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July 1, 2019

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

**VIA HAND DELIVERY**

**RE: Valley Energy, Inc. – Supplement No. 49 to Tariff Electric – Pa. P.U.C. No. 2;  
Docket No. R-2019-3008209**

Dear Secretary Chiavetta:

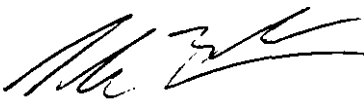
Attached for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") is Valley Energy, Inc.'s ("Valley" or the "Company"), Supplement No. 49 to Tariff Electric – Pa. P.U.C. No. 2 ("Supplement No. 49"). The purpose of Supplement No. 49 is to implement an increase to Valley's distribution rates and other tariff changes. The proposed Tariff Supplement contains an issued date of July 1, 2019, and a proposed effective date of August 30, 2019.

Valley also attaches for filing its Statement of Reasons and other required documentation supporting the proposed Tariff Supplement. This information includes the responses to the Commission's filing requirements set forth in 52 Pa. Code § 53.52(a), (b) and (c).

If you have any questions regarding the attached documents, please feel free to contact the undersigned. As shown by the attached Certificate of Service, the statutory parties are being duly served with a copy of this filing. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By   
Adeolu A. Bakare

Counsel to Valley Energy, Inc.

c: Erin Laudenslager, Bureau of Technical Utility Services (via E-mail and First Class Mail)  
Certificate of Service

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Valley Energy, Inc.	:	
2019 Base Rate Filing	:	
	:	Docket No. R-2019-3008209
Supplement No. 49 to	:	
Tariff - Gas Pa. PUC No. 2	:	

**STATEMENT OF REASONS**

Valley Energy, Inc. ("Valley" or "Company"), hereby files with the Pennsylvania Public Utility Commission ("PUC" or "Commission") proposed Supplement No. 49 to Tariff Gas - Pa. PUC No. 2, with an issued date of July 1, 2019, and a proposed effective date of August 30, 2019. The Tariff Supplement reflects an increase in Valley's base rates and other tariff changes. The Statement of Reasons provides a background of the filing and an explanation of the reasons necessitating the proposed base rate increase, and an explanation of the proposed changes to tariff language, with the terms and conditions reflected in the proposed tariff supplement.

In addition, attached to this Statement of Reasons are the following documents in support of the proposed changes:

- Tab A Responses to 52 Pa. Code § 53.52(a)
- Tab B Responses to 52 Pa. Code § 53.52(b)
- Tab C Responses to 52 Pa. Code § 53.52(c)
- Tab D Spreadsheets Supporting Proposed Rates
- Tab E Rate of Return Information
- Tab F Proposed Tariff Supplement No. 49 to Tariff Gas - Pa. P.U.C. No. 2
- Tab G Summary of Proposed Rate Changes
- Tab H Customer Notice – Billing Insert and Public Notice
- Tab I Press Release
- Tab J Affidavit of Edward E. Rogers

**I. DESCRIPTION OF COMPANY**

Valley is a small, for-profit, investor-owned natural gas distribution company ("NGDC") that provides natural gas service in Sayre and surrounding communities in Bradford County, which

is in the northern tier of Pennsylvania. C&T Enterprises, Inc. ("C&T"), of which Valley is a wholly-owned subsidiary, formed Valley to purchase the assets of Valley Cities Gas Service, ("Valley Cities") and Waverly Gas Service from NUI Corporation. The two public utilities operate as an integrated system, receiving all natural gas supplies through a single city gate located in Pennsylvania. Valley became the owner of the system in November 2002.

Valley's service territory is predominantly rural. As of December 31, 2018, Valley served 6,942 customers, of which 6,058 were residential, 812 were commercial and industrial, and 72 were transportation customers. The documentation attached at Tab D, Schedule B3 of Exhibit \_\_ (HSG-1), shows the total customers served by Valley on December 31, 2018, and the number of customers projected to be served as of December 31, 2019 and 2020. Valley anticipates a modest increase in customers due in part to an expansion project to the East Athens portion of Valley's territory ("East Athens Expansion") which was approved by the Commission on May 9, 2019, at Docket No. P-2018-3006500.

In 2000, Valley submitted a Restructuring Filing to the Commission at Docket No. R-00994946 to implement tariff and rate changes necessary to provide customers with the ability to access competitive natural gas suppliers ("NGS") as required by the Natural Gas Choice and Competition Act ("Competition Act"). In that filing, Valley "unbundled" its natural gas supply service from its natural gas transportation service. Natural gas transportation and delivery service remains a service that is regulated by the Commission pursuant to traditional ratemaking processes under Chapter 13 of the Public Utility Code, 66 Pa. C.S. § 1301, *et seq.* Valley also retains the obligation to provide natural gas supply service to residential, small commercial, small industrial, and essential human needs customers as the "Supplier of Last Resort" ("SLR") in its service territory in conformance with the requirements set forth in the Competition Act. *See* 66 Pa. C.S.

