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December 11, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

**RE: Petition of Valley Energy, Inc. for Expansion Project Surcharge and Waiver of Tariff Rule 4;
Docket No. P-2018-_____**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") is Valley Energy, Inc.'s ("Valley Energy") Petition for Expansion Project Surcharge and Waiver of Tariff Rule 4.

If you have any questions regarding the enclosed documents, please feel free to contact the undersigned. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Matthew L. Garber

Counsel to Valley Energy, Inc.

Enclosures

c: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST-CLASS MAIL

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Matthew L. Garber

Counsel to Valley Energy, Inc.

Dated this 11th day of December, 2018, in Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF VALLEY ENERGY, INC. FOR :
EXPANSION PROJECT SURCHARGE AND : **DOCKET NO. P-2018-_____**
WAIVER OF TARIFF RULE 4 :
:

**PETITION OF VALLEY ENERGY, INC.
FOR EXPANSION PROJECT SURCHARGE AND WAIVER OF TARIFF RULE 4**

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Dated: December 11, 2018

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WAIVER OF TARIFF RULE 4 :
: :
:

**PETITION OF VALLEY ENERGY, INC.
FOR EXPANSION PROJECT SURCHARGE AND WAIVER OF TARIFF RULE 4**

I. INTRODUCTION

Valley Energy, Inc. ("Valley") hereby files this Petition to request that the Pennsylvania Public Utility Commission ("PUC" or "Commission") approve a plan by Valley to increase access to natural gas in Valley's territory. This Petition is designed to facilitate a gas main extension to the "East Athens" area of Valley's service territory ("East Athens Expansion"), providing natural gas to many additional customers. The East Athens area is the portion of Athens Township that is located east of the Susquehanna River. As recognized by the Commission, the new abundance of shale natural gas presents an economic alternative to traditional competing fuels in Pennsylvania.¹

If approved, this Petition would create an alternate means of calculating and charging customers for contributions in aid of construction ("CIAC") to facilitate the East Athens Expansion. This Petition provides a background of the East Athens Expansion project, outlines

¹ *Joint Petition of UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. for approval to Implement Growth Extension Tariff Pilot Programs to Facilitate the Extension of Gas Service to Unserved and Underserved Areas within the Companies' Service Territories*, Docket No. P-2013-2356232 (Recommended Decision dated January 23, 2013), pp. 11-12 (Recommended Decision adopted by Order entered February 20, 2014). See also Statement of Commissioner Pamela Witmer, *Peoples Natural Gas Company LLC*, Docket No. R-2014-2429610 (Statement issued Mar. 26, 2015), available at http://www.puc.pa.gov/about_puc/press_releases.aspx?ShowPR=3517. See also Final Policy Statement on Combined Heat and Power, 52 Pa. Code § 69.3201, Docket No. M-2016-2530484 (Order entered April 5, 2018).

the benefits of the project, and explains the reasons for requesting a surcharge and waiver of Tariff

Rule 4. Attached to this Petition are the following supporting documents:

Attachment A	Map of Valley's Service Territory
Attachment B	Proposed Supplement No. XX to Gas – Pa. P.U.C. No. 2
Attachment C	Supporting Calculations – East Athens Revenue Forecast
Attachment D	Supporting Calculations – East Athens Income Statement Schedule
Attachment E	Map of East Athens Gas Main Extension
Attachment F	Verification of Edward E. Rogers

Because no rate increase to existing customers is being proposed, Valley requests that the Commission approve this Petition and allow all proposed Tariff changes to become effective on one day's notice in accordance with the Commission's authority in 52 Pa. Code § 53.101. If, however, the Commission approves this Petition with changes, Valley requests that the compliance supplement become effective on ten days' notice.

II. BACKGROUND

Valley is a Pennsylvania corporation with its principal office located in Sayre, Bradford County, Pennsylvania. Valley is an investor-owned, for-profit natural gas utility, wholly owned by C&T Enterprises, Inc. ("C&T"). C&T is a holding and management services company that currently also owns Citizens Electric Company of Lewisburg, PA and Wellsboro Electric Company.

Valley provides natural gas distribution services to nearly 7,000 customers in a 41 square mile territory in Bradford County, Pennsylvania, as well as 1,893 customers in New York State.² As September 30, 2018, Valley had 5,971 residential customers and 888 commercial or industrial customers in Pennsylvania.

