. HAVE YOU EVER PROVIDED TESTIMONY BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION ("PUC" OR "COMMISSION") OR ANY OTHER REGULATORY BODY IN A PREVIOUS PROCEEDING?

A. No, I have not.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony discusses the impact of some of UGI's Tariff provisions on CarTech's production processes and future competiveness within our industry. UGI does not propose any changes to the rates of negotiated contracts under Rate Schedule XD, which UGIII supports. However, UGI proposes to change or continue certain Tariff rules that detrimentally impact operations and costs. First, UGI presents Rule 1.4, which would enable the company to continue restraining customers from combining gas usage from different meters into a single invoice, resulting in CarTech continuing to receive service at an expanded area of its manufacturing facility at higher rates. In addition, UGI presents Rules 2.3 and 2.6, which, if enacted, would penalize CarTech if we did not provide UGI with plans and the opportunity to present a counterproposal if CarTech is installing new gas facilities on its property, including if we bypass UGI for all or a portion of our natural gas services. Moreover, UGI presents Rule 4.1, which allows UGI to own and maintain any facilities required for gas delivery up to the outlet side of its metering equipment, even if the customer currently owns the equipment.

Furthermore, UGI's definitions of Daily Flow Directive ("DFDs") and Operational Flow Orders ("OFOs") would negatively impact large transportation customers. Specifically, UGI wants to broadly define DFDs and OFOs so that it can issue these orders and directives for reasons other than system reliability.

Finally, UGI presents Rule 7.3, which regulates delivery above the standard pressure of seven inches water column (7" W.C.). Under Rule 7.3, UGI would have the right to adjust the formula it uses to identify the quantity of gas corrected for pressure for billing purposes. Rule 7.3 would also enable UGI to require customers to install various pressure-reading instruments at its own expense and authorize UGI to deny non-standard service at elevated pressure for virtually any reason.

Q. **PLEASE PROVIDE AN OVERVIEW OF CARTECH.**

A. Founded in 1889, CarTech is a global developer, manufacturer, and distributor of stainless steel, titanium, and other specialty metals and engineered products. CarTech's key manufacturing facility is located in Reading, Pennsylvania ("Reading Facility"). Currently, the Reading Facility manufactures specialty alloys for critical end-use applications in the aerospace and defense, energy, medical, transportation, and industrial consumer markets. The Reading Facility employs approximately 2,300 individuals at family-sustaining wages and is one of the largest contributors to Reading's tax base.

Q. PLEASE DESCRIBE CARTECH'S NATURAL GAS NEEDS.

A. CarTech consumes considerable amounts of natural gas in its daily production operations. Consequently, natural gas-related costs, along with other energy costs, represent a substantial and growing portion of CarTech's total energy costs.

Moreover, given the nature of CarTech's business – which includes not only mass-produced products but also customer-specific specialty products – the availability of reliable and predictable natural gas supply and delivery service is of paramount importance to CarTech.

Q. DOES CARTECH RECEIVE SERVICE FROM UGI UTILITIES, INC. – GAS DIVISION ("UGI")?

A. Yes. CarTech receives delivery service from UGI under multiple rate schedules, including Rate Schedules XD and DS. CarTech has one account under Rate XD and one account under Rate DS. CarTech also purchases No Notice Service ("NNS"), which assists CarTech in addressing inadvertent fluctuations in usage.

CarTech currently has 21 separate meters taking service under Rate Schedule XD and two meters taking service under Rate Schedule DS. The majority of CarTech's natural gas requirements are met under Rate Schedule XD.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	
Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

VERIFICATION

I, Jason Davey, Energy Manager at Carpenter Technology Corporation, hereby state that the facts set forth in UGI Industrial Intervenors ("UGIII") Statement No. 2 (Direct Testimony and Exhibits of Jason Davey), Statement No. 2R (Rebuttal Testimony of Jason Davey), and Statement No. 2-SR (Surrebuttal Testimony of Jason Davey) are true and correct to the best of my knowledge, information, and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

5-31-16

Date

Signature

RULE 1.4 – METER GROUPING

Q. PLEASE DESCRIBE HOW UGI INVOICES CARTECH EACH MONTH.

A. Of CarTech's 23 meters, 21 are combined under one XD account that is billed each month. For this combined XD account, CarTech receives two invoices. One invoice comes from UGI for delivery service and the other comes from CarTech's supplier.

The other two meters of CarTech's meters are combined in a separately-invoiced DS account. This process results in an additional two invoices per month because we also receive separate invoices for commodity and delivery services.

Q. DOES HAVING SEPARATE INVOICES FOR CARTECH'S VARIOUS ACCOUNTS HAVE ANY IMPACT ON CARTECH'S OPERATIONS?

A. Yes. Having separate accounts for gas usage at the same location to fuel CarTech's energy intensive manufacturing processes results in unnecessary costs because CarTech is forced to take service for its new DS account, located in the expanded portion of the Reading facility, under higher rates.

Q. PLEASE DESCRIBE THE ADDITIONAL ACCOUNT THAT CARTECH WOULD LIKE TO COMBINE WITH THE OTHER METERS UNDER ITS EXISTING XD ACCOUNT.

A. The additional account is the location that we acquired from Dana Corporation (the "Dana property"), which is located on property that is contiguous to CarTech's Reading Facility. Even though the Dana property is contiguous to the Reading facility and now is owned and operated by CarTech as part of the Reading facility, the meters located on the Dana property receive service under Rate DS, rather than Rate XD.

Q. TO THE BEST OF YOUR KNOWLEDGE, WHY WAS CARTECH REQUIRED TO ESTABLISH A SEPARATE ACCOUNT UNDER RATE SCHEDULE DS?

A. Under Rule 2.4 of the current Tariff, UGI prohibits CarTech from combining its gas usage under multiple meters. *See* Rule 2.4 at UGIII Exhibit No. JD-2. I interpret Rule 2.4 to mean that a customer has one chance to elect to combine its gas usage for billing purposes: when initial service is established at the premises. Although I was not with CarTech at the time, it is my understanding that UGI relied upon this rule when it refused to combine the meters on the Dana property with the meters on the Reading Facility.

Q. WHAT IS YOUR CONCERN REGARDING UGI'S RULE 1.4?

A. Rule 1.4 addresses the right of a customer taking service at two or more locations to combine gas usage for billing purposes. *See* Rule 1.4 at UGIII Exhibit No. JD-3. Rule 1.4 continues the intent and effect of Rule 2.4 by preventing customers from combining their gas usage for billing purposes unless they made that election at the time initial service was established. Allowing the UGI Tariff to include this limitation ignores how customers operate and expand manufacturing facilities over time, adding more production, more gas usage, and more jobs. Denying a customer the opportunity to add additional accounts as their business expands is contrary to economic development and the general policy that legislators and Commissioners promote regarding the expansion of gas usage to take advantage of Pennsylvania's resources.

Separating accounts on the same property that serve the same operations forces us to endure unfavorable rates under two Rate Schedules and is not conducive to economic development. As CarTech's manufacturing operations continue to expand, the negative impacts of Rule 1.4 will become more pronounced. At the same time, there appears to be no justification for this rule. It seems outdated and unnecessary, especially given the changes in technology that have occurred since the current Tariff went into effect.

Q. WHAT IS YOUR RECOMMENDATION REGARDING UGI'S RULE 1.4?

A. CarTech recommends that UGI amend Rule 1.4 so that it is more accommodating to customers with increasing gas requirements on their property. Specifically, CarTech recommends that UGI remove the time limitation on electing to combine gas usage for billing purposes. Since 1995, CarTech's manufacturing operations have grown and resulted in CarTech's acquisition and development of additional contiguous land to expand the Reading Facility's manufacturing activities. As a result of CarTech's expansion, its natural gas usage at the Reading Facility has also grown. CarTech believes that eliminating the current time restriction for combining natural gas usage is good for economic development and also promotes the use of Pennsylvania gas.

RULES 2.3 AND 2.6 – CUSTOMER FACILITIES AND SYSTEM BYPASS

Q. IS CARTECH CURRENTLY EXPLORING ANY ALTERNATIVE GAS DELIVERY SYSTEMS?

A. Yes. CarTech is in the early stages of exploring the feasibility of a system bypass. As CarTech expands its operations, its gas delivery requirements are increased accordingly. A system bypass may present CarTech with a more efficient and reliable delivery system that best meets the company's growing gas requirements.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF RULE 2.3.

A. Rule 2.3 contains provisions regarding facilities and systems access. *See* Rule 2.3 in UGIII Exhibit No. JD-4. Specifically, it requires customers with Daily Firm

Requirements or peak usage capability above 1,000 Mcf per day to coordinate with UGI on facilities development projects.

Under Rule 2.3(a), a customer must provide advance notice to UGI if it desires to acquire, construct, or contract for gas service facilities. Then, UGI reserves the right to evaluate the proposal and submit alternative proposals to the customer. Under Rule 2.3(b), UGI requires that the customer submit its construction specifications and designs to UGI in advance of construction. If UGI determines that the proposed project will interfere with UGI's facilities, UGI can exercise its right to approve the design and location of the proposed gas facilities. Finally, under Rule 2.3(c), UGI can fine the customer $1,000 per day for every time it fails to comply with UGI's demands.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF RULE 2.6.

A. Rule 2.6 penalizes a customer for pursuing its right to bypass UGI or maintain two connections on its property. *See* Rule 2.6 at UGIII Exhibit No. JD-5. Based on my reading, Rule 2.6 states that unless provided by contract, if a customer bypasses all or a portion of UGI's system, UGI may retract its obligation to serve or maintain gas supply or physical capacity necessary to serve the customer. In addition, Rule 2.6 provides that to the extent a customer continues to purchase natural gas transportation service from UGI, UGI may charge a negotiated rate for continued, subsequent, or standby service that, at a maximum, is solely established by competitive market conditions.

Q. WHAT ARE YOUR CONCERNS REGARDING UGI'S RULE 2.3?

A. As I just mentioned, CarTech is presently exploring the feasibility of a system bypass. CarTech's manufacturing facilities have expanded considerably over the past two decades. As a result, CarTech's gas requirements significantly increased. Bypassing a portion of UGI's system in order to connect to interstate pipelines may present CarTech with a better delivery system that better meets its growing gas needs. CarTech is concerned that Rule 2.3 will limit CarTech's option to bypass UGI facilities or to have both UGI service and an alternate supply connection at CarTech's premises. Rule 2.3(a) amounts to a right to match other offers, which inserts UGI into any effort by CarTech to explore and negotiate in a competitive manner. While we may choose to discuss alternatives with UGI, we should not be required to do so. This changes the negotiating balance between CarTech and UGI, complicates the planning process, and will only have the effect of deterring customers from pursuing bypass projects. Likewise, Rule 2.3(b) could place unnecessary burdens and delay on customers who are installing a second set of facilities on their premises. Finally, it is unfair that UGI would have the ability to assess a penalty for any non-compliance by the customer. It is also unreasonable that UGI may exercise its approval rights under Rule 2.3 without providing the customer any written notice and explanation of its decision to do so.

Q. WHAT ARE YOUR CONCERNS REGARDING UGI'S RULE 2.6?

A. If Rule 2.6 becomes effective, it may harm CarTech's ability to negotiate a fair and reasonable contract for delivery services with UGI. By design, Rule 2.6 discourages customers from pursuing the right to bypass UGI's system and/or maintain multiple connections on its property. Furthermore, there is no reason to renegotiate a transportation rate, or to charge a "standby charge" established by competitive market conditions if a customer has two services. UGI does not define "competitive market conditions" and there is no way of telling whether such a charge exceeds UGI's costs of providing the service.

Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING RULES 2.3 AND 2.6?

A. Both Rules 2.3 and 2.6 should be eliminated from the proposed Tariff, or at a minimum, be revised in a way that provides a customer with more transparency regarding the basis for UGI exercising its rights and the charges UGI seeks to impose upon customers.

SYSTEM OPERATIONS

Q. PLEASE DESCRIBE CARTECH'S EXPERIENCE WITH DFDS AND OFOS, AND OTHER TRANSPORTATION SERVICE RESTRICTIONS SUCH AS LIMITS ON THE USE OF NO NOTICE OR BALANCING SERVICES.

A. UGI is issuing DFDs and OFOs with increasing regularity and without any explanation as to why they are issued. For example, CarTech received one-week notice of a "GasIn GasOut" restriction that ran for approximately three months without any information from UGI as to why this restriction was necessary.

The increased frequency of DFDs and OFOs contributed to CarTech's decision to explore system bypass options. Frequent DFDs and OFOs disrupt regular supply flows to CarTech, which, in turn, can be disruptive to CarTech's manufacturing processes. *See* DFD Definition at UGIII Exhibit No. JD-6 and OFO Definition at UGIII Exhibit No. JD-7. In addition, implementation of DFDs and OFOs can cause various balancing charges to be applied against CarTech, which add up to a significant expense over time. Before I joined CarTech, the company incurred balancing charges and suffered a penalty of approximately $100,000 at a time when No Notice Allowance was removed.

Q. DO YOU HAVE ANY ADDITIONAL CONCERNS ABOUT UGI'S SYSTEM OPERATIONS?

A. Yes. UGI also presents significant penalties for customers who are out of balance. Under Rule 20.2, UGI has the ability to impose those penalties if it believes a customer is not using "best efforts" with respect to balancing or if UGI believes a customer is "mis-using" balancing or no-notice services. *See* Rule 20.2 at UGIII Exhibit No. JD-8. These triggers for imposing such excessive penalties are too subjective. They give UGI a lot of discretion and present customers with significant risk because it is unclear what it means to exercise "best efforts."

Q. WHAT IS YOUR CONCERN REGARDING UGI'S DEFINITIONS FOR DFDS AND OFOS?

A. CarTech believes that UGI has too much discretion in determining whether to issue DFDs and ODOs. CarTech also believes that UGI's definitions for DFDs and OFOs are overbroad, especially since they include economic reasons as justifications for issuing a DFD or OFO. System reliability should be the only basis for issuing a DFD or OFO. UGI should not issue DFDs and OFOs to large transportation customers like CarTech in order to mitigate other customers' natural gas prices.

Q. WHAT IS YOUR RECOMMENDATION REGARDING UGI'S DFD AND OFO DEFINITIONS?

A. UGI should amend the language of both provisions to reflect that only reliability issues will prompt an issuance of DFDs and/or OFOs. In addition, the Tariff should be revised to provide objective criteria that will be used in determining whether penalties should be imposed. Moreover, UGI should be required to share any relevant system planning information with CarTech and other large transportation customers each fall so we can plan for the winter manufacturing season. Furthermore, UGI should be obligated under its Tariff to provide customers with more information about why the individual OFOs and DFDs are being issued. Customers' rates pay for upgrades and maintenance to UGI's delivery systems, and if there are problems with these systems impacting gas supply, then customers deserve to know why their investments are not fixing the problems.

RULE 4.1 - FACILITIES OWNERSHIP

Q. WHAT IS YOUR CONCERN REGARDING UGI'S RULE 4.1?

A. Rule 4.1 enables UGI to own and maintain any facilities required for gas delivery up to the outlet side of its metering equipment. *See* Rule 4.1 at UGIII Exhibit No. JD-9. It is my understanding that, over 30 years ago, UGI transferred various fuel lines downstream of UGI meters to CarTech.[1] CarTech would like UGI to work with CarTech, and other customers in a similar situation to determine ownership of the pipelines.

Q. PLEASE DESCRIBE THE PIPELINES THAT UGI TRANSFERRED TO CARTECH.

A. The facilities were installed many years ago, and personnel at CarTech and UGI have changed. As a result, CarTech wants UGI to clarify any ownership questions regarding CarTech's fuel lines downstream of UGI's meters.

Q. WHAT IS YOUR RECOMMENDATION REGARDING UGI'S RULE 4.1?

A. UGI should work with each impacted customer to confirm the ownership status of any facilities before it is allowed to enact a blanket rule in its Tariff claiming ownership.

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[1] CarTech is still locating information on this point and reserves the right to supplement its testimony.

Furthermore, UGI's Tariff should clearly state that Rule 4.1 does not possess any retroactive effect.

RULE 7.3 - PRESSURE CORRECTION

Q. WHAT IS YOUR CONCERN REGARDING UGI'S RULE 7.3?

A. Rule 7.3 regulates delivery above the standard pressure of seven inches water column (7" W.C.). *See* Rule 7.3 at UGIII Exhibit No. JD-10. Under Rule 7.3, UGI would have the right to unilaterally adjust the formula it uses to identify the quantity of gas corrected for pressure for billing purposes. In addition, this rule enables UGI to require customers to install various pressure-reading instruments at their own expense. Furthermore, under Rule 7.3 UGI may deny customers non-standard service at elevated pressure for virtually any reason.

Rule 7.3 is problematic because many of the downstream fuel lines that UGI transferred to CarTech operate at a higher pressure than 7" W.C. UGI cannot transfer pipelines that operate at elevated pressure levels to CarTech and subsequently retain the right to unilaterally change the nature of its pressure correction services or deny pressure correction service altogether. Allowing UGI this new discretion is unfair and unreasonable.