§ 2207. Rate changes for natural gas supply are periodically implemented pursuant to Section 1307 of the Public Utility Code and the procedures set forth in Valley's Tariff. Pursuant to the Competition Act and the Commission's Order in Valley's last rate case, Valley is continuing to unbundle its gas supply costs by moving return on natural gas inventories into the Gas Cost Rate in Valley's Tariff. In all other respects, this filing addresses only the transportation or delivery portion of customers' charges.

## II. EXPLANATION OF PROPOSED BASE RATE INCREASE

Valley conducted an analysis of whether the Company's base rates are sufficient to compensate the Company for the costs that it incurs to provide natural gas delivery and transportation service to its customers. In 2018, the Company earned a rate of return (distribution only) of 9.15%. *See* Tab D, Schedule C1; *see also* Tab E. However, without rate relief, Valley projects a rate of return for 2020 of only 4.09%. *See id.* Such a return is insufficient to support the continuation of the Company's efforts to provide safe, reliable, and quality service to customers. If the full request is granted, Valley projects that it will earn a return of approximately 8.32%. *See id.* Valley believes that this is an appropriate return for its investment in the system. The summary spreadsheets supporting the Company's analysis are attached at Tabs D and E of this filing. Attached at Tab G is a chart showing the current and proposed base rates for each of Valley's Rate Schedules.

Based on Valley's calculations, the Company's overall natural gas distribution revenues will increase by \$1,034,186, or approximately 20.6%, if the increase is granted. *See* Tab D, Schedule B4 of Exhibit \_\_ (HSG-1). Concurrent with this rate case filing, Valley filed a Joint Petition for Waiver with Wellsboro seeking a waiver from requirements specific to utilities seeking a general rate increase of more than \$1 million. When considering the Company's total annual

revenues (including natural gas supply) of \$9,630,642, the overall increase is approximately 10.8%. *See id.* The following chart shows the number of customers and the percentage increase for typical customers on each of Valley's major Rate Schedules. *See* Tab D, Schedules B1, B5-1.

<b>RATE CLASS</b>	<b>NUMBER OF CUSTOMERS</b>	<b>USAGE OF AVERAGE CUSTOMER</b>	<b>AVERAGE PERCENTAGE INCREASE</b>
<b>RESIDENTIAL</b>	6,058	71 Ccf/month	17.7%
<b>COMMERCIAL</b>	803	247 Ccf/month	15.6%

The actual impact for individual customers will vary based on their usage characteristics. Any customer can contact the Company for an estimate of the proposed increase on their annual payments to the Company.

The new rates for each Rate Schedule are summarized in Tab G. Valley conducted a study to determine the fixed costs of providing service to each customer class. The fixed costs are costs that do not change based on the amount of natural gas that customers use in a month. Because the Company is experiencing decreased sales as customers purchase newer, more efficient furnaces and appliances and otherwise conserve more gas, to ensure the financial stability of Valley and to avoid more frequent rate cases, it is important for the monthly customer charges for each class to reflect more of the fixed costs of providing service. In the filing, Valley proposes to continue gradually bringing the monthly customer charges for each Rate Schedule closer to the fixed cost of providing service to the customer class. Valley also proposes to reset its State Tax Surcharge at zero to reflect the roll-in of taxes at current levels into base rates.

The proposed base rates are just, reasonable, and in full compliance with the requirements of Chapter 13 of the Public Utility Code. The new base rates will enable Valley to recover its known and measurable costs of providing regulated transportation service and provide the

Company with an opportunity to earn a reasonable rate of return. At the same time, the base rates will support Valley's continuing efforts to continue to improve its system to the benefit of customers.

### **III. REASONS FOR RATE INCREASE**

As indicated previously, under current rates, the Company will earn a projected rate of return in 2020 of only 4.09%, an obviously low return that will not support the continuation of Valley's efforts to improve its natural gas system. *See* Tab D, Schedule C1. If the full request is granted, the Company will be able to earn a return of approximately 8.32%. The capital structure and cost assumptions supporting this rate of return are attached at Tab E. Valley believes this is an appropriate return for its investment in the natural gas distribution system.

