**ANNUAL REPORT**

**66 PA C.S. § 516 AUDITS**

**FOR FISCAL YEAR 2015-2016**

**MANAGEMENT AUDITS**

**&**

**MANAGEMENT EFFICIENCY**

**INVESTIGATIONS**

**Prepared by the**

**Pennsylvania Public Utility Commission**

**Bureau of Audits**

**Issued September 2016**

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**I. INTRODUCTION**

 Management Audits (MAs) and Management Efficiency Investigations (MEIs) periodically examine management effectiveness and operating efficiency of the Pennsylvania jurisdictional fixed utilities. Specifically, MAs determine the extent to which a utility has contained costs, developed reasonable long and short-range plans for the company’s continued operations, provided adequate service to the customers it serves, and provided proper management and organizational structure. MEIs, in part, review utility efforts in implementing prior management audit recommendations.

 The MAs and MEIs are required of any electric, gas, telephone or water utility whose plant-in-service is valued at not less than $10 million (Public Utility Code, 66 Pa. C.S. § 516). MAs are to be conducted at least once every five to eight years. MEIs or investigations of implementation progress are usually conducted two to three years after completion of the MAs.

 Currently, MAs and MEIs are performed for approximately 27 large and medium-sized electric, gas, and water companies. While telecommunications companies with plant-in-service of $10 million or more are technically covered by the mandate, audits and investigations of these companies have generally been suspended consistent with approved alternative regulatory plans. Required audits and investigations are conducted by Bureau staff, or by outside consulting firms with the oversight of Bureau staff.

 There are more than a hundred other utilities (with plant-in-service of less than $10 million) subject to management audit procedures on an as needed basis. Bureau staff generally perform such audits as a result of a specific problem or complaint. Other special operational and/or financial projects are also performed from time to time by Bureau staff, or by outside consultants with the oversight of Bureau staff.

 Section 516(b) of the Pennsylvania Public Utility Code requires that an Annual Report addressing the MAs and MEIs released during the year be provided to the Pennsylvania Public Utility Commission (PUC or Commission), the affected utilities, the Bureau of Investigations & Enforcement, and the Office of Consumer Advocate. In this Annual Report, Chapter II contains tables showing the number and categorization of recommendations from the various MAs and MEIs released during the fiscal year ended June 30, 2016, as well as a summary analysis of benefits and costs associated with the Management Audit Division's mandated operations. Chapter III of the report provides a brief narrative summary of each MA, while Chapter IV provides a summary of each MEI. Chapter V presents a list of the regulated utilities subject to mandated Section 516 MAs as of June 30, 2016, and a list of all Section 516 mandated MAs released to Fiscal Year End 2016 (i.e., June 30, 2016). Complete copies of all audits and investigations have previously been sent to each of the required parties and are available on the PUC’s website.

 *Please note that this annual report addresses only MAs and MEIs performed pursuant to 66 Pa. C.S. § 516. The results of other projects completed by the Bureau of Audits’ Management Audit Division during the fiscal year are available to the extent approved for public release by the Commission. A listing of those projects as well as copies of any issued reports can be obtained by contacting John Clista at*

*(717) 772‑0317 or jclista@pa.gov.*

**II. STATISTICAL TABLES**

**TABLE A**

**FY 2015-2016 Management Audits**

**Number and Categorization of Recommendations**

 **% Accepted**

 **Partially or Partially**

**Company Total Accepted\* Accepted\* Rejected\* Accepted**

Pennsylvania-American

Water Company 38 29 8 1 97%

Philadelphia Gas Works 76 62 13 1 99%

**Totals** 114 91 21 2 98%

\* Per implementation plans submitted by the companies.

**TABLE B**

**FY 2015-2016 Management Efficiency Investigations**

**Number and Categorization of Recommendations**

|  |  |
| --- | --- |
|  | Evaluation of Prior Recommendations |

 **Partially %**

 **Total Effectively or Not Effectively**

**Company Evaluated Implemented Implemented Implemented**

Duquesne Light Company 10 9 1 90%

UGI Utility Group 30 14 16 47%

**Totals** 40 23 17 58%

 **Staff’s Follow-Up Recommendations**

 **% Accepted Total Partially or Partially Company Developed Accepted\* Accepted\* Rejected\* Accepted**

Duquesne Light Company 4 4 0 0 100%

UGI Utility Group 20 17 3 0 100%

**Totals** 24 21 3 0 100%

\* Per implementation plans submitted by the companies.