Q. WHAT IS YOUR RECOMMENDATION REGARDING UGI'S RULE 7.3?

A. UGI should amend the language of Rule 7.3 so that it gives customers equal leverage in acquiring pressure correction services. As presented, Rule 7.3 gives UGI too much deference in determining if and how customers will receive pressure correction. UGI needs to state the method determining the cost for pressure correction and identify all fixed and variable factors that determine the correct energy consumed and corrected. Furthermore, UGI should amend the language of Rule 7.3 to provide UGI with the ability to negotiate cost responsibility for installation of pressure mechanisms. Finally, UGI must amend this provision so that the company cannot unilaterally reject a customer's request for non-standard service at elevated pressure.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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UGIII EXHIBIT NO. JD-1

TO

UGIII STATEMENT NO. 2

JASON W. DAVEY, CEM
Hamburg, PA 19526
C:(610) 780-6502 H:(484) 665-0100
Email: JDavey212@gmail.com

Professional Experience:

Feb 2015-Current
Energy Manager **Carpenter Technology Corporation** Reading, PA

A leader in specialty metals development, manufacture and distribution for products used in critical end-use applications in Aerospace/Defense, Energy, Medical, Transportation and Industrial/Consumer markets.

- Develop and execute activities related to company energy management program, which includes electricity, natural gas and cryogenic gases.
- Lead Natural Gas and Electricity curtailment teams.
- *Execute activities related to company Energy Risk Policy.*

May 2012-Feb 2015
Vice President Energy Services **Edge Insights, Inc** West Lawn, PA

Consulting firm specializing in cost reduction strategies in the areas of: energy management, telecom, waste and taxes for approximately 300 commercial and industrial clients.

- Responsible for electricity and natural gas procurement business for all clients; approx $100 million in annual energy spend.
- Monitor commodity and regulatory markets and apply knowledge to assist clients in developing commodity and risk strategies that address business requirements and budget goals, then negotiate contract terms favorable to the client.
- Energy management activities include assisting clients with curtailment programs, manufacturing tax exemptions, distributed generation and understanding and evaluating the broad category of energy conservation measures.
- Key performance metrics: Increased client retention from 75% to 95%, Increased revenues from existing clients 52% in 2 years.

Sept 2008-Mar 2012
Commercial Sales Manager **Solutia Inc,** St.Louis, MO

$2B Global specialty chemical company that produces a broad range of advanced materials, with my role focused in the Performance Films Division.

- Developed and implemented growth strategy for commercial channel. Managed the Northeast region, while program was rolled out nationwide.
- Target/Segment region, promote and manage the sale of glazing solutions for improved building energy efficiency in office, healthcare, education, retail, municipal and fed gov sector, both enterprise and 3rd party managed.

- Conducted ASHRAE energy audits, managing the process of auditing a building for energy conservation, either directly or via 3rd party, utilizing the US DOE DOE-2/eQuest building simulation program.
- Developed pipeline of 170 energy efficiency projects for $9M, in revenue, and $2M in annual energy savings.
- Teamed with IT to develop CRM tool.

Mar 2005-Sept 2008
District Sales Manager — **Armstrong World Industries** — Allentown, PA

Industry leading Manufacturer of commercial and residential building products.

- Managed Mid-Atlantic District sales and distribution with 9 direct reports .
- 2008 President's Club Award winner. Corporate recognition for increasing revenues and margins above Plan for 24 consecutive months.
- Increased revenue 233% during my tenure. Exceeded Annual Revenue and Profit Plan by avg 33% and 22% respectively . Exceeded Revenue and Profit Plan 36 of 39 months.
- Increased enterprise-wide efficiency rank from 29th to 2nd of 32 Districts in 36 months.
- Achieved perfect safety performance during my tenure.

Jan 1997-Mar 2005
Regional Sales Manager — **Met-Pro Corporation** — Harleysville, PA

Manufacturer of pollution control, fluid handling and filtration equipment for industry.

- Started as Inside Sales Engineer in 1997, promoted to Product Manager in 2000, transitioned to Regional Sales Manager in 2003.
- Managed approximately 150 OEM, Distributor and End User accounts.
- Responsible for industrial equipment sales of three divisions, including pumps, filter systems, and air handling equipment (Mefiag, Sethco and Duall).
- Grew overall 3 division Sales Revenue average 30% from 2003-2005.
- Left in 2005 in good standing for personal reasons (Engaged, moved out of area).

Education

1996 BSME Mechanical Engineering	Drexel University - Philadelphia, PA
2011 CEM Certified Energy Manager	AEE – Association of Energy Engineers

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UGIII EXHIBIT NO. JD-2

TO

UGIII STATEMENT NO. 2

RULES AND REGULATIONS (Continued)

2. CONTRACT FOR GAS SERVICE (Continued)

2.4 Application of Rates. The rates named in this Tariff are based upon supply to one Customer through one meter at one premise. 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 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 on or after January 8, 1994 may do so only at the time initial service is established to the premises and 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. Customers may not pool together for purposes of qualifying for a rate schedule. Service to churches and to elementary and secondary schools served on December 31, 1982 shall be treated as residential service only for the purpose of fixing their minimum bill under the rates named in this Tariff.

(C) 2.4.1 Selection of Rate Schedule. 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 Term of Contracts. Standard service contracts for service other than to Rates R and RT shall be for a term of at least one (l) year. Service may be supplied for a shorter term contract when the Company has available capacity, provided a charge may be collected to meet the cost of the supply and discontinuance of such short term service.

(C) 2.6 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.

(C) 2.7 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 in Section 2.6.

(C) 2.8 Compliance with Availability Provisions. The use of the Company's service shall not be for any purpose other than that covered by the availability provisions of the rate under which service is supplied.

(C) 2.9 Resale of Gas. Gas service is provided upon the express condition that it shall be supplied exclusively by the Company and that the Customer shall not sell, or otherwise dispose of, the gas or any part thereof without the written consent of the Company.

(C) Indicates Change

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UGIII EXHIBIT NO. JD-3

TO

UGIII STATEMENT NO. 2

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

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 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 may do so only at the time initial service is established to the premises and 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. 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.

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UGIII EXHIBIT NO. JD-4

TO

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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 mutually plan and coordinate with the Company, development of all gas facilities to the Customer's premises (including pipelines, mains, service lines and appurtenances), in order to minimize duplication of facilities and to avoid unnecessary construction, 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 for or commencement date for construction of Customer gas facilities. The Company shall be provided with sufficient information and a reasonable opportunity to evaluate the proposal and to submit to Customer for its consideration one or more alternative proposals (including expansion of Company facilities or other methods).

(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 90 days after the latter of submission of all design and construction specifications and drawings to the Company, or Customer notification required under Rule 2.3(a). Customer gas facilities will be deemed to encroach upon the Company's facilities when they would interfere with or prevent the Company from accessing, maintaining or operating its facilities or when the Customer gas facilities would be configured or located in a manner that would cause safety or reliability concerns with respect to the Company's facilities.

(c) If the full 60-day notice required in Rule 2.3(a) is not given or if the Customer otherwise fails to comply with Rule 2.3, then the Customer shall pay the Company the amount of $1,000 per day for each day the Customer failed to comply but in no event more than $30,000.

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UGIII EXHIBIT NO. JD-5

TO

UGIII STATEMENT NO. 2

RULES AND REGULATIONS

2. CONTRACT FOR GAS SERVICE - Continued

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 such Customer under regulations specified herein. In addition, to the extent that such Customer continues to purchase natural gas or natural gas transportation service from the Company, 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.

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:

(a) Applicant 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) Applicant agrees that the Company may at any time cancel service upon thirty (30) days' written notice to applicant and applicant agrees that upon receipt of such notice of cancellation to immediately discontinue his connection for 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 Law.

(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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UGIII EXHIBIT NO. JD-6

TO

UGIII STATEMENT NO. 2

DEFINITIONS - GENERAL - CONTINUED

Commodity:	The gas delivered to a Customer during the billing month.
Company:	UGI Utilities, Inc. - Gas Division
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 including the Company's obligations pursuant to 1307 (f) gas procurement activities, but not solely for other economic reasons. DFDs will be communicated to affected Customers or NGSs 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.

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UGIII EXHIBIT NO. JD-7

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UGIII STATEMENT NO. 2

DEFINITIONS - GENERAL - CONTINUED

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.
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 including the Company's obligation pursuant to 107 (f) gas procurement activities, but not solely for other economic reasons. OFOs will be communicated as soon as reasonably practical to affected Customers or NGSs 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.

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UGIII EXHIBIT NO. JD-8

TO

UGIII STATEMENT NO. 2

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, 0.5% 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(h), 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 +/-10.0% 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 +/-10.0% 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:

Shortfall Percent	Cash-Out Price
Up to 5%	Average Monthly Index ("AMI")
Greater than 5%, but not greater than 15%	AMI x 1.1
Greater than 15%, but not greater than 25%	AMI x 1.3
Greater than 25%	AMI x 1.5

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2015-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	Docket Nos. C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
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UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT NO. JD-9

TO

UGIII STATEMENT NO. 2

RULES AND REGULATIONS

4. SERVICE - SUPPLY FACILITIES

4.1 Facilities Ownership. Unless otherwise mutually agreed 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 the 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 premise, 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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	:	
UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT NO. JD-10

TO

UGIII STATEMENT NO. 2

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, heating 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 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

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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UGI Utilities, Inc. – Gas Division	:	

VERIFICATION

I, Jason Davey, Energy Manager at Carpenter Technology Corporation, hereby state that the facts set forth in UGI Industrial Intervenors ("UGIII") Statement No. 2 (Direct Testimony and Exhibits of Jason Davey), Statement No. 2R (Rebuttal Testimony of Jason Davey), and Statement No. 2-SR (Surrebuttal Testimony of Jason Davey) are true and correct to the best of my knowledge, information, and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

5-31-16
Date

Signature

UGIII STATEMENT NO. 2R

6/2/16 [illegible]

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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v.	:	
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Office of Small Business Advocate	:	**C-2016-2528559**
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Joseph P. Sandoski	:	**C-2016-2529638**
	:	
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	:	
UGI Utilities, Inc. – Gas Division	:	

REBUTTAL TESTIMONY

OF

JASON DAVEY
OF CARPENTER TECHNOLOGY CORPORATION,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Issues Addressed:
Negotiated Rates
System Bypass

MAY 10, 2016

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
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UGI Utilities, Inc. – Gas Division	:	

**REBUTTAL TESTIMONY OF JASON DAVEY
OF CARPENTER TECHNOLOGY CORPORATION,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")**

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Jason Davey. My business address is P.O. Box 14662 – 101 West Bern Street, Reading, Pennsylvania 19612.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Carpenter Technology Corporation ("CarTech") as a member of the UGI Industrial Intervenors ("UGIII").

Q. ARE YOU THE SAME PERSON WHO PROVIDED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. HAVE YOU REVIEWED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. I reviewed the Direct Testimony of Glenn A. Watkins, who testified on behalf of the Pennsylvania Office of Consumer Advocate ("OCA") in this matter.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. This statement addresses OCA's allegations regarding negotiated rates and the prevalence of system bypass opportunities. OCA claims that customers under Rate XD lack opportunities to bypass UGI's system because of their distances from substitute sources of gas supply. Furthermore, Watkins recommends that UGI be prohibited from negotiating any additional Rate XD flex contracts until revised Rate XD tariff provisions are established. On behalf of UGIII, I oppose the OCA's allegations and recommendations.

Q. DOES CARTECH HAVE THE OPPORTUNITY TO BYPASS UGI'S DISTRIBUTION SYSTEM?

A. Yes. CarTech is currently evaluating the possibility of bypassing UGI's system and connecting directly with interstate pipelines. As our company continues to expand its operations, its gas requirements increase. CarTech believes that a system bypass may enable a more efficient and consistent gas supply system that meets CarTech's increasing gas requirements.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF OCA WITNESS WATKINS'S DIRECT TESTIMONY ON PAGE 27 AT LINES 10 THROUGH 29, PAGE 28 AT LINES 1 THROUGH 9, AND PAGE 40 AT LINES 4 THROUGH 22.

A. Watkins's Direct Testimony claims there is no threat of bypass and therefore Rate XD Firm customers bear an insufficient amount of UGI's rate increase as compared to other rate classes. Watkins conducted an independent study and determined that distance to substitute gas supply is not enough to garner negotiated contracts with negotiated rates as incentives to remain with UGI's system. Watkins claims that it is virtually impossible for "a private firm with no powers of eminent domain" to obtain the land rights necessary to build lengthy pipelines, notwithstanding the financial expense involved in building and maintaining those pipelines. Watkins also alleges that "many (if not most) of the XD Firm customers use the Company's distribution facilities in a joint manner just like any other customer that is served under Commission established rates."

Watkins continues his critique of UGI's negotiated rates by claiming the distribution fees imposed on XD Firm customers are "in many cases exceptionally low – so low in fact, that they cannot be justified as being fully compensatory." Because these customers' rates are low, Watkins argues that UGI will "assign as few costs as possible to this class of customer in order to lend legitimacy to these exceptionally low rates." Watkins believes that UGI's reluctance to raise these customers' rates "circumvents the regulatory pricing authority and responsibility of this Commission."

Q. DO YOU HAVE A RESPONSE TO OCA WITNESS WATKINS'S ASSERTIONS ON PAGE 27 AT LINES 10 THROUGH 29, PAGE 28 AT LINES 1 THROUGH 9, AND PAGE 40 AT LINES 4 THROUGH 22?

A. Yes, I do. Watkins only considered distance to alternative sources of supply when he determined there is a lack of bypass opportunities for customers connected to UGI's system. This is an unrealistic and narrow perspective of the factors customers consider when considering a system bypass opportunity. Cost stability and service reliability are very important elements that could make a longer bypass pipeline project more feasible and desirable. For longstanding companies like CarTech, who have remained in operation for over 100 years and will continue to operate, a long-term return on initial investment is not a great deterrent.

Various regulatory uncertainties also factor into customers' decision-making processes. Such regulatory uncertainties include Distribution System Improvement Charge ("DSIC") proceedings, base rate proceedings, and other Pennsylvania Public Utility Commission ("PUC" or "Commission") proceedings where the rates, terms, and conditions of service for large customers are revisited. If UGI begins to file frequent base rate cases and proposes to apply DSICs against Rate XD customers, then their rates will rise and efforts to explore system bypass opportunities may increase.

Furthermore, OCA's Direct Testimony only discusses the distribution fees paid by Rate XD customers; it neglects to consider the beneficial impact of having Rate XD customers on the system because they offset UGI's fixed costs associated with its service. If distribution rates increase, customers will likely seek to bypass UGI's system in order to obtain reliable service at a lower price and consistent quality. If more Rate XD customers leave UGI's system, then other customer classes, including the residential customers, will be forced to bear additional costs.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF OCA WITNESS WATKINS'S DIRECT TESTIMONY AT PAGE 40, LINES 26 THROUGH 29, AND AT PAGE 41, LINES 1 AND 2.

A. Watkins wants to change the terms and conditions by which Rate XD customers receive service. Specifically, he wants to amend the tariff provisions pertaining to Rate XD customers "to include appropriate pricing parameters" that will, in his view, guarantee just and reasonable rates. Watkins also recommends forbidding UGI from creating additional flex contracts under Rate XD until the Commission approves a revised Rate XD tariff.

Q. DO YOU HAVE A RESPONSE TO OCA WITNESS WATKINS'S ASSERTIONS AT PAGE 40, LINES 26 THROUGH 29, AND AT PAGE 41, LINES 1 AND 2

A. Yes, that recommendation should be rejected. Watkins's testimony presents a recommendation that unreasonably focuses on only one of many factors that are considered by a customer evaluating a bypass opportunity. Customers should be able to negotiate their rates based on their unique circumstances. This will result in appropriate negotiated rates.

Rate XD customers such as CarTech consume copious amounts of energy during their manufacturing operations and consequently consider negotiated rates to be critical factors in their decision to take service from UGI. If flex contracts are prohibited in the future, then UGI's Rate XD customer base may decrease.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

UGIII STATEMENT NO. 2-SR

6/2/16 [illegible]

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2015-2518438
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	:	
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UGI Utilities, Inc. – Gas Division	:	

SURREBUTTAL TESTIMONY

OF

JASON DAVEY
OF CARPENTER TECHNOLOGY
CORPORATION,
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")

Issues Addressed:

Rule 1.4
Rule 4.1
Rule 7.3
Operational Flow Orders and Daily Flow Directives

MAY 25, 2016

(Corrected on June 1, 2016)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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UGI Utilities, Inc. – Gas Division	:	

**SURREBUTTAL TESTIMONY OF JASON DAVEY
OF CARPENTER TECHNOLOGY CORPORATION,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")**

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Jason Davey. My business address is P.O. Box 14662 – 101 West Bern Street, Reading, Pennsylvania 19612.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Carpenter Technology Corporation ("CarTech") as a member of the UGI Industrial Intervenors ("UGIII").

Q. ARE YOU THE SAME PERSON WHO PROVIDED DIRECT TESTIMONY AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. HAVE YOU REVIEWED REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes. I reviewed the Rebuttal Testimony of Mr. Robert R. Stoyko and the Rebuttal Testimony of Ms. Angelina Borelli, both of whom testified on behalf of UGI Utilities, Inc. – Gas Division ("UGI" or "Company") in this matter.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. My Surrebuttal Testimony responds to Mr. Stoyko's assertions regarding tariff Rules 1.4, 4.1, and 7.3 and Ms. Borelli's allegations regarding Operational Flow Orders ("OFOs") and Daily Flow Directives ("DFDs").