Valley last filed a distribution rate case in 2010, with the new rates taking effect in December 2010. As in 2010, the Company continues to undertake projects to improve reliability and safety of the pipeline system. Since filing the last base rate case, Valley has performed upgrades to its City Gate facility; upgraded transmission mains; replaced or upgraded 17 district regulator stations; installed over 17 miles of new or replacement plastic gas mains; installed 1,905 new or replacement services; relocated 100 meters from indoors to outdoors; and added or replaced 31 large commercial metering facilities. The Company also upgraded buildings and structures, including HVAC systems, computer equipment (servers and cables), and a generator. In addition, Valley has successfully replaced all bare steel mains and service. Valley has also begun replacing vintage plastic (Aldyl-A) mains that were installed in the early- to mid-1970s. These vintage plastic mains are budgeted to be replaced by 2023. Further, Valley will be completing a project of upgrading meters for automatic meter reading in the fall of 2019. Since the settlement in

Valley's 2010 base rate case, Valley's rate base has increased from \$11,412,287 to \$17,398,606 – a \$5,986,319 increase. *See* Tab D, Schedule C1-7.

Valley was able to maintain stable transportation rates for the last nine years despite very dramatic and substantial increases in operations and maintenance ("O&M") costs that are not within the Company's control. Comparing Valley's 2010 base rate case settlement to the Fully Projected Future Test Year in Valley's current base rate case, O&M expenses have increased by \$1,018,113. *See* Tab D, Schedule C1-7. For example, since the Company's last rate case in 2010, Valley's labor costs have increased by 63%. Valley's employee team has increased from 24 full time employees in 2010 to 30 in 2020. The Company has added an Operations Technician, Field Service Technician, Operations Manager, Part-Time Customer Service Representative, and a Geographic Information Systems Analyst and projects the addition of a Corrosion Technician and a Full Time Customer Service Representative (replacing the part time position). Travel and training expenses, respectively, have increased from approximately \$6,000 annually to \$54,000 annually to support the new hires and meet the increased expectations of federal and state regulators for training and operator qualifications.

In addition to labor costs, overhead has increased by 77%; transportation expenses by 110%; and material, supplies and miscellaneous expenses by 34%. Additionally, the Company has invested in billing software. Although Valley has taken steps to reduce expenses where possible, these continued cost increases, and the decreased sales that result from higher customer efficiency, make it necessary for the Company to increase its rates so it can earn an adequate rate of return to support continued maintenance of the system and the provision of safe and reliable service.

A reasonable rate of return is also particularly important for a company such as Valley due to the nature of its natural gas supply agreements. Valley is required to demonstrate its creditworthiness to the wholesale natural gas suppliers from which the Company purchases supply. Valley is constantly under credit review by its suppliers. In the event that Valley's financial situation would reach an unacceptable level, the Company may be asked for additional credit guarantees, such as to prepay for its natural gas, to post asset-backed guarantees, or other undesirable credit obligations. This situation would negatively impact Valley by limiting both the number of suppliers willing to serve the Company, as well as impairing the Company's liquidity. Enabling a fair and reasonable rate of return, such as Valley proposes in this proceeding, will prevent such undue harm.

For all rate schedules, Valley proposes to increase the monthly customer charge. *See* Tab D, Schedule B5. A very large portion of the revenues for most utilities are collected through variable charges, while the actual cost-to-serve for most customers is largely fixed. Valley's revenues and costs are similar to those utilities. To better align rates with the cost of providing service, Valley proposes to reflect a portion of the overall increase in its fixed charges to customers. These changes are needed to ensure that the rates better reflect the costs that the Company incurs to serve each customer class.

#### **IV. EXPLANATION OF TARIFF CHANGES**

In addition to the increases in base rates to Valley's current Tariff, the Company also proposes to make changes to the terms and conditions of service in its Tariff. Each of the changes is summarized below.

##### **A. Definition of "Daily Quantity"**



The Company proposes to add a definition for Daily Quantity in the definitions section of the Tariff. This definition reflects both industry standards and the Company's current practice.

**B. Definitions of "Service" and "Service Pipe"**

The Company proposes to change the definition of "service" to remove the language regarding maintenance of pressure sufficient to the "Customer's requirements." This language is duplicative because the customer rate schedules address character of service requirements, including pressure.

Additionally, the Company proposes to adjust the definition of "service pipe" from being defined as extending from "the street main to the curb line" to the "Company's supply main to a metered Point of Delivery." This change conforms to proposed changes to Valley's facilities expansion policy, which is discussed below.

**C. Definition of "System Maintenance Order"**

The Company proposes to add System Maintenance Order ("SMO") as a defined term. An SMO is an operational directive issued by the Company to protect the operational integrity of its systems in terms of line pressure and adequacy of supply. This proposed addition reflects use of the defined term in Rule 2.

**D. Changes to Rule 2: Natural Gas Shortage and Emergency Conditions**

In this filing, the Company proposes changes to Rule 2 addressing natural gas shortages and emergency conditions. The Company's proposed changes substantially clarify the current curtailment process and procedures.

