

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REVISED DIRECT TESTIMONY OF JAMES L. CRIST
ON BEHALF OF
DOMINION RETAIL, INC., SHIPLEY CHOICE, LLC,
INTERSTATE GAS SUPPLY, INC., AMERIGREEN ENERGY,
AND RHOADS ENERGY**

NGS Parties' Statement No. 1 (Revised)
May 11, 2016

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INTRODUCTION

1
2 **Q. State your name and business address, and tell us on whose behalf you are**
3 **testifying?**

4 A. I am James L. Crist, President of Lumen Group, Inc. a consulting firm focused on
5 regulatory and market issues. My business address is 4226 Yarmouth Drive, Suite 101,
6 Allison Park, Pennsylvania 15101. I am presenting testimony on behalf Dominion Retail,
7 Inc. d/b/a Dominion Energy Solutions ("DES"), Shipley Choice, LLC d/b/a Shipley
8 Energy ("Shipley"), Interstate Gas Supply, Inc. d/b/a IGS Energy ("IGS"), AMERIGreen
9 Energy, and Rhoads Energy ("Rhoads") (collectively, "NGS Parties"). The NGS Parties
10 are each Choice natural gas suppliers ("NGS" or "Choice Supplier") to Choice customers
11 in UGI territory and other areas of Pennsylvania.

12
13 **Q. Briefly describe your educational experience and relevant qualifications.**

14 A. I have a B.S. in Chemical Engineering from Carnegie Mellon University and an M.B.A.
15 from the University of Pittsburgh. I have operated a consulting practice for the past 15
16 years, focused on regulated and deregulated energy company strategy, market strategy,
17 regulatory issues, and overseeing the transition to competitive retail markets. In one of
18 my consulting assignments, I served as the Vice President of Customer Markets for ACN
19 Energy, a retail marketer of gas and electricity in seven states. Prior to that, I was
20 employed by three major energy companies for a total of 19 years. Most recently I was
21 Vice President of Marketing for Equitable Resources. In that function, I was responsible
22 for the development of strategy for customer choice programs and oversaw the

1 company's participation in the first residential customer choice program in Rock Valley,
2 Iowa, in 1996.

3 Prior to my employment at Equitable Resources, I was Vice President of Marketing for
4 Citizens Utilities. In that role I was responsible for gas, electric, water and wastewater
5 marketing activities across several service territories in the United States. Under my
6 direction, Citizens Utilities initiated commercial and industrial transportation and supply
7 services at its gas operation in Arizona. I directed significant gas supply contracting
8 activities with large industrial and commercial customers at Citizens Utilities' gas
9 operation in Louisiana.

10 I was the Marketing Director at Peoples Natural Gas of Pittsburgh, Pennsylvania, during
11 1988 through 1994, where I was actively involved in many gas transportation programs
12 as the company introduced competition for residential customers. In summary, I have
13 considerable experience in several states fostering the transition to competitive retail
14 markets.

15
16 **Q. Have you previously testified before the Pennsylvania Public Utility Commission?**

17 **A.** Yes, I have appeared before the Pennsylvania Public Utility Commission
18 ("Commission") in several gas and electric regulatory proceedings. Additionally, I
19 provided testimony on a variety of issues relating to energy procurement, industry
20 restructuring, and demand response before regulatory commissions in Arizona, Illinois,
21 Maryland and the U.S. Virgin Islands. I have testified in several UGI proceedings
22 including the 2010 proceeding on Choice issues and the supplier tariff, the 2011
23 proceeding of UGI Utilities, Inc. – Gas Division ("UGI"), UGI Penn Natural Gas, Inc.

1 ("PNG"), UGI Central Penn Gas, Inc. ("CPG" and, together with UGI and PNG, the
2 "UGI System" or "Companies") which dealt with Choice and supplier issues, and the
3 2012 case that implemented a Gas Procurement Charge ("GPC") pursuant to an order of
4 the Commission directing the Companies to do so. For several years, I have been
5 representing the Natural Gas Suppliers in their efforts to foster a level playing field with
6 fair requirements that do not place customers who wish to shop at a financial
7 disadvantage.

8
9 **Q. Why are the Natural Gas Suppliers participating in this case?**

10 A. The decisions made in this case will have a fundamental impact on whether the Supplier
11 Group will see a way that they can effectively compete for customers on the UGI system.
12 Each member of the NGS Parties is in the business of marketing natural gas. A key
13 component of that business is going into the market to identify cost effective ways to buy
14 natural gas and to deliver that natural gas to the ultimate sales customer. As this is the
15 first base rate case the Company has filed in twenty years, it has an opportunity to
16 improve the manner which customers can explore and consider alternatives to being
17 forced to take system supply from the incumbent utility. Any aspect of service rules or
18 assessment of fees pertaining to shopping customers will have an impact on the future of
19 competitiveness in the UGI territory and therefore in the Commonwealth as a whole. The
20 NGS Parties have identified Choice issues that the Company chose to worsen with its
21 change of tariff language and request for large cost increases. Each mandatory
22 assignment of capacity or costs, and each mismatch between the value of assigned
23 capacity and the cost of that capacity, saddles a natural gas supplier with decisions made

1 by the utility that may not be the choices that the natural gas supplier would have made.
2 These forced choices are a burden for the natural gas supplier and make it difficult to
3 compete to provide gas supply to utility customers, since the natural gas supplier loses
4 the ability to optimize its supply, transportation, and storage choices and costs. The more
5 existing contractual structure that is forced onto the natural gas supplier, the less
6 flexibility the natural gas supplier has that will allow it to make business decisions that
7 are designed to improve the supply options that it can present to customers. It is hard to
8 compete if many of the choices that affect your supply pricing are made by the entity that
9 you are trying to outperform.

10
11 **Q. Please describe Shipley.**

12 A. Shipley Energy commenced operations in 1929 and is a fuel oil, biofuel, propane,
13 electricity and natural gas supplier based in York, Pennsylvania. Shipley sells gas and
14 related services to approximately 12,500 residential, commercial, and industrial
15 customers located in the UGI service territory. Shipley has been active in Pennsylvania
16 natural gas markets since 1998 and serves residential, commercial and industrial
17 Pennsylvania gas customers on the UGI, PECO and Columbia Gas of Pennsylvania
18 systems.

19
20 **Q. Please describe Rhoads.**

21 A. Rhoads Energy started operations in 1917 as a local kerosene supplier in Lancaster
22 County, PA. Today, Rhoads serves 5 counties, including Lancaster, Chester,
23 Montgomery, Berks and Lebanon with a full line of delivered energy products. The

1 company's offerings include natural gas, propane, heating oil and motor fuels along with
2 HVAC installation and service. Rhoads has been serving gas to the UGI and PECO
3 markets since 2011 and has focused primarily on the residential and commercial
4 customer base.

5
6 **Q. Please describe IGS Energy.**

7 A. IGS Energy has over 25 years' experience serving customers in competitive markets
8 throughout the country. IGS Energy serves over 1 million gas and electric customers
9 nationwide in 12 states and in over 45 utility service territories. In Pennsylvania, IGS
10 currently serves natural gas and electric customers across a multi-utility footprint. The
11 IGS family of companies (which includes, IGS Energy, IGS CNG Services, IGS Solar,
12 IGS Generation, and IGS Home Services) provides customer focused energy solutions
13 that help customers take control of their energy needs. In addition, IGS operates four
14 satellite offices in the Commonwealth, and employs over 100 sales and managerial staff
15 at those locations.

16
17 **Q. Please describe Dominion Retail, Inc.**

18 A. Dominion Retail, Inc. has been active in the Pennsylvania retail choice natural gas
19 markets since 1997 and currently serves a combined total of approximately 141,200
20 residential and commercial & industrial gas customers on the Columbia Gas of
21 Pennsylvania, PECO, PNG (Equitable Division), PNG, UGI Utilities and UGI Penn
22 Natural Gas systems. Dominion Retail anticipates continuing to offer service on these
23 utility systems in the future.

1 **Q. Please describe AMERIGreen Energy.**

2 A. AMERIGreen Energy, Inc. was founded in 2005 as a biodiesel blender and wholesaler.
3 AMERIGreen currently is a total energy provider of bioheating oil biodiesel, propane,
4 motor fuels, electricity and natural gas. AMERIGreen has 35 employees with offices in
5 Lancaster, PA and Englewood Cliffs, NJ. They are active in electricity and natural gas
6 markets including UGI, PECO, MetEd, PSE&G, Orange and Rockland, National Grid
7 and ConEdison.

8

9

PURPOSE OF TESTIMONY

10

11 **Q. What is the focus of your testimony?**

12 A. There are several issues that individually and collectively are detrimental to customers
13 seeking alternatives to obtaining natural gas supply from UGI. The long standing
14 policies of the Commonwealth to promote competition and to remove barriers that inhibit
15 customer choice can be better served by making several changes in the manner that UGI
16 conducts its business. I will address these issues:

17 1. Gas Procurement Charge ("GPC") - UGI is seeking to reduce the gas procurement
18 charge from \$0.04/mcf to \$0.0146/mcf. The intent of the GPC, as ordered by the
19 Commission, is to extract the costs associated with natural gas procurement activities
20 from base rates and instead recover such costs from default service customers through
21 gas cost rates. UGI's GPC calculations do not allocate working capital costs (Lahoff p.
22 29) or other costs to the GPC as required by the Commission. For these reasons, I
23 recommend that these costs be included in the GPC resulting in a GPC of \$0.1701/mcf.

1 all gas procurement charges from distribution rates and collect those costs from the
2 default rate. Further, 52 Pa. Code § 62.223 clearly states that:

3 *(1) Natural gas procurement costs must include the following elements:*
4

5 *(i) Natural gas supply service, acquisition and management cost,*
6 *including natural gas supply bidding, contacting, hedging, credit,*
7 *risk management costs and working capital." (emphasis added).*
8

9 **Q. What are the issues involving the UGI Gas Procurement Charge?**

10 A. One of the actions UGI proposes that would have a significant detrimental effect on the
11 competitiveness of the Choice program is the large decrease of the GPC to approximately
12 one-third of its current rate of \$0.04/mcf to \$0.0146/mcf. As I testify below, UGI leaves
13 out several key components in its GPC calculation, most prominently, the cost of
14 working capital. For these reasons, and as further explained below, the GPC should be
15 set at \$0.1701/mcf, based on my analysis and including all appropriate components in the
16 GPC.
17

18 **Q. Have the NGS Parties been participants in discussions involving the development of**
19 **the GPC in Pennsylvania?**

20 A. Yes. NGS has been active in the SEARCH process in Pennsylvania and in the
21 rulemaking process that led to the June 2011 Order which resulted in the regulations at 52
22 Pa. Code § 62.223, which, in turn, directed UGI and other natural gas utilities to
23 unbundle gas procurement charges from base rates and include them in the price to
24 compare ("PTC"). In particular, I will describe how UGI's proposed large decrease
25 creates a GPC that does not contain all the appropriate costs which UGI incurs in its gas
26 procurement operations. The result of not including all of the appropriate costs is that the

1 competitive playing field is tilted in favor of UGI providing gas supply for customers to
2 the detriment of Choice customers. Under-allocating costs to the GPC leaves Choice
3 customers subsidizing non-shopping customers by requiring Choice customers to bear a
4 portion of UGI's costs to provide procurement services for utility default service
5 customers. The decrease of the GPC, if implemented as proposed, increases the cost
6 burden to customers of NGSs and poses a cost barrier to customers that are shopping for
7 an alternative gas supplier by including costs that they should not pay. This will serve as
8 a disincentive for natural gas suppliers to participate in the UGI Choice program and a
9 disincentive for customers to enroll with a NGS.

10 As part of my testimony, I will provide comparisons to the GPCs of other Pennsylvania
11 NGDCs that show a fairer transfer of costs from base rates into the GPC. I will explain
12 the rationale for having a greater allocation of costs to the GPC than what UGI has
13 proposed along with the evidence that supports such costs. All of this is designed to
14 create a level playing field that will allow natural gas suppliers present competitive
15 supply offers to incumbent utility customers. My recommendations are revenue neutral
16 across customer classes and do not change UGI's overall system revenues. Further, my
17 recommendations are based on the explicit direction provided by the Commission in the
18 June 2011 Order.