**TABLE C**

**FY 2015-2016 Management Audits (MAs) and**

**Management Efficiency Investigations (MEIs)**

**Benefit/Cost Summary**

 **Net Projected Savings or Benefits\* Net Realized Savings or Benefits\***

 **Upon Implementation of After Implementation of**

 **Current Audit Recommendations Prior Audit Recommendations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Annual****(Millions)** | **One-Time****(Millions)** | **Annual****(Millions)** | **One-Time****(Millions)** |
| Consultant MAs (1) | $ 8.4 - 9.4 | $ 1.1 | $ 0.0 |  $ 0.0 |
| Staff MAs & MEIs (5) |  4.3 - 5.2  |  2.6 |  0.16 |  0.0 |
| **Total Benefits** | $ 12.7 – 14.6  | $ 3.7 | $ 0.16 |  $ 0.0 |
|  |  |  |  |  |

|  |  |
| --- | --- |
| One-Time Consultant Costs for FY 2015-2016 Audits (Millions) |  $ 0.57 |
| Approximate Management Audit Division Costs for FY 2015-2016 (Millions) | 1.47 |
|  Total Estimated Cost of MAs and MEIs (Millions) |  $ 2.04 |

\* These quantified benefits are net of projected or realized implementation costs. Note that the projected annual savings or benefits from implementing management audit recommendations, in 2015-2016 alone, are more than 6 times the total cost of the audits and/or investigations.

**Readers should also note that many benefits are qualitative in nature and cannot be measured in specific dollar terms.**

**III. SUMMARY OF MANAGEMENT AUDITS**

**COMPLETED IN FISCAL YEAR 2015-2016**

Pennsylvania-American Water Company (D-2014-2430603)

The report on the Focused Management and Operations Audit (MA) of Pennsylvania-American Water Company (PAWC or Company), completed concurrently by staff from the Bureau of Audits, was publicly released on March 17, 2016. The audit report contained 38 recommendations. The PAWC’s Implementation Plan, dated March 17, 2016, indicated acceptance of 29 recommendations, partial acceptance of eight recommendation, and rejection of one recommendation. The PAWC indicated its plans to complete implementation of all accepted recommendations by January 31, 2022.

During the course of the audit, 12 functional areas or specific issues were examined in-depth. The distribution of the audit staff’s functional ratings and the number of recommendations by chapter/functional area are as follows:

|  |  |  |
| --- | --- | --- |
| **Functional Ratings** | **Chapter / Functional Area** | **Number of Recommendations** |
|  |  |  |
| Major Improvement Needed (0) | None | None |
| SignificantImprovement Needed (2) | V – Affiliated Interests and Cost AllocationsIX – Materials Management | 55 |
| ModerateImprovement Needed (5) | III – Executive Management and Organizational StructureVI – Financial ManagementVII – Field OperationsXII – Fleet ManagementXIII – Facilities Management | 22733 |
| MinorImprovement Needed (4) | IV – Corporate GovernanceVIII – Emergency PreparednessX – Customer ServiceXIV – Human Resources and Diversity  | 2261 |
| Meets Expected Performance Level (1) | XI – Information Technology | None |
| Total Number of Recommendations | 38 |

A number of staff’s recommendations, if effectively implemented, could yield significant quantitative and/or qualitative benefits. Examples of these recommendations included:

* Take measures to strengthen the corporate culture;
* Reduce non-revenue water levels and strive to improve the Infrastructure Leakage Index which could result in annual savings of up to $3.2 million;
* Increase main replacement rates to standard industry levels for all operating districts;
* Correct pipeline locational accuracies and incorporate key pipeline data into the geographic information system;
* Develop a comprehensive damage prevention program;
* Identify the size and criticality of all valves, and operate valves in accordance with corporate policies and procedures;
* Improve the testing and oversight of the affiliate transactions throughout the organization, and explore the possibility of assigning a PAWC employee the responsibility to actively oversee the company’s affiliated transactions;
* Establish a centralized materials management organizational structure and a training program for employees handling materials;
* Fully utilize its materials management system to optimize its inventory function which could result in annual savings of up to $390,000 and one-time savings of $2.1 million;
* Create a formal cybersecurity awareness and training program that tracks employees’ participation to ensure that employees maintain a cyber-safe work environment;
* Work with American Water Works Service Company to improve the amount of detail provided in intercompany invoices and reports; and
* Develop a policy governing the use of facility needs assessments, space-planning studies and energy usage audits to periodically access the condition and efficiency of Company facilities.