² Valley's proposed Tariff supplement is only applicable to its Pennsylvania customers.

Valley's service territory is comprised of Athens Township, the Borough of Sayre, the Borough of Athens, and several other boroughs and townships. Athens Township is bifurcated by the Susquehanna River. A portion of Athens Township, located just east of the river, is called East Athens. A map of Valley's service territory is included with this Petition as Attachment A.

Currently, all of Valley's customers are situated on the west side of the Susquehanna River in this portion of its service territory. Residences and businesses on the east side of the Susquehanna River do not have access to natural gas service from Valley or any other natural gas public utility.

In early 2018, Valley mailed surveys to 134 residences and businesses located in East Athens. Valley sought input from the potential customers regarding their interest in receiving gas service and whether they would subscribe immediately (*i.e.*, within the first two years) or within ten years. Valley received responses from 67 potential customers. The survey confirmed that customers are very interested in receiving gas service. Based on that survey and Valley's experience with other extensions, Valley anticipates that 92 customers will be connected to the project within ten years.

For Valley to provide service to East Athens, it must construct a pipeline across the river and install approximately 18,000 feet of polyethylene ("PE") distribution mains. Valley determined that the safest and most cost-effective route is to install a line extension under the riverbed by a horizontal directional drill ("HDD"). Valley estimates that this project will cost \$1.7 million.

To develop the East Athens Expansion, Valley applied for a Pipeline Investment Program ("PIPE") grant from the Pennsylvania Department of Community and Economic Development

("DCED"). On September 20, 2018, DCED awarded \$850,000 in PIPE grant funds to support the East Athens Expansion.

While the PIPE grant significantly assists in making the East Athens Expansion possible, Valley must match the amount provided by DCED. This amount far exceeds Valley's Allowable Investment Amounts under Tariff Rule 4 for the number of estimated customers that will be added in East Athens. Developing this extension under Rule 4 would require significant up-front payments by customers that want to connect to the new pipeline. To mitigate this potential burden and obstacle to East Athens residents and businesses obtaining access to natural gas service, Valley hereby proposes the addition of Rider EA to Valley's Tariff. Valley also requests a waiver of Tariff Rule 4 as set forth below.

As described in more detail below, Rider EA establishes a temporary monthly surcharge applicable only to new customers benefitting from the East Athens Expansion ("EA Surcharge"). The EA Surcharge is designed to leverage the PIPE grant and Valley's investment by allowing all customers' CIACs to be paid for over a longer time and to be calculated on an aggregate basis ("Collective Customer Contribution"). This affordable surcharge will be paid only by the new customers of East Athens and will terminate upon payment of the Collective Customer Contribution.

Any customer that is directly adjacent to the gas main extension route shown on Attachment E will be able to hook up to Valley's gas service by paying Rider EA. Customers that desire to be served by extensions of the initial mains will also pay Rider EA and may be required to pay an additional contribution under Rule 4 if the main and service line installation to serve them exceeds 200 feet.

To implement this project, Valley requests a waiver of Tariff Rule 4. There are three specific elements of Rule 4 that do not apply to the EA Surcharge. First, Valley requests the ability to examine the whole East Athens Expansion project with collective assumptions, rather than calculating each customer's CIAC on an individual basis. Second, Valley requests permission to use average cost data for new main/service extensions to calculate its Aggregate Allowable Investment Amount rather than constructing 200 feet of actual plant for each eligible East Athens customer. Third, Valley requests the option to collect customers' contributions over time, with appropriate interest, rather than as an up-front billed charge, unless the customer prefers the one-time payment.

As described above, a combination of the PIPE grant, Valley's readiness to invest, and customer interest in East Athens have created a unique opportunity to expand natural gas service within Valley's territory. The remaining pieces – approval of Rider EA and waiver of three components of Rule 4 by the Commission – will enable Valley to bring gas service to residences and businesses on the east side of the Susquehanna River.