**E. Rule 4(I): Facilities Expansion Policy**

Valley also proposes modifications to Rule 4 regarding the Company's facilities expansion policy. These modifications include clarifications of existing practices and modifications to ensure recovery of reasonable facility expansion costs.

### **1. General Construction and Estimation Terms**

The Company adds a general subsection addressing estimates, non-standard costs, surface restoration, and construction. Specifically, the new language clarifies that cost estimates used by the Company for facilities expansions may take into account various construction and installation conditions, including non-street surface restoration, replacement/repair of sidewalks, street openings, and local government fees. The Company's proposed language also requires the Company to restore the street surface pursuant to applicable government regulations and provide rough backfilling of the installation trench from the curb to the meter, while the Customer/Applicant will be responsible for non-street surface restoration for the service line. Finally, the Company proposes to add a provision stating that standard conditions of construction in a residential development, commercial park, or industrial park include trenching provided by the developer.

### **2. Company Investment**

The Company proposes to provide an additional method of calculating the Company's investment in service line extensions. In addition to the current provision allowing the Company to invest up to the cost of 200 feet of service and/or main extension for a new or upgraded facility, this proposed provision allows for the Company to provide an investment allowance to any Residential, Commercial, or Industrial Customer up to the Company's *average* cost of 200 feet of service and/or main extension of new installations for the most recent 12-month period ending

September 30. This is designed to give the Company additional flexibility in calculating its allowable investment amount in support of line extensions for new customers.

### **3. Customer Investment**

The Company proposes changes to the Customer Investment subsection of Rule 4. These changes require the Customer or developer, within the third year following an agreement for new service, to request that the Company review its records and determine if a refund is due to the Customer or developer because of the addition by the Customer or developer of additional customers beyond the number used to calculate the Company's and Customer's respective investments.

#### **F. Fee Updates**

The Company proposes to update the usual fee for a disconnection and reconnection due to Customer violations (Rule 7(C)) or due to seasonal service (Rule 8(2)) from \$25.00 to \$35.00, and \$30.00 to \$40.00 during non-normal working hours.

#### **G. Automatic Meter Reading Equipment for Large Industrial (I), Industrial Interruptible (IS), and Transportation (T) Service**

The Company proposes to modernize the Automatic Meter Reading Equipment language to reflect current technologies and costs.

### **V. NOTICE PROCEDURES AND EFFECTIVENESS OF PROPOSED RATE CHANGES**

Valley has elected to proceed under the provisions of Section 53.45(b) of the Commission's regulations in providing notice to its customers of its rate change. *See* 52 Pa. Code § 53.45(b). Accordingly, all customers of record as of July 1, 2019, will receive a bill insert of the Notice of Proposed Rate Increase and Tariff changes attached at Tab H. In addition, Valley today issued a press release in the format shown in Tab I.

### **VI. ADDITIONAL INFORMATION**

The Company has engaged HSG Group, Inc. ("HSG Group") to prepare the supporting information and cost analyses submitted with this filing. To the extent evidentiary hearings are convened regarding this matter, representatives from HSG Group will testify in support of the calculations. In addition, the Company may rely on testimony from various personnel as necessary during this process.

## **VII. APPEARANCE OF COUNSEL**

Valley will be represented regarding this filing by the following attorneys:

Pamela C. Polacek (PA I.D. No. 78276)  
Adeolu A. Bakare (PA I.D. No. 208541)  
Matthew L. Garber (PA I.D. No. 322855)  
McNEES WALLACE & NURICK LLC  
100 Pine Street  
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mgarber@mcneeslaw.com

All inquiries or pleadings regarding the filing should be directed to Ms. Polacek, Mr. Bakare and Mr. Garber at the address and telephone number noted above. The Company encourages interested parties to informally contact its attorneys to discuss any questions or concerns related to the filing.

**VIII. CONCLUSION**

**WHEREFORE**, Valley Energy, Inc., requests that the Pennsylvania Public Utility Commission review and approve its proposed Supplement No. 49 to Tariff Gas - Pa. PUC No. 2 effective on August 30, 2019.

Respectfully submitted

McNEES WALLACE & NURICK LLC

By



Pamela C. Polacek (PA I.D. No. 78276)  
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Counsel to Valley Energy, Inc.

Dated: July 1, 2019

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**RESPONSES TO 52 PA CODE § 53.52(a)**

**52 Pa. Code § 53.52(a)(1) The specific reasons for filing this change.**

A full explanation of the reasons for filing this change is set forth in the Statement of Reasons accompanying this filing. In general, since its last base rate proceeding, the Company has experienced increased annual expenses, especially for employee benefits, as well as made substantial ongoing investments in system infrastructure improvements to increase reliability. This Tariff is therefore being filed in order to increase base rates to provide necessary funding for the operation, maintenance, and improvement of Valley Energy, Inc.'s ("Valley" or "Company") system. The increases are necessary to ensure that Valley maintains an adequate and reasonable rate of return, as well as to ensure that Valley is able to continue to provide safe and adequate service to its customers.