RULE 1.4

Q. PLEASE SUMMARIZE UGI WITNESS STOYKO'S COMMENTS REGARDING RULE 1.4 ON PAGE 15, LINE 11, THROUGH PAGE 19, LINE 18?

A. Mr. Stoyko claims it is unfair to permit meter combination at any time other than the date at which service is initiated to a location. He claims that at the time service is initiated, the Company compares anticipated revenues from that customer against the cost of serving them in order to justify the capital investment on their premises. The Company claims revenues are different depending on whether multiple meters are combined for billing purposes; each meter's costs are recovered through a corresponding customer charge, and if meters are combined, then UGI's anticipated revenues from a customer decrease because instead of receiving multiple customer charges UGI receives only one. If this election is made at the time service is established, the Company states it has sufficient notice and capability to increase a customer's responsibility for main extension costs to offset the revenue reduction. However, if a customer elects combination at a later time, the Company believes it would reduce revenues to the Company and prevent it from recovering its revenue requirement, ultimately forcing UGI to seek subsidies from other existing customers and rendering this investment uneconomic.

Q. HOW DO YOU RESPOND TO STOYKO'S ASSERTIONS REGARDING RULE 1.4?

A. I disagree with Mr. Stoyko's characterizations that meter combination cannot be allowed after initiation of service to the customer's premises. UGI seeks to categorically prohibit combination even when the resulting compensation would still be sufficient to meet UGI's tests. UGI should add language to Rule 1.4 permitting consideration of combined billing, at a minimum, in cases where a new contiguous property is purchased so long as the economics of the arrangement provide a revenue stream that justifies the arrangement, including any necessary investments by UGI.

RULE 4.1

Q. PLEASE SUMMARIZE MR. STOYKO'S COMMENTS REGARDING RULE 4.1 ON PAGE 27, LINES 6 THROUGH 24 OF HIS REBUTTAL TESTIMONY.

A. Mr. Stoyko acknowledges CarTech's concerns regarding ownership of fuel lines downstream of UGI meters to CarTech. He notes that Rule 4.1 adopts similar language found in tariffs for UGI Central Penn Gas and UGI Penn Natural Gas. The witness notes that a long time ago, UGI granted fuel lines to CarTech to permit it to combine its meters for billing purposes. Because Mr. Stoyko believes that UGI is working with CarTech to determine ownership of those lines, he does not see any need to modify the language of Rule 4.1.

Q. DO YOU AGREE WITH MR. STOYKO'S RECOMMENDATIONS REGARDING RULE 4.1?

A. No. Rule 4.1 says that the facilities belong to UGI, so the provision as it is presented is inconsistent with the situation at our facility. UGI must work with all impacted customers to confirm the ownership status of any facilities in question before it can claim any ownership of that infrastructure through a tariff change. Until UGI can establish that the new Rule 4.1 is not transferring facility ownership or that all impacted customers have explicitly agreed, the Pennsylvania Public Utility Commission ("PUC" or "Commission") should not approve UGI's new tariff change.

RULE 7.3

Q. PLEASE SUMMARIZE MR. STOYKO'S RECOMMENDATIONS REGARDING RULE 7.3, DISCUSSED ON PAGE 32, LINE 7, THROUGH PAGE 34, LINE 2 OF HIS REBUTTAL TESTIMONY.

A. Proposed Rule 7.3 permits UGI to decline higher pressure deliveries "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." Rule 7.3 also requires customers that receive elevated pressure deliveries to pay for and install devices that correct meter readings for pressure and temperature. Mr. Stoyko rejects CarTech's recommendations to add language to Rule 7.3 defining pressure and temperature correction methods, permitting negotiation of cost responsibility, and removing language from the tariff that gives UGI the unilateral right to reject elevated pressure deliveries. The witness believes it is fruitless to attempt to account for every potential non-standard service situation in advance through tariff language. In addition, he does not see any issues with requiring the customer to pay for instrument installations. Ultimately, Mr. Stoyko advises that customers should pursue litigation at the PUC if they believe that UGI is acting unreasonably.

Q. DO YOU AGREE WITH MR. STOYKO'S ASSERTIONS REGARDING RULE 7.3?

A. No, I do not. UGI granted CarTech certain downstream facilities which operate at elevated pressures, and now UGI seeks to retain the unilateral right to charge customers for pressure correction instruments in order to receive service, or, alternatively, reject service to customers with high pressure facilities. Although UGI claims it cannot develop criteria that meets every non-standard situation, UGI itself seeks to do this in its tariff to the detriment of all customers. Furthermore, UGI's ultimate argument appears to be "take it to the Commission" if a customer has a problem. This argument is bad policy and unfair to customers. Litigation consumes valuable resources that could be diverted to more worthwhile endeavors if this language was modified to be more reasonable.

Rule 7.3 should be revised to clearly outline the method for determining the cost of pressure correction and identify the fixed and variable factors that determine the correct energy consumed and corrected. This rule should also be modified to allow UGI to negotiate cost responsibility for installation of pressure correction mechanisms. UGI should not be permitted to unilaterally reject a customer's request for non-standard service at elevated pressure, especially when UGI gives high pressure lines to customers.

OFOs AND DFDs

Q. PLEASE SUMMARIZE WITNESS BORELLI'S ASSERTIONS REGARDING DEFINITIONS OF DFDs AND OFOs ON PAGE 13, LINES 4 THROUGH 12 OF THE WITNESS'S REBUTTAL TESTIMONY.

A. Witness Borelli does not agree with UGIII that DFDs and OFOs allow UGI to make calls for economic reasons. Borelli claims that UGI has "certain statutory least cost fuel procurement and reliability obligations to its core market customers." Apart from those statutory mandates, the witness asserts that UGI's proposed definitions of OFOs and DFDs indicate they won't be called "solely" for other economic reasons.

Q. WHAT IS YOUR RESPONSE TO THE WITNESS'S STATEMENTS REGARDING CAUSES OF SERVICE INTERRUPTIONS?

A. I disagree with Ms. Borelli's claim. The "economic" reasons that I referenced are the *1307(f) provisions. This is an "economic" reason that reduces one customer's (or group* of customers) costs by impairing our right to fully use the transportation service that we are paying for. Although I am not a lawyer, based upon my discussion with UGIII counsel, it is my understanding that UGI has many obligations under the Public Utility Code, and 1307(f) is just one of them. Another obligation is restructuring industry in a way that does not unreasonably discriminate against one class for the benefit of others. 66 Pa. C.S. § 2203(5). Allowing the use of DFDs to minimize 1307(f) costs unreasonably discriminates against transportation customers.

Q. MS. BORELLI ALSO ASSERTS THAT CUSTOMERS RECEIVE SUFFICIENT INFORMATION ABOUT DFDs AND OFOs THROUGH UGI'S NOTICES AND THEIR CUSTOMER REPRESENTATIVES. DO YOU AGREE?

A. No. Ms. Borelli's response fails to explain why CarTech's recommendations should be rejected. She claims that customers receive sufficient information about DFDs and OFOs through UGI's notices and their customer representatives, but in my experience UGI's customer representatives consistently failed to provide CarTech with ample notice of impending DFDs and OFOs and failed to adequately explain the reasons for these calls. UGI needs to amend its DFD and OFO provisions to reflect that only reliability problems will prompt issuances of DFDs and/or OFOs. Furthermore, UGI should modify its tariff to provide objective criteria that will be applied in determining whether penalties should be imposed upon customers for unauthorized usage of gas during a DFD or OFO period. In addition, the tariff should require UGI to share any relevant system planning information with large transportation customers each fall so that they can plan for the winter season. Finally, UGI's tariff should obligate UGI to give customers more details explaining why OFOs and DFDs are being issued, since these customers' rates pay for system upgrades and if there are problems with those systems impeding supply then customers deserve to know why their investments are not resolving the issue.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

UGIII STATEMENT NO. 3

6/2/16

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2015-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	Docket Nos. C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph P. Sandoski	:	C-2016-2529638
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

**DIRECT TESTIMONY
AND EXHIBITS**

OF

**MICHAEL TRZESNIOWSKI
OF LEHIGH UNIVERSITY,
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")**

**Issues Addressed:
Combination of Meters (Rule 1.4)
Energy Efficiency and Conservation Rider (Rider G)**

APRIL 12, 2016

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
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v.	:	
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UGI Utilities, Inc. – Gas Division	:	

DIRECT TESTIMONY OF MICHAEL TRZESNIOWSKI
OF LEHIGH UNIVERSITY,
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Q. PLEASE STATE YOUR FULL NAME AND OFFICIAL MAILING ADDRESS.

A. My name is Michael Trzesniowski. My official mailing address is 27 Memorial Dr. W, Bethlehem, Pennsylvania, 18015.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Lehigh University ("Lehigh") as a member of the UGI Industrial Intervenors ("UGIII").

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR CURRENT POSITION?

A. I am employed by Lehigh as an Associate Director – Facilities Services.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.

A. I have a Bachelor of Science in Mechanical Engineering from Drexel University, a Professional Engineer certification from the Commonwealth of Pennsylvania (Certification No. PE037509E), and Certified Energy Manager and Certified Energy Procurement Professional credentials from the Association of Energy Engineers. I have managed engineering, operations, and maintenance for Lehigh's campus since 1995. Previously, I was a power production engineer at PPL Electric Utilities ("PPL"), a boiler engineer at Keeler-Dorr Oliver, and a loss consultant engineer for FM Global. UGIII Exhibit No. MT-1 summarizes my professional experience.

Q. WHAT ARE YOUR RESPONSIBILITIES AT LEHIGH IN YOUR CURRENT POSITION?

A. My primary responsibility is energy management, including procurement, project engineering, and recordkeeping. My other responsibilities include utility operations and maintenance for 160 buildings (which house academic departments, athletic departments, laboratories, residential departments, fraternities, auxiliary services, and/or other tenants). These 160 buildings are spread over 1,650 contiguous acres on three campuses: the Asa Packer Campus, the Murray H. Goodman Campus, and the Mountaintop Campus.[1] We provide electric power via our own 69 kV substation and a 12 kV distribution system; we also provide steam heating and cooling from two central plants. We own, operate, and maintain that infrastructure. My department is entitled "Facilities Services" and this

[1] Lehigh technically owns 2,358 acres. However, a non-contiguous portion of that acreage, the Stabler Campus, is essentially acreage for sale. Lehigh's Facilities Services department outsourced management of the Stabler Campus. Therefore, the Facilities Services department manages buildings across 1,650 contiguous acres.

encompasses the entire universe of professional building operations and maintenance support for over 8,000 faculty, staff, and students.

Q. HAVE YOU EVER PROVIDED TESTIMONY BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION ("PUC" OR "COMMISSION") OR ANY OTHER REGULATORY BODY IN A PREVIOUS PROCEEDING?

A. No.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony discusses the impact of UGI's proposed Tariff provisions on Lehigh's operations. Specifically, Rule 1.4 unreasonably restricts Lehigh from combining its use of gas from meters at different locations on Lehigh's property for billing purposes. Because of this prohibition, Lehigh incurs significant administrative burdens as it manages numerous invoices per month. Rule 1.4 also hinders efficient procurement efforts.

In addition, UGI proposes a mandatory Energy Efficiency and Conservation ("EE&C") Rider for customers taking service on certain rate schedules, including Rate Schedule LFD, despite the fact that Pennsylvania does not require natural gas distribution companies to have EE&C plans in place. To the extent UGI is voluntarily choosing to implement an EE&C program, UGI customers also should be given the choice to participate. This is especially important for large transportation customers like Lehigh who have already invested in EE&C measures and will receive little, if any, direct benefit from UGI's proposed EE&C program.

Q. PLEASE PROVIDE AN OVERVIEW OF LEHIGH.

A. Lehigh is an American private research university located in Bethlehem, Pennsylvania. It has a total undergraduate enrollment of 5,062 students on three campuses that altogether span 2,358 acres. Over the last 20 years, Lehigh has grown significantly; Lehigh installed 14 new buildings or significant additions on the university's three campuses. In addition, there is continual renovation of older legacy buildings such as Williams, Coxe, Coppee, Linderman, Lamberton, and Wilbur. These buildings have new gas services for emergency generators. We have also eliminated fuel oil heating in smaller satellite buildings and installed new high efficiency gas boilers that necessitated new services. Considering all of the work accomplished since the original aggregation of meters, we now have 42 separate accounts that are not on Lehigh's master meter bill. In the coming years, Lehigh is expected to continue growing. In fact, we have a real estate office constantly searching for new properties.

Q. PLEASE DESCRIBE LEHIGH'S NATURAL GAS NEEDS.

A. Lehigh consumes considerable amounts of natural gas in its daily operations. The institution relies upon large volumes of natural gas in order to heat university facilities, promote scientific and engineering endeavors, etc. Our two central plants consume well over 300,000 Mcf of gas annually for steam boiler operation via two LFD account meters. The remaining 104 meters provide gas for cooking, emergency generators, space heating, and domestic water heating, typically for buildings where connection to the central plant is not economically viable. Non-LFD consumption is estimated to exceed 60,000 Mcf annually. We have spent in excess of $100,000 over the last decade to sleeve the underground gas distribution network at our Mountaintop Campus because we inherited a private system from Bethlehem Steel and have to continually deal with leaks in the 1950-vintage piping.

Q. DOES LEHIGH RECEIVE SERVICE FROM UGI UTILITIES, INC. - GAS DIVISION ("UGI")?

A. Yes. Lehigh receives commodity and/or delivery service from UGI under multiple rate schedules, including Rate Schedules LFD, N, NT, NDS, and RS. Lehigh currently has 106 separate meters taking service under these various Rate Schedules. The majority of Lehigh's natural gas requirements are met under Rate Schedule LFD.

Q. PLEASE DESCRIBE HOW UGI INVOICES LEHIGH EACH MONTH.

A. Of Lehigh's 106 meters, 64 are combined under one account that is billed each month (*i.e.*, the "master meter bill"). For this combined account, Lehigh receives two invoices – one from UGI for delivery service and one from Lehigh's supplier for the commodity.

Q. HOW ARE LEHIGH'S REMAINING 42 METERS INVOICED EACH MONTH?

A. Lehigh's remaining 42 meters are invoiced separately each month. This amounts to 84 invoices per month (or 1,008 invoices per year), because each meter receives delivery service and competitive supply service, and each service is invoiced separately.

Q. PLEASE EXPLAIN THE IMPACT OF HAVING SEPARATE INVOICES FOR THE 42 METERS YOU JUST DESCRIBED.

A. Processing 84 invoices per month is very burdensome. If I had to quantify the additional time it takes our billing clerk to process the invoices for these accounts, I would estimate it amounts to several additional hours each month. This is an inefficient use of time that could be spent doing more productive work.

The inability to combine these meters with Lehigh's combined account also hinders Lehigh's ability to procure its natural gas needs in a cost-effective manner. If Lehigh could add its 42 meters to its existing combined account, Lehigh could shop for its total natural gas requirements on an annual basis. Instead, Lehigh is precluded from combining these accounts, which forces Lehigh to receive service at less favorable rates. Lehigh estimates that this results in an additional cost burden of approximately $32,000 per year.

Q. TO THE BEST OF YOUR KNOWLEDGE, WHY IS LEHIGH PRECLUDED FROM COMBINING ITS METERS FOR BILLING PURPOSES?

A. My understanding is that UGI will not allow Lehigh to combine its gas usage under multiple meters due to Rule 2.4 of the current Tariff. *See* Rule 2.4 at UGIII Exhibit No. MT-2. The way that I read Rule 2.4 is that a customer has the right to receive combined billing only when the initial service is set up. In other words, it is a "once and done" deal.

Q. HAS LEHIGH PREVIOUSLY CONTACTED UGI ABOUT PROBLEMS WITH RULE 2.4?

A. Yes. Lehigh previously contacted UGI to combine its gas usage for billing services after initial service had been established. UGI, however, said that such combination was not possible. I cannot locate any formal letter from UGI, but I recall a phone conversation with a marketing representative who informed me that the aggregation was a one-time event and no additions were permitted. Records in my file indicate that Lehigh's efforts to combine the separately invoiced accounts with its master bill occurred in or around 1999.

Q. DOES UGI'S PROPOSED TARIFF CONTAIN A PROVISION THAT IS SIMILAR TO RULE 2.4?

A. Yes. Rule 2.4 of the current Tariff resembles proposed Rule 1.4 of the new Tariff. *See* Rule 2.4 at UGIII Exhibit No. MT-2 and Rule 1.4 at UGIII Exhibit No. MT-3.

Q. BASED ON YOUR READING OF PROPOSED RULE 1.4, DOES IT CONTAIN ANY NOTABLE DIFFERENCES FROM CURRENT RULE 2.4?

A. Rule 1.4 seems to be very similar to Rule 2.4. Both rules prevent customers from combining gas usage at multiple locations for billing purposes if the customer did not elect this option at the time initial service was established. That said, proposed Rule 1.4 might be broader than Rule 2.4 with respect to the definition of premises. Rule 2.4 discusses combinations of gas for billing purposes as it pertains to "one meter at one premise." *See* Rule 2.4 at UGIII Exhibit No. MT-2. One the other hand, Rule 1.4 applies to combinations of gas supply "through one meter at the same or contiguous property." *See* Rule 1.4 at UGIII Exhibit No. MT-3.