III. RIDER EA SURCHARGE

A. The proposed Rider EA Surcharge will facilitate economical access to natural gas for East Athens residents.

The EA Surcharge is designed *only* for new customers taking service via the East Athens Expansion. Consequently, no existing customers will pay the surcharge. Rather, the EA Surcharge will provide access to an additional fuel option for East Athens residents and businesses, allowing new customers in East Athens to benefit from natural gas service if they so choose. The proposed surcharge price, \$29.20 per month per meter, is calculated to recover the necessary customer contribution to the extension costs over time while providing potential customers with an

economical option that is competitive with other sources of fuel such as fuel oil or propane.³ Without the EA Surcharge, the required contribution amount for East Athens property owners would be prohibitive, and Valley could not secure sufficient customer commitments to take advantage of the PIPE grant by extending its facilities to East Athens.

The EA Surcharge is designed to cover the Collective Customer Contribution – that is, the difference between the project Construction Cost and the Aggregate Allowable Investment Amount. The Collective Customer Contribution is calculated as follows:

- The Aggregate Allowable Investment Amount for the entire East Athens Expansion project is calculated as follows: (A) a reasonable projection of customers to be served, times (B) the 2017 average cost incurred by Valley to provide existing customers with the 200 feet of main/service line extension under the Tariff. The average cost for 200 feet of line extension is \$6,485. The estimated number of customers is 92. **92 x \$6,485 = \$596,620.**
- The estimated Construction Cost of the East Athens Expansion, after all PIPE grant funds are expended, is **\$850,000.**
- The Collective Customer Contribution equals the Construction Cost minus the Aggregate Allowable Investment Amount. **\$850,000 - \$596,620 = \$253,380.**

The EA Surcharge, in turn, is calculated to recover the Collective Customer Contribution over a period of ten (10) years, with interest to reflect Valley's cost of debt. Valley calculated the monthly surcharge using the assumption that all 92 customers are served as of the first year the pipeline is operational, even though the pipeline usage will grow as customers make service requests. If collected from 92 customers over ten years, the \$253,380 Collective Customer

³ Recently, the U.S. Energy Information Administration published its October 2018 Winter Fuels Outlook, available at https://www.eia.gov/outlooks/steo/special/winter/2018_winter_fuels.pdf. Table WF01 provides "Average Consumer Prices and Expenditures for Heating Fuels During the Winter." For the winter of 2017-2018, the average cost to heat with electricity in the Northeast was \$1,405; the average cost to heat with propane in the Northeast was \$1,851; and the average cost to heat with heating oil nationwide was \$1,377 (no Northeast-specific data were provided for heating oil). In contrast, the average cost to heat with natural gas in the Northeast was only \$743 (\$565 nationwide). This is a **\$662 one-year savings** comparing electricity to natural gas; an **\$1,108 one-year savings** comparing propane to natural gas; and an **\$812 one-year savings** comparing heating oil (nationwide) with natural gas (nationwide).

Contribution total results in \$22.95/month. Grossed-up for compound interest at Valley's current average cost of debt (4.99%), the monthly amount per customer is \$29.20/month.

As proposed in Rider EA, the EA Surcharge will remain in effect until the total Collective Customer Contribution is paid by customers. While this is estimated to take approximately 10 years, it will vary depending on the speed at which Valley obtains new customers in East Athens. In addition, if construction costs vary from the \$1.7 million estimate, then the Collective Customer Contribution total used in Valley's annual recalculation will change to the actual amount. The surcharge may be in effect shorter than or longer than 10 years. Upon payment of the total Collective Customer Contribution, Valley will terminate the EA Surcharge on one day's notice.

In addition, Rider EA provides that new East Athens customers would retain the option of contributing a one-time payment equivalent to their individual CIAC in lieu of participation in the EA Surcharge.⁴ The current one-time upfront payment is projected to be \$2,754, which is calculated by dividing \$253,380 by 92. Valley will update this rate after the project is completed to reflect the actual construction costs rather than the current projection. If this occurs, the Tariff will be revised, and rebates will be provided to any customer that made a one-time payment at the original rate. Valley has estimated the annual revenues from the EA Rider in Attachment C. In addition, Attachment D shows the corresponding rate of return that the Company is projected to earn on its service to the new customers over a ten-year period.