**52 Pa. Code § 53.52(a)(2) The total number of customers served by the utility.**

The total number of customers served by the Company as of December 31, 2018, was 6,942, of which approximately 6,058 customers were residential, approximately 812 were commercial or industrial, and approximately 72 were transportation customers. The table at Schedule B3 in Exhibit\_\_ (HSG-1), Tab D, is provided in response to 52 Pa. Code 53.52(b)(3) and shows the average number of customers served in 2018, and the number projected to be served on December 31, 2019 and 2020.



**52 Pa. Code § 53.52(a)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.**

All of Valley's rate schedules will be impacted by the rate changes. Schedule B3 of Exhibit\_\_(HSG-1), Tab D, demonstrates the total number of customers in each class that may be affected by the change as of December 31, 2020, as follows:

Residential	6,270
Commercial & Industrial Sales	814
Transportation	71
Total	7,155

In further response to this question, however, the Company has prepared Schedule B2 of Exhibit\_\_(HSG-1), Tab D, indicating the number of monthly bills in each rate class that will be impacted. Schedules B5-1 and B5-2 of Exhibit\_\_(HSG-1), Tab D, provide anticipated bill impacts at various usages and demands.

**52 Pa. Code § 53.52(a)(4) The effect of the change on the utility's customers.**

Distribution rates for all customers will increase as a result of this filing. The end result will be rates that more accurately reflect each customer class's cost-to-serve. Similarly, clarifications and changes to the Company's rules, including its Natural Gas Shortage and Emergency Conditions and Facilities Expansion Policy will help the Company preserve system integrity, complete service extensions in a reasonable manner, improve transparency, and continue effectively serving customers.

**52 Pa. Code § 53.52(a)(5) The direct or indirect effect of the proposed change on the utility's revenue and expenses.**

The proposed changes will increase Valley's overall distribution revenues by approximately 20.6% per year. Valley's total annual revenues will increase by approximately 10.8%. The other Tariff changes will not impact the Company's revenues or expenses in a material manner.

**52 Pa. Code § 53.52(a)(6) The effect of the change on the service rendered by the utility.**

The level of service Valley provides its customers will be maintained and improved as a result of current and planned system maintenance. The proposed increase is necessary to fund those efforts, as well as maintain quality customer service.

**52 Pa. Code § 53.52(a)(7) A list of factors considered by the utility in its determination to make the change.**

Valley conducted analyses that determined that the current rates will not provide sufficient revenue to compensate the Company for the expenditures that will be necessary to maintain and enhance the reliability and quality of service and provide a reasonable rate of return. Specifically, in addition to the need for further infrastructure and reliability improvements, the Company examined the revenue impact of decreasing residential natural gas sales on its system, as well as increases in the cost of providing adequate benefits to its employees. Furthermore, Valley determined that the proposed modifications to its Tariff regarding curtailments were necessary to provide the Company with the ability to protect its system and its customers during emergency situations.

**52 Pa. Code § 53.52(a)(8) Studies undertaken by the utility in order to draft its proposed change.**

Valley performed a financial analysis of its costs to provide natural gas distribution service in drafting the proposed changes. The Company also analyzed the appropriate rate of return for its investment in the utility plant and facilities.

**52 Pa. Code § 53.52(a)(9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.**

The Company has taken no customer polls relative to the proposed changes.

**52 Pa. Code § 53.52(a)(10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.**

All customers have received, or will receive, a bill insert of the Notice of Proposed Rate Increase and Tariff changes in the format shown in Tab H. In addition, the Company issued the press release attached at Tab I on July 1, 2019.



**52 Pa. Code § 53.52(a)(11) FCC, FERC, or Commission orders or rulings applicable to the filing.**

None.

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**RESPONSES TO 52 PA CODE § 53.52(b)**

**52 Pa. Code § 53.52(b)(1) The specific reasons for each increase or decrease.**

See response to Section 53.52(a)(1) at Tab A and Statement of Reasons.

**52 Pa. Code § 53.52(b)(2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing.**

See Schedule C1 of Exhibit \_\_ (HSG-1) provided in response to 52 Pa. Code 53.52(c)(1) at Tab D. This schedule is also provided as a stand-alone document at Tab E. By Secretarial Letter issued March 25, 2019, the Commission granted the Company's request to use audited financial data for the year ended December 31, 2018, for the historic test year.

**52 Pa. Code § 53.52(b)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.**

See response to 52 Pa. Code § 53.52(a)(3) at Tab A.

The Company has prepared Schedule B2 of Exhibit\_\_ (HSG-1), Tab D, indicating the number of monthly bills in each rate class that will experience a rate change as a result of this filing over the course of the future test year.