Q. WHAT IS YOUR CONCERN REGARDING UGI'S PROPOSED RULE 1.4?

A. Rule 1.4 addresses the right of a customer taking service at two or more locations to combine gas usage for billing purposes. *See* Rule 1.4 at UGIII Exhibit No. MT-3. Like Rule 2.4 in the current Tariff, Rule 1.4 only permits customers to elect to combine their gas usage for billing services at the time initial service is established. *See id.*

Rule 1.4 would not provide any opportunity to lessen the administrative burden caused by the separate invoicing of Lehigh's 42 meters. Processing separate invoices consumes numerous administrative and financial resources and ultimately prevents Lehigh from applying those resources toward other more productive endeavors. In addition, Rule 1.4 will prevent Lehigh from procurement gas supply in a cost-effective way.

As Lehigh's campus grows and expands in the future, the negative impacts of Rule 1.4 will be amplified. From an end user's perspective, Rule 1.4 serves as a disincentive to grow a business and hurts economic growth in terms of building trades (construction) and employment (building staff). To expand upon this statement, consider an older campus served by an inefficient central plant. Engineering studies might recommend decentralized heating boilers to increase efficiency (and reduce greenhouse gases) and provide improved reliability for the occupants. Measurement is management, and the ability to shop the commodity requires an ability to provide a realistic load profile. This is difficult when meter reads are spread out over different dates and clerical effort is required to update and provide accurate numbers. One monthly bill with all of the meter reads summarized is the holy grail of energy management. But if the utility allows only "one time" and that time happened 20 years ago, how does that help going forward? It's 2016 and my opinion is that UGI should invest in automated meter reading ("AMR") and a user-friendly website (such as PPL EU). AMR data transfer to a master bill appears to be a simple task. If UGI can accomplish this for 64 meters today, why do the remaining 42 (or whatever number it may be in the future) present such an insurmountable task? From a business perspective, UGI is still the natural gas distribution company and will collect a fee every month no matter how the billing is accomplished. So why not help the customer manage its cost/consumption? If a customer is comfortable with cost of service predictions and can nominate accurate volumes, then it's a win-win for both parties.

Q. ARE ANY OF THE 42 INDIVIDUAL ACCOUNTS SIMILAR IN USAGE TO ACCOUNTS THAT ARE INCLUDED IN THE COMBINED MASTER METER BILL?

A. Yes. The individual accounts range from a 450-bed dormitory down to an 8 kW emergency generator. Large consumers to small consumers, there is absolutely no difference in the mix of accounts (in terms of consumption) on the combined master meter bill. In fact, the 60,000 Mcf non-LFD total is split nearly 50/50 between master meter bill and 42 separate invoices.

Q. WHAT IS LEHIGH'S RECOMMENDATION FOR AMENDING RULE 1.4?

A. Lehigh recommends that UGI modify the language of Rule 1.4 to be more accommodating to customers who experience growth in their natural gas requirements. Specifically, the "once and done" language that prohibits customers from combining gas services into a single bill after the time initial service is established to the premises should be eliminated. Rule 1.4, as proposed, preserves an outdated practice that has been in effect since 1995. Over the past 21 years, Lehigh's campus expanded considerably and, consequently, its gas consumption increased. Lehigh firmly believes that permitting customers to combine their gas for billing purposes at any time will facilitate a streamlined, efficient, and effective billing process that best serves all parties.

Q. WHAT IS YOUR CONCERN REGARDING UGI'S PROPOSED EE&C RIDER?

A. UGI proposes an EE&C Plan for years 2017 through 2021. That EE&C Plan relies upon an EE&C Rider to recover costs associated with EE&C programs. This EE&C Rider will be computed separately for each of the following customer classes: (i) residential customers served under Rates R and RT; and (ii) non-residential customers served under

Rates LFD, N, NT, and DS. *See* EE&C Rider at UGIII Exhibit No. MT-4. The initial EE&C Rider rates are as follows: (i) Rates LFD, N, NT, and DS will pay $0.0278 per Mcf and (ii) Rates R and RT will pay for $0.0778 per Mcf. *Id.* As proposed, the EE&C Rider would not apply to Rate XD. *See id.*

While Lehigh does not oppose implementation of an EE&C Rider in concept, Lehigh questions UGI's basis for applying this non-bypassable rider to the Rate Schedules identified above. The Commonwealth does not impose mandatory EE&C obligations on gas utilities. Furthermore, UGI's proposed EE&C Rider establishes a per Mcf charge, which would cause large transportation customers, such as Lehigh, to incur considerable additional costs. This is unreasonable because such customers, like Lehigh, have already invested in various EE&C measures. As such, large transportation customers will realize little, if any, direct benefit from the proposed EE&C program.

Q. PLEASE ELABORATE ON THE EE&C MEASURES LEHIGH HAS IMPLEMENTED.

A. Lehigh has a Sustainability Office and we have invested capital annually in projects to reduce our energy usage. We have eliminated #6 oil as a fuel source, upgraded the boiler plant controls, added new economizers, replaced all non-central heating oil boilers with high efficiency gas boilers, expanded our direct digital control network, and empowered staff to focus on energy and sustainability initiatives to help reduce greenhouse gas emissions. *See* "Energy Initiatives, Projects, and/or Achievements Since 2005" at UGIII Exhibit No. MT-5. Finally, payback and common sense drive our energy reduction initiatives. If it makes economic sense, then we will do it. To put this in context, none of our electrical efficiency projects were influenced by PPL via the Act 129 monies. Taking money from our gas bills to subsidize other consumers does nothing to help Lehigh other than increase our cost of service.

Q. WHAT DOES LEHIGH RECOMMEND FOR UGI'S PROPOSED EE&C RIDER?

A. Lehigh recommends that the EE&C Rider apply only to those customers who opt-in to the EE&C program. If gas consumers believe the program has value, then they will choose to participate in the program. Alternatively, Rate LFD should be excluded because those accounts are more sophisticated and can implement efficiency on their own as Lehigh has done.

Other movements have begun in the Commonwealth to permit large commercial and industrial customers to opt out of various EE&C programs for electric service. For example, Senate Bill 805 remains on the calendar at the Pennsylvania General Assembly. Should it be enacted, this bill would amend Section 2806.1(b)(ii) of the Pennsylvania Public Utility Code to permit large commercial and industrial customers to opt out of participation in an electric utility's Act 129 EE&C Plan.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Office of Small Business Advocate	:	**C-2016-2528559**
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UGIII EXHIBIT NO. MT-1

TO

UGIII STATEMENT NO. 3

MICHAEL TRZESNIOWSKI, PE CEM
3841 Ohley Court • Bethlehem, Pennsylvania 18020
484-357-3241 • mat3@lehigh.edu

ENGINEERING & UTILITIES DIRECTOR

Dynamic engineering and utilities manager with over 20 years of experience assuring optimal energy performance, building maintenance, and supply of large-scale, multi-site company facilities.

- Proven history of success assuring 100% reliability at minimal costs through skilled planning and implementation of utility production, purchasing, and distribution.
- Energy efficiency and conservation expert with demonstrated skill auditing energy usage and implementing strategies that cut costs and reduce consumption.
- Notable skill in negotiating with utility suppliers, hedging and coordinating profitable purchase and sale of NYMEX futures to generate new revenue.

Power Plant Engineering • Energy Efficiency • Building, Plant, & Facility Maintenance & Commissioning
Fuel Procurement • Energy Management • High-Voltage Electric Power • Sustainability Audits
DDC • HVAC • PLC • SCADA • Energy Audits • Boiler Maintenance • Utility Services
Construction Management • Continuous Improvement • Finance • Staff Development
Disaster Planning • Root Cause Analysis • Regulatory Compliance • Contract Negotiations

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PROFESSIONAL EXPERIENCE

LEHIGH UNIVERSITY, Bethlehem, Pennsylvania • 1995-Present
Large university with approximately 6,500 students and 1,900 faculty and staff.

Associate Director: Engineering, Operations, & Maintenance
Serve as primary leadership force for maintenance, repair and operation of 164 buildings across 3 campuses (1650 acres) as leader of 26-person team. Direct building and site engineering, laboratory maintenance, utility supplies, energy-saving initiatives, life safety and HVAC functions. Manage operations of 69/12kV power substation and 2 central heating and refrigeration plants. Conduct environmental, facility condition assessment and energy-use audits facility-wide. Manage and oversee $26 million department budget. Supervise new building commissioning and capital project planning.

- Negotiated 25% cost reduction contracts with electric and natural gas suppliers through market-based pricing and hedging. Navigated real-time electric market successfully.
- Secured revenue growth by buying and selling NYMEX futures and hedging gas against oil at central facilities.
- Achieved over $1 million in savings through re-organization of O&M staff to enhance customer service and optimize outsourcing strategies.
- Directed funding and large-scale refurbishment / recommissioning of 1960's-era substation, boosting energy efficiency and reducing costs.
- Assured 99.99% service availability while overseeing engineering, procurement, and construction of key projects worth over $10 million.
- Achieved numerous awards for fast and competent response to weather emergencies.

T4 ENGINEERING, LLC, Bethlehem, Pennsylvania • 2006-2012
Energy auditing and procurement services firm serving universities and businesses in Lehigh Valley area.

President
Provide expert planning, strategy, and implementation leadership to 5 major universities and numerous business clients throughout Lehigh Valley area in energy auditing and procurement.

- Secured over $100,000 in savings within 12 months for key client through key investment recommendations.

EDUCATION

Bachelor of Science in Mechanical Engineering
Drexel University, Philadelphia, Pennsylvania

LICENSES & CERTIFICATIONS

Registered Professional Engineer, Pennsylvania (PE037509E)
Certified Energy Manager
Certified Energy Procurement Professional
Certified Energy Auditor
Licensed Master Electrician
Certified Refrigerant Technician: Universal

PROFESSIONAL AFFILIATIONS

Association of Physical Plant Administrators (APPA)
American Society of Mechanical Engineers (ASME)
Association of Energy Engineers (AEE)
American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE)

PROFESSIONAL DEVELOPMENT

MBA Studies: Lehigh University
Master of Science in Mechanical Engineering Studies: Drexel University

EPRI • GE • L&N • A-B • IAQ Diagnostics: US EPA / MAEHRC Hands-on Assessment
Square D Powerlogic Products • Siemens PPCL / Apogee 600 Engineering & Operations
Johnson Controls Facilitator • DX9100 Engineering & Operations • Allen-Bradley PLC-5
Power Quality Investigation: Dranetz Field Manual • SKM Power Tools Software
Ind/Com Relay Coordination • SEL Utility SCADA & Distribution Automation

PROFESSIONAL EMPLOYMENT HISTORY

Pennsylvania Power & Light, 1986 – 1995
Keeler Dorr-Oliver Boiler Company, 1985 – 1986
FM Global, 1983 – 1985
Atlantic Richfield Company, 1980 - 1982

"Very few beings really seek knowledge in this world. Mortal or immortal, few really ask. On the contrary, they try to wring from the unknown the answers they have already shaped in their own minds -- justifications, confirmations, forms of consolation without which they can't go on. To really ask is to open the door to the whirlwind. The answer may annihilate the question and the questioner."

-Anne Rice

"The question is not what you look at but what you see."

-Thoreau

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
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UGIII EXHIBIT NO. MT-2

TO

UGIII STATEMENT NO. 3

RULES AND REGULATIONS (Continued)

2. CONTRACT FOR GAS SERVICE (Continued)

2.4 Application of Rates. The rates named in this Tariff are based upon supply to one Customer through one meter at one premise. 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 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 on or after January 8, 1994 may do so only at the time initial service is established to the premises and 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. Customers may not pool together for purposes of qualifying for a rate schedule. Service to churches and to elementary and secondary schools served on December 31, 1982 shall be treated as residential service only for the purpose of fixing their minimum bill under the rates named in this Tariff.

(C) 2.4.1 Selection of Rate Schedule. 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 Term of Contracts. Standard service contracts for service other than to Rates R and RT shall be for a term of at least one (1) year. Service may be supplied for a shorter term contract when the Company has available capacity, provided a charge may be collected to meet the cost of the supply and discontinuance of such short term service.

(C) 2.6 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.

(C) 2.7 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 in Section 2.6.

(C) 2.8 Compliance with Availability Provisions. The use of the Company's service shall not be for any purpose other than that covered by the availability provisions of the rate under which service is supplied.

(C) 2.9 Resale of Gas. Gas service is provided upon the express condition that it shall be supplied exclusively by the Company and that the Customer shall not sell, or otherwise dispose of, the gas or any part thereof without the written consent of the Company.

(C) Indicates Change

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UGIII EXHIBIT NO. MT-3

TO

UGIII STATEMENT NO. 3

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

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 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 may do so only at the time initial service is established to the premises and 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. 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.

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UGIII EXHIBIT NO. MT-4

TO

UGIII STATEMENT NO. 3

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
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UGI Industrial Intervenors	:	**C-2016-2529436**
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VERIFICATION

I, Michael Trzesniowski, Associate Director – Facilities Services, Lehigh University, hereby state that the facts set forth in UGI Industrial Intervenors ("UGIII") Statement No. 3 (Direct Testimony and Exhibits of Michael Trzesniowski) and Statement No. 3-SR (Surrebuttal Testimony and Exhibit of Michael Trzesniowski) are true and correct to the best of my knowledge, information, and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

6/1/16
Date

Michael Trzesniowski
Signature

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 two customer classes:

1. Residential customers served under Rate Schedules R, RT.

2. Non Residential customers served under Rate Schedules N, NT, DS and LFD.

EEC Rider Rate:

Residential	$0.0778/Mcf
Non-Residential	$0.0278/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:

   Residential EEC Rider = (Cr / Sr) - (Er / Sr) 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.

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 EECP 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 EECP 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 EECP approved by the Commission or through continuation of the EEC Riders until full recovery or refunding has occurred.

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UGIII EXHIBIT NO. MT-5

TO

UGIII STATEMENT NO. 3

Energy Initiatives, Projects, and/or Achievements Since 2005

Policy: Concentrated Upgrade & Repair of Buildings (CURB). This principle has been applied over the last decade. It means we don't simply change a failed component such as a motor or pump. We examine the entire envelope surrounding the component and ask what could be done to improve efficiency.

Summary: The biggest opportunities to reduce energy consumption (top-to-bottom): lighting, steam systems, HVAC, motors, drives, and building envelope. Nearly every job falls into one of three categories: thermal conversion efficiency improvement, electrical utilization improvement, or conservation.

Lighting Improvement Projects (Electrical Utilization)
- Rauch Field House metal halide to T5HO.
- Tennis Center mercury vapor to T5HO.
- Stabler Arena metal halide to T5HO.
- ZAC Garage metal halide to T8HO.
- EWFM first floor.
- Packer CH&R metal halide to T5HO.
- MTC CH&R to occ sensors/dimmable ballast Lutron system.
- Seven MERs converted to occ sensors/T5HO.

Steam System Improvement Projects (Thermal Conversion/Utilization Improvement)
- Boiler controls modernized on six main units; includes variable speed drives on fans, oxygen trim on fuel firing, accurate metering, and automated data acquisition.
- New economizers dedicated to natural gas on two boilers. New economizers dedicated to #6 oil on two other boilers.
- Nearly 2000 LF of steam line replaced; includes uprated insulation.
- Steam trap testing/repair/replacement program implemented.
- Low flow boiler feed pumps dedicated to one boiler (50 -> 15HP).
- Extensive testing/aggressive replacement of condensate return systems.

HVAC System Improvements
- Aerius fans to reduce stratification at Stabler.
- Expansion of central temperature/schedule monitoring to satellite buildings.
- CO_2 outside air controls in several large volume spaces.
- Replaced all #2 fuel oil boilers in satellite buildings with HE natural gas units.
- Replaced MMBTU boilers with HE aluminum units in Cent II, Rathbone.

Motors/Variable Speed Drives
- Standardized on premium efficiency replacement units.

- Standardized on ABB variable speed drives.
- Cooling tower fans converted to VSDs.
- Largest air handlers converted to VSDs.

<u>Workload Analysis</u>
- Contracted condenser cleaning and chiller maintenance via MSA.
- Contracted water treatment campuswide via MSA.
- Contracted DDC information technology/PM service contracts via MSA.
- Contracted emergency generator maintenance.
- Contracted thermal insulation and assigned in-house "guru".

<u>"If you can't measure it, you can't manage it."</u>
- All PPL (electric) accounts are tracked via website (opt-in).
- All LU high voltage tracked via IEDs at distribution points.
- Standardized on Veris steam meters and Siemens chilled water/BTU meters.
- All gas, water and electricity consumption is recorded monthly, by building.

<u>Conservation</u>
- Occupancy sensors in many offices/public spaces.
- Higher SEER satellite air conditioning.
- Daylight sensors for site lights with maintenance bypass.
- Standardized on low rise electrical transformers.
- Annual setpoint/occupancy schedule audits.
- Demand response program for electrical consumption during peaks.
- Standardized on high efficiency chiller replacements.

<u>Design Initiatives</u>
- Dedicated outside air systems (DOAS).
- Variable flow primary pumping/2-way valves.
- Variable refrigerant volume systems.
- Instantaneous hot water convertors.
- DDC in every room.
- Grouped exhaust systems with Strobic VSD fans.
- CO2 trim on outside air volume.
- Chiller plant expansion and/or optimization (Trane, Siemens, Trefz Engr).