19
20 **Q. Why are the NGSs concerned about the inappropriate cost allocations to the GPC?**

21 **A.** The GPC has an impact on whether NGSs can effectively compete for customers on the
22 UGI system. NGSs are in the business of selling natural gas. A key component of that
23 business is going into the market to identify cost effective ways to buy natural gas and to

1 deliver that natural gas to the end use customer. Customers base their gas buying
2 decisions on several factors, but a very important factor is the price they pay for gas. The
3 GPC is designed to allocate to default service the non-commodity gas supply costs UGI
4 incurs to serve default service customers.

5 Costs that UGI incurs in fulfilling its gas procurement function for default service
6 customers should not be borne by customers that choose to shop for gas supply. Every
7 penny of such cost that is not properly shifted out of base rates saddles the customers of
8 NGSs with costs for procurement services of the utility, which they do not wish to pay.
9 NGSs have similar procurement activities as NGDCs and those costs are included in the
10 prices that customers pay to suppliers. Paying for such activities that the utility
11 undertakes for procurement is double-charging the customer and must be addressed.

12
13 **Q. What are the particular areas that you will address in your testimony?**

14 A. The focus of my testimony about the GPC will be my identification of several
15 components of the GPC where UGI has either under-allocated costs or not allocated any
16 costs. My review of UGI's filing showed that UGI was deficient in its cost allocation and
17 its GPC is substantially less than other LDCs in Pennsylvania.

18
19 **Q. What are examples of other Pennsylvania LDCs that have GPCs greater than the
20 GPC amount which UGI has in its filing?**

21 A. Peoples Natural Gas ("PNG"), Columbia of Pennsylvania ("CPA") and PECO Gas
22 ("PECO") have substantially larger GPC amounts. PNG's GPC is \$0.1055/mcf, PECO's
23 GPC is \$0.0401/mcf and CPA's GPC is \$0.0695/Dth. In comparison, UGI filed to

1 decrease its GPC of \$0.04/mcf to \$0.0114/mcf. Such a comparison makes it clear that
 2 UGI neglected to include all the proper cost allocations in its determination of GPC.

3
 4 **Q. Does UGI currently have the lowest GPC of all the gas utilities in the state?**

5 A. Yes. At \$0.04/mcf UGI already has the lowest GPC in the state, meaning UGI allocates
 6 the least amount of gas procurement costs per customer. The below Table 1 indicates
 7 that UGI's current GPC is already more than 4 cents per MCF below the state average. If
 8 UGI's proposal to lower the GPC is adopted, the disparity between UGI's GPC and the
 9 GPCs of other utilities in the State will obviously become much greater.

10 **Table 1**

NGDC	GPC
Peoples	\$.1055/MCF
PECO	\$.0401 / MCF
UGI	\$.040 / MCF
National Fuel	\$.1050 / MCF
Equitable	\$.123/ MCF
Columbia	\$.0695/MCF
Average	\$.0805 / MCF

11
 12 **Q. What are the components of the GPC in UGI's filing that are deficient?**

13 A. There are several. According to Mr. Lahoff's testimony (UGI Statement No. 6) and
 14 Exhibit DEL-11, there is no allocation of costs *at all* for the working capital incurred due
 15 to gas in storage or working capital associated with the receipt of gas revenues and the
 16 incurrence of costs for applicable gas supply. The labor charges Mr. Lahoff allocated are
 17 only for a very small proportion of the labor that works in the procurement area or other
 18 areas of accounting, legal, regulatory or management on procurement issues. There were
 19 very minor information technology costs allocated to the GPC of only \$8,766 even

1 though UGI witness Mr. Lord testified that the IT system program, known as UNITE, is
2 undergoing a complete replacement of the CIS system with a total cost of \$130-150
3 million and an annual O&M cost of \$1.71 million. I will examine each of these in greater
4 detail.

5
6 **Q. What is the error in Mr. Lahoff's method of assigning costs to the GPC?**

7 A. It is evident upon examining DEL-11 that Mr. Lahoff allocated very small amounts of the
8 total costs that UGI spent or intends to spend on the UNITE project. He identified those
9 costs that were incremental to the existing UGI Gas operation, and viewed only those
10 costs as the appropriate costs for allocation into the GPC. Such thinking is flawed and
11 does not carry out the objectives of the Commission to create equality and parity between
12 system gas customers and shopping customers. Instead, those costs that the utility has,
13 which duplicate costs of the same functions that suppliers have should be borne by the
14 system supply customers just as the shopping customers bear the costs of the suppliers'
15 CIS. I reject Mr. Lahoff's incremental cost approach and adopt an allocation based on
16 the revenues of delivery vs. the revenues of gas sales.

17
18 **Q. What is Working Capital for Gas in Storage?**

19 A. Working Capital for Gas in Storage is the return on the capital cost of the storage gas
20 inventory. Because UGI buys and injects gas in storage for default service customers
21 during summer months that is not consumed until winter months, there is an additional
22 working capital costs that UGI incurs from this revenue lag caused by default service
23 customers. UGI currently collects these costs through base distribution rates. In

1 response to OSBA-I-20-e, Mr. Lahoff confirmed that the Company proposes to include
2 \$21.7 million in gas storage inventory in its claimed rate base in this proceeding. Mr.
3 Lahoff did not include any working capital of storage gas in his calculation of the GPC,
4 yet in both PNG and PECO working capital is the largest component of their GPC.
5 Further, Commission regulations require that working capital be included in the
6 calculation of the GPC.

7
8 **Q. If working capital is not placed in the GPC, explain how that results in double**
9 **payments from the shopping customers?**

10 A. NGSs already pay for the benefit of gas in storage because the Company forces suppliers
11 to pay for the storage charges and to purchase bundled storage gas, which contains a cost
12 component for working capital. To avoid collecting for the same working capital from
13 both suppliers and Choice customers who currently pay for working capital in base rates,
14 the costs must be placed in the GPC instead.

15
16 **Q. Are the costs of the IT system improvements of project UNITE appropriate to**
17 **include in the GPC?**

18 A. Yes. Mr. Szykman testified that in its first phase of the UNITE project UGI's two aging
19 CISs will be replaced with a state-of-the-art system. NGSs also maintain their CIS and,
20 therefore, to not include a portion of the costs of the UNITE project in the GPC would
21 unfairly burden shopping customers with the costs of two CIS systems.

1 **Q. What are the costs of UNITE in the FPFTY?**

2 A. Mr. Lord testified that the portion of the costs that would be assigned to UGI Gas is \$43.0
3 million of the Phase I capital costs. Using the requested rate of return of 8.17% results in
4 an annual revenue requirement of \$3.51 million. He also testified that UGI Gas would
5 pay \$859,000 annual maintenance costs. Combining those two costs, results in an annual
6 expense of \$4.379 million.

7

8 **Q. What is the portion of costs of Phase I of UNITE that should be allocated to the**
9 **GPC?**

10 A. The CIS handles the interactions with customers. A customer's bill consists of two major
11 components, delivery cost and gas cost. A reasonable allocation method for CIS costs
12 would be using relative revenue of each of those costs as the basis. Using Ms. Kelly's
13 data in Attachment II-A-13, the 2017 (FPFTY) total operating expense revenue is
14 \$294,669, and the gas cost revenue is \$141,851 or 48.1% of the total. 48.1% times the
15 annual expense of \$4.379 million is \$2.10 million. That should be included in the GPC.

16

17 **Q. What is the total amount of labor involved in the procurement process throughout**
18 **the UGI System?**

19 A. Mr. Lahoff (UGI St. No. 6) summarized all the GPC cost components in Exhibit DEL-11.
20 The total labor and benefits costs are \$324,561, which shockingly is a decrease from the
21 amount Mr. Lahoff claimed in the 2010 filing of \$393,801. This, of course, is not
22 consistent with UGI's claim of its overall labor costs which according to Mr. Szykman

1 have increased, as that is one item Mr. Szykman cited as a driver for seeking a base rate
2 increase.

3 Mr. Lahoff's labor amount is also less than labor costs claimed by other NGDCs. By
4 comparison, PNG allocated \$563,665 and PECO allocated \$737,000.

5
6 **Q. How many total employees work in the gas procurement area?**

7 A. Although multiple data requests were issued to obtain that data (NGS Set II), the replies
8 were non responsive. In the previous 2012 proceeding on GPC in the data response to
9 OSBA (Set I-12), Mr. Lahoff provides data showing that 9 Accounting employees, 12
10 Rates employees, and 15 Gas Supply employees, for a total of 36 full-time employees,
11 work in the gas procurement area. However, Mr. Lahoff only allocated costs for 5.28
12 full-time equivalent employees to the GPC in this proceeding. (OCA-IV-27). To put it
13 in perspective, the gas sales revenues comprise 48.1% of the total Company revenues yet
14 in a response to RESA-I-1. Mr. Lahoff revealed that his labor and benefits costs used in
15 the development of the GPC costs were only 3% of the Company's total payroll costs.

16
17 **Q. What is your recommendation regarding the allocation of labor to the GPC?**

18 A. The UGI System allocation should be increased to \$649,122, which is twice the amount
19 used by Mr. Lahoff and similar to the average of the PNG and PECO costs and at the
20 labor rate of the UGI System represents 8.25 full-time equivalent employees out of the 36
21 employees involved in the procurement process, so that amount is certainly not
22 unreasonable. The NGS Parties have issued several data requests designed to produce
23 meaningful evidence regarding a more appropriate allocation of labor costs to the GPC,

1 and I reserve the right to provide additional testimony on this topic following the
2 Company providing the responses to the data requests, which have not yet been received.

3
4 **Q. What are the total costs that the UGI System should remove from base rates and
5 include in the GPC?**

6 A. My calculations are presented in Exhibit NGS-1. Using my labor recommendation of
7 \$649,122, my IT recommendation of \$2,100,000, along with the amounts proposed by
8 the UGI System for outside legal expense of \$60,000, working capital costs of
9 \$1,772,890 totals \$4,582,012. This is much more accurate and complies with the
10 requirements of the GPC more than the meager amount of \$393,372 proposed by the UGI
11 System and shown in Exhibit DEL-11.

12
13 **Q. What is the result of including all of the appropriate costs in the GPC?**

14 A. The resultant GPC Charges are \$0.1701/mcf for UGI, which is much more reasonable
15 than the amount proposed by Mr. Lahoff.

16
17 **SWITCHING FEE**

18
19 **Q. What is the tariff language that describes the switching fee assessed if customers
20 select an alternative gas supplier?**

21 A. Under Rate AG, it states the Switching Fee is \$10/Customer Switch (The first switch to
22 Rates RT, NT or CT shall be free).

1 **Q. Who pays the switching fee?**

2 A. The fee is collected from the gas supplier. This is a cost a gas supplier must bear and
3 places them at a financial disadvantage to the Company, who has no such cost component
4 in its gas cost. Because the only opportunity to recover any such costs a NGS has is to
5 include those costs in the price of its product. This may result in a product cost the
6 customer finds unacceptable and the customer may elect to switch to another supplier or
7 elect to obtain default service from the Company.

8

9 **Q. What fee is assessed to a customer if they switch from a natural gas supplier to the**
10 **Company's default service?**

11 A. There is no fee assessed if a customer is currently obtaining supply from a NGS and then
12 switches back to UGI gas supply. This is a discriminatory charge aimed at increasing the
13 expenses of a NGS. Such practices should be disallowed and the charge should be
14 eliminated.

15

16

CAPACITY ISSUES

17 **Q. Does the Company release storage capacity to NGS?**

18 A. No. The NGS must purchase a bundled gas service from the Company to meet the winter
19 demand of Choice customers. This arrangement is inferior to actually releasing the
20 capacity to the NGS for it does not allow the NGS similar flexibility.

21

22

23

1 **Q. Does this put a NGS at a competitive disadvantage to the Company?**

2 A. Yes. To be successful in a competitive marketplace a NGS must use all the tools that are
3 available. When capacity release is "off the table," it inhibits an NGS' ability to provide
4 a competitively priced product to customers.