Presented below is a summary of the estimated benefits or savings that could be quantified with implementation of the management audit recommendations. It should be noted that quantified benefits could not be projected for the majority of the report’s recommendations because either sufficient data was unavailable or because the benefits are more qualitative in nature.

 Annual (recurring) $3,610,000

 One-time (non-recurring) $2,100,000

No incremental costs associated with implementation of the recommendations were specifically identified.

Philadelphia Gas Works (D-2015-2468141)

The Stratified Management and Operations Audit of Philadelphia Gas Works (PGW) completed by a consultant, Schumaker & Company, was publicly released on October 22, 2015. The audit report contained 76 recommendations. PGW’s Implementation Plan, dated October 2, 2015, indicated acceptance of 62 recommendations, partial acceptance of 13 recommendation, and rejection of one recommendation. PGW indicated that it had plans to complete implementation of all accepted recommendations by December 2016.

During the course of the audit, 16 functional areas or specific issues were examined in-depth. The distribution of the audit staff’s functional ratings and the number of recommendations by chapter/functional area are as follows:

|  |  |  |
| --- | --- | --- |
| **Functional Ratings** | **Chapter / Functional Area** | **Number of Recommendations** |
|  |  |  |
| Major Improvement Necessary (0) |  | None |
| SignificantImprovement Necessary (0) |  | None |
| ModerateImprovement Necessary (9) | II – Executive Mgmt & Human Resources –Executive Management, Human ResourcesIII – Support Services –  Information Technology, Supply Chain ManagementIV – Corporate GovernanceVI – Diversity and EEOVII – System Reliability Performance & Other Related Operations – Field Operations, Business ContinuityVIII – Customer Service | 71634149 |
| MinorImprovement Necessary (7) | II – Executive Management & Human Resources External RelationsIII – Support Services – Transportation & Fleet Management, Facilities & Property Management, Risk Management & Safety, Legal ServicesV – Financial ManagementVII – System Reliability Performance & Other Related Operations – Gas Supply | 11264 |
| Meets Expected Performance (0) |  | None |
| Total Number of Recommendations | 76 |

A number of staff’s recommendations, if effectively implemented, could yield significant quantitative and/or qualitative benefits. Examples of these recommendations included:

* Aggressively accelerating the replacement of high risk mains, specifically cast iron mains;
* Reducing the number of open leaks by outsourcing the excavation work and using PGW crews to make repairs;
* Performing disaster recovery tests semi-annually to adhere to established goals and objectives;
* Performing annual penetration testing and vulnerability assessments;
* Improving cycle count accuracy levels to at least 90% and increasing analysis on inventory turnover rates resulting in up to annual savings of $220,000 and one-time savings of $1.1 million;
* Identifying and addressing increasing levels of customer disputes and PUC complaints;
* Placing greater emphasis on decreasing the number and amount of over-90-day-old customer accounts;
* Formalizing communication protocols between PGW groups to readily identify and remediate underbillings for gas service;
* Continuing to take steps to reduce PGW gas supply assets which could result in annual savings ranging from $6-7 million;
* Exploring alternatives for fulfilling internal audit requirements resulting in annual savings of $1.8 million; and
* Measuring and reporting safety performance using standard industry benchmarks.

Presented below is a summary of the estimated benefits or savings that could be quantified with implementation of the management audit recommendations. It should be noted that quantified benefits could not be projected for the majority of the report’s recommendations because either sufficient data was unavailable or because the benefits are more qualitative in nature.

 Annual (recurring) $8,376,400 to $9,457,400

 One-time (non-recurring) $1,100,000

No incremental costs associated with implementation of the recommendations were specifically identified.