**52 Pa. Code § 53.52(b)(4) A calculation of the total increase, in dollars, by tariff subdivision, projected to an annual basis.**

See Tab D, Schedule B4 of Exhibit \_\_ (HSG-1).

**52 Pa. Code § 53.52(b)(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.**

None.

**52 Pa. Code § 53.52(b)(6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.**

None.



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**RESPONSES TO 52 PA CODE § 53.52(c)**

**52 Pa. Code § 53.52(c)(1)** A statement showing the utility's calculation of the rate of return or operating ratio (if the utility qualifies to use an operating ratio under § 53.54 (relating to small water and wastewater utilities)) earned in the 12-month period referred to in subsection (b)(2), and the anticipated rate of return or operating ratio to be earned when the tariff, revision or supplement becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation. When an operating ratio is used in this calculation, it shall be supported by studies of margin above operation and maintenance expense, plus depreciation as referred to in 52 Pa. Code § 53.54(b)(2)(B).

See Schedule C1 of Exhibit\_\_(HSG-1) at Tab D. This schedule is also provided as a stand-alone document at Tab E.

**52 Pa. Code § 53.52(c)(2) A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)(2).**

See Schedule C2 of Exhibit \_\_ (HSG-1) at Tab D.

**52 Pa. Code § 53.52(c)(3) A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).**

See Schedule C3 of Exhibit \_\_ (HSG-1) at Tab D.

**52 Pa. Code § 53.52(c)(4)** A statement showing the amount of depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).

See Schedule C3, page 2 of 2, line 36 of Exhibit \_\_ (HSG-1) at Tab D.

**52 Pa. Code. § 53.52(c)(5) A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the date of the balance sheet required by paragraph (2).**

See Schedule C1 of Exhibit \_\_ (HSG-1) at Tab D.

**52 Pa. Code § 53.52(c)(6). A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used in this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1)-(5).**

None.

A

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020  
INDEX TO SCHEDULES

Line	SCHEDULE	DESCRIPTION	PERIOD
1	A	INDEX TO SCHEDULES	
2			
3		<b>RATES AND REVENUE</b>	
4	B	Operating Revenue Under Present Rates and Proposed Rates	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
5	B1	Summary Of Sales, Customers And Revenue At Present Rates	Historic Year December 31, 2018
6	B1-1	Billing Units, Rates And Revenue At Present Rates	Historic Year December 31, 2018
7	B1-2	Bill Analysis- Revenues Under Present Rates	Historic Year December 31, 2018
8	B2	Summary Of Sales, Customers And Revenue At Present Rates	Future Test Year December 31, 2019
9	B2-1	Billing Units, Rates And Revenue At Present Rates	Future Test Year December 31, 2019
10	B3	Number of Customers Served Whose Bills Will be Increased	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
11	B4	Summary Of Sales, Customers And Revenue At Present and Proposed Rates	Fully Projected Future Test Year December 31, 2020
12	B4-1	Billing Units, Rates And Revenue At PRESENT Rates	Fully Projected Future Test Year December 31, 2020
13	B4-2	Billing Units, Rates And Revenue At PROPOSED Rates	Fully Projected Future Test Year December 31, 2020
14			
15		<b>TARIFF RATES</b>	
16	B5	Summary Of Present And Proposed Tariff Rates	Historic Year December 31, 2018 and Fully Projected Future Test Year December 31, 2020
17	B5-1	Bill Comparisons (including GCR)	Fully Projected Future Test Year December 31, 2020
18	B5-2	Bill Comparisons (excluding GCR)	Fully Projected Future Test Year December 31, 2020
19			
20		<b>NET OPERATING INCOME AND RATES OF RETURN</b>	
21	C1	Net Operating Income And Rates of Return	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
22	C1-1	Support Sheet No. 1- Operating Expense and Going-Level Adjustments	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
23	C1-2	Support Sheet No. 2- Summary of Cost of Capital and Fair Rate of Return Based upon a Hypothetical Ratemaking Capital Structure	12/31/2020
24	C1-3	Support Sheet No. 3- Taxes Other Than Income	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
25	C1-4	Support Sheet No. 4- Income Tax Calculations	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
26	C1-5	Support Sheet No. 5- Pension and OPEB	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
27	C1-6	Support Sheet No. 6- Computation of Rate Base	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
28	C1-7	Comparison to Prior Rate Case	Prior Rate Case and Fully Projected Future Test Year December 31, 2020
29	C1-8	Allocation of Customer Charge Costs	Future Test Year Ended 12/31/2020
30	C2	Balance Sheets	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
31	C3	Original Cost of Utility Plant in Service	Years Ended 12/31/2018, 12/31/2019 and 12/31/2020
32	C4	Unbundled Costs to Recover in GCR	Fully Projected Future Test Year December 31, 2020