5
6 **Q. What do you recommend be improved in the UGI Choice program?**

7 A. The NGS should have the option of purchasing released capacity, both pipeline and
8 storage to meet their customers' needs.

9
10 **Q. Do NGSs receive the full value for transportation capacity that is released to them
11 by UGI?**

12 A. No. For example, with regard to the capacity from Leidy, which a NGS can purchase on
13 a monthly basis; the NGS pays full tariff price for the capacity, but can only use it to
14 deliver gas to the UGI city gate. The capacity should include delivery rights beyond the
15 city gate to the Transco mainline pooling point #210.

16
17 **Q. How does this affect a NGS?**

18 A. It puts a NGS at a disadvantage because they pay full price for the capacity, but do not
19 receive the full value. In fact, UGI then is able to either use or market off-system the
20 capacity to Transco mainline pooling pint #210 for its own benefit. Such capacity has
21 value.

22

23

FINANCIAL SECURITY

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Q. What is the requirement that a NGS must provide as financial security to UGI?

A. According to the UGI tariff:

Section 8.2 Amount of Financial Security. A Choice Supplier seeking to be licensed to provide service on Company's system shall be required to provide an initial amount of \$50,000 in financial security. After the Choice Supplier begins to serve customers on Company's system, the amount of financial security shall, unless otherwise mutually agreed, be equal to \$134.63/Dth times the Design Day Requirement (in Dth) for Choice Supplier's pool of Choice customers.

Q. What are comparative financial security requirements of other NGDCs?

A. The requirement of PECO is that the supplier provides \$35,000 in initial financial security. The overall result experienced by a NGS is that the total UGI requirement is ten times the PECO requirement. The requirement at Columbia of Pennsylvania is not explicitly stated in its tariff; however, the overall result experienced by a NGS is that the total UGI requirement is twice the CPA requirement. Clearly the UGI requirement is unnecessarily high.

Q. What actual experience has UGI cited in this case that would support such a high security requirement?

A. UGI has provided no evidence that illustrates past default behavior of NGSs operating on its system. There is no reason to maintain such a high financial security requirement.

1 Such a requirement serves as a cost burden to NGSs and creates an unfair competitive
2 situation. The financial security requirement should be reduced.

3
4 **Q. What is the recommended amount of financial security requirement?**

5 A. Initially, when Choice was introduced, many utilities may have had concerns that NGSs
6 would default on their obligations. We have had Choice in Pennsylvania for over a
7 decade and have not seen such drastic examples of non-performance by NGSs. Based on
8 the successful experiences, it is now safe and prudent to reduce the requirement to a
9 lower level. The successful track record at PECO should be used as a benchmark, and
10 the UGI financial security requirement should be reduced to one-tenth of the current
11 amount.

12
13 **Q. Does this conclude your Direct Testimony?**

14 A. Yes, although I have recently received data responses that may require more analysis and
15 follow-up, and I may have supplemental testimony on these issues.

16

EXHIBIT NGS-1

Exhibit NGS-1

Line		Units	UGI Amount	NGS Amount
1	Gas Supply	\$	162743	325486
2	Accounting Support	\$	46684	93368
3	Internal Legal Support	\$	26552	53104
4	Regulatory Support	\$	52520	105040
5	Management Support	\$	36062	72124
6	Total Labor & Benefits	\$	324561	649122
7	Outside Legal	\$	60000	60000
8	IT O&M	\$	8766	2100000
8a	Working Capital	\$	0	1772890
9	Total GPC Costs	\$	393327	4582012
10	Sales Volumes	mcf	26,930,349	26,930,349
15	GPC Costs/Choice	\$/mcf	0.0146	0.1701

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

**VERIFICATION OF
JAMES L. CRIST**

I, James L. Crist, hereby verify the following facts:

- 1) My name is James L. Crist and I am President of the Lumen Group. My business address is 4226 Yarmouth Drive, Suite 101, Allison Park, Pennsylvania 15101. I am submitting testimony on behalf Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“DES”), Shipley Choice, LLC d/b/a Shipley Energy (“Shipley”), Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”), AMERIGreen Energy, and Rhoads Energy (“Rhoads”) (collectively, “NGS Parties”);
- 2) I have been duly authorized by Shipley, DES, IGS, AMERIGreen, and Rhoads, to testify on their behalf as a witness in the above-captioned matter and I have provided the following Statements and Exhibits;
- 3) NGS Parties Statement No. 1 (Revised) – the Revised Direct Testimony of James L. Crist, which is my Direct Testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision and which includes Exhibit NGS-1;

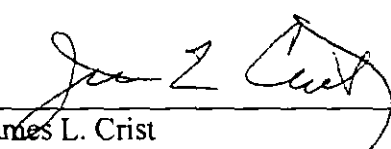


4) NGS Parties Revised Statement No. R¹1 – the Revised Rebuttal Testimony of James L Crist, which is my Rebuttal testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision contains Exhibit NGS-R-1;

5) NGS Parties Statement No. 1-SR (PUBLIC) – the Surrebuttal Testimony of James L Crist, which is my Surrebuttal testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision and which contains Exhibit NGS-SR-1, Exhibit NGS-SR-4, Exhibit NGS-SR-5 and Exhibit NGS-SR-6;

6) NGS Parties Statement No. 1-SR (PROPRIETARY) – the Surrebuttal Testimony of James L Crist, which is my Surrebuttal testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision and which contains Exhibit NGS-SR-1; Exhibit NGS-SR-2 (CONFIDENTIAL); Exhibit NGS-SR-3 (HIGHLY CONFIDENTIAL); Exhibit NGS-SR-4; Exhibit NGS-SR-5; and Exhibit NGS-SR-6.

5) NGS Parties Statements Nos. 1 (Revised), Revised R-1 and 1-SR are true and correct to the best of my knowledge, information and belief, and if a hearing were held today and I were asked the same questions, my answers would be the same as contained in each of my Statements. I understand that my statements are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



James L. Crist
President
Lumen Group

DATE: June 1, 2016

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REVISED REBUTTAL TESTIMONY OF JAMES L. CRIST
ON BEHALF OF
DOMINION RETAIL, INC., SHIPLEY CHOICE, LLC,
INTERSTATE GAS SUPPLY, INC.,
AMERIGREEN ENERGY, AND RHOADS ENERGY**

NGS Parties' Revised Statement No. 1-R
May 17, 2016

6/2/16 Hby TX

1 **INTRODUCTION**

2 **Q. State your name and tell us on whose behalf you are testifying?**

3 A. I am James L. Crist, President of Lumen Group, Inc. I am presenting rebuttal testimony
4 on behalf Dominion Retail, Inc. d/b/a Dominion Energy Solutions ("DES"), Shipley
5 Choice, LLC d/b/a Shipley Energy ("Shipley"), Interstate Gas Supply, Inc. d/b/a IGS
6 Energy ("IGS"), AMERIGreen Energy, and Rhoads Energy ("Rhoads") (collectively,
7 "NGS Parties").

8
9 **Q. Are you the same James L. Crist that presented direct testimony in this case?**

10 A. Yes.

11
12 **Q. What are the issues you will discuss in your rebuttal testimony?**

13 A. I will address these issues:

14 1. Gas Procurement Charge ("GPC") – OSBA witness Mr. Knecht also argued that
15 the UGI GPC is too low and does not contain all the appropriate costs. While Mr. Knecht
16 makes several good points with which I agree, he did not include the labor costs the
17 Company incurs and I will present evidence about those costs.

18 2. Switching Fee – After my direct testimony was submitted, UGI provided several
19 data responses that I will present as additional evidence that supports my
20 recommendation that the \$10 switching fee be discontinued.

21 3. Capacity Issues - I will respond to the testimony of RESA witness Mr. Magnani
22 regarding several issues that he addressed.

1 4. *Financial Security* - After my direct testimony was submitted UGI provided
2 several data responses that I will present as additional evidence that supports my
3 recommendation that the financial security requirement should be reduced.

4
5 **GAS PROCUREMENT CHARGE**

6
7 **Q. Have you reviewed OSBA witness Mr. Knecht's direct testimony concerning the**
8 **GPC?**

9 A. Yes. Mr. Knecht did an analysis and determined allocation factors which he applied to
10 both the Gas in Storage and the Cash Working Capital for Gas Supply. He describes his
11 process in OSBA Statement No. 1 p. 25-27. In his calculation of the annual cost
12 attributable to Gas in Storage he arbitrarily allocated half of the \$21,730,000 that the
13 Company stated as its gas in storage value to the GPC. Mr. Knecht comments, "In the
14 absence of any Company analysis regarding storage equivalency, I have assumed that 50
15 percent of the gas in storage is related only to sales volumes, and 50 percent is related to
16 sales plus Choice volumes. I have included the annual costs associated with sales
17 volumes in a recalculated GPC."

18
19 **Q. Do you agree with Mr. Knecht's arbitrary allocation?**

20 A. No. Suppliers have long complained that to be on the same competitive footing as the
21 Company they need to have actually storage allocations, not some type of pseudo-
22 storage. The Company provided no quantitative support for its exclusion of the annual
23 cost of gas in storage from its GPC determination. The value of the gas which the
24 Company offers to suppliers at summer prices is much less today than in the past. In the

1 recent years, there has been a significant supply of Marcellus gas available in
2 Pennsylvania and the historic summer-winter price differential has become minimal.
3 Other factors, such as pricing of imported oil and the overall demand for natural gas, are
4 much more significant than the calendar month. In UGI's market area, this is
5 demonstrated by the average monthly price in January 2016 of \$1.76/Dth compared to the
6 summer price in July 2015 of \$2.14/Dth. Not only is there a lack of price advantage for
7 summer gas, the price is actually higher than in the winter of the same year. Therefore,
8 instead of an arbitrary allocation of 50 percent as Mr. Knecht used in his calculation, I
9 use a factor based on the lack of a summer price advantage; an allocation of 75 percent,
10 which is related only to sales volumes. This changes the rate base input in Mr. Knechts'
11 table IEc-3 from \$10,865,000 to \$16,297,500 and the corresponding annual cost would be
12 \$2,026,139.

13
14 **Q. Did you review Mr. Knecht's allocation for Cash Working Capital for Gas Supply?**

15 A. Yes. I accept his calculation of \$843,869 as the appropriate annual cost.

16
17 **Q. What changes would you make to Mr. Knecht's amounts for Labor and Benefits or
18 Non-Labor Costs?**

19 A. Mr. Knecht simply used the amounts proposed by the Company, which I have already
20 disputed in my direct testimony. I note that Mr. Knecht was silent and provided no
21 discussion on those amounts, and I do not take his silence as an endorsement or
22 validation of the Company's amounts. Since my direct testimony was served, I have

1 received addition data request replies from the Company and am able to update the
2 amounts I calculated with the additional evidence.

3
4 **Q. What update do you have for labor costs?**

5 A. The Company has not yet provided all the responses to my data request to enable me to
6 provide a calculated number for the labor component of the GPC and replace the number
7 I used which was derived by using a factor of two and applying that to the Company's
8 labor costs. I have been able to provide some additional evidence to substantiate
9 additional costs that should be allocated to the GPC.

10
11 **Q. What is your update on the number of employees who work system gas supply
12 issues?**

13 A. In its preparation for this rate proceeding, where it requested, a large increase to base
14 rates of \$58.6 million astonishingly UGI neglected to do any original work to determine
15 an appropriate GPC, but instead simply used the filing materials it had on hand from
16 2012. Mr. Lahoff claimed that the equivalent of 5.18 employees worked on gas
17 procurement issues. As of now due to a Company request for more time, responses to my
18 data request on this item are not yet available and that will necessitate my submitting
19 additional testimony when they are received. Using the data response OSBA-I-12(e)
20 from Docket R-2012-2314235, the data shows that there are 9 employees in the
21 Accounting Department, 12 employees in the Gas Supply Department and 15 employees
22 in the Rates Department. That was in 2012. I am not aware that the Company in this
23 proceeding has stated that those employee staffing levels would be reduced yet Mr.