UGIII STATEMENT NO. 3-SR
6/2/16 Hhj VK

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

SURREBUTTAL TESTIMONY AND EXHIBIT

OF

MICHAEL TRZESNIOWSKI
OF LEHIGH UNIVERSITY
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")

Issues Addressed:

Energy Efficiency & Conservation Plan
Rule 1.4 – Meter Combination

MAY 25, 2016
(Corrected on June 1, 2016)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

SURREBUTTAL TESTIMONY OF MICHAEL TRZESNIOWSKI
OF LEHIGH UNIVERSITY ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS ("UGIII")

Q. PLEASE STATE YOUR FULL NAME AND OFFICIAL MAILING ADDRESS.

A. My name is Michael Trzesniowski. My official mailing address is 27 Memorial Drive West, Bethlehem, Pennsylvania, 18015.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Lehigh University ("Lehigh") as a member of the UGI Industrial Intervenors ("UGIII").

Q. ARE YOU THE SAME PERSON WHO PROVIDED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. HAVE YOU REVIEWED REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, I have reviewed the Rebuttal Testimony of Theodore M. Love and the Rebuttal Testimony of Robert R. Stoyko, each of whom testified on behalf of UGI Utilities, Inc. – Gas Division ("UGI" or "Company") in this proceeding.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. My Surrebuttal Testimony responds to proposals in Mr. Love's Rebuttal Testimony regarding the proposed Energy Efficiency & Conservation ("EE&C") plan. Mr. Love's statement inaccurately depicts the real world impact of UGI's proposed EE&C program and EE&C Rider. Witness Love mistakenly presumes that Rate LFD customers will benefit from the EE&C plan and understates the costs of initiating such a program. In addition, my Surrebuttal Testimony also responds to assertions in Mr. Stoyko's Rebuttal Testimony regarding Meter Combinations under Rule 1.4.

<u>EE&C</u>

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF UGI WITNESS LOVE'S REBUTTAL TESTIMONY ON PAGE 31, LINES 3 THROUGH 17, WHICH DISCUSSES WHETHER UGI'S EE&C PLAN WILL CAUSE LARGE CUSTOMERS TO INCUR CONSIDERABLE ADDITIONAL COSTS.

A. Mr. Love avers that the EE&C plan will produce more benefits than costs "for ratepayers as a whole." The witness also notes that UGI plans to "split the nonresidential EE&C Rider charge into three separate charges: one for Rate Schedules N/NT, one for Rate Schedule DS, and one for Rate Schedule LFD" which will reduce the EE&C Rider charge for Rate Schedule LFD. In addition, the witness alleges that "Rate Schedule LFD customers will only be responsible for the EE&C costs incurred by other Rate Schedule

LFD customers. Any under/overcollection of EE&C costs will be annually reconciled. Therefore, if Mr. Trzesniowski truly believes that large transportation customers will not participate in the EE&C Plan because they have previously implemented EE&C measures, then large customers like Lehigh will not have as many EE&C costs to bear."

Q. DO YOU HAVE A RESPONSE TO UGI WITNESS LOVE'S ASSERTIONS REGARDING UGI'S EE&C PLAN AND LARGE CUSTOMER COST EXPOSURE?

A. Yes. Splitting the EE&C Rider charge among three Rate Schedules and proposing to limit Rate Schedule LFD customers' responsibility to only EE&C costs incurred by other Rate Schedule LFD customers is insufficient to address our concerns about the Company's EE&C proposal. No large transportation customer should be forced to pay for an EE&C program that is not state-mandated. UGI's program offers no benefit to customers who have already implemented their own EE&C measures at their own expense. I "truly believe" that large transportation customers will not participate in UGI's EE&C Plan because energy engineering projects for those customers are driven by sustainability goals and economic considerations, particularly the commodity price explosion from 2005 to 2008, which resulted in extensive efforts to improve efficiency and control consumption. Modern projects now follow Leadership in Energy and Environmental Design (LEED) guidelines which continually require energy efficient improvements. Lehigh uses income from PJM Interconnection, LLC demand response programs to fund innovative projects and UGI's pool would never adequately compensate nor incentivize Lehigh for the next round of high efficiency boiler replacements planned when service lives are expended.

Instead, the Company's proposal effectively amounts to such customers subsidizing the EE&C measures for other customers in their class. Finally, Witness Love seems to suggest that EE&C measures will make large customers more efficient, which in turn will reduce large transportation customers' EE&C costs. Mr. Love's rationale is circular and should be rejected.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF UGI WITNESS LOVE'S REBUTTAL TESTIMONY AT PAGE 31, LINES 22 THROUGH 23, AND ON PAGE 32, LINES 1 THROUGH 12.

A. Mr. Love disagrees with the position that large transportation customers receive little to no direct benefit from the EE&C plan if they have implemented their own EE&C plans. He acknowledges that large transportation customers may have implemented some varieties of EE&C initiatives, but that will not preclude them from considering UGI's EE&C programs for Combined Heat and Power ("CHP"). Finally, Mr. Love points out that "not one of Lehigh's energy efficiency projects was a CHP project."

Q. DO YOU HAVE A RESPONSE TO WITNESS LOVE'S ASSERTIONS REGARDING LARGE TRANSPORTATION CUSTOMER INTEREST IN EE&C PROGRAMS?

A. Yes. Mr. Love suggests that Lehigh may consider CHP development due to UGI's proposed incentive. Additional EE&C projects focused on natural gas are less beneficial to Lehigh than EE&C projects focused on electric consumption. I have executed CHP feasibility studies at Lehigh three times since 1998, and not one of those studies proved that CHP projects would (or ever will) provide any economic benefit to Lehigh. Lehigh has two geographically separate campuses, a summer electrical peak with no uses for the steam that is integrated to CHP projects, and a 69 kV substation that allows us to distribute power at a very favorable rate. Simply put, our situation is such that CHP would provide no benefit. For Lehigh, and likely other customers, the availability of UGI's incentive alone would not facilitate CHP development if such a project does not fit with a customer's overall business plan.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF MR. LOVE'S STATEMENTS REGARDING THE BENEFITS OF EE&C PROGRAMS FOR LARGE TRANSPORTATION CUSTOMERS, DISCUSSED ON PAGE 32, LINES 14 THROUGH 22, AND ON PAGE 33, LINES 1 THROUGH 2.

A. Mr. Love asserts large transportation customers would receive benefits from implementing EE&C measures such as the proposed CHP program. He considers the incentives associated with EE&C programs to be benefits that offset costs of EE&C investments. Mr. Love cites Lehigh's involvement in PPL Electric Utilities Corporation's ("PPL Electric") EE&C programs as evidence of a customer who received incentives, and therefore benefitted from those EE&C projects. Mr. Love asserts that although a customer does not recoup its total investment cost associated with a particular EE&C project, that customer nonetheless receives a monetary incentive (and, in his view, a benefit) that would not exist without the EE&C plan.

Q. DO YOU HAVE A RESPONSE TO WITNESS LOVE'S ASSERTIONS IN HIS REBUTTAL TESTIMONY REGARDING THE BENEFITS OF EE&C PROGRAMS FOR LARGE TRANSPORTATION CUSTOMERS?

A. In Lehigh's Response to UGI's second set of discovery (attached as UGIII Exhibit MT-6 to UGIII Statement No. 3-SR), I clarify that for large commercial and industrial ("Large

C&I") customers there is a difference between a benefit and an incentive when it comes to EE&C programs. Incentives are payments to stimulate investment in a program. A customer experiences a benefit from that incentivized EE&C investment if it obtains more than a fractional rebate in return for its EE&C investment.

Many large electric customers like Lehigh receive little in the way of financial incentives, or "rebates" from Act 129 for their EE&C investments. Those rebates do not come close to reimbursing a Large C&I customer for its own considerable EE&C investment. In fact, many large customers end up incurring costs that outweigh the "benefits" realized from these programs because EE&C initiatives impose considerable additional costs that would otherwise not exist, namely the surcharge that funds the other customers' incentives under the EE&C program.

Q. **PLEASE SUMMARIZE YOUR UNDERSTANDING OF MR. LOVE'S TESTIMONY REGARDING A CUSTOMER OPT-IN FOR UGI'S EE&C PLAN, DISCUSSED ON PAGE 33, LINES 6 THROUGH 17.**

A. Mr. Love avers the EE&C Plan cannot be opt-in only because that would undermine the EE&C Plan's success. The EE&C costs would be spread among opt-in customers, and if many entities choose not to participate, then it would deter others from joining the EE&C plan. In addition, Mr. Love claims that Lehigh has only testified about the impact of the EE&C Plan and EE&C Rider on large transportation customers, and that we have not supported why residential and small nonresidential customers should have to opt-in to the plan.

Q. DO YOU HAVE A RESPONSE TO WITNESS LOVE'S ASSERTIONS IN HIS REBUTTAL TESTIMONY REGARDING CUSTOMER OPT-IN FOR UGI'S EE&C PROGRAM?

A. As a preliminary matter, UGI's concerns about the success of an opt-in based EE&C program are telling and reinforce UGIII's position that UGI should not be permitted to force customer participation. Apparently, he is concerned that many customers will reach the same conclusion that we have and will not find value in a UGI-administered EE&C program for gas usage. Finally, UGIII members are okay if UGI or the Pennsylvania Public Utility Commission ("PUC" or "Commission") chooses to modify its EE&C plan to provide an opt-in (or opt-out) option only to large customers.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF MR. LOVE'S TESTIMONY ON PAGE 33, LINES 21 THROUGH 23, AND PAGE 34, LINES 1 THROUGH 5.

A. Mr. Love does not agree with my alternative proposal that large transportation customers be excluded from the EE&C Rider. He takes issue with my comparison to Senate Bill 805, which would permit Large C&I customers to opt out of utility-borne EE&C plans at the beginning of a phase. The witness claims that this legislation has not gone into effect, and therefore no comparable opt-out for large transportation customers exists under any other EE&C plan in the Commonwealth. Therefore, Mr. Love asserts that no opt-out should be established for UGI Gas's EE&C Plan.

Q. DO YOU HAVE A RESPONSE TO WITNESS LOVE'S ASSERTIONS IN HIS REBUTTAL TESTIMONY ON PAGE 33, LINES 21 THROUGH 23, AND PAGE 34, LINES 1 THROUGH 5?

A. Mr. Love alleges that large transportation customers like Lehigh should not be allowed to opt out of UGI's plan because Senate Bill 805 is not yet enacted into law. Such rationale is questionable. First, I am not citing to Senate Bill 805 as binding precedent supporting Lehigh's desire to be excluded from UGI's EE&C programs; rather, I am highlighting it as evidence that lawmakers in the Commonwealth recognize Large C&I customers are capable of implementing effective EE&C measures that are both tailored to their unique business models and capable of meeting obligations under Act 129. Furthermore, Lehigh would like to note that the Commonwealth expressly mandated EE&C programs for electric utilities under Act 129, but chose not to impose the same obligation upon gas utilities. As a result, it is not necessary to pass legislation in order for the PUC to design UGI's program with an opt-in or opt-out for large customers or all customers.

RULE 1.4

Q. PLEASE SUMMARIZE UGI WITNESS STOYKO'S ASSERTIONS REGARDING RULE 1.4 ON PAGE 17, LINE 13, THROUGH PAGE 19, LINE 18?

A. Mr. Stoyko opposes meter combination at any time other than the date at which service is initiated. He claims that at the time service is initiated, the Company compares anticipated revenues from that customer against the cost of serving them in order to justify the capital investment on their premises. The Company claims anticipated revenue calculations differ depending on whether multiple meters are combined for billing purposes because each meter's costs are recovered through a corresponding customer charge, and if meters are combined, then UGI's anticipated revenues from a customer decrease because instead of receiving multiple customer charges UGI receives only one. If this election is made at the time service is established, the Company avers it has sufficient notice and capability to increase a customer's responsibility for main extension costs to offset the revenue reduction. However, if a customer elects combination at a later time, the Company believes it would reduce revenues and prevent full recovery of its revenue requirement, forcing existing customers to subsidize this uneconomic investment. Mr. Stoyko also notes that existing bundled meters for Lehigh may have been combined prior to the adoption of current tariff rules that limit meter aggregations.

Q. HOW DO YOU RESPOND TO STOYKO'S ASSERTIONS REGARDING RULE 1.4?

A. I disagree with Mr. Stoyko's allegation that meters cannot be combined for billing purposes after service has been initiated at a premises. First, there is no reason that UGI cannot apply the same economic analysis it performs at the start of service at another point during the service term. Second, even with one customer charge, aggregation of meters may be economic because customers like Lehigh also pay volumetric charges and demand charges. Third, I would like to point out that UGI never responded to Lehigh's assertions in its Direct Testimony that that Rule 1.4 prevents customers like Lehigh from shopping.[1] Fourth, I would also like to point out, in practical terms, UGI now has remote data reading (RDR) on nearly all of the meters we would aggregate. Appending these to the master list seems extremely simple since the new aggregate meters tend to be mixed

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[1] UGIII Statement No. 3, p. 7, lines 1 through 7, & p. 9, lines 1 through 22.

together with the standalone in geographic terms. This situation is analogous to walking along a city street, where even numbered buildings are master billed while the odd ones are not. For these reasons, as well as those given in my Direct Testimony, Rule 1.4 must be modified to be more accommodating to customers who experience growth in their natural gas requirements.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	
Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT MT-6

TO

UGIII STATEMENT NO. 3-SR

UGI Gas to UGIII-II-1. Please reference the answer to UGI Gas to UGIII-I-3(b) and 4(a):

(a) If Mr. Trzesniowski does not agree that a large transportation customer who participates in an EE&C program receives a benefit, then why did Lehigh participate in PPL Electric Utilities Corporation's EE&C programs?

(b) Would Mr. Trzesniowski agree that when a customer receives an incentive for implementing an EE&C project that the customer has received a benefit? Please explain any negative response in detail.

RESPONSE

(a) Lehigh University ("Lehigh") participated in PPL Electric Utilities Corporation's ("PPL") program in an attempt to recover a fractional portion of the mandatory Act 129 energy efficiency and conservation ("EE&C") expenditures that are (and continue to be) collected on a monthly basis. I call this recovery "fractional" because Lehigh paid PPL over $635,000 pursuant to its Act 129 EE&C program and received less than $35,000 in return for those payments.

(b) Residential customers may receive a benefit, but large commercial and industrial customers do not. For large commercial and industrial customers, there is a difference between a benefit and an incentive when discussing EE&C programs. Incentives are payments to stimulate investment. A large commercial and industrial customer receives a benefit from those incentives if that customer experiences more than a fractional rebate from those incentivized investments. See my response to UGIII-II-1(a) for what constitutes a "fractional" rebate. In Lehigh's experience, PPL's incentives did not influence Lehigh's decision to initiate electrical-related capital improvement projects. Act 129 coincided with a spike in commodity costs that occurred just prior to the 2008 Financial Crisis. Lehigh initiated capital improvement projects focused on energy conservation in order to cope with those rising commodity prices, not because it was influenced by PPL's Act 129 EE&C program.

Response Provided by: **Michael Trzesniowski**
Lehigh University

Date: April 27, 2016

UGIII STATEMENT NO. 4
6/2/16 [illegible]

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

DIRECT TESTIMONY
AND
EXHIBITS

OF

ROBERT A. ROSENTHAL
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")

Issues Addressed:
Gas Emergency Planning
Operational Flow Orders/Daily Flow Directives
Maximum Daily Excess Balancing Charge
Service Extensions and Expansions
Continuity of Service

APRIL 12, 2016

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

DIRECT TESTIMONY OF ROBERT A. ROSENTHAL ON BEHALF OF THE UGI INDUSTRIAL INTERVENORS

I. <u>INTRODUCTION AND BACKGROUND</u>

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert A. Rosenthal. My business address is 5245 Strathmore Drive, Mechanicsburg, PA 17050.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Robert A. Rosenthal, Inc., as President. I provide consulting services to electric, natural gas and water industries on various regulatory issues. My clients have included attorneys, fund managers, researchers, customers and utilities themselves. My activities have ranged from informal consultation phone calls to submitting reports and testimony on a range of issues from utility finance and organization, depreciation, regulatory policy, rate design and cost allocations/calculations and line extensions.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have both a Bachelor of Arts and Master of Arts in Geography from the University of Miami, Coral Gables, FL. I worked for 30 years with the Pennsylvania Public Utility Commission ("Commission") in various positions. Initially, I was directly involved in prosecuting rate cases as a cost of service and rate structure witness in the Electric Division of the Bureau of Rates. I was later Supervisor of Valuation and Rate Structure. As part of the 1986 Commission restructuring, I was named Chief of Policy and Planning in the Bureau of Conservation Economics and Energy Planning. In 1988, I joined the staff of Commissioner Joseph Rhodes, Jr., as advisor for Electric and Water Industry issues. In 1992, I was appointed Deputy Director for Technical Review in the Office of Special Assistants. In 1993, I joined Commissioner (later Chairman) John Quain's staff as Electric and Natural Gas advisor. Finally, I was named in 1999 as Director of the Bureau of Fixed Utility Services that handled informal tariff matters, compliance, utility finances and reporting for electric, natural gas, telecommunications, water and wastewater industries. I also managed the Commission's emergency response liaison team in coordination with the Pennsylvania Emergency Management Agency. I retired from the Commission in 2007. My resume is attached as Exhibit RAR-1.

Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. I currently provide consulting and related services on regulatory issues to fund managers and researchers, technical review of utility rate case materials and expert testimony on behalf of customers and utilities on all aspects of utility ratemaking, cost of service and rate design.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE REGULATORY AGENCIES?