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SECRETARY'S BUREAU



B

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Operating Revenue Under Present Rates and Proposed Rates  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 b[4]

Line	Operating Revenues	Historic Year December 31, 2018		PRESENT RATES	PRESENT RATES	PROPOSED RATES
		Per Books	Distribution Only	Future Test Year December 31, 2019	Fully Projected Future Test Year December 31, 2020	Fully Projected Future Test Year December 31, 2020
1	Residential sales	\$4,634,028	\$2,312,839	\$2,223,177	2,244,657	2,847,148
2	Commercial and Industrial sales	2,371,653	\$849,525	716,103	717,758	911,060
3	Transportation	2,602,478	2,121,242	2,052,996	2,067,236	2,305,589
4	Subtotal	9,608,159	5,283,606	4,992,276	5,029,651	6,063,797
5						
6	Forfeited Discounts	19,054	19,054	19,054	19,054	19,054
7	Other Gas revenue	3,429	3,429	3,429	3,429	3,429
8						
9	Total Operating Revenues	\$9,630,642	\$5,306,089	\$5,014,759	\$5,052,134	\$6,086,280

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B1

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Summary Of Sales, Customers And Revenue At Present Rates  
Historic Year December 31, 2018

Line	Rate Class	Volumes (ccf)	Customers	Revenue - Present Rates		
				Fixed Customer Charge	Variable Distribution-Commodity	Distribution Total
1	<u>Residential Sales Customers</u>					
2	Rate R- Residential	6,046,406	6,058	\$763,266	\$1,549,573	2,312,839
3						
4	<u>Commercial and Industrial Sales Customers</u>					
5	Rate C- Commercial	2,704,420	803	173,484	544,021	717,505
6	Rate I- Large Industrial Firm	0	0	0	0	0
7	Rate IS- Interruptible Service	564,410	3	2,412	36,134	38,546
8	Rate SI- Small Industrial	643,401	6	4,891	88,583	93,474
9		3,912,231	812	180,787	668,738	849,525
10						
11	<u>Transportation Customers</u>					
12	Transport. Firm	2,494,440	11	8,844	343,434	352,278
13	Transport. Firm- Fixed			743,610		743,610
14	Transport. Firm- Volumetric	8,938,555	3		411,174	411,174
15	Transport. Firm- DDQ	927,322	53	11,412	186,540	197,952
16	Transport. Interruptible	6,438,740	5	4,020	412,208	416,228
17		18,799,057	72	767,886	1,353,356	2,121,242
18						
19	TOTAL	28,757,694	6,942	\$1,711,939	\$3,571,667	\$5,283,606

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SECRETARY'S BUREAU

B1-1

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Billing Units, Rates And Revenue At Present Rates  
Historic Year December 31, 2018

Line	Description	Rate R- Residential	Rate C- Commercial	Rate I- Large Industrial Firm	Rate IS- Interruptible Service	Rate SI- Small Industrial	Transport. Firm	Transport. Firm- Contract	Transport. Firm- DDQ	Transport. Interruptible	Total
<b>BILLING UNITS</b>											
1											
2	ccf Sales	6,046,406	2,704,420	0	564,410	643,401	2,494,440	8,938,555	927,322	6,438,740	28,757,694
3											
4	Number of Bills	72,692	9,638	0	36	73	132	36	634	60	83,301
5	Average Monthly Bills	6,058	803	0	3	6	11	3	53	5	6,942
6											
<b>RATES AND CHARGES</b>											
<b>Tariff Rates</b>											
9	Customer Charge	\$10.50	\$18.00	\$0.00	\$67.00	\$67.00	\$67.00	\$0.00	\$18.00	\$67.00	
10											
11	Commodity Block 1	\$0.25628	\$0.201160	\$0.10466	\$0.064020	\$0.137680	\$0.137680	\$0.0460	\$0.201160	\$0.064020	
12	Commodity Block 2			\$0.06429				\$0.0465			
13	Commodity Block 3			\$0.04212							
14	Commodity Block 4										
15											
16	Demand Block 1			\$1.149023							
17	Demand Block 2			\$0.596273							
18	Fixed Monthly #1							\$25,000			
19	Fixed Monthly #2 Jan-Sep							\$36,875			
20	Fixed Monthly #2 Oct-Dec							\$37,245			
21											
<b>COMPUTATION OF REVENUE</b>											
22	Fixed Charge Revenue	763,266	173,484	0	2,412	4,891	8,844	743,610	11,412	4,020	1,711,939
23	Volumetric Revenue	1,549,573	544,021	0	36,134	88,583	343,434	411,174	186,540	412,208	3,571,667
24	<b>Total Distribution Revenue</b>	<b>\$2,312,839</b>	<b>\$717,505</b>	<b>\$0</b>	<b>\$38,546</b>	<b>\$93,474</b>	<b>\$352,278</b>	<b>\$1,154,784</b>	<b>\$197,952</b>	<b>\$416,228</b>	<b>\$5,283,606</b>
25											
<b>BILLING UNITS- DETAIL</b>											
27	ccf Sales	6,046,406	2,704,420	0	564,410	643,401	2,494,440	8,938,555	927,322	6,438,740	28,757,694
28							21.82% Firm / (Firm+Contract)				
29											