1 Lahoff claimed that only about 5 of them actually work on gas procurement. His claim is
2 nonsensical.

3
4 **Q. What have you learned from your review of Company job descriptions?**

5 A. Because I suspected Mr. Lahoff was greatly understating the number of employees and
6 allocation of time that employees spend on gas procurement issues, I requested copies of
7 the job descriptions of the gas supply, accounting, legal, and regulatory departments of
8 the Company. At this point, I have not received all of the job descriptions requested but
9 the descriptions I have received exposed Mr. Lahoff's claim of only 5 employees
10 working on gas procurement to be false. Those job descriptions indicate that a much
11 larger number of employees work on procurement issues than Mr. Lahoff portrayed and
12 that employees spend a much larger percentage of their time on procurement issues than
13 Mr. Lahoff portrayed.

14
15 **Q. Have you reviewed the job descriptions that the Company provided at this point?**

16 A. Yes, and I have found them to provide substantial evidence that the employees indeed
17 spend a significant amount of their time on gas procurement issues, not the minor amount
18 of time that Mr. Lahoff claimed. For example, in the response to NGS Parties' Discovery
19 Set IV No. 2 (which UGI marked as Highly Confidential for some unknown reason) the
20 Gas Supply Department's Contract Coordinator description identifies as the Job
21 Summary to essentially assist in the entire gas procurement process.

22 That is, everything the Contract Coordinator does is necessary for gas procurement. Mr.
23 Lahoff identified only 1.61 allocation people from Gas Supply spend their time on gas

1 procurement. The Company has not yet provided the information on how many Contract
2 Coordinators there are in the Gas Supply Department.

3 Reviewing the Gas Supply Department's Analyst II job description shows a similar
4 result, in fact, a thorough review of all 11 position descriptions provided by UGI show a
5 similar pattern on the several professional-level positions, that none or a very minor
6 percentage of the job scope is not spent on gas procurement issues. It is clear that Mr.
7 Lahoff's number of only 5 employees working on gas procurement out of all the UGI
8 employees in Gas Supply, Accounting, Rates, and Legal is not correct.

9
10 **Q. Have you revised the labor and benefits component of the GPC based on your**
11 **review?**

12 A. I will do so once I have received complete information as requested in several data
13 requests that have not yet been provided. Based on the review of this partial evidence, I
14 am sure that Mr. Lahoff's claims are unrealistically low, and I will demonstrate an
15 increased cost.

16
17 **Q. What role does the customer contact center have in the gas procurement function?**

18 A. The customer contact center receives communication from customer concerning a variety
19 of functional area such as service turn on, and emergency outages. One of the major
20 areas is billing of gas sales to customers and yet Mr. Lahoff neglected to include any
21 costs for this important function. The Company has provided me with responses to
22 several data requests which are evidence that costs are being incurred for gas
23 procurement.

1 **Q. What is the method to determine the correct customer contact center costs that**
2 **should be included in the GPC?**

3 A. The Company included \$5.4 million as its 2015 call center expense (NGS-IV-10). The
4 main method that customers contact the company is by telephoning the customer contact
5 center. Using the reply to NGS-IV-9 I determined that 167,756 of the 1,001,917 calls, or
6 16.7%, were billing related. Simply put, the customer bill can be divided into two
7 charges, those charges for delivery of gas and those charges for the cost of gas
8 commodity. Charges for the delivery of gas should be paid for by both sales and
9 shopping customers; however, the calls related to the cost of gas commodity should be
10 paid for by sales customers only, as the calls regarding gas commodity costs of suppliers
11 are referred to the appropriate supplier's call center. Data in Book 5, Schedule D-1 show
12 that the Company percentage of revenues attributable to gas cost is \$115,994,000 out of
13 total revenues of \$334,670,000, or 34.6%. Therefore, \$5.4 million x 16.7% x 34.6%
14 which is \$312,022 is the cost of the customer contact center that must be included in the
15 GPC.

16
17 **Q. What is the result of including all of the appropriate costs in the GPC?**

18 A. I have provided Exhibit NGS-R-1 which updates the GPC costs presented in my direct
19 testimony. The resultant GPC Charges are \$0.2225/mcf for UGI. This will most
20 probably increase when I have the data responses requested, but not yet provided.

21

22

23

SWITCHING FEE

1
2 **Q. What additional evidence have you uncovered regarding the discriminatory**
3 **switching fee that is charged to suppliers?**

4 A. Under Rate AG it states the Switching Fee is \$10/Customer Switch. This fee was
5 instituted when Choice was launched in UGI. The basis for the fee at the time was that
6 such switches were done manually and took a portion of an hour to do. What has
7 changed is that such switches are now an automated process, requiring insignificant time
8 to execute. There is no cost basis for continuing to require a switching fee from
9 suppliers. In its filing, UGI provided no proof of any costs caused by switching. The fee
10 should be eliminated.

11
12 **CAPACITY ISSUES**

13 **Q. Have you reviewed the testimony of RESA witness Orlando Magnani?**

14 A. Yes. I agree with Mr. Magnani on several of the issues he discussed. He first discussed
15 the issue of balancing and account aggregation. Suppliers should not be required to
16 balance individual pools, but should be allowed to aggregate such pools into one for
17 balancing purposes. This would remove a discriminatory operational requirement that
18 suppliers currently face.

19 Mr. Magnani reviews UGI's discriminatory practice of allocating low cost Transco
20 capacity to its own system supply which leaves the natural gas suppliers receiving
21 allocations of more expensive capacity, putting them at a competitive disadvantage. Such
22 practices should be stopped as Mr. Magnani recommended.

1 Mr. Magnani objects to the excessive penalty structure present at UGI where punitive
2 penalties can be assessed to suppliers. Any charges assessed to a natural gas supplier
3 should be cost-based, and the Company has not provided evidence that its penalties are
4 cost-based. The penalties which Mr. Magnani opposes should be reduced as he
5 recommended. I agree with Mr. Magnani.

6 In a competitive market, it is of critical importance that the incumbent distribution utility
7 not have a competitive advantage due to its relationship with the utility. UGI's
8 deregulated company should not deceive customers into thinking they are the utility. All
9 advertising should be very clear they are not the utility and contain strong, visible
10 wording that explains the points to customers clearly.

11
12 **FINANCIAL SECURITY**

13 **Q. With the additional information obtained by recently received data requests are you**
14 **able to quantify what the financial security requirement should be?**

15 A. Yes. A Compliance Order was issued on December 2, 2004 at Docket P-00032054. In
16 the footnote on page 6, the Order cites the Recommended Decision which explains the
17 methodology that will be used to determine the amount of the security deposit:

18 ¹ In her Recommended Decision, the ALJ ordered that "UGI Utilities, Inc. – Gas Division shall . . .
19 set forth a formula which results in an amount that is reasonably related to the financial exposure
20 of UGI resulting from the default or bankruptcy of a natural gas supplier using the average billing
21 cycle and the average price of gas during January 2003 and January 2004." (R.D. at pg. 23) In its
22 calculation, UGI used an average billing cycle of 30.4 days, an average price of gas of \$11.76 and
23 an applicable usage ratio (projected January 03 and 04 volume vs. Design Day volume) of 61.
24 (Supplement No. 33 – Supporting Data).
25

26 The formula used to calculate the current security deposit charge of \$134.63/Dth times
27 the design day requirement was determined in that Order and two components of the
28 calculation have changed significantly, which means the security deposit must change.

1 **Q. How has the usage per customer declined since 2003?**

2 A. According to the UGI Exhibit DEL-2(a) the usage per customer in 2003 was 88 Dth, and
3 the projected usage in the FPPTY is 69 Dth. This represents a decline of 21.6%. Using
4 this factor alone would reduce the security deposit requirement from \$134.63/Dth to
5 \$105.56/Dth.

6
7 **Q. How has the cost of gas declined since 2003?**

8 A. It has declined significantly. The price used to determine the security deposit
9 requirement in 2003 was \$11.76/Dth. The current price of gas on this UGI system is
10 \$1.76/Dth. The 85.1% decline will similarly produce a decline in the security deposit
11 requirement to \$15.76/Dth.

12
13 **Q. How should these two substantial decreases in the usage per customer and cost of
14 gas also affect the initial deposit requirement?**

15 A. It should also decrease by a similar percentage from \$50,000 to \$5,800.

16
17 **Q. What actual experience has UGI cited in this case that would support such a high
18 security requirement?**

19 A. UGI has provided no evidence that illustrates past default behavior of NGSs operating on
20 its system nor has it provided a response to my data request on this topic. There is no
21 reason to maintain such a high financial security requirement. Such a requirement serves
22 as a cost burden to NGSs and creates an unfair competitive situation. The financial
23 security requirement should be reduced to \$5,800 and \$11.56/Dth as explained.

1 **Q. Does this conclude your Rebuttal Testimony?**

2 **A. Yes**

EXHIBIT NGS-R-1

Exhibit NGS-R-1

Line		Units	Source	UGI Amount	NGS Amount
1	Gas Supply	\$		162,743	325,486
2	Accounting Support	\$		46,684	93,368
3	Internal Legal Support	\$		26,552	53,104
4	Regulatory Support	\$		52,520	105,040
5	Management Support	\$		36,062	72,124
6	Total Labor & Benefits	\$		324,561	649,122
7	Outside Legal	\$		60,000	60,000
8	IT O&M	\$		8,766	2,100,000
8a	WC Gas in Storage	\$		0	2,026,139
8b	WC Gas Supply	\$		0	843,869
8c	Contact Center	\$		0	312,022
9	Total GPC Costs	\$		393,327	5,991,152
10	Sales Volumes	mcf		26,930,349	26,930,349
15	GPC Costs/Choice	\$/mcf		0.0146	0.2225

Customer Contact Types	2013	2014	2015
Number of IVR Calls	446,412	542,248	667,988
Number of Agent Handled Calls	1,034,785	1,100,191	1,001,917
Gas Emergency	31,228	35,525	42,050
Electric Outage	16,535	12,904	10,715
Service	294,380	327,258	232,671
Billing	123,714	129,423	167,756
Turn On, Shut Off, COC	205,076	209,713	195,940
Credit	363,852	385,368	352,785
Number of Emails	23,821	31,180	33,996
Billing	5,837	3,912	4,951
Turn On, Shut Off, COC	12,351	16,869	20,548
Credit	1,650	3,813	3,880
Other	3,983	6,586	4,617
Number of Web/Other	N/A	N/A	N/A
Postal Letters/Returned Mail	40,555	37,082	34,020
Faxes	N/A	N/A	N/A
Off-Phone Work/Back Office Tasks	**Quantity varies by assignment - see times below**		
Total Customer Contacts	1,545,573	1,710,701	1,737,921
Calls			
Total Agent Call Time (minutes)	6260449.25	6656155.55	7083553.19
Total Agent Call Time (hours)	104340.82	110935.93	118059.22
Hours by Agent	1490.58	1507.28	1521.38
Daily Hours on Calls	5.92	5.98	6.04
Emails			
Total Agent Time (minutes)	95284.00	124720.00	135984.00
Total Agent Time (hours)	1588.07	2078.67	2266.40
Hours by Agent	18.05	22.59	23.36
Daily Hours on Emails	0.07	0.09	0.09
Postal Letters/Returned Mail			
Total Agent Time (minutes)	202775.00	185410.00	170100.00
Total Agent Time (hours)	3379.58	3090.17	2835.00
Hours by Agent	38.40	33.59	29.23
Daily Hours on Mail	0.15	0.13	0.12
Off-Phone Work/Back Office Tasks			
Total Agent Time (minutes)	1809561.60	1808352.00	1833300.00
Total Agent Time (hours)	30159.36	30139.20	30555.00
Hours by Agent	342.72	327.60	315.00
Daily Hours on Off-Phone Work	1.36	1.30	1.25
Total Agent Time Daily - All Tasks	7.50	7.50	7.50

UGI Utilities, Inc. - Gas Division
Schedule of Expenses - Customer Contact Center
For the Years Ended September 30, 2013-2015
(thousands of dollars)

<u>Description</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
Customer Contact Center			
Administrative & General Expenses	\$ 38	\$ 49	\$ 45
Customer Accounts Expense	4,624	4,604	5,233
Customer Service Expense	125	96	122
Total Customer Contact Center	<u>\$ 4,787</u>	<u>\$ 4,750</u>	<u>\$ 5,400</u>

UGI Utilities, Inc. - Gas Division
Docket No. R-2012-2314235
Responses to Office of Small Business Advocate Set I Interrogatories
Delivered on October 9, 2012

Question 12

Request:

12. Reference Mr. Hart's testimony at pages 3 to 8, labor and benefits costs:
- a. Please provide the details of the "analysis by each department to determine the number of annual hours spent on Procurement." Please include full details as to all of the categories of hours into which employees' time was categorized other than those related to gas procurement.
 - b. Please explain how supervisory, HR, IT, and other overhead costs are reflected in the procurement costs.
 - c. Please explain how full time equivalent employees is calculated.
 - d. Please provide the basis for the 40% benefits cost markup.
 - e. Please provide an organization chart showing the function of all UGI administrative departments, and the number of full time employees in each department. Please also identify the location of the employees engaged in procurement on the organization chart.