Finally, as seen in Attachment E, the eastern portion of Athens Township is larger than the properties that are directly adjacent to the gas main extension route. The costs to extend service

⁴ From a utility accounting perspective, \$850,000 of the East Athens Expansion is included in utility plant for 2019. As customer payments or monthly surcharge payments are received, these amounts are credited to CIAC, resulting in a reduced utility plant figure.

from the initial mains to some properties in Athens Township would be very expensive. Valley proposes to examine service requests from properties that are not adjacent to the initial mains to determine whether the request can be accommodated through 200 feet of main and service line installation. If it can, then the additional customer will be hooked up upon agreement to pay the EA Surcharge. If the service requires more than 200 feet of main and service line, then the customer will be required to pay the incremental costs beyond 200 feet plus the EA Surcharge.

B. If approved, Rider EA will benefit the entirety of Valley's customer base.

Rider EA will provide additional benefits to Valley's existing customers. Most significantly, Valley's expanded reach will provide benefits to the entire community by allowing more individuals and businesses to benefit from additional heating options. Additional customers also provide another source of revenue to Valley, strengthening its operational capabilities as it serves all customers. Additionally, when Valley files its next rate case, Operations and Maintenance ("O&M") costs will be shared by additional customers. Based on the 2017 PUC Annual Report, Valley's non-gas O&M expenses were \$388.37 per customer.⁵ Adding one new customer to Valley's system decreases that to \$388.32 per customer. The new customers also pay base rates that include a return on Valley's other utility plant on the west side of the river. While this direct financial benefit to existing customers is small, it multiplies with the addition of each new customer.

IV. WAIVER OF TARIFF RULE 4

In addition to approval of Rider EA, Valley respectfully requests that the Commission approve a waiver of three provisions of Valley's Tariff Rule 4 – "Equipment and Facilities."

⁵ Valley's 2017 Annual O&M Expenses (non-gas) was reported as \$2,714,328 on Valley's 2017 Annual Report. Its 2017 year-end number of customers was 6989. The \$2,714,328 O&M Expenses divided by the 6989 customer count results in \$388.37 per customer.

A. Waiver of Tariff Rule 4(I)(2) is necessary to allow collective cost assumptions to be used in calculating the customer contribution.

The East Athens Expansion project is a significant undertaking for Valley, a small utility. The costs to bring natural gas service to the east side of the Susquehanna River are substantial. To be successful, the project must be analyzed and funded in the aggregate. Under current Tariff language in Rule 4(I)(2), customer contributions are calculated on an individual basis. To successfully develop a project of this magnitude, Valley requests that the Commission waive Rule 4(I)(2) in order that Valley may treat the entire East Athens Expansion as a unified project. Thus, rather than calculating each customer's CIAC separately, the project as a whole would have a total Aggregate Allowable Investment Amount and a total Collective Customer Contribution.

B. Waiver of Tariff Rule 4(I)(1) is necessary to allow main extensions to be calculated on an average cost-per-foot basis.

Under current Tariff language, each individual customer is entitled to 200 feet of main or service extension.⁶ As written, this could be construed as an "in-kind" entitlement that is fulfilled by Valley actually constructing the service and/or main extension. To develop the East Athens Expansion, Valley requests that the Commission permit Valley to calculate an Aggregate Allowable Investment Amount using the average cost of 200 feet of main or service extension rather than constructing up to 200 feet for each individual customer.

The average cost of 200 feet of main or service extension provided to other Valley customers is \$6,485. In lieu of calculating a linear-footage based figure, Valley proposes to apply a figure of \$6,485 times 92 customers to determine its Aggregate Allowable Investment Amount.

⁶ Valley Tariff, Rule 4(I)(i).

C. Waiver of Tariff Rule 4(I)(2) is necessary to allow customers to contribute their CIAC over time.

Due to the expense of expanding service across the Susquehanna River to East Athens, each customer's individual CIAC is substantial. Based on Valley's estimate of 92 customers, an individual CIAC would be \$2,754.

Under current Tariff regulations, these new customers would be billed for the full CIAC.⁷ This would not only be prohibitively expensive for some customers, it would likely render the entire East Athens Expansion infeasible from a financial standpoint.

As described above, the Rider EA Surcharge is carefully designed to allow economical access to natural gas by residents and businesses in East Athens. While Rider EA allows customers to elect to pay their entire individual CIAC, Valley anticipates that virtually all East Athens customers will take advantage of the EA Surcharge. Valley respectfully requests waiver of Tariff Rule 4(I)(2) to facilitate the East Athens Expansion.