**IV. SUMMARY OF MANAGEMENT EFFICIENCY INVESTIGATIONS**

**COMPLETED IN FISCAL YEAR 2015-2016**

Duquesne Light Company (D-2015-2462108)

The report on the Management Efficiency Investigation (MEI) of Duquesne Light Company (Duquesne Light or Company), which was completed by Bureau of Audits’ staff, was publicly released on October 1, 2015. The scope of this investigation was an examination of the progress in implementing the 10 original recommendations from the Focused Management and Operations Audit released in March 2013.

During the MEI, the audit staff found that Duquesne Light had effectively or substantially implemented nine of the ten prior recommendations reviewed and taken some action on the remaining recommendation. **As a result of the Company’s implementation efforts, it has realized annual savings of approximately $136,000.**  Among the notable improvements achieved by the Company were: established procedures in which it requires the external auditor to present its staff rotation policy, completed an assessment of its management structure and spans of control, provided a detailed written explanation within 30 days of the public release of the Management Audit report for dividend payments that exceeded 85 percent of net income in 2010 and 2011 and indicated that it would provide advance notice and explanation to the Commission for future annual dividend payments which exceed 85 percent of net income.

The audit staff concluded that further improvement was warranted and developed four recommendations for improvement. In its September 16, 2015 Implementation Plan, Duquesne Light indicated acceptance of all recommendations. The Company further stated that it plans to implement the recommendations by the fourth quarter of 2016. The notable follow-up recommendations were to:

* Identify all options for ensuring proper staffing levels for field operations craft workers while additionally striving to limit the number of employees working excessive amounts of overtime, potentially yielding annual savings up to $1.5 million;
* Create new and/or modify existing safety programs and awareness efforts in order to meet the internally established Occupational Safety and Health Administration goals; and
* Include all local emergency service and PUC contacts in the Emergency Operations Plan and update at least annually.

Presented below is a summary of the estimated benefits or savings that could be identified with implementation of the MEI recommendations.

 Annual (recurring) $600,000 to $1,500,000

 One-time (non-recurring) none

No incremental costs associated with implementation of the recommendations were specifically identified.

UGI Utilities, Inc., UGI Central Penn Gas, Inc. and UGI Penn Natural Gas, Inc.

(D-2015-2473202 , D-2015-2473203, D-2015-2473204)

The report on the Management Efficiency Investigation (MEI) of UGI Utilities, Inc., UGI Central Penn Gas, Inc. and UGI Penn Natural Gas, Inc. (UGI Utility Group or Companies), which was completed by Bureau of Audits’ staff, was publicly released on June 9, 2016. The scope of this investigation was an examination of the progress in implementing 30 of the 31 original recommendations from the Focused Management and Operations Audit released in May 2012.

During the MEI, the audit staff found that UGI Utility Group had effectively or substantially implemented 14 of the 30 prior recommendations reviewed and taken some action on the 16 remaining recommendations. **As a result of the Companies implementation efforts, it has realized annual savings of approximately $25,000.**  Among the notable improvements achieved by the Companies were: establishment of short- and long-term goals for UGI’s natural gas distribution companies’ (NGDCs’) replacement of cast iron and bare steel mains, a reduction in the total number of annual line hits occurring with UGI Penn Natural Gas, Inc’s service territory, updates to UGI’s NGDCs’ integrity management plans, and a refined allocation process to capture a more accurate assignment of indirect shared costs between entities.

The audit staff concluded that further improvement was warranted and developed 20 follow-up recommendations for improvement. In its May 18, 2016 Implementation Plan, the UGI Utility Group indicated acceptance of 17 recommendations and acceptance in part for three recommendations. The Companies further indicated plans to complete a majority of the follow-up recommendations by December 2018. Some of the notable follow-up recommendations were to:

* Develop a comprehensive cybersecurity plan, and test and review it annually;
* Improve safety performance at the UGI Utility Group;
* Standardize the approach for mitigating physical security risks across the UGI Utility Group;
* Fully document emergency response provisions within UGI’s Electric Service Division’s emergency response plan;
* Improve the inventory turnover ratio to at least 2.0 turns or higher at all operating companies, which could result in a one-time savings of $465,000 and annual carrying cost savings of $70,000;
* Ensure UGI’s Gas Service Division meets its goal of replacing mercury meters by 2018; and
* Improve the accuracy of UGI’s NGDCs’ unaccounted for gas calculation;

Presented below is a summary of the estimated benefits or savings that could be identified with implementation of the MEI recommendations.