Response:

- a. Please see UGI's responses to OCA-I-3, specifically page 1 of Attachment OCA-I-3, and OCA-I-4.
- b. Supervisory costs are included in management support costs. HR, IT, and other overhead costs are not included in the GPC.
- c. Please see page 3, lines 9-12, of Mr. Hart's testimony in UGI Statement No. 1.
- d. The 40% cost markup represents the approximate long-term average cost incurred by the Company for benefits, such as health and welfare benefits and pension, as a percentage of total annual salaries. Over the past four fiscal years, this ratio has been 41% in fiscal year 2011, 47% in 2010, 36% in 2009, and 31% in 2008.
- e. Please see Attachment OSBA-I-12e.

UGI Utilities, Inc. - Gas Division
Docket No. R-2012-2314235
Responses to Office of Small Business Advocate Set I Interrogatories
Delivered on October 9, 2012

Question 12 (Continued)

Responsible Witness: Shaun Hart

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

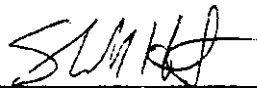
Pennsylvania Public Utility Commission	:	
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v.	:	R-2015-2518438
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UGI Utilities, Inc. – Gas Division	:	
	:	
Office of Consumer Advocate	:	C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph Sandoski	:	C-2016-2529638
Vicki L. East	:	C-2016-2534010
Tom Harrison	:	C-2016-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

VERIFICATION

I, Shaun M. Hart, being the Manager - Major Accounts for UGI Utilities, Inc., hereby state that I am sponsoring the following discovery response included in Exhibit NGS-1-R attached to the NGS Parties' Revised Statement No. R-1: Response to Office of Small Business Advocate Set I Interrogatories, Question 12, Docket No. R-2012-2314235. I hereby state that the *aforementioned interrogatory response was true and correct to the best of my knowledge, information, and belief at the time it was served on October 9, 2012.*

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

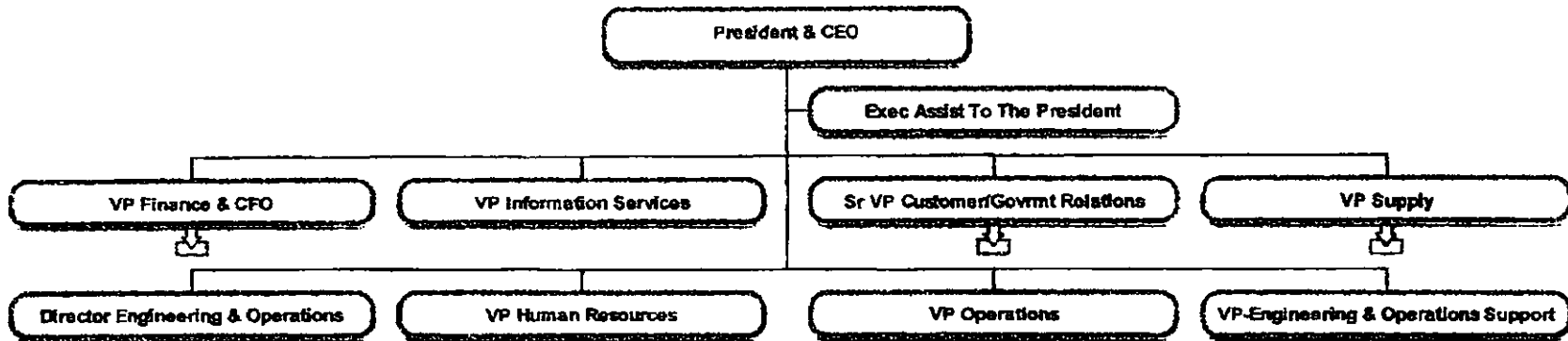
Date: 6/1/16



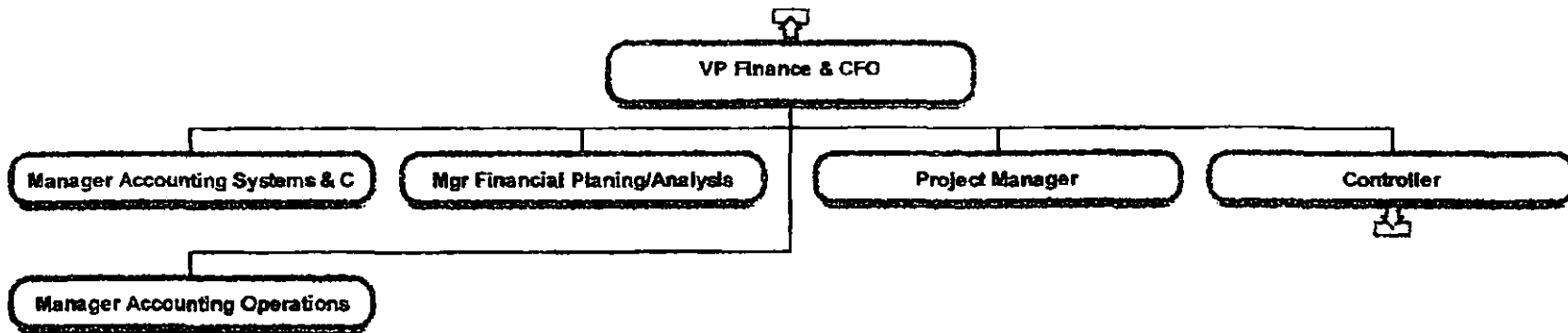
Shaun M. Hart

	Total Full-Time Employees	Full-Time Equivalent Employees Engaged in Procurement
Accounting	9	1
Rates	12	0.75
Gas Supply	15	3.25
Total	36	5

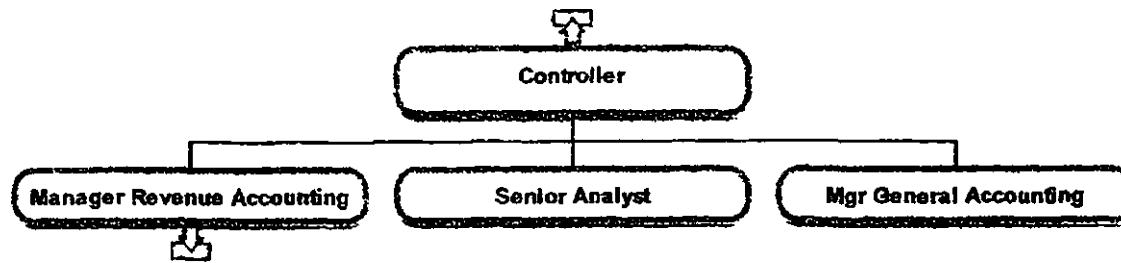
UGI Utilities, Inc.
Organization Chart



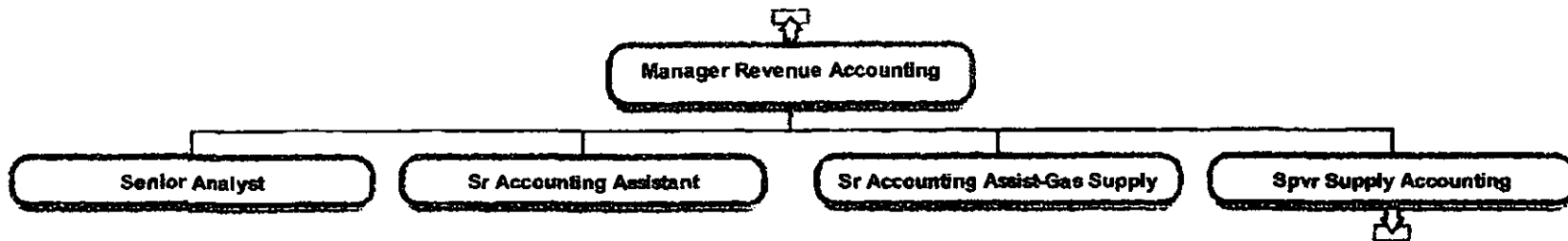
UGI Utilities, Inc.
Organization Chart



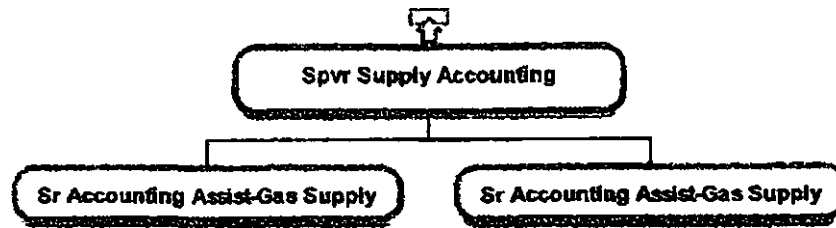
UGI Utilities, Inc.
Organization Chart



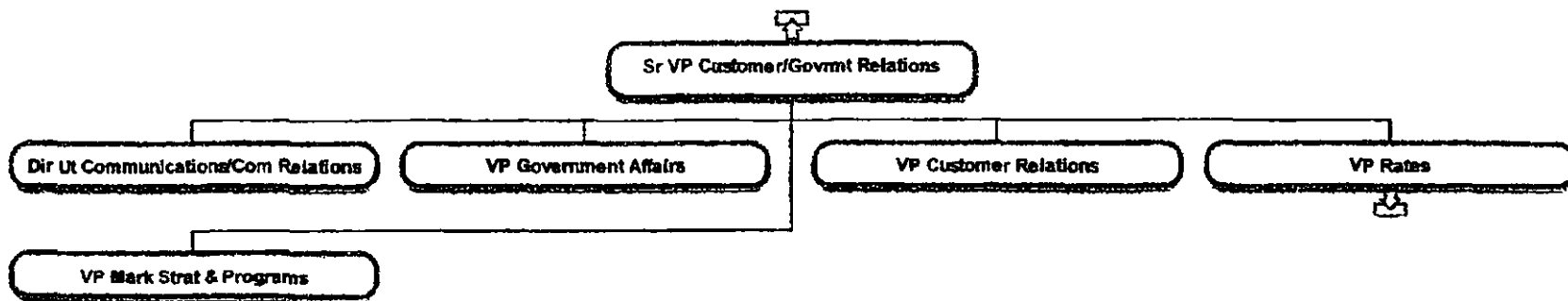
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Organization Chart