V. NOTICE PROCEDURES AND EFFECTIVE DATE

Because no rate increase to existing customers is being proposed, Valley requests that Supplement No. XX to Tariff Gas – Pa. P.U.C. No. 2 become effective on one day's notice in accordance with the Commission's authority in 52 Pa. Code § 53.101. If, however, the Commission approves this Petition with changes, Valley requests that Supplement No. XX become effective on ten days' notice.

Upon approval of this Petition, Valley intends to actively publicize Rider EA and the opportunity for new customers to take natural gas service in East Athens. In addition, Valley

⁷ Rule 4(I)(2) states, "The Customer shall be charged for costs exceeding the investment allowance in Company Investment, Section 1 above or may be required to furnish the Company an advance for construction in lieu of said payment."

will undertake whatever notice requirements the Commission deems necessary pursuant to 52 Pa. Code § 53.45(g).

VI. CONCLUSION

WHEREFORE, for the foregoing reasons, Valley Energy, Inc. respectfully requests that the Pennsylvania Public Utility Commission grant this Petition for Expansion Project Surcharge and Waiver of Tariff Rule 4.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

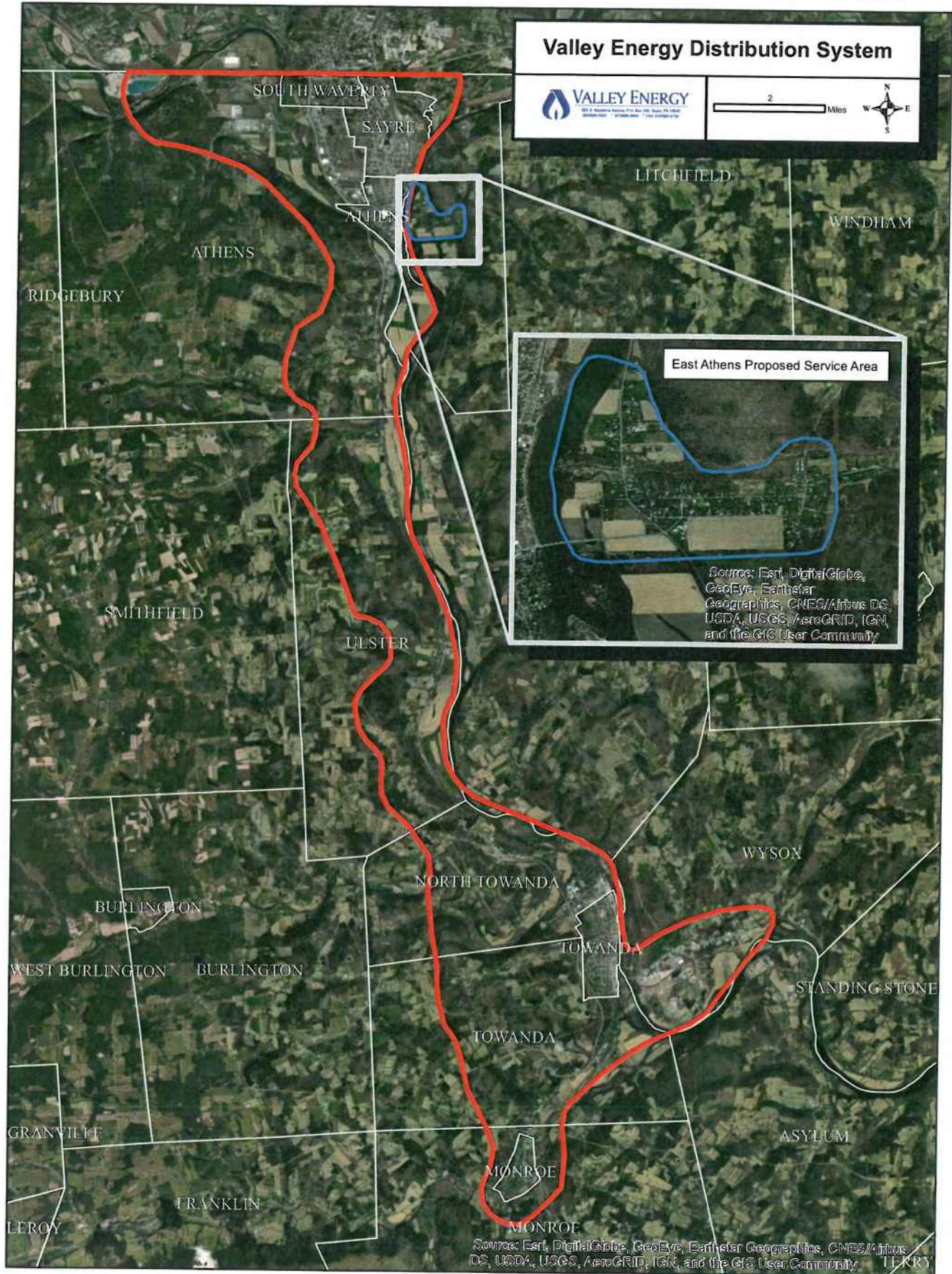
By 

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Counsel to Valley Energy, Inc.

Dated: December 11, 2018

Attachment A



Attachment B

Supplement No. XX to
Gas-Pa. P.U.C. No. 2
XX Revised Title Page
Canceling XX Revised Title Page

**VALLEY ENERGY, INC. -
PENNSYLVANIA DIVISION**

Rates and Rules
Governing and Furnishing of
Gas Service
in the

Boroughs of Athens, Monroe, Sayre, South Waverly
and Towanda; and the Townships of Asylum, Athens,
Monroe, North Towanda, Towanda, Ulster and Wysox
all in the County of Bradford

**THIS TARIFF MAKES $\{\{\text{CHANGES}\}\}$ TO EXISTING RATES,
RULES AND REGULATIONS
See Page No. 2**

Issued: XXXXX

Effective: XXXXX

By: Edward E. Rogers, President & Chief Executive Officer
523 S. Keystone Ave.
Sayre, PA 18840-0340
(570) 888-9664

LIST OF CHANGES MADE BY THIS SUPPLEMENT

Supplement No. XX adds Rider "EA" – East Athens Expansion Project Surcharge for the extension of distribution facilities to customers in the "East Athens" area of Athens Township.

Issued: XXXXX

Effective: XXXXX

By: Edward E. Rogers, President & Chief Executive Officer
523 S. Keystone Ave.
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(C) Indicates Change

Issued: XXXXX