 Annual (recurring) $70,000

 One-time (non-recurring) $465,000

No incremental costs associated with implementation of the recommendations were specifically identified.

**V. APPENDICES**

**Appendix A – List of Pennsylvania Regulated Utilities Subject to Mandated §516 Management Audits and Management Efficiency Investigations as of June 30, 2016**

Columbia Gas of Pennsylvania, Inc.

The Columbia Water Company

Duquesne Light Company

Leatherstocking Gas Company LLC

National Fuel Gas Distribution Company

The Newtown Artesian Water Company

PECO Energy Company

Pennsylvania-American Water Company

Philadelphia Gas Works

Pike County Light & Power Co.

PPL Electric Utilities Corporation

Suez Water Pennsylvania, Inc.

The York Water Company

Aqua Pennsylvania, Inc.

Superior Water Company, Inc.

Citizens’ Electric Company

Wellsboro Electric Company

Valley Energy, Inc.

Metropolitan Edison Company

Pennsylvania Electric Company

Pennsylvania Power Company

West Penn Power Company

Peoples Natural Gas Company LLC\*

Peoples TWP LLC

UGI Utilities, Inc. (includes both electric and natural gas operations)

UGI Central Penn Gas, Inc.

UGI Penn Natural Gas, Inc.

Note – The utilities listed within the boxes have common ownership and share support functions and therefore the audits are performed concurrently and reported within a combined report.

\* – Equitable Gas Company became an operating division of Peoples Natural Gas Company effective December 13, 2013.

**Appendix B – History Of Mandated Management Audits Released**

 Utility Month Released Notes

ALLTEL Pennsylvania, Inc. (Now known as Windstream Pennsylvania, LLC) 8/80, 9/89, 7/97

Apollo Gas Company/Carnegie Natural Gas Company 8/88, 2/98 (2)

Aqua Pennsylvania, Inc. 11/06, 5/13

Bell Atlantic – PA (Now known as Verizon Pennsylvania LLC) 1/87, 6/96

Citizens’ Electric Company of Lewisburg 7/07, 4/14 (3)

Citizens Utilities Water Companies of Pennsylvania 6/94 (4)

Columbia Gas of Pennsylvania, Inc. 8/80, 5/90, 5/98, 8/06, 8/13

Columbia Water Company 7/97, 7/05, 9/11

Commonwealth Telephone Company (d/b/a Frontier Communications

 Commonwealth Telephone Company) 3/87, 3/96 (5)

Conestoga Telephone & Telegraph Company 10/86, 6/95 (6)

Consumers Pennsylvania Water Companies 5/99 (7)

Continental Telecom, Inc. (PA Operations) 8/87 (8)

Denver & Ephrata Telephone & Telegraph Company (Now known as

 Windstream D&E, Inc.) 2/92

Duquesne Light Company 9/82, 5/90, 5/98, 5/06, 3/13

Equitable Gas Company 2/87, 1/95, 2/03, 6/10 (1, 9, 20)

Frontier Communications (PA TELCOS) 8/87, 12/95

GTE North – PA Operations (Now known as Verizon North LLC) 11/85, 7/96

Metropolitan Edison Company 11/79, 1/91, 1/99, 3/07, 2/15 (10,11)

National Fuel Gas Distribution Corporation (PA Operations) 2/89, 3/97, 3/05, 5/12

Newtown Artesian Water Company, The 8/96, 9/04, 1/11

North Penn Gas Company & PFG, Inc. (Formerly known as Penn Fuel Gas, Inc.) 7/84, 7/92, 6/02 (12)

North Pittsburgh Telephone Company 6/89, 1/97 (13)

PECO Energy Company 11/79, 9/91, 9/99, 8/07, 10/14

Pennsylvania-American Water Company 8/85, 10/92, 10/00, 11/08, 3/16 (1)

Pennsylvania Electric Company 11/79, 1/91, 1/99, 3/07, 2/15 (10,11)

Pennsylvania Gas & Water Company 5/79, 10/93 (14)

Pennsylvania Power Company 6/79, 6/90, 6/98, 3/07, 2/15 (10)

Pennsylvania Suburban Water Company (Formerly Philadelphia Suburban

 Water Company) 4/79, 12/90, 11/98 (15)