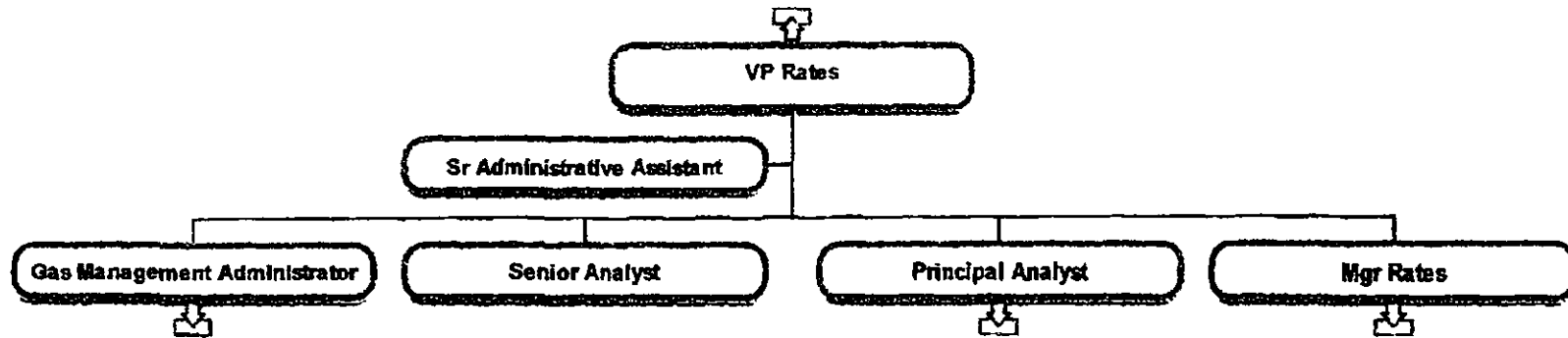
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Organization Chart



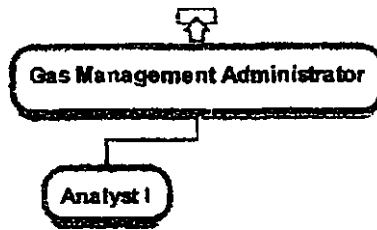
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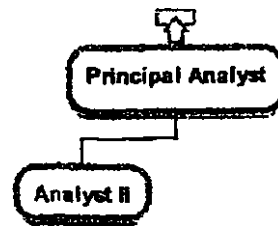
UGI Utilities, Inc.
Organization Chart



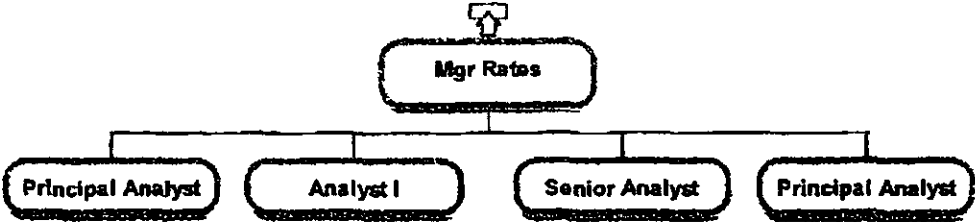
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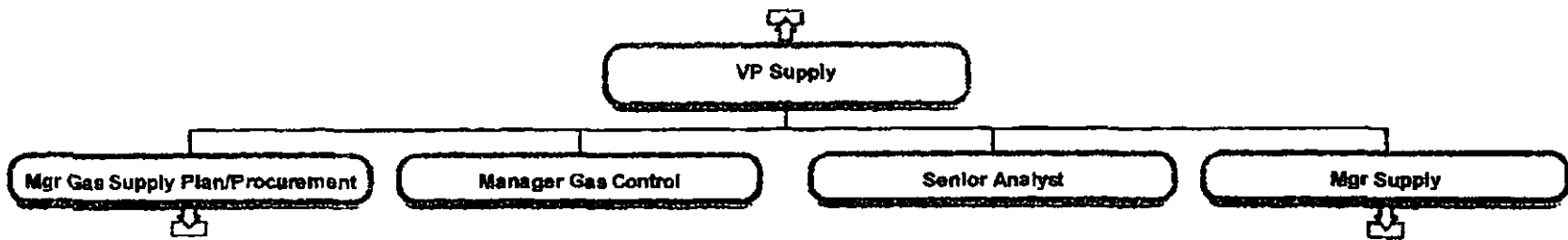
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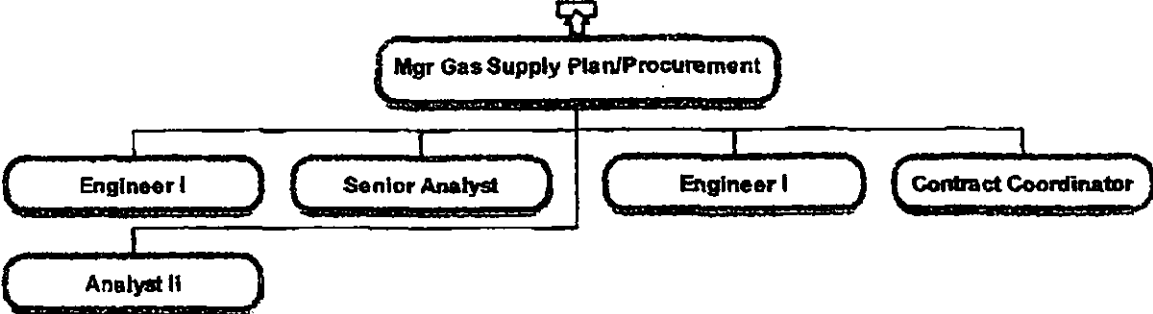
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Organization Chart



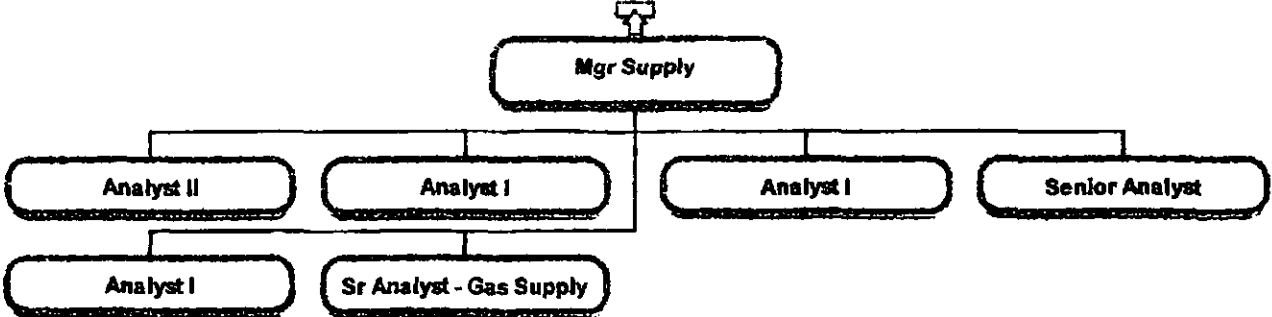
UGI Utilities, Inc.
Organization Chart



UGI Utilities, Inc.
Organization Chart



UGI Utilities, Inc.
Organization Chart



**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

UGI Utilities, Inc. – Gas Division

:
:
:
:
:

Docket No. R-2015-2518438

**SURREBUTTAL TESTIMONY OF JAMES L. CRIST
ON BEHALF OF
DOMINION RETAIL, INC., SHIPLEY CHOICE, LLC,
INTERSTATE GAS SUPPLY, INC., AMERIGREEN ENERGY,
AND RHOADS ENERGY**

PUBLIC VERSION

NGS Parties' Statement No. 1-SR
May 25, 2016

6/2/16 ellg rx

INTRODUCTION

1
2 **Q. State your name and tell us on whose behalf you are testifying?**

3 A. I am James L. Crist, President of Lumen Group, Inc. I am presenting surrebuttal
4 testimony on behalf Dominion Retail, Inc. d/b/a Dominion Energy Solutions ("DES"),
5 Shipley Choice, LLC d/b/a Shipley Energy ("Shipley"), Interstate Gas Supply, Inc. d/b/a
6 IGS Energy ("IGS"), AMERIGreen Energy, and Rhoads Energy ("Rhoads")
7 (collectively, "NGS Parties").

8
9 **Q. Are you the same James L. Crist that presented direct testimony and rebuttal
10 testimony in this case?**

11 A. Yes.

12
13 **Q. What are the issues you will discuss in your surrebuttal testimony?**

14 A. I will address these issues which UGI witness Mr. Lahoff discussed in his rebuttal
15 testimony:

16 1. Gas Procurement Charge ("GPC") – The Company has provided additional
17 *responses to my data requests on this topic and several of them expose the large amount*
18 *of labor costs that should be included in the GPC. I will present additional evidence*
19 *about those costs and show that Mr. Lahoff's claims made in his rebuttal testimony are*
20 *not sound.*

21 2. Switching Fee –I will present additional evidence obtained through discovery that
22 supports my recommendation that the \$10 switching fee be discontinued. Mr. Lahoff's

1 claim, made in his rebuttal testimony, that there is a cost basis for the fee is unfounded.
2 His 16-year-old data is no longer valid.

3 3. Financial Security - I will rebut all of Mr. Lahoff's rebuttal testimony about this
4 issue.

5
6 **GAS PROCUREMENT CHARGE**

7
8 **Q. Have you reviewed UGI witness Mr. Lahoff's rebuttal testimony concerning the**
9 **GPC?**

10 A. Yes. Mr. Lahoff admitted to the omission of working capital costs and agreed to add the
11 working capital for the Gas in Storage. What that means is that he, OSBA witness Mr.
12 Knecht, and I are in agreement on that additional component of the GPC. Mr. Lahoff did
13 not, however, add in the Cash Working Capital for Gas Supply. That amount was
14 identified in my rebuttal testimony along with the calculation of its impact on the increase
15 of the GPC.

16
17 **Q. What is your main focus in this surrebuttal testimony regarding the GPC?**

18 A. The Company has finally provided detailed job descriptions which enabled me to
19 determine that there are significant labor costs relating to gas procurement that Mr.
20 Lahoff did not include in its GPC costs.

21
22 **Q. Did Mr. Lahoff do any similar work to determine a labor cost update?**

23 A. No. He took the labor hour estimates from 2012, which was provided as an attachment to
24 NGS Set II-21 and I present as Exhibit NGS-SR-1 and did not review hours but increases

1 the costs per salary increases that have occurred since then. I have no dispute with the
2 salary adjustments he performed, but found that the adoption of the work hours without
3 investigation to be deficient. The response to NGS-II-21 is very revealing:

4 NGS-II-21 (Prepared by David Lahoff)

5 Describe in detail the analysis that was undertaken to determine the allocation of
6 time to the procurement functions, and supply all copies of workpapers related to
7 that analysis including time records of employees that were the basis of the
8 analysis.
9

10 Response:

11 UGI does not maintain individual, detailed time records for the employees who
12 provide support for the procurement function. The allocation of time to the
13 procurement function was based on a detailed analysis conducted by UGI in
14 conjunction with the Company's filing at Docket R-2012-2314235. The Company
15 identified five functional categories of Company employees who perform or
16 support Procurement: (1) gas supply, (2) accounting support, (3) internal legal
17 support, (4) regulatory support and (5) management support. Each department
18 then conducted an analysis to determine the number of annual hours spent on
19 Procurement for all three UGI Companies. The annual hours were divided by
20 2,080, which is the product of 40 hours per week multiplied by 52 weeks per year,
21 in order to determine the number of Full Time Equivalent employees (FTEs)
22 needed for these functions. See Attachment NGS-II-21 for additional detail on the
23 development of these hours. A portion of the number of FTEs were then allocated
24 to UGI in this filing by using the current values for the Modified Wisconsin
25 Formula ("MWF"). See Attachment OCA-IV-27 for the work papers associated
26 with the development of the proposed GPC.
27

28 In the response, Mr. Lahoff admits, "UGI does not maintain individual, detailed time
29 records for the employees who provide support for the procurement function." Since I
30 obtained the actual job descriptions I was able to review each position to determine if the
31 position had a significant proportion of the employee's hours spent on procurement.
32
33
34

1 **Q. What additional discrepancy did you uncover in the Company's determination of**
2 **Full Time Equivalent employees?**

3 A. In the answer Mr. Lahoff described the method used by UGI as taking the "number of
4 annual hours spent on Procurement for all three UGI Companies. The annual hours were
5 divided by 2,080, which is the product of 40 hours per week multiplied by 52 weeks per
6 year, in order to determine the number of Full Time Equivalent employees (FTEs)." This
7 method greatly understates the actual number of FTEs for it assumes that every hour
8 spent at UGI is focused solely on the productive job tasks and ignores the many other
9 hours that fill an employee's 40-hour workweek. Items including holidays, vacation, and
10 sick days all must be deducted from the annual 2,080 hours. Job functions such as
11 internal company meetings on employee benefits, safety issues, human resource issues,
12 team-building, general employee training all are deductions from the 2,080 annual hours.
13 In my experience, having worked for distribution utilities for over 20 years at best 75% or
14 1,560 hours can be considered productive hours spent on the actual job tasks. So when
15 Mr. Lahoff presents the hours determined in 2012 and claims there are 5.1 FTE, by
16 making the simple allowance for non-productive activities his 5.1 FTE number increases
17 to 6.8 (5.1/0.75). My detailed analysis of the job descriptions provided by the Company
18 will prove an even greater amount of FTE employees devoting their time to gas
19 procurement.