Effective: XXXXX

By: Edward E. Rogers, President & Chief Executive Officer
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(C) Indicates Change

Issued: XXXXX

Effective: XXXXX

By: Edward E. Rogers, President & Chief Executive Officer
 523 S. Keystone Ave.
 Sayre, PA 18840-0340
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RIDER "EA" – EAST ATHENS EXPANSION PROJECT SURCHARGE

APPLICABILITY:

In lieu of the extension rules set forth in Rule 4 of this Tariff, the Company will charge customers in the "East Athens" area of Athens Township (*i.e.*, the area east of the Susquehanna River), an East Athens Expansion Project Surcharge set forth in this Rider EA. The East Athens Expansion Project area shall be defined as the properties located immediately adjacent to the gas main extension route shown in Attachment E of the Company's filing at Docket No. 2018-XXXXXXX implementing this Rider. Rider EA shall be in effect until the Company has recovered the costs (including interest) for the East Athens Expansion Project (net of state grants) minus the East Athens Customers' Aggregate Allowable Investment Amount. All customers in East Athens and/or served through extensions of the initial gas main extension that was constructed to serve the East Athens area shall pay the Rider EA Surcharge each month unless the customer chooses to make a one-time payment of \$2,754 to pay for the customer's portion of the expansion project cost. Customers that are not directly adjacent to the gas main extension route may be required to pay an additional contribution under Rule 4 if the extension of mains and service lines to serve the property exceed 200 feet.

SURCHARGE CALCULATION:

The East Athens Expansion Project Surcharge for the extension of distribution facilities shall be calculated based on the following;

- (a) The projected costs of the East Athens Expansion Project, net of any grants received from state or federal government programs to offset the costs of the distribution Expansion Project;
- (b) The assumption that 92 customers will take service through the East Athens Expansion Project within 10 years;
- (c) An Allowable Investment Amount of \$6,485 for each projected customer of the projected Expansion Project based on the average cost incurred by the Company to provide 200 feet of main or service line extension to customers under Rule 5; and,
- (d) Compound interest at the Company's current weighted average cost of debt (4.99%).