Peoples Natural Gas Company LLC (Formerly The Peoples Natural

 Gas Company) 8/87, 1/95, 2/03, 3/10 (1)

Peoples TWP LLC (Formerly T. W. Phillips Gas and Oil Co.) 10/86, 12/93, 12/01, 4/09 (1)

PG Energy, Inc. 10/01 (16)

Philadelphia Gas Works 4/01, 2/09, 10/15 (1)

Pike County Light & Power Company 1/10

PPL Electric Utilities Corporation (formerly Pennsylvania Power & Light Co.) 4/86, 6/94, 6/02, 7/09 (1)

Roaring Creek Water Company 12/82, 7/92 (17)

Shenango Valley Water Company 11/85, 11/91 (17)

Suez Water Pennsylvania, Inc. (formerly United Water Pennsylvania, Inc.) 8/88, 5/96, 5/04, 1/11

Superior Water Company, Inc. (d/b/a Superior Water Company) 1/07, 12/13 (15)

UGI Utilities, Inc. 1/82, 6/89, 4/97, 4/05, 5/12 (18)

UGI Central Penn Gas, Inc. 5/12

UGI Penn Natural Gas, Inc. 5/12

United Telephone Company of Pennsylvania 9/82, 2/92 (19)

Valley Energy, Inc. – Pennsylvania Division 7/07, 4/14 (3)

Wellsboro Electric Company 7/07, 4/14 (3)

West Penn Power Company 8/83, 6/92, 6/00, 2/08, 2/15 (10)

York Water Company, The 5/82, 6/93, 6/01, 10/08, 5/15

( ) – see Notes on next page

**Notes To History Of Mandated Management Audits Released**

(1) Next audit being initiated or in progress.

(2) Now part of Equitable Gas Company.

(3) Subsidiaries of C&T Enterprises, Inc.

(4) Now part of Pennsylvania-American Water Company.

(5) Now part of Frontier Communications.

(6) Became part of D & E Communications d/b/a Conestoga Telephone Company and is now Windstream Conestoga, Inc.

(7) Became part of Philadelphia Suburban Water Company, then part of Pennsylvania Suburban Water Company, and is now a part of Aqua Pennsylvania, Inc. (See note 17).

(8) Became part of GTE North – PA Operations and is now a part of Verizon North LLC

(9) Formerly a Division of Equitable Resources, Inc. and is now a subsidiary of EQT Corporation.

(10) Subsidiary of FirstEnergy Corporation.

(11) The 1/99 audit was released under the name GPU Energy (PA Zones).

(12) Became subsidiaries of PPL Gas Utilities Corporation, a subsidiary of PPL Corporation, and are now a subsidiary of UGI Utilities, Inc. known as UGI Central Penn Gas, Inc.

(13) Now Consolidated Communications of Pennsylvania Company LLC.

(14) Gas operations became known as PG Energy (a division of Southern Union Company) and are now a subsidiary of UGI Utilities, Inc. known as UGI Penn Natural Gas, Inc. Water operations became a part of Pennsylvania-American Water Company.

(15) Now part of Aqua Pennsylvania, Inc. a subsidiary of Aqua, America, Inc.

(16) Now a subsidiary of UGI Utilities, Inc. known as UGI Penn Natural Gas, Inc.

(17) Became part of Consumers Pennsylvania Water Companies, and is now a part of Aqua Pennsylvania, Inc. (See note 7).

(18) The 1/82 audit covered the Electric Division only.

(19) Became United Telephone Company of Pennsylvania LLC d/b/a Embarq and is now The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink.

(20) Became an operating division of Peoples Natural Gas Company effective December 17, 2013 as a result of the acquisition and merger filed on March 19, 2013 in which EGC, Peoples Natural Gas Company LLC (Peoples), and Peoples TWP LLC filed with the Commission a Joint Application at Docket Nos. A‑2013‑2353647, A-2013-2353649 and A‑2013-2353651 requesting all necessary approvals authorizing: the transfer of 100% of the issued and outstanding limited liability company membership interests in EGC, an indirect subsidiary of EQT Corporation (EQT), to PNG Companies LLC (PNG), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP; and the merger of EGC with Peoples, a wholly-owned subsidiary of PNG, and the operation of EGC as an operating division of Peoples.