20
21 **Q. What have you learned from your review of Company job descriptions?**

22 A. First I will point out that the employee job-count provided as a response to NGS-IV-5 is
23 classified as Confidential and the job descriptions provided as a response to NGS-IV-6

1 are classified as Highly Confidential. I have included the two data responses as HIGHLY
2 CONFIDENTIAL Exhibits NGS-SR-2 and NGS-SR-3 yet I recognize that not all persons
3 participating in this case will be able to review them. In this testimony I will include
4 excerpts from those job descriptions and will be cautious and identify the excerpts as
5 Highly Confidential, although in my opinion similar job description language is usual and
6 customary for NGDCs. I will begin with my review of the Gas Supply department job
7 descriptions. The Gas Supply department contains 13 employees in the Supply-
8 Administration/Supervision group (Exhibit NGS-SR-2, Attachment NGS-IV-5 p. 8,
9 Confidential). They are: *** BEGIN PROPRIETARY ***

10 _____
11 _____
12 _____
13 *** END PROPRIETARY ***. I will review each of them in detail.

14
15 **Q. Are the job descriptions you review relevant and current?**

16 **A.** I reviewed the job descriptions in detail, which Mr. Lahoff did not do in his presentation
17 of 2012 data as a basis for the GPC. I discovered that all of the job descriptions were
18 written or updated since 2012, making the use of 2012 data unreliable and irrelevant. It
19 should be discarded. My analysis presented here is the only valid data based on a current
20 review of the positions. In my testimony I will specifically note the date of each
21 individual job description.

1 **Q. What is your conclusion based on your review of the first Analyst I position?**

2 A. This description was dated 11/2/2015 and the Job Summary is:

3 ***BEGIN PROPRIETARY***

4

5

6

7

8

END PROPRIETARY

9

I reviewed the entire four-page description and conclude that 100% of this position is

10

directly responsible for gas procurement.

11

12 **Q. What is your conclusion based on your review of the second Analyst I position?**

13 A. This description was dated 4/21/16 and the Job Summary is the same as the previous

14

Analyst I position however reporting to a different supervisor. The summary is:

15 ***BEGIN PROPRIETARY***

16

17

18

19

20

END PROPRIETARY

21

22

I reviewed the entire three-page description and conclude that 100% of this position is

23

directly responsible for gas procurement.

24

25 **Q. What is your conclusion based on your review of the two Analyst II positions?**

26 A. This description was dated 4/21/16 and the Job Summary is:

27 ***BEGIN PROPRIETARY***

28

29

30

31

32

END PROPRIETARY

33

1 Because this Job Summary mentioned Choice program support I then referred to the
2 Duties section which had task #6 that stated "Other duties as assigned 10%".
3 Consequently, I conclude that 90% of this position is directly responsible for gas
4 procurement.

5
6 **Q. What is your conclusion based on your review of the Contract Coordinator
7 position?**

8 **A.** I thoroughly read the description dated 12/15 and the Job Summary is:

9 ***BEGIN PROPRIETARY***

10
11
12
13
14 ***END PROPRIETARY***

15
16 I reviewed the entire three-page description and conclude that 100% of this position is
17 directly responsible for gas procurement.

18
19 **Q. What is your conclusion based on your review of the Director-Supply positions?**

20 **A.** This description was dated 11/15 and the Job Summary is:

21 ***BEGIN PROPRIETARY***

22
23
24
25
26 ***END PROPRIETARY***.

27
28 I reviewed the entire five-page description and conclude that 66% of this position is
29 directly responsible for gas procurement.

1 **Q. What is your conclusion based on your review of the Manager Electric Supply &**
2 **Contract positions?**

3 A. Oddly, despite the title most of this position is responsible for gas procurement. I dug
4 down into the job duties section of this description dated 4/16 which allocated 30% of the
5 time to Gas Supply and Contracting

6 ***BEGIN PROPRIETARY***
7
8
9

10 ***END PROPRIETARY***.
11
12

13 Additionally, the second job duty which allocated 40% of the time to Regulatory stated:

14 ***BEGIN PROPRIETARY***
15
16
17

18 ***END PROPRIETARY***.
19
20

21 The third job duty was Power Supply, none of which has to do with gas procurement. I
22 reviewed the entire four-page description and conclude that 70% of this position is
23 directly responsible for gas procurement.
24

25 **Q. What is your conclusion based on your review of the Manager Gas Control**
26 **position?**

27 A. None of the Manager Gas Control position is responsible for gas procurement.
28
29

1 Q. What is your conclusion based on your review of the Senior Analyst and Acquisition
2 position?

3 A. This description was dated 2/6/14 and the Job Summary is:

4 ***BEGIN PROPRIETARY***

5
6
7
8

9 ***END PROPRIETARY***.

10
11

I reviewed the entire four-page description and conclude that 100% of this position is
12 directly responsible for gas procurement.

13

14 Q. What is your conclusion based on your review of the next Senior Analyst position?

15 A. This description was dated 3/21/2014 and is primarily responsible for gas supply
16 activities for PNG and as a backup for UGI. I am not including this position in my GPC
17 cost estimate.

18

19 Q. What is your conclusion based on your review of the next Senior Analyst position?

20 A. This description was dated 2/16 and the Job Duties sections that apply to gas procurement
21 identify 15% and 25% respectively state:

22 ***BEGIN PROPRIETARY***

23
24
25
26

27 ***END PROPRIETARY***

28
29

I conclude that 40% of this position is directly responsible for gas procurement.

1 Q. What is your conclusion based on your review of the Supervisor Supply &
2 Transportation position?

3 A. This description was dated 4/21/16 and the Job Summary is:

4 ***BEGIN PROPRIETARY***
5
6
7

8
9 ***END PROPRIETARY***
10

11 I conclude that 100% of this position is directly responsible for gas procurement.
12

13 Q. What is your conclusion based on your review of the Vice President Supply
14 position?

15 A. This description was dated 3/22/16 and the Job Summary is:

16 ***BEGIN PROPRIETARY***
17
18
19

20
21 ***END PROPRIETARY***
22

23 I reviewed the detailed job duties and conclude that 50% of this position is directly
24 responsible for gas procurement.
25

26 Q. What is the summary of the 13 gas supply positions you analyzed and their role in
27 the gas procurement function?

28 A. This summary lists each position and that positions gas supply responsibility.

29	Analyst I	100%
30	Analyst I	100%
31	Analyst II	90%
32	Analyst II	90%

1	Contract Coordinator	100%
2	Director Supply	66%
3	Manager Electric Supply & Contracting	70%
4	Manager Gas Control	0%
5	Senior Analyst & Acquisition	100%
6	Senior Analyst	0%
7	Senior Analyst	40%
8	Supervisor Supply & Transportation	100%
9	VP Supply	50%

10

11 This equates overall to 70% of the gas supply department's employee's time spent on gas
 12 procurement, or 9.1 employees, not the 3 employees represented in the 2012 case that Mr.
 13 Lahoff relied on. The costs used by Mr. Lahoff should be scaled up by a factor of 9.1/3
 14 or 3.03.

15

16 **Q. Did you conduct the same analysis with the same level of detail for the Accounting**
 17 **department?**

18 A. Yes, I used the Highly Confidential response to NGS-IV-2(b) which were 75 pages of job
 19 descriptions for that department. Mr. Lahoff relied on the stale 2012 data and said only 1
 20 FTE from accounting worked on gas procurement but my current analysis shows that XX
 21 FTEs work on gas procurement.

22

23 **Q. What is your conclusion based on your review of the Analyst I position?**

24 A. This description was dated 4/13/16 and the Job Summary is:

25 ***BEGIN PROPRIETARY***

26

27

28

29

30 ***END PROPRIETARY***.

31

1 I reviewed the entire five-page description and conclude that 100% of this position is
2 directly responsible for gas procurement.

3

4 **Q. What is your conclusion based on your review of the Analyst II position?**

5 A. This description was dated 3/26/14 and the Job Summary is:

6 ***BEGIN PROPRIETARY***

7

8

9

10

11

END PROPRIETARY.

12

13

I reviewed the entire three-page description and conclude that 75% of this position is
14 directly responsible for gas procurement.

15

16 **Q. What is your conclusion based on your review of the next Analyst II position?**

17 A. This description was dated 11/17/14 and the Job Summary is:

18 ***BEGIN PROPRIETARY***

19

20

21

22

23

END PROPRIETARY

24

25

I reviewed the entire four-page description and conclude that 85% of this position is
26 directly responsible for gas procurement.

27

28

29

1 **Q. What accounting position descriptions were missing from the response to NGS-IV-**
 2 **6(a)?**

3 A. Several were missing but the two that I would expect, based on my several
 4 decades of gas distribution utility experience, have a significant responsibility for gas
 5 procurement were the Manager Revenue Accounting and Supervisor Supply Accounting.
 6 Both positions were listed in the Company's response to NGS-IV-5. I must assume that
 7 100% of both positions are directly responsible for gas procurement.

8
 9 **Q. What is the summary of the 5 accounting positions you analyzed and their role in**
 10 **the gas procurement function?**

11 A. This summary lists each position and that positions gas supply responsibility.

12	Analyst I	100%
13	Analyst II	75%
14	Analyst II	85%
15	Manager Revenue Accounting	100%
16	Supervisor Supply Accounting	100%

17
 18 This equates overall to 4.6 employees of the accounting department, not the 1 employee
 19 represented in the 2012 case that Mr. Lahoff relied on. The costs used by Mr. Lahoff
 20 should be scaled up by a factor of 4.6.

21
 22 **Q. Did you conduct the same analysis with the same level of detail for the Regulatory**
 23 **and Legal departments?**

24 A. I was unable to. My data request asked for all the job descriptions of those two
 25 departments, similar to the data requests for the job descriptions of the gas supply and
 26 accounting departments yet the Highly Confidential response to NGS-IV-6(c) was

1 severely lacking and failed to include a majority of the job descriptions. While the
2 response to NGS-IV-5 show that there are 14 positions in the Rates department and 22
3 positions in the Legal department yet the number of job descriptions included in the
4 response to NGS-IV-6(c) were three and two respectively. None the less, I have learned
5 from my detailed analysis of the gas supply and accounting departments that the
6 Company's 2012 data understates the actual number of positions by a factor of 3 to 4.
7 Using the conservative number of 3 I will scale up the 0.23 FTE rate and 0.2 FTE legal
8 and 0.75 FTE management employees to 3.5 FTE representing those three areas.

9
10 **Q. What is the result of including all of the appropriate costs in the GPC?**

11 A. I have provided Exhibit NGS-SR-4 which updates the GPC costs presented in my direct
12 testimony. Using the results of my FTE analyses I scaled up the amounts provided by the
13 Company. The resultant GPC Charges are \$0.2375/mcf for UGI.

14
15 **Q. In his rebuttal testimony Mr. Lahoff also claimed that none of the UNITE costs
16 relate to gas procurement. Is his claim credible?**

17 A. No. Significantly, as I was reviewing the data responses to NGS-IV-5, p 8-9, I noted that
18 the IS Project Team for the UNITE project are all housed in the Gas Supply department,
19 all 25 of them. Also in the response to NGS-IV-6(b) p. 44-45 in the job description of the
20 Vice President Supply it lists one of his main responsibilities as "Oversees the
21 management of the UNITE project" and shows that the Vice President Supply spends
22 20% of his time on that task. Mr. Lahoff's claim is not credible.