A. Yes. I have submitted testimony to the Commission more than 25 times from 1979 through 1986 as a staff witness on electric cost of service and rate structure, the Public Utility Regulatory Policy Act of 1978 and as a witness for the Commission staff's evidentiary presentation on Limerick Unit 2. More recently, I submitted testimony on behalf of York Generating Company at Docket R-2009-2149262 regarding natural gas transportation rates and Whemco-Steel Castings, Inc., at C-2014-2459527 regarding a rate refund. I prepared an expert report, submitted affidavits and gave deposition testimony for Metropolitan Edison Company in Civil Action No. 07-CV-5298 in the United States District Court for the Eastern District of Pennsylvania related to the Portland Generating Station. I also have submitted testimony before the City of Philadelphia Water Board on behalf of PECO Energy and Exelon Generation.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the UGI Industrial Intervenors ("UGIII"). The UGIII members are large transportation customers on UGI Utilities, Inc. – Gas Division's ("UGI" or "Company") system who purchase service on Rates XD, LFD, DS and IS/IL. One UGIII member, Lehigh University, also has smaller accounts, including residential accounts.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my direct testimony is to address a number of changes and language used by UGI in the tariff rules related to:

1) Rule 19 Daily Flow Directives ("DFD") / Operational Flow Orders ("OFO")

2) Rule 20.4 Maximum Daily Excess Balancing Charge

3) Rule 20.5 Operational Flow Orders and Daily Flow Directives

4) Rule 5 Extensions and Expansions

5) Rule 6.5 Continuity of Service

UGI has submitted substantial revisions to its tariff rules. The Company claims that the changes are to "standardize and harmonize, where applicable, its tariff provisions with" UGI Central Penn Gas, Inc. ("CPG") and UGI Penn Natural Gas, Inc. ("PNG") "tariffs, reflect best practices, add clarity, as well as update the UGI tariff to reflect certain proposed changes to the Company's business practices." *See* UGI Statement No. 6, Direct Testimony of David E. Lahoff, pp. 31-32. In the process, the Company has proposed substantive changes to some tariff rules that are not appropriate, and has left some critical system emergency management activities unclear and nontransparent for transportation customers on its system.

II. RULE 19 GAS EMERGENCY PLANNING, RULE 20.4 AND RULE 20.5

Q WHAT IS THE PURPOSE OF RULE 19?

A. Rule 19 of the proposed tariff describes the Company's procedures when emergency conditions exist on its system. It describes notices, priorities and penalties. UGI describes the changes as their plan to provide consistent language and treatment to customers throughout the three subsidiaries of UGI Utilities, Inc. In this case, the Company has used similar language, where possible, to that presently contained in the tariffs of PNG and CPG, and applied that language to UGI.

Q. HOW DOES RULE 19 INTERACT WITH RULES 20.4 AND 20.5?

A. Rule 19 addresses Gas Emergency Planning, and indicates in Section 19.1 that, prior to implementing Priority Base Curtailments, UGI "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." Rule 20.5 addresses the Company's "right" to issue an OFO or DFD "at any time," and states that a penalty change of the greater of $50 per Mcf or the Rule 20.4 Maximum Daily Excess Balancing Charge applies for failure to comply.

Q. WHAT ISSUES HAVE YOU FOUND WITH PROPOSED RULE 19?

A. In attempting to have continuity among the divisions, UGI has brought over language defining DFD, OFO and Maximum Daily Excess Balancing Charge ("MDX"). However, the tariffs are still not consistent after this proposal because PNG and CPG were inconsistent to start. Additionally, internally in the tariff the language regarding notice is inconsistent.

Q. WHAT DO YOU FIND TO BE THE ADDITIONAL MAIN PROBLEMS WITH THESE SECTIONS OF THE TARIFF?

A. The main problem as I see it is the mixing of true emergency or critical management of the distribution system with economic or non-critical issues that the system operator faces. 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). The third problem is application of the MDX to customers regardless of their best efforts and when the culprit may be a supplier or pool operator. The fourth problem is the use a media for information exchange which may not reach the immediate region or subarea that is experiencing the critical issue.

Q. WHERE DO YOU FIND THE MIXING OF CRITICAL AND NON-CRITICAL MESSAGES?

A. In Rule 19.1 (a), the tariff speaks to issuing DFDs and OFOs to curtail load in emerging curtailment situations; however, the DFD is defined as a non-critical economic action, not an emergency action. As shown in Exhibit RAR-2, which is UGI's response to Interrogatory UGIII-II-2, UGI has used the DFD in cases of both excessive and insufficient supplies to meet its 1307(f) or Supplier of Last Resort ("SOLR") load. Only one time is noted in the Attachment as due to an interstate pipeline OFO. It appears that UGI may be using the DFD to expose transportation customers to balancing penalties due to UGI's failure to plan for and manage the risk to the SOLR customers. UGI now seeks to explicitly include language in the definition of DFD indicating that 1307(f) procurement activities are a valid economic reason for a DFD.

As defined, if there is a true critical situation of excessive or inadequate supply, the OFO can be issued. However, if it is a non-critical situation, the DFD is UGI's defined action. Other distribution companies and interstate pipelines use the terms non-critical OFO and critical OFO to distinguish their actions. Regardless, reducing the costs for 1307(f) customers is not an appropriate basis for a system management DFD.

Q. DO YOU SEE ANY OTHER PROBLEMS WITH THE DEFINITIONS OF OFO AND DFD?

A. Yes, it appears that UGI also wants to apply the term OFO to economic situations related to "107(f)" needs. Presumably, this is a drafting error, and the Company seeks to refer to

1307(f) needs. However, to define as "critical" the economic condition resulting from UGI procurement choices for SOLR loads and adversely expose the transportation customers to balancing and penalties of Rule 20.4 and/or $75/MCF under Rule 19.10(b) or a $50/MCF penalty under Rule 20.5 is unreasonable.

Q. HOW DOES THE MDX RELATE TO THE MIXING?

A. Under Rule 20.5, non-compliance with a DFD or OFO is governed by the Rule 20.4 MDX. Additionally, the UGI and CPG tariffs have a sliding scale of multipliers to the index differential charge being applied, while the PNG tariff applies the index differential charge without any multipliers.

Q. WHAT ARE THE OTHER PROBLEMS WITH THE MDX?

A. The MDX is a new charge in its proposed form. The MDX can apply when: (a) UGI believes that the customer is misusing no notice or balancing services in UGI's sole discretion (*see* Rule 20.2(a)); (b) if the customer fails to use "best efforts" to balance deliveries and usage (again in UGI's sole discretion)(*see* Rule 20.2(a)); (c) if the customer's daily imbalance exceeds +/- 10% and the customer does not have no notice or balancing service; (d) if the customer is out of balance on a Critical Day; or (e) if the customer fails to comply with an OFO or DFD.

The use of a multiplier of up to 10 times the index differential on Critical Days does not appear to be cost based. In fact, such a multiplier appears to be designed to be punitive as it relates to Federal Energy Regulatory Commission ("FERC") approved maximum charges. Additionally, the use of the term "intentional imbalances" as warranting the 10 times multiplier is undefined and speaks to a pattern of gas management on critical days or of a supplier's actions and not a customer's actions. Hence the term, absent better definition, is not reasonable and should not be included in the tariff.

Q. SHOULD UGI HAVE THE "SOLE DISCRETION" TO DETERMINE IF A CUSTOMER IS USING "BEST EFFORTS" OR "ABUSING" NO NOTICE OR BALANCING SERVICES?

A. No. This allows UGI to serve as both the prosecutor and judge of whether a penalty is warranted. UGI must have a reasonable and objective basis to charge the MDX. Both "sole discretion" reasons to apply the MDX should be eliminated.

Q. IS UGI EXPERIENCING PROBLEMS WITH OFO OR DFD COMPLIANCE TO JUSTIFY EXCESSIVE PENALTIES SUCH AS THE MDX?

A. No. UGI's responses to Interrogatories UGIII-II-2, UGIII-II-3, UGIII-II-5 and UGIII-II-6 (Exhibit RAR-2) indicate that customers and Natural Gas Suppliers ("NGSs") are not causing problems through noncompliance with OFOs and DFDs.

Q. HOW WOULD YOU CLARIFY THE TARIFF?

A. First, if the proposed multiplier is solely a charge for Critical Day application, it should be included directly in Rule 19. Second, the use of a multiplier is excessive when a maximum charge is already in place under the FERC tariff and controls the imbalance exposure. Third, as the proposal is for a Critical Day and presumable under an OFO, UGI is already proposing a $75/MCF in Rule 19.10. Further, in Rule 20.5 proposes a $50/MCF penalty for non-compliance with an OFO or DFD. This is another example that comes from attempting to mix critical and non-critical terms, conditions, procedures and penalties in the tariff organization.

Q. HOW WOULD YOU RESOLVE THIS MIXING?

A. There is no problem when the separation of critical and non-critical system management is properly defined and distinguished in its operational procedures. The emergency management of the distribution system on Critical Days that system integrity is threatened is accomplished through clear and concise directives accomplished through direct communication and cooperative actions. Where widespread problems are anticipated, then media coverage is an additional tool but cannot be relied upon as the only tool. Penalties on Critical Days may be necessary and are appropriate.

Day-to-day management of the nominations and flows on the system are also important for safe and reliable service and physical failures are subject to known penalties. There should be transparency and communication between UGI and its large transportation customers regarding system conditions, whether a DFD or OFO is likely to be called and the specific reasons for each action. This will help transportation customers to plan their gas purchasing and operational schedules, and also could enhance safety and reliability for other customers when large customers are not "surprised" by the OFO or DFD (or losing their no notice service).

However, the economic management of 1307(f) procurement and delivery is not a critical condition affecting the integrity of the system. Requests to transportation customers and their suppliers to assist UGI in its economic exposure of serving SOLR load cannot be raised to critical status when system integrity is not threatened. Further, the backs of transportation customers should not be used to balance the economic pain of SOLR service and transportation customers should not be required to expose themselves to their own penalties without compensation, if and when their actions are requested to benefit SOLR load.

Q. WHAT SPECIFIC CHANGES SHOULD BE MADE TO UGI'S PROPOSED TARIFF?

A. 1. The definitions of OFO and DFD should explicitly state that economic reasons, including 1307(f) procurement activities, cannot be the basis for an OFO or DFD.

2. The MDX multiplier should be rejected, unless UGI establishes a cost basis.

3. The language in Rule 20.2(a) indicating that UGI can impose the MDX if the customer fails to use "best efforts" or "misuses" no notice and balancing services should be removed.

4. The 10x multiplier on "intentional imbalances" should be rejected.

5. Rule 20.5 should be revised to state: "The Company has the right to issue Operational Flow Orders and Daily Flow Directives when circumstances meeting the definitions exist."

6. UGI should provide the specific reason to impacted customers for each DFD and OFO, and have greater communication and coordination with customers throughout the year in system planning and modeling.

III. RULE 5 SERVICE EXTENSIONS AND EXPANSIONS

Q. WHAT ISSUE DO YOU FIND WITH PROPOSED RULE 5?

A. Rule 5 is in need of more clarity as to its application. As a result of UGI's responses to UGIII Set IV discovery, as shown in Exhibit RAR-2, it would beneficial for the tariff to clearly state that the Rule is applicable when 1) a customer is moving from interruptible to firm service and 2) increasing its Daily Firm Requirement ("DFR"). This clarification would provide customers with guidance in their decision making for operational changes as to how to properly evaluate the economic choice to be made. Additionally, it would alert them to the need to partner with UGI on the expansion decision rather than be surprised by the actions of UGI. While UGI indicates that no service denials have been experienced, choices may have been made by customers not to go forward with a local expansion after discussions with UGI. This may be most critical if a decision is being considered to move from interruptible to firm service at a delivery point that is currently fully subscribed. Furthermore, as described in the testimony submitted by UGIII Member East Penn Manufacturing, UGI should be transparent with customers regarding the basis for any Contributions in Aid of Construction, and also confirm the timetable and completion of the upgrades.

IV. RULE 6.5 CONTINUITY OF SERVICE

Q. WHAT CHANGES ARE UGI MAKING REGARDING ITS TARIFF PROVISIONS ADDRESSING SERVICE CONTINUITY AND LIABILITY FOR INTERRUPTIONS?

A. UGI proposes to replace the language in current Rule 12.1, which states:

> "Service Continuity. The Company will use reasonable diligence to provide a regular and uninterrupted supply of gas. Should the supply of service be interrupted by the Company for the purpose of making repairs, changes or improvements in any part of its system for the general good of the service or the safety of the public, or should the supply of service be interrupted or fail by reason of accident, strike, legal process, State or Municipal interference, or any other cause whatsoever beyond its control, the Company shall not be liable for damages, direct or consequential, resulting from such interruption or failure."

The proposed language is:

> "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."

Q. WHAT ARE THE PROBLEMS OF THE NEW VERSION OF RULE 6 CONTINUITY OF SERVICE?

A. The problems under the proposed redraft of this section are as follows. First, a close reading of the proposed section can be interpreted as UGI seeking to reduce its 1501 obligations. While UGI claims that it is not shirking its responsibilities and was capturing 1501 in the new language, a better crafting using the exact language of 1501 would remove any misunderstanding.

The second problem is the expression of liability being a proportion of the customer charge, when the customer may be exposed to damages or contractual penalties due to non-delivery or under-delivery of gas. For instance, UGI could be delivering less than adequate gas for plant protection and cause physical plant damage. As the delivery of gas involves both a daily or monthly demand requirement as well as commodity, the lack of continuity of service could result in balancing penalties, beyond the customer's management capability. The customer's actual damages could exceed the monthly customer charge by a large amount.

Finally, the expansive language "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" appears to be an attempt to hide behind the tariff for exoneration of any liability of supply failure. This is much more expansive than the current language.

I can imagine a very difficult case to unravel if the initial supply failure occurred from the 1307(f) sources and rippled into the taking of supply from a large transportation customers resulting in non-delivery. Where would the liability be determined? Will the large transportation customer be able to collect adequate and full damages?

UGI has not shown that these changes are necessary or reasonable. UGI should keep the existing tariff language.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does. However, I reserve the right to file such additional testimony as may be necessary or appropriate.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT RAR-1

TO

UGIII STATEMENT NO. 4

RESUME FOR ROBERT A. ROSENTHAL

Robert A. Rosenthal
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MISSON The mission of R. A. Rosenthal, Inc., is to use our knowledge, skills and abilities to provide advice and consultative service to senior executives, attorneys and financial managers in the Electric, Natural Gas, Water and Telecommunications industries regarding innovative regulatory and legislative approaches to deal with the issues facing their company.

CURRENT CLIENTS

Gerson Lehman Group, Inc.
Buchanan, Ingersol & Rooney
Whemco-Steel Castings, Inc.
K & L Gates - PECO/Exelon

PAST CLIENTS

Internal Revenue Service
UGI Utilities – Electric Division
Ryan, Russell, Ogden & Seltzer
Morris Energy Group – York Generating Company
Akin Gump – Metropolitan Edison Company
Joe Jurgeilewicz & Sons

PROFESSIONAL EXPERIENCE

Pennsylvania Public Utility Commission, Harrisburg, PA **Dec 1976 - June 2007**
Director, Bureau of Fixed Utility Services

Between 1999 and 2007, I directed a Bureau of 48 engineering and financial professionals providing advice and recommendations to the Commission in the electric, natural gas, water, wastewater and telecommunications industries. Duties included advising on entry, exit, financial issues, tariffs and business organization of regulated companies. Principal issues have focused on implementing the restructuring initiatives in Pennsylvania for electric, natural gas and telecommunications, fostering new entrants and improving the efficient operations of the Commission. I led a special investigative team reporting to the General Assembly pursuant to PA House Resolution 361 of 2001 related to Critical Infrastructure Protection. I represented the Commission on the formation the North American Energy Standards Board, the PA Statewide Water Resources Council and the PA Emergency Management Council. My work also included directing Commission activities for emergency operations and homeland security. During my tenure we also launched a pilot program for captioned video telephone relay service as an optional relay service offering.

From 1993 to 1999, I served as personal advisor for electric and gas matters to Chairman John M. Quain. Principle issues were; development and initial implementation of the Pennsylvania Electric and Natural Gas Restructuring programs, Pilot programs for residential gas choice, and Y2K preparations.

From 1992 to 1993, I served as Deputy Director of the Office of Special Assistants, Options and Technical Review Section directing a staff of 25 in the Energy, Water and Telecommunications industries, where I provided recommendations and advice on rate and financial matters affecting the various companies.

From 1988 to 1992, I held the position of personal advisor for electric and water matters to Commissioner Joseph Rhodes Jr. Major issues at that time included implementation of the Clean Air Act of 1990, implementation of FASB 106 and federal initiatives for natural gas.

From 1986 to 1988, I held the position of Chief of Policy and Planning, Bureau of Conservation, Economics and Energy Planning managing a staff of 7 performing special advisory studies in Electric and Natural Gas Planning and supporting federal intervention. A principal case was the sleeping incident at Peach Bottom Nuclear plant and the Commission's removal of the unit from rates. I was an appellate witness for the Commission before the Commonwealth Court of Pennsylvania.

From 1981 to 1986, I was Supervisor of Electric Valuation and Rate Structure in the Bureau of Rates leading a rate case witness team of 8 providing prosecutory services for all electric cases. I appeared as a witness in approximately 15 rate cases including the special investigation into the continued construction of the Limerick 2 Nuclear Unit, where I lead a team of 17 witnesses and functioned as summary witness.