MONTHLY SURCHARGE RATE: \$29.20 per meter.

SURCHARGE EFFECTIVE DATE:

The East Athens Expansion Project Surcharge shall start with the first date that a meter is set to serve an Applicant through the East Athens pipeline expansion project.

Issued: XXXXX

Effective: XXXXX

By: Edward E. Rogers, President & Chief Executive Officer
523 S. Keystone Ave.
Sayre, PA 18840-0340
(570) 888-9664

RIDER "EA" – EAST ATHENS EXPANSION PROJECT SURCHARGE (Continued)

LATE PAYMENT CHARGES APPLY:

If the customer fails to pay the full amount of the Expansion Project Surcharge on any bill, a delayed payment penalty charge of one and one-quarter percent (1¼%) per month will accrue on the portion of the bill that is unpaid on the due date.

TAXES ON CONTRIBUTIONS AND DEPOSITS FOR CONSTRUCTION:

Amounts paid under Rider EA shall constitute taxable income as defined by the Internal Revenue Service, and will have the income taxes recorded in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a contribution or advance will not be included as part of the contribution or advance charged to the Applicant.

TRACKING AND TERMINATION OF SURCHARGE:

The Company shall track and record the actual costs of the East Athens pipeline expansion project. On an annual basis, the Company shall compare the aggregate amount received under Rider EA since the surcharge effective date to the actual costs of the East Athens pipeline expansion project (net of state grants), minus \$596,260 (the sum of the Allowable Investment Amounts for 92 customers), plus interest. The Company shall discontinue Rider EA on one-day's notice once the full East Athens pipeline expansion project costs are fully recovered.

Issued: XXXXX

Effective: XXXXX

By: Edward E. Rogers, President & Chief Executive Officer
523 S. Keystone Ave.
Sayre, PA 18840-0340
(570) 888-9664

Attachment C

Valley Energy, Inc.
Revenue Schedule--92 customers
E Athens
For the Years Ending December 31

MONTHLY FORECAST		Spread	17.7%	15.4%	14.3%	10.2%	5.3%	2.7%	2.0%	1.9%	2.9%	5.4%	9.8%	12.4%
	Month	January	February	March	April	May	June	July	August	September	October	November	December	
Forecast usage (ccf)	1000	177	154	143	102	53	27	20	19	29	54	98	124	
Minimum Charge		0	0	0	0	0	0	0	0	0	0	0	0	
Next 350		177	154	143	102	53	27	20	19	29	54	98	124	
over 350		0	0	0	0	0	0	0	0	0	0	0	0	
CHECK		ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	
SC 1 General														
Customer Charge	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50
All gas	\$ 0.2563	\$ 45.36	\$ 39.47	\$ 36.65	\$ 26.14	\$ 13.58	\$ 6.92	\$ 5.13	\$ 4.87	\$ 7.43	\$ 13.84	\$ 25.12	\$ 31.78	
CAIC surcharge	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20	\$ 29.20
Delivery Service		\$ 85.06	\$ 79.17	\$ 76.35	\$ 65.84	\$ 53.28	\$ 46.62	\$ 44.83	\$ 44.57	\$ 47.13	\$ 53.54	\$ 64.82	\$ 71.48	

ANNUAL FORECAST	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Number of New Customers	45	15	10	7	5	5	5	5	2	2	2	2
Cumulative Number of Customers	45	60	70	77	82	87	92	97	99	101	103	105
Average Gross Margin per Customer	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733	\$ 733
Average Annual Gross Margin	\$ 32,971	\$ 43,961	\$ 51,288	\$ 56,416	\$ 60,080	\$ 63,743	\$ 67,407	\$ 71,070	\$ 72,535	\$ 74,001	\$ 75,466	\$ 76,931
Average Annual Throughput per Customer	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Average Annual Throughput for all Customers	45,000	60,000	70,000	77,000	82,000	87,000	92,000	97,000	99,000	101,000	103,000	105,000
Total Gross Margin	\$ 32,971	\$ 43,961	\$ 51,288	\$ 56,416	\$ 60,080	\$ 63,743	\$ 67,407	\$ 71,070	\$ 72,535	\$ 74,001	\$ 75,466	\$ 76,931
Total Annual Throughput	45,000	60,000	70,000	77,000	82,000	87,000	92,000	97,000	99,000	101,000	103,000	105,000