23

SWITCHING FEE

1
2
3 **Q. What evidence has the Company provided in response to your data requests that**
4 **supports the elimination of the discriminatory switching fee that is charged to**
5 **suppliers?**

6 A. *In response to NGS-III-6, Mr. Lahoff provided a data response from Docket No. A-*
7 *00994786 (NGS Exhibit SR-5) that showed the calculation the Company provided at the*
8 *time when switching was a manual function. At that time, over 16 years ago, the cost to*
9 *do a manual switch was claimed by the Company to be \$9.65. Of course today switching*
10 *is an automated function with no cost. There is no cost basis for continuing to require a*
11 *switching fee from suppliers. In its filing and subsequent testimony UGI provided no*
12 *proof of any costs caused by switching. The fee should be eliminated.*

13
14 **Q. In his rebuttal testimony Mr. Lahoff cites three items on which the current**
15 **switching fee amount was based. What is your analysis of each item?**

16 A. *As listed in the data response NGS-III-6, Mr. Lahoff claims the switching fee was based*
17 *on including populating system rate tables, manually intervening in the enrollment*
18 *transaction when problems arise, notifying suppliers in the event two suppliers enroll the*
19 *same customer and answering customer inquiries related to the switch. All such items*
20 *should be managed currently in an automated fashion. If they are not automated*
21 *currently surely they will be after the Company completes its installation of the \$43*
22 *million Phase I of its UNITE project. Further, the switching fee applies only to situations*
23 *where the customer elects to switch multiple times in a year and applies to those*

1 subsequent switches after the initial switch to a NGS. All the items Mr. Lahoff cites are
2 either now automated or simply part of rendering customer service and not a distinct cost.

3
4 **FINANCIAL SECURITY**

5 **Q. What claim did Mr. Lahoff put forth in his rebuttal testimony regarding what the**
6 **financial security requirement should not be changed from its current amount?**

7 **A.** First, Mr. Lahoff admits that UGI has proposed no change to its level of financial security
8 which was established by Commission Order at Docket P-00032054 in 2004. He then
9 points to the statute 66 Pa.C.S. §2207(k) which specified that any difference between the
10 costs incurred by the supplier of last resort and the amount payable by the retail gas
11 customer shall be recovered from the natural gas supplier's security. Mr. Lahoff then
12 incorrectly states that "While suppliers may be dissatisfied with this decision of the
13 General Assembly their remedy is to seek a statutory change" (UGI Statement No. 6,
14 56:4-5). To be clear, in my direct or rebuttal testimony I never stated or implied that the
15 NGS Parties have any disagreement with the referenced statute. My objection to UGI's
16 security requirement in this proceeding is that UGI has not adjusted its security
17 requirement to reflect the current level of exposure which is significantly less than the
18 amount that was put into effect in 2004. It is indisputable that the consumption volume
19 per customer has reduced, as UGI has testified to in this proceeding, and that the market
20 price of natural gas is notably less than in 2004. I provided evidence about both of those
21 items in my rebuttal testimony. The Company was not in compliance with the direction
22 stated by the Commission in its Final Order at Docket P-00032054. In fact, the
23 Commission issued a Compliance Order in that proceeding to force the Company to

1 comply with the Initial Order. In this proceeding the Company again does not comply
2 with the instructions in that Compliance Order.

3 Mr. Lahoff then goes on to talk about how gas prices can vary, and that there may be
4 price differences in different parts of the state and then talks about banks and car
5 insurance. None of that is relevant and is only an attempt to avoid the Commission
6 directive.

7
8 **Q. What was the clear directive of the Commission regarding the level of security
9 deposit?**

10 **A. I provided the citation from the Order in my Rebuttal Testimony that laid out the basis for
11 calculating the security requirement. In its Final Order the Commission stated, "if UGI
12 finds the market price has increased to such an extent that it feels the level of security is
13 no longer adequate, it may petition the Commission to address that issue. Similarly, if
14 the market moves downward, a NGS may petition the Commission." (Order at 14) As
15 the security exposure which is based on both customer volume and market price of gas,
16 both of which are greatly reduced since 2004, has diminished the NGS Parties are doing
17 exactly as the Commission directed and asking for a reduced level of security using the
18 same formula that was used in the Recommended Decision, adopted in the Commission's
19 Final Order and reinforced in the Commissions Compliance Order. One would think
20 after the Commission stating its clear position multiple times that UGI would obey its
21 directive and propose a reduced security requirement, but it has not. The amount I
22 calculated in my Rebuttal Testimony of \$15.76/Dth is the correct result using the
23 Commission formula.**

1 **Q. Has UGI responded to your data request that sought evidence of supplier**
2 **performance since 2004?**

3 A. Yes. Its response to NGS Set V-3 UGI stated, "UGI has not had a natural gas supplier
4 default on any financial obligation." The data response is included as Exhibit NGS-SR-6.
5 Mr. Lahoff's rebuttal testimony not only does not allow that some benefit surely is due
6 because of perfect non-defaulting performance but goes so far as to direct me to present
7 such an argument to banks but not to UGI. Of course his direction is nonsensical.

8

9 **Q. Did Mr. Lahoff also ignore your comparison to the security requirement levels of**
10 **other Pennsylvania NGDCs?**

11 A. Yes. While not disputing that UGI's security requirement is excessive, he opines that I
12 did "not provide evidence of actual costs, and the actions of other NGDCs, and the
13 compromises they might have made in establishing their current standards are unknown."

14 Id 57:24-58:2

15 I do not know the costs that the other NGDCs used in establishing their more reasonable
16 security requirements or the compromises they made in establishing those requirements,
17 nor should I. This proceeding does not involve or allow for the modification of other
18 NGDCs security requirements. Mr. Lahoff's attempt at misdirection should be ignored.

19

20 **Q. Does this conclude your Surrebuttal Testimony?**

21 A. Yes.

EXHIBIT NGS-SR-1
GPC HOURS

PUBLIC VERSION

All UGI Companies
 Development of Full Time Equivalent Employees

Gas Supply	
	Annual Hours
Daily Planning/Procurement	1,490
Scheduling	900
Balancing/Accounting	1,254
PGC Activities	1,912
Contracting	449
Hedging Activities	200
Rates	95
Total Annual Hours	6,300
Full Time Equivalents	<u>3.00</u>

Accounting Support	
	Annual Hours
Monthly Closing Activities	960
Hedging Activities	192
Monthly Invoice Processing	288
PGC Activities	48
Audit Related Activities	192
Internal/External Reporting	384
Total Annual Hours	2,064
Full Time Equivalents	<u>1.00</u>

Regulatory	
	Annual Hours
Annual PGC Filings	468
Quarterly PGC Filings	156
PGC Interrogatory Response	312
Monthly PGC Analysis	187
PGC Tariff filings	218
PGC Associated Filings	218
Total Annual Hours	1,559
Full Time Equivalents	<u>0.75</u>

Management	
	Annual Hours
Review all PGC Filings	440
Develop and Review Press	40
Total Annual Hours	480
Full Time Equivalents	<u>0.23</u>

Internal Legal	
	Annual Hours
Annual PGC Filings	100
Quarterly PGC Filings	10
PGC Interrogatory Response	80
PGC Tariff filings	10
PGC Associated Filings	10
Total Annual Hours	210
Full Time Equivalents	<u>0.10</u>

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	
	:	
Office of Consumer Advocate	:	C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph Sandoski	:	C-2016-2529638
Vicki L. East	:	C-2016-2534010
Tom Harrison	:	C-2016-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

VERIFICATION

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Date: 5/31/2016

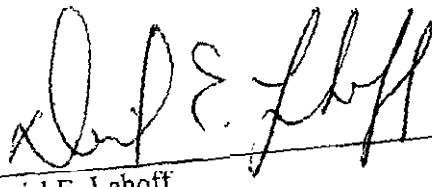

David E. Lahoff

EXHIBIT NGS-SR-4
GPC COSTS

PUBLIC VERSION

Exhibit NGS-SR-4

Line		Units	Source	UGI Amount	Scale Up	NGS Amount
1	Gas Supply	\$		162,743	3.03	493,111
2	Accounting Support	\$		46,684	4.6	214,746
3	Internal Legal Support	\$		26,552	3	79,656
4	Regulatory Support	\$		52,520	3	157,560
5	Management Support	\$		36,062	3	108,186
6	Total Labor & Benefits	\$		324,561		1,053,260
7	Outside Legal	\$		60,000		60,000
8	IT O&M	\$		8,766		2,100,000
8a	WC Gas in Storage	\$		0		2,026,139
8b	WC Gas Supply	\$		0		843,869
8c	Contact Center	\$		0		312,022
9	Total GPC Costs	\$		393,327		6,395,290
10	Sales Volumes	mcf		<u>26,930,349</u>		<u>26,930,349</u>
15	GPC Costs/Choice	\$/mcf		<u>0.0146</u>		<u>0.2376</u>

EXHIBIT NGS-SR-5
SWITCHING FEES
PUBLIC VERSION

OSBA – I
Question No. 2
Answered by David C. Beasten

UGI UTILITIES, INC. – GAS DIVISION
OFFICE OF SMALL BUSINESS ADVOCATE
INTERROGATORIES
SET I

Docket No. A-00994786

2. *Please supply all workpapers used in the derivation of UGI's proposed Rate AG switching fee of \$10. Would the switching fee apply in the case where the only reason for the switch was the inability of the previous Licensed Supplier to maintain an Aggregation Pool of 500 customers?*

Response:

Marketers will be provided significant flexibility when establishing customer rates. Each rate change will be manually entered by UGI personal. The switching fee is designed to recover the time spent populating the associated system rate tables, manually intervening in the enrollment transaction when problems arise, notifying Suppliers in the event two marketers enroll the same customer and answering customer inquires related to the switch. Staffing requirements were estimated at 30-35 minutes per enrollment.

UGI CIC Rep B Hourly Rate -	\$17.82	(Lower third + 35% benefits)
32.5 minutes/enrollment	<u>x .5417</u>	
Annual cost	\$ 9.65	

In the event a Licensed Supplier fails to maintain the minimum pool size of 500 customers, Rate AG states customers will be returned to the Company or the alternate supplier of last resort. If they arrange for another Licensed Supplier either immediately or after returning to the SOLR, the Licensed Supplier will pay the Switching Fee. If a customer returns to UGI or the alternate supplier of last resort, the Switching Fee is not incurred. The initial switch to a Licensed Supplier is free.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	
	:	
Office of Consumer Advocate	:	C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph Sandoski	:	C-2016-2529638
Vicki L. East	:	C-2016-2534010
Tom Harrison	:	C-2016-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

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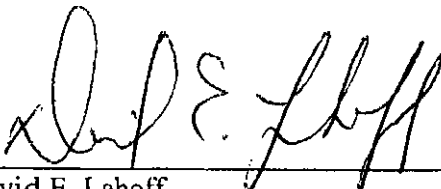

David E. Lahoff

EXHIBIT NGS-SR-6
NO DEFAULTS

PUBLIC VERSION

Exhibit NGS-S-6

NGS-V-3 (Prepared by David Lahoff)

In the period since the financial security requirement of \$134.63/Dth was approved and/or implemented, provide an annual list of natural gas suppliers that have defaulted on any part of a financial obligation to UGI. For each listing provide the number of customers involved, the total financial amount of each NGS default and the circumstances of the default. Explain the specific actions that were taken by UGI to remedy the situation.

Response:

UGI has not had a natural gas supplier default on any financial obligation since the financial security requirement of \$134.63/Dth was approved.

No Digital Attachments Found.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

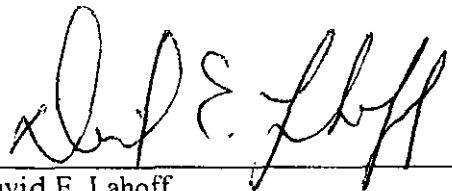
Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	
	:	
Office of Consumer Advocate	:	C-2016-2527150
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David E. Lahoff