From 1976 to 1981, I was an analyst and Rate Case witness for the Electric Division of the Bureau of Rates in Electric Cost of Service, Rate Design and Public Utility Regulatory Policies Act of 1978, appearing approximately 13 times. During this time I co-authored a generic investigative report to the PA General Assembly on electric rate structure.

PROFESSIONAL AFFILIATIONS

Past Member - National Association of Regulatory Utility Commissioners
Past Member - Staff Subcommittees on Critical Infrastructure, Accounting and Finance, & Gas
Past Chairman - Staff Subcommittee on Technology

AREAS OF EXPERTISE

Regulatory Affairs, Utility, Electric, Natural Gas, Water, Telecommunications, Cost of Service, Rate Design, Rate Structure, Default Service, Performance and incentive rates, Business Continuity, Homeland Security, Emergency Operations, Emergency Preparedness, Business Organization, Securitization, Cost Recovery, Restructuring, Energy Portfolio, Alternative Energy, Uniform Business Practices, North American Energy Standards Board

RECENT TESTIMONY

2016 – Whemco-Steel Castings, Inc. v. Duquesne Light Company, PA PUC Docket C-2014-2459527. Regarding rate refund.

2012 – Expert Report In The United States District Court For The Eastern District Of Pennsylvania Civil Action NO. 07-CV-5298 (JKG) State of New Jersey, Plaintiff and State of Connecticut, Intervenor-Plaintiff v. RRI Energy Mid-Atlantic Power Holdings, LLC, RRI Energy Power Generation, Inc., Sithe Energies, Inc. (now known as Dynegy, Inc.), and Metropolitan Edison Company, Defendants regarding Portland Generating Station.

2010 – Pa PUC v. Columbia Gas Company, Docket No. R-2003-2149262, Direct Testimony submitted on behalf of York Generating Company regarding gas transportation for generators and OFO penalty issues.

2008 – U.S Tax Court Docket No. 25393-07, PPL Corporation and Subsidiaries v. Commissioner of Internal Revenue, Expert Report *"Regulation of Street Lighting Assets."*

2005 – Appearance before the PA House Committee on Consumer Affairs regarding Print Media program support from the Telephone Relay Service Funds

2004 – Appearance before the Joint PA House and Senate Committee on Homeland Security regarding Utility Critical Infrastructure Protection

2002 – Appearance before the PA House Consumer Affairs Committee regarding Chapter 30 progress

2001 – Appearance before the PA Senate Committee on Consumer Affairs regarding Natural Gas prices and issues

RECENT PRESENTATIONS

Oct 2010: GLG Marcellus Shale Seminar, Boston MA

Mar 2008: Alternative Fuels Renewable Energies Council, Harrisburg PA – Future Energy Costs

Feb 2007: NARUC Winter Meeting, Washington DC – Special Training Seminar Instructor – Critical Infrastructure Protection

Nov 2006: NARUC Annual Meeting, Miami FL - Special Training Seminar Instructor – Critical Infrastructure Protection

Oct 2006: NARUC CIP Workshop, Washington DC – State Activities and barriers to Critical Infrastructure Protection – Access issues

Dec 2005: PA Bar Institute – Current Water Issues facing the Commission

Nov 2005: NARUC Annual Meeting, Palm Springs, CA – Use of Weather Websites for Critical Infrastructure Protection

Oct 2005: Risk Advisory Regulatory Summit, Chicago IL – Hedging Programs used in PA

Feb 2005: PA Telephone Association, Harrisburg PA – Implementation of new Chapter 30

Jan 2004: Pa Bar Institute, Harrisburg PA – Current Energy Issues Roundtable

May 2003: EEI Annual Finance Committee Meetings, New York, NY – PA Securitization of Stranded Costs

Jun 2003: CBI Security Conference, Chicago IL – Vulnerability Assessments (What do I need to know)

Nov 2001: Appalachian Producers Marketing Seminar, Columbus, OH – PA Gas licensing and market operations

Sep 2001: CBIC, Atlanta, GA – PA Electric and Gas Restructuring

EDUCATION

University of Miami, Coral Gables, FL
Master of Arts Geography 1976

Principal field of study was regional planning with a thesis on Solid Waste Disposal Site Selection in the Florida Keys. Held Assistantship in Physical Geography at Miami and performed as Adjunct Professor at Florida International University in Physical Geography.

University of Miami, Coral Gables, FL
Bachelor of Arts Geography 1974

Major: Geography
Minor: History

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

UGIII EXHIBIT RAR-2

TO

UGIII STATEMENT NO. 4

energytools, llc. DATA REQUEST EASY ACCESS MANAGEMENT SYSTEM

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Tuesday, March 29, 2016
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Docket: [R-2015-2518438] UGI Gas 2016 BASE RATE CASE
Requestor: [McNees Wallace & Nurick LLC (2016 UGI BRC)] [Pamela C. Polacek]
Data Request: R-2015-2518438 :: UGIII Set II (I thru 6)
Date: 2016-03-28

UGIII-II-1 (Prepared by Paul Szykman)

[redacted]

UGIII-II-2 (Prepared by Paul Szykman)
From January 1, 2005 to the present:

a. How many DFD orders has UGI issued to customers? Please break down response on an annual basis according to rate schedule.

b. For each DFD order identified in subpart (a), provide the reason UGI issued such order.

c. For each DFD order identified in subpart (a), state the duration of each such order.

d. For each DFD order identified in subpart (a), state the total volumes of natural gas affected by such order.

e. Referring to the response in subpart (a), identify the number of customers that failed to comply with a DFD order, the reason for non-compliance, and, if applicable, any associated penalty charges. Please break down response on an annual basis according to rate schedule.

Response:
a. See Attachment UGIII-II-2 page 1.

b. See Attachment UGIII- II-2 page 2.

c. See Attachment UGIII-II-2 page 2.

d. All transportation volumes are affected in order to comply with the directive.

e. To date, compliance with DFDs in aggregate hasn't required UGI to institute individual tracking on an NGS or individual customer basis.

Attachment File Name	Attachment Note
Attachment UGIII-II-2.pdf	

UGIII-II-3 (Prepared by Paul Szykman)

From January 1, 2005 to the present:

a. How many DFD orders has UGI issued to natural gas suppliers ("NGS")? Please break down response on an annual basis.

b. For each DFD order identified in subpart (a), please provide the reason UGI issued such order.

c. For each DFD order identified in subpart (a), please state the duration of each such order.

d. For each DFD order identified in subpart (a), please state the total volumes of natural gas affected by such order.

e. Referring to the response in subpart (a), identify the number of NGSs that failed to comply with a DFD order, the reasons for non-compliance, and, if applicable, any associated penalty charges. Please break down response on an annual basis.

Response:
a. Please see the response to UGIII-II-2.

b. Please see the response to UGIII-II-2.

c. Please see the response to UGIII-II-2.

d. All transportation volumes are affected in order to comply with the directive.

e. To date, compliance with DFDs in aggregate hasn't required UGI to institute individual tracking on an NGS or individual customer basis.

No Digital Attachments Found.

UGIII-II-4 (Prepared by Paul Szykman)

[redacted]

UGIII-II-5 (Prepared by Paul Szykman)
From January 1, 2005 to the present:

a. How many OFO orders has UGI issued to customers? Please break down response on an annual basis according to rate schedule.

b. For each OFO order identified in subpart (a), provide the reason UGI issued such order.

c. For each OFO order identified in subpart (a), state the duration of each such order.

d. For each OFO order identified in subpart (a), state the total volumes of natural gas affected by such order.

e. Referring to the response in subpart (a), identify the number of customers that failed to comply with an OFO order, the reason for non-compliance, and, if applicable, any associated penalty charges. Please break down response on an annual basis according to rate schedule.

Response:
a. There has been one OFO issued since January 1, 2005. It was issued in 2010 and impacted all transportation rate schedules.

b. See Attachment UGIII-II-5.

c. See Attachment UGIII-II-5.

d. All transportation volumes on the Transco pipeline are affected in order to comply with the OFO.

e. There were no customers that failed to comply with the order.

Attachment File Name	Attachment Note
Attachment UGIII-II-5.pdf	

UGIII-II-6 (Prepared by Paul Szykman)
From January 1, 2005 to the present:

a. How many OFO orders has UGI issued to natural gas suppliers ("NGS")? Please break down response on an annual basis.

b. For each OFO order identified in subpart (a), please provide the reason UGI issued such order.

c. For each OFO order identified in subpart (a), please state the duration of each such order.

d. For each OFO order identified in subpart (a), please state the total volumes of natural gas affected by such order.

e. Referring to the response in subpart (a), identify the number of NGSs that failed to comply with a OFO order, the reason for non-compliance, and, if applicable, any associated penalty charges. Please break down response on an annual basis.

Response:
a. See UGI's response to UGIII-II-5 a.

b. See UGI's response to UGIII-II-5 b.

c. See UGI's response to UGIII-II-5 c.

d. See UGI's response to UGIII-II-5 d.

e. There were no NGSs that failed to comply with the order.

No Digital Attachments Found.

UGI Utilities, Inc. - Gas Division
Daily Flow Directives

Year	DFDs	Rates Schedules Impacted
2005	0	All Transportation Rate Schedules
2006	0	All Transportation Rate Schedules
2007	2	All Transportation Rate Schedules
2008	7	All Transportation Rate Schedules
2009	8	All Transportation Rate Schedules
2010	7	All Transportation Rate Schedules
2011	4	All Transportation Rate Schedules
2012	1	All Transportation Rate Schedules
2013	0	All Transportation Rate Schedules
2014	7	All Transportation Rate Schedules
2015	7	All Transportation Rate Schedules
2016	5	All Transportation Rate Schedules

UGI Utilities, Inc. - Gas Division
Daily Flow Directives

Start Date	End Date	Type	Reason
3/10/2016	3/15/2016	DFD	Excessive Supplies
2/12/2016	2/16/2016	DFD	Insufficient Supplies
1/15/2016	1/22/2016	DFD	Insufficient Supplies
1/13/2016	1/13/2016	DFD	Insufficient Supplies
1/5/2016	1/7/2016	DFD	Insufficient Supplies
12/24/2015	12/29/2015	DFD	Excessive Supplies
12/11/2015	12/14/2015	DFD	Excessive Supplies
3/5/2015	3/7/2015	DFD	Insufficient Supplies
2/12/2015	3/1/2015	DFD	Insufficient Supplies
2/5/2015	2/7/2015	DFD	Insufficient Supplies
1/26/2015	2/4/2015	DFD	Insufficient Supplies
1/7/2015	1/11/2015	DFD	Insufficient Supplies
7/1/2014	11/6/2014	DFD	Columbia Gas Transmission OFO
2/28/2014	3/7/2014	DFD	Insufficient Supplies
2/11/2014	No End Date	DFD	Insufficient Supplies
1/27/2014	1/31/2014	DFD	Insufficient Supplies
1/21/2014	1/25/2014	DFD	Insufficient Supplies
1/7/2014	No End Date	DFD	Insufficient Supplies
1/3/2014	No End Date	DFD	Insufficient Supplies
1/3/2012	1/4/2012	DFD	Insufficient Supplies
10/8/2011	10/10/2011	DFD	Excessive Supplies
2/8/2011	2/11/2011	DFD	Insufficient Supplies
2/3/2011	2/4/2011	DFD	Insufficient Supplies
1/23/2011	1/25/2011	DFD	Insufficient Supplies
9/4/2010	9/14/2010	DFD	Excessive Supplies
7/3/2010	7/10/2010	DFD	Excessive Supplies
5/29/2010	6/3/2010	DFD	Excessive Supplies
3/9/2010	5/10/2010	DFD	Excessive Supplies
2/6/2010	2/26/2010	DFD	Insufficient Supplies
1/29/2010	2/3/2010	DFD	Insufficient Supplies
1/9/2010	1/13/2010	DFD	Insufficient Supplies
11/30/2009	12/11/2009	DFD	Excessive Supplies
8/27/2009	No End Date	DFD	Excessive Supplies
7/3/2009	7/7/2009	DFD	Excessive Supplies
4/24/2009	4/24/2009	DFD	Excessive Supplies
3/6/2009	3/13/2009	DFD	Excessive Supplies
2/21/2009	3/6/2009	DFD	Insufficient Supplies
2/10/2009	2/15/2009	DFD	Excessive Supplies
1/10/2009	No End Date	DFD	Insufficient Supplies
12/25/2008	12/31/2008	DFD	Excessive Supplies
10/10/2008	No End Date	DFD	Excessive Supplies
8/30/2008	9/10/2008	DFD	Excessive Supplies
7/4/2008	7/10/2008	DFD	Excessive Supplies
4/23/2008	5/1/2008	DFD	Excessive Supplies
1/19/2008	1/26/2008	DFD	Insufficient Supplies
1/8/2008	1/15/2008	DFD	Excessive Supplies
6/30/2007	7/9/2007	DFD	Excessive Supplies
5/25/2007	5/29/2007	DFD	Excessive Supplies

UGI Utilities, Inc. - Gas Division
Operational Flow Orders

Start Date	End Date	Type	Reason
7/3/2010	7/4/2010	OFO	Excessive deliveries on Transco

energytools, llc. DATA REQUEST EASY ACCESS MANAGEMENT SYSTEM

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Tuesday, March 29, 2016
Logged in as: [**Alessandra L. Hylander**] Logout

Docket: [R-2015-2518438] UGI Gas 2016 BASE RATE CASE
Requestor: [McNees Wallace & Nurick LLC (2016 UGI BRC)] [Pamela C. Polacek]
Data Request: R-2015-2518438 :: UGIII Set IV (1 thru 7)
Date: 2016-03-28

UGIII-IV-1 (Prepared by Robert Stoyko)
Please reference Rule 3.2 on Original Page 16 of UGI's Proposed Tariff, which adds new and additional performance assurance requirements for Large Volume Customers:

a. Please explain UGI's rationale for proposing Rule 3.2.

b. Please explain what UGI means when it states that the "security may be established for an amount up to two billing periods of all service requirements calculated at the retail rate." In your response, please also clarify whether this provision includes just transportation charges or whether it also includes an imputed supply charge.

c. In developing Rule 3.2(b), please state UGI's justification for seeking additional security only from Large Volume Customer? Please provide a complete explanation including all supporting references or documentation.

d. In UGI's view, did the Commission authorize UGI to implement Rule 3.2 in advance of UGI's base rate filing under Docket No. R-2015-2518438? Please provide a complete explanation including all supporting references or documentation.

Response:
a. Section 3.2 of the Proposed Tariff is identical in part to Section 3.8 of the Current Tariff. No new requirements were added.

b. UGI is defining the maximum security requirement to be an amount up to two billing periods worth of charges. The maximum amount would include supply charges.

c and d. Please see UGI's response to part (a).

No Digital Attachments Found.

UGIII-IV-2 (Prepared by Robert Stoyko)
Please reference Rule 3.8 on Original Page 18 of UGI's Proposed Tariff, which addresses the refund of non-residential customer deposits and authorizes UGI to hold the deposit until "the Customer discontinues service and has no unpaid bills or at the Company's sole discretion":

a. Please explain why UGI believes it is reasonable to hold a customer deposit indefinitely.

b. From January 1, 2005 to the present, how many refunds have been withheld, or are currently being withheld, from customers pursuant to Rule 3.4 on Second Revised Page 13 of the Current Tariff? In the response, please indicate the number withholdings for each of the rate classes XD, LFD, and IS, and explain the reasons for the withholdings.

c. Is UGI aware of any Commission-imposed restrictions on the amount of time a utility may withhold a customer deposit? Please provide a complete explanation including all supporting references or documentation.

Response:
a. Nonresidential accounts pose a high risk to uncollectibles. If the account holder has previous accounts with us and established good payment history, we do not apply an initial deposit. If a customer who has a deposit wishes us to review the account for possible refund, our Credit Department will review the last two years' worth of payment history. If there are no other Indicators of credit risk, a refund will be made.

b. The company does not track call requests to review commercial deposits. Upon discontinuance, the deposit will be applied to any outstanding balance and any credit remaining is refunded within 30 days.

c. No.

No Digital Attachments Found.

UGIII-IV-3 (Prepared by David Lahoff)
Please reference Rule 4.1 on Original Page 20 of UGI's Proposed Tariff, which addresses "Facilities Ownership":

a. Please explain UGI's development of Rule 4.1 and justify its inclusion in the Proposed Tariff.

Response:
Section 4.1 is a proposed consolidation and clarification of current tariff Sections 4.1, 4.4 and 5.1.

No Digital Attachments Found.

UGIII-IV-4 (Prepared by Robert Stoyko)
Please reference Rule 5.1 on Original Page 22 of the Proposed Tariff, which addresses "Obligation to Extend or Expand":

a. Please explain UGI's justification for proposing Rule 5.1.

b. In developing Rule 5.1, did UGI consider that this provision regarding new service and expansions may conflict with UGI's obligation to serve under 66 Pa. C.S. § 1501 and 52 Pa. Code § 60.1, especially for larger customers? Please provide a complete explanation including all supporting references or documentation.

c. Please confirm whether the "expansion" of service includes changing from interruptible to firm transportation for large customers.

d. Please confirm whether the "expansion" of service includes increasing the Daily Firm Requirement.