Attachment D

Valley Energy, Inc.
Income Statement Schedule--92 customers
E Athens
For the Years Ending December 31



	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Total Revenues	\$ -	\$ 43,961	\$ 51,288	\$ 56,416	\$ 60,080	\$ 63,743	\$ 67,407	\$ 71,070	\$ 72,535	\$ 74,001	\$ 75,466
Expenses											
Operation and Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative and General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Required Surveys	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marketing/Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	\$ 7,871	\$ 16,656	\$ 17,367	\$ 17,865	\$ 18,221	\$ 18,363	\$ 18,506	\$ 18,648	\$ 15,589	\$ 14,592	\$ 13,952
Total Operating Expenses	\$ 7,871	\$ 16,656	\$ 17,367	\$ 17,865	\$ 18,221	\$ 18,363	\$ 18,506	\$ 18,648	\$ 15,589	\$ 14,592	\$ 13,952
Operating Income Before Tax	\$ (7,871)	\$ 27,305	\$ 33,920	\$ 38,551	\$ 41,859	\$ 45,380	\$ 48,901	\$ 52,422	\$ 56,947	\$ 59,408	\$ 61,514
State Income Tax	\$ (4,950)	\$ (3,449)	\$ (2,515)	\$ (1,727)	\$ (1,049)	\$ (338)	\$ 384	\$ 1,097	\$ 1,362	\$ 1,564	\$ 1,756
Federal Income Tax	\$ (9,365)	\$ (6,526)	\$ (4,758)	\$ (3,268)	\$ (1,985)	\$ (640)	\$ 726	\$ 2,076	\$ 2,578	\$ 2,959	\$ 3,323
Operating Income After Tax	\$ 6,443	\$ 37,281	\$ 41,193	\$ 43,547	\$ 44,893	\$ 46,358	\$ 47,792	\$ 49,248	\$ 53,007	\$ 54,886	\$ 56,435
Interest Expense	\$ 19,841	\$ 20,053	\$ 20,326	\$ 20,359	\$ 20,240	\$ 19,974	\$ 19,620	\$ 19,263	\$ 18,942	\$ 18,645	\$ 18,340
Net Income	\$ (13,398)	\$ 17,228	\$ 20,867	\$ 23,188	\$ 24,653	\$ 26,384	\$ 28,171	\$ 29,985	\$ 34,064	\$ 36,240	\$ 38,095
Net Plant - Deferred inc. Tax	\$ 779,669	\$ 792,199	\$ 797,715	\$ 796,114	\$ 789,724	\$ 776,510	\$ 763,157	\$ 749,645	\$ 738,046	\$ 725,523	\$ 713,694
Rate of Return after Tax	0.83%	4.71%	5.16%	5.47%	5.68%	5.97%	6.26%	6.57%	7.18%	7.56%	7.91%
Target ROR					7.50%						

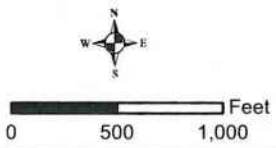
Attachment E



USGS The National Map: National Boundaries Dataset; 3DEP Elevation Program; Geographic Names Information System; National Hydrography Dataset; National Land Cover Database; National Structures Dataset; and National Transportation Dataset; USGS Global Ecosystems; U.S. Census Bureau TIGER/Line data; USFS Road Data; Natural Earth Data; U.S. Department of State Humanitarian Information Unit; and NOAA National Centers for Environmental Information. U.S. Coastal Relief Model. Data refreshed October 2018.

Valley Energy
East Athens Project - Pipeline Route
Attachment E
 Athens Township, Bradford County, PA

-  Gas Main Extension
-  Parcel Boundary



Draw Date: 12/10/2018
 Drawn By: John Storelli

Attachment F

VERIFICATION

I, Edward E. Rogers, President and Chief Executive Officer of Valley Energy, Inc., hereby state that the facts above set forth in the foregoing documents are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

12/5/18
Date

EE Rogers
Signature