Response:
a. UGI is seeking to clarify that its obligation to extend its facilities includes the expansion of its facilities. UGI also updated the methodology utilized to determine allowable investment amounts for extensions and expansions. In addition, clarifying language changes have been made addressing application, cost elements of estimates, restoration obligations and the provision of facilities supporting daily metering functions and cost obligations.

b. Section 5.1 is fully consistent with its obligation to provide service pursuant to the Public Utility Code.

c. Yes.

d. Yes.

No Digital Attachments Found.

UGIII-IV-5 (Prepared by Robert Stoyko)
Please reference Rule 5.4 on Original Page 23 of UGI's Proposed Tariff, which addresses "Commercial and Industrial Gas Service":

a. Please explain UGI's development of Rule 5.4 and justify its inclusion in the Proposed Tariff.

b. How does proposed Rule 5.4 differ from the general provisions in proposed Rule 5.1 and proposed Rule 5.2? Please provide a complete explanation including all supporting references or documentation.

c. How does the following sentence from Rule 5.2(b) comport with the concept that each extension or expansion will have an Allowable Investment based on the anticipated revenues (as stated in proposed Rules 5.1 and 5.2): "A contribution may be required up to the amount of the Company's total investment in the extension." Please provide a complete explanation including all supporting references or documentation.

Response:

a. Section 5.4 of the Proposed Tariff is identical in part to Section 5.5 of the Current Tariff.

b. Section 5.4(a) is applicable in situations where costs do not exceed $10,000 and Section 5.4(b) allows UGI to condition its agreement upon satisfactory usage commitments and any other mutually agreeable terms and conditions, which could also include a contribution up to the amount of the total investment.

c. If there are no anticipated revenues, the contribution would be equal to the total investment amount.

No Digital Attachments Found.

UGIII-IV-6 (Prepared by David Lahoff)
Please reference Rule 5.7 Original Page 24 of UGI's Proposed Tariff. Please address the following:

a. Please explain UGI's development of Rule 5.7 and justify its inclusion in the Proposed Tariff. Please provide a complete explanation including all supporting references or documentation.

b. Please provide a complete explanation of all of the proposed situations where the tariff rules would be inapplicable under Rule 5.7(1)-(5) and include all supporting references or documentation.

Response:

a. Section 5.7 of the Proposed Tariff was included to be made consistent with Section 5.7 of UGI CPG's Gas Service Tariff No. 4, which aligns with UGI's effort to standardize the Gas Tariffs across the three UGI NGDCs to the extent reasonably practicable.

b. The applicability of Section 5.7 is explained in Section 5.7.

No Digital Attachments Found.

UGIII-IV-7 (Prepared by David Lahoff)
Please reference Rule 6.5 on Original Page 28 of UGI's Proposed Tariff, which addresses "Continuity of Service":

a. Please explain UGI's development of Rule 6.5 and justify its inclusion in the Proposed Tariff. Please provide a complete explanation including all supporting references or documentation.

b. Please confirm whether Rule 6.5 is consistent with Rule 12.1 on "Service Continuity" in UGI's Current Tariff on Second Revised Page 28, which requires UGI to use "reasonable diligence to provide a regular and uninterrupted supply of gas." If the answer is anything but an unqualified "yes," please provide a complete explanation including all supporting references or documentation.

c. Please explain why Rule 6.5's damages limitation differs from Rule 12.1 in the Current Tariff and explain the reason for these differences. Please provide a complete explanation including all supporting references or documentation.

Response:

a. The first sentence of Section 6.5 tracks the language of Section 1501 of the Public Utility Code. The additional provisions of Section 6.5 have been added to provide clarity as to UGI's liability in the event of a service disruption, and these provisions generally track the pertinent provisions of the tariffs of interstate pipelines serving UGI. See e.g. Texas Eastern Transmission, LP, FERC Gas Tariff, Eight Revised Vol. No. 1, Section 31.

b. Given the passage of time, UGI is uncertain as to why its existing tariff language deviated from the wording of Section 1501 of the Public Utility Code. UGI had no intent, however, in aligning its tariff language to the language of the Public Utility Code to change the nature of the service it provides.

c. The language of existing tariff Section 12.1 attempted to list all likely causes of interruption, whether caused by the listed events within UGI's control or events beyond UGI's control, and exempted UGI from liability. The proposed language of Section 6.5 modifies this approach by providing customers, consistent with the policies of interstate pipelines serving UGI, with a credit against their monthly service charge during a period of disruption.

No Digital Attachments Found.

UGIII STATEMENT NO. 4-SR
6/2/16 [illegible]

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2015-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	Docket Nos. C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph P. Sandoski	:	C-2016-2529638
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

SURREBUTTAL TESTIMONY

OF

ROBERT A. ROSENTHAL
ON BEHALF OF
THE UGI INDUSTRIAL
INTERVENORS ("UGIII")

Issues Addressed:

Rule 5
Rule 6.5
Rule 19
Rule 20.2
Rule 20.4
Daily Flow Directives
Operational Flow Orders

MAY 25, 2016
(Corrected on June 1, 2016)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

SURREBUTTAL TESTIMONY OF ROBERT A. ROSENTHAL
ON BEHALF OF
THE UGI INDUSTRIAL INTERVENORS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert A. Rosenthal. My business address is 5245 Strathmore Drive, Mechanicsburg, PA 17050.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by R. A. Rosenthal, Inc., as President. I provide consulting services to electric, natural gas and water industries on various regulatory issues. My clients have included attorneys, fund managers, researchers, customers, and utilities themselves. My activities have ranged from informal consultation phone calls to submitting reports and testimony on a range of issues from utility finance and organization, depreciation, regulatory policy, rate design, and cost allocations/calculations and line extensions.

Q. ARE YOU THE SAME PERSON WHO PROVIDED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. HAVE YOU REVIEWED REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes. I reviewed the Rebuttal Testimony of Mr. Robert R. Stoyko and the Rebuttal Testimony of Ms. Angelina Borelli, both testifying on behalf of UGI Utilities, Inc. – Gas Division ("UGI" or "Company").

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. My Surrebuttal Testimony responds to proposals in Mr. Stoyko's Rebuttal Testimony regarding Rules 5, 6.5, 19, 20.2, and 20.4. In addition, my Surrebuttal Testimony also responds to Ms. Borelli's claims regarding Daily Flow Directives ("DFDs") and Operational Flow Orders ("OFOs").

RULE 5

Q. PLEASE SUMMARIZE MR. STOYKO'S RESPONSE TO YOUR RECOMMENDATION REGARDING RULE 5. THE WITNESS'S RESPONSE IS LOCATED ON PAGES 30 AND 31 OF THE WITNESS'S REBUTTAL TESTIMONY.

A. Mr. Stoyko dismisses the recommendation to alert customers when reviewing Rule 5 that it is applicable to movement from interruptible to firm service.

Q. WHAT IS YOUR RESPONSE TO MR. STOYKO'S DISMISSAL OF YOUR RECOMMENDATION?

A. I think that inclusion in Rule 5 would add clarity to the tariff that the availability of on-system capacity for firm service is not static and needs to be reviewed when customers are seeking to change the reliability of their service. My inclusion of this suggestion in my testimony indicates that the tariff is not clear. The tariff should be clear.

RULE 6.5

Q. PLEASE SUMMARIZE MR. STOYKO'S RESPONSE TO YOUR RECOMMENDATION REGARDING RULE 6.5, LOCATED ON PAGES 31 AND 32 OF THE WITNESS'S TESTIMONY.

A. Mr. Stoyko represents that the proposed change in language is not a material change to the existing UGI tariff or its obligations under the Public Utility Code.

Q. WHAT IS YOUR RESPONSE TO MR. STOYKO'S ASSERTIONS REGARDING RULE 6.5?

A. I disagree. The proposed Rule 6.5 is much more detailed in expressing the valuation of the limit to liability as a proportion of the monthly customer charge and negates other tariff based exposure resulting from UGI delivery limitations. Even as a non-attorney, I can identify these differences. UGIII's attorneys also have indicated that those limits do not exist under the current tariff and that UGI's "reorganization" of the provision expands the situations in which the limitation of liability will apply. If it is truly not a material change, then there is no clear reason to make the change in this proceeding. UGI has not met its burden of proof to justify this change.

RULE 19

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF MR. STOYKO'S ASSERTIONS REGARDING RULE 19, WHICH IS DISCUSSED ON PAGES 34 TO 38 OF HIS REBUTTAL TESTIMONY.

A. Mr. Stoyko discusses his review of UGI's language and processing for emergency action and penalties to be consistent with Commission regulations at 52 Pa. Code § 59.73(b).

Q. WHAT IS YOUR RESPONSE TO MR. STOYKO'S ASSERTIONS REGARDING RULE 19?

A. Mr. Stoyko's reference to the Commission's regulation at 52 Pa. Code § 59.73(b) is too limited and does not take into account the clarifications of 52 Pa. Code § 69.17 which details the focus of OFOs and distinguishes them from other notices that UGI may issue. In the first instance, Section 59.73(b) only discusses the use of OFOs and does not discuss UGI's "Daily Flow Directive" term of art. As a result, Section 59.73(b) cannot be the basis for the DFD definition and procedures, which UGIII is also contesting in this proceeding.

Second, in the proposed tariff UGI defines OFO as including gas procurement activities, yet that is the specific preclusion for OFO in the Commission policy directive. UGI's definition begins the mixing of directives that leads to customer confusion in responding to requests from UGI. Is the customer assured that UGI's request is due to a critical need of the system, either locally or system wide, or is there some procurement issue for core customers affecting the system operations? Under Section 69.17 the DFD could be distinguished as the Code delineated "other flow order" that can be used for Supplier of Last Resort ("SOLR") related issues affecting system operations (but not solely trying to reduce costs for SOLR customers). The DFD could also be an early warning signal for potential system critical conditions in advance of the necessity of an OFO to govern critical period operations. In this vein though, DFD directives should not carry additional penalties as proposed by UGI. Only during the OFO critical operation period should a penalty for non-compliance be imposed.

Q. SHOULD THE DEFINITION OF DFD INCLUDE THE LANGUAGE REGARDING RESTRICTIONS TO SUPPORT THE LEAST COST PROCUREMENT REQUIREMENTS?

A. No. By including this language, UGI is elevating the SOLR procurement function above its other obligations in the Public Utility Code. As the system operator UGI has the obligation to design, construct, manage, and operate to safely and reliably receive and deliver natural gas throughout its facilities to connected customers. This is not as limited as its SOLR obligation. It is required to implement gas choice in a manner that does not unreasonably discriminate against any customer class in favor of another.[1] Section 69.17(a)(3) of the Commission's regulations references all of the Natural Gas Distribution Company's ("NGDC") statutory obligations, not just the least cost procurement provisions as UGI's DFD definition includes. Recognizing only the SOLR procurement in the definition elevates this obligation over others, when all must be balanced.

It should be remembered that least cost procurement for SOLR customers starts out as a plan of operation given the forecasts, contracts, and pricing protocols at the time of review in the 1307(f) proceeding. Day to day implementation of the plan is affected by differences in actual consumption, customer growth, weather deviations from forecasts, pipeline constraints, pricing and basis changes, and supplier failures, that may also affect other suppliers on the UGI system. Permitting UGI to leverage its NGDC transportation and system operator functions to primarily reduce the SOLR rates would appear to be contrary to the Commission's efforts to support natural gas choice for all customers. The natural gas suppliers ("NGS") serving the residential market do not have the ability to

[1] 66 Pa. C.S. § 2203(5).

issue DFDs to UGI's large transportation customers so they can reduce their procurement costs. Neither UGI nor the NGSs should have this right because it would unreasonably discriminate against other transportation customers.

Based on the testimony of Mr. Stoyko and Ms. Borelli, it appears that UGI is inappropriately considering the least cost procurement obligation as the most important and controlling obligation. As a result, in addition to deleting this proposed language, UGI should be ordered to submit a compliance filing in this proceeding that includes revised operational procedures that reflect an appropriate balance of its obligations, rather than elevating the SOLR procurement function above all others.

OTHER OPERATIONAL RULES

Q. ARE THERE ANY ADDITIONAL STEPS THAT YOU RECOMMEND TO CLARIFY THE OPERATIONAL RULES ON UGI'S SYSTEM?

A. At the root of this problem is the best means and message that needs to be communicated by UGI to the customer. Mr. Stoyko emphasizes that UGI strives to directly communicate with the customers and this is the best starting point to address anticipated issues on the UGI system. It appears from the testimony of large customers that the need for customer action and the reasons for that action are not being clearly communicated. Perhaps UGI should initiate distinctive terms for Excess Delivery Alerts ("EDA") seeking customers to reduce deliveries to the system or increase their consumption and Under Delivery Alerts ("UDA") seeking customers to increase deliveries or reduce consumption. Either alert would be in advance of the critical operational gas day and be based upon best available weather forecasts and other system conditions. UGI's current process uses the DFD for both conditions.

UGIII members would be willing to work collaboratively with UGI to better define the alerts and communications, as contemplated under Section 69.18 of the Commission's regulations. Until that process is concluded, UGI should be precluded from using DFDs or other transportation restrictions solely for the reduction of SOLR customer costs.

<u>RULES 20.2 AND 20.4</u>

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF MR. STOYKO'S ASSERTIONS REGARDING RULES 20.2 AND 20.4, LOCATED ON PAGES 38 THROUGH 40 OF HIS REBUTTAL TESTIMONY.

A. Mr. Stoyko emphasizes that the goal of the language in Rules 20.2 and 20.4 is to provide UGI with the tools to assure that transportation customers are aware and responsible for their balancing conditions.

Q. WHAT IS YOUR RESPONSE TO MR. STOYKO'S ASSERTIONS REGARDING RULES 20.2 AND 20.4?

A. First, Mr. Stoyko on page 36 in discussing MDX penalties states that they are not applicable to a gas emergency. This is in conflict with the specific language at the beginning of 20.4 that the charge "applies on critical days" at "10 times the highest price for delivery." Additionally at Rule 20.5, UGI ties the $50 penalty for failure to comply with an OFO or DFD to the MDX calculation. Here we have the problem of the crafting of the tariff not being consistent with what UGI states is its preferred operational process. Hence it is with some worry that the tariff as proposed contains discretionary language where UGI can judge the action of a customer and impose significant penalties on the use of contracted services. As Mr. Stoyko has expressed that customers can respond to UGI actions by filing Section 1501 complaints it appears that through the multiple discretionary penalties and confusing communications that UGI is seeking to increase expensive litigation before the Commission.

RESPONSE TO NEW PROPOSAL

Q. PLEASE SUMMARIZE WITNESS LAHOFF'S STATEMENTS ON PAGE 52, LINES 13 THROUGH 17 OF HIS REBUTTAL TESTIMONY.

Witness Lahoff claims that there was an omission in the tariff sections pertaining to Rate Schedules LFD and XD. He suggests that "the section titled Charge for Unauthorized Overrun should include the following 'the rate of Fifty Dollars ($50.00) per Mcf, or the charge calculated in compliance with Rule 20.4 Maximum Daily Excess Balancing Charge, whichever is greater, plus the charge specified in the monthly rate table."

A. WHAT IS YOUR RESPONSE TO MR. LAHOFF'S STATEMENTS REGARDING RULE 20.4?

I reject his contention that customers should be forced to pay either the Rule 20.4 penalties or $50.00, whichever is higher, because of unauthorized overruns. UGI has not provided any rationale as to why this penalty needs to be in place. Including this language on the rate schedules just further confuses customers about the rules that apply for imbalance situations. As I addressed in my direct testimony, the language in Rule 20.5 is in conflict with the language in Rule 19.10 where UGI proposes a $75 per mcf penalty for unauthorized takes during any restriction. It appears that UGI is seeking to stack the penalties of Rules 19 and 20 in addition to the monthly rate tables. Furthermore, UGI cannot include an additional tariff provision in its Rebuttal Testimony that it neglected to address in its initial filing or in Direct Testimony.

OFOs AND DFDs

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF MS. BORELLI'S ASSERTIONS REGARDING OFOs AND DFDs ON PAGES 15 AND 16 OF HER REBUTTAL TESTIMONY.

A. Ms. Borelli reiterates that the proposed definitions for OFO and DFD are designed to ensure delivery, discourage balancing arbitrage, and satisfy statutory obligations whether economic or other.

Q. WHAT IS YOUR RESPONSE TO MS. BORELLI'S CLAIMS REGARDING OFOs AND DFDs?

A. As I discussed previously the OFO term is unique under the code and is not to be commingled with the SOLR performance and other obligations of the distribution company. In addition, the SOLR procurement activities must be balanced with the other obligations, including the delivery of gas delivered by NGSs.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**Docket No. R-2015-2518438**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	
Office of Consumer Advocate	:	**Docket Nos. C-2016-2527150**
Office of Small Business Advocate	:	**C-2016-2528559**
UGI Industrial Intervenors	:	**C-2016-2529436**
Joseph P. Sandoski	:	**C-2016-2529638**
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

VERIFICATION

I, Robert A. Rosenthal, President of R. A. Rosenthal, Inc., hereby state that the facts set forth in UGI Industrial Intervenors ("UGIII") Statement No. 4 (Direct Testimony and Exhibits of Robert A. Rosenthal) and Statement No. 4-SR (Surrebuttal Testimony of Robert A. Rosenthal) are true and correct to the best of my knowledge, information, and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

May 31, 2016
Date

Robert A Rosenthal
Signature