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B1-2

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Bill Analysis- Revenues Under Present Rates  
Historic Year December 31, 2018

Line	Customer Type	Per Books					Bill Analysis	Difference
		12/31/2018	GCR	STAS	Unbilled	Margin	Margin	(\$)
1	Residential sales	\$4,634,028	\$2,358,210	(\$17,664)	(\$19,587)	\$2,313,069	\$2,312,839	\$230
2	Commercial and Industrial sales	2,371,653	1,528,734	(6,548)	(6,529)	855,996	849,525	\$6,471
3	Transportation	2,602,478		(7,328)		2,609,806	2,121,242	\$488,564
4		9,608,159	\$3,886,944	(\$31,540)	(\$26,116)	\$5,778,871	\$5,283,606	\$495,265
5								
6	GCR under (over)	(556,659)						
7	Forfeited Discounts	19,054						
8	Other	3,429						
9		<u>\$9,073,983</u>						

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B2

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Summary Of Sales, Customers And Revenue At Present Rates  
Future Test Year December 31, 2019

Line	Rate Class	Volumes (ccf)	Customers	Revenue - Present Rates		Distribution Total
				Fixed Customer Charge	Variable Distribution-Commodity	
1	<u>Residential Sales Customers</u>					
2	Rate R- Residential	5,621,653	6,210	\$782,460	\$1,440,717	2,223,177
3						
4	<u>Commercial and Industrial Sales Customers</u>					
5	Rate C- Commercial	2,446,133	805	173,880	492,064	665,944
6	Rate I- Large Industrial Firm	0	0	0	0	0
7	Rate IS- Interruptible Service	540,070	3	2,412	34,575	36,987
8	Rate SI- Small Industrial	72,313	4	3,216	9,956	13,172
9		3,058,516	812	179,508	536,595	716,103
10						
11	<u>Transportation Customers</u>					
12	Transport. Firm	2,477,467	2	1,608	341,098	342,706
13	Transport. Firm- Fixed			749,205		749,205
14	Transport. Firm- Volumetric	8,877,735	11		413,228	413,228
15	Transport. Firm- DDQ	860,473	53	11,412	173,093	184,505
16	Transport. Interruptible	5,612,809	5	4,020	359,332	363,352
17		17,828,485	71	766,245	1,286,751	2,052,996
18						
19	TOTAL	26,508,654	7,093	\$1,728,213	\$3,264,063	\$4,992,276

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SECRETARY'S BUREAU

B2-1

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Billing Units, Rates And Revenue At Present Rates  
Future Test Year December 31, 2019

Line	Description	Rate R- Residential	Rate C- Commercial	Rate I- Large Industrial Firm	Rate IS- Interruptible Service	Rate SI- Small Industrial	Transport. Firm	Transport. Firm- Contract	Transport. Firm- DDQ	Transport. Interruptible	Total
<b>BILLING UNITS</b>											
1											
2	ccf Sales- annualized	5,621,653	2,446,133	0	540,070	72,313	2,477,467	8,877,735	860,473	5,612,809	26,508,654
3											
4	Number of Bills	74,520	9,660	0	36	48	24	132	634	60	85,114
5	Number of Customers	6,210	805	0	3	4	2	11	53	5	7,093
6											
<b>RATES AND CHARGES</b>											
<b>Tariff Rates</b>											
9	Customer Charge	\$10.50	\$18.00	\$0.00	\$67.00	\$67.00	\$67.00	\$0.00	\$18.00	\$67.00	
10											
11	Commodity Block 1	\$0.25628	\$0.20116	\$0.10466	\$0.06402	\$0.13768	\$0.13768	\$0.04650	\$0.20116	\$0.06402	
12	Commodity Block 2			\$0.064289				\$0.04700			
13	Commodity Block 3			\$0.042116				9.31% Dec %			
14	Commodity Block 4										
15											
16	Demand Block 1			\$1.149023				Block 1= Jan-Nov rate			
17	Demand Block 2			\$0.596273				Block 2= Dec rate			
18	Fixed Monthly #1							25,000			
19	Fixed Monthly #2 Jan-Sep							37,245			
20	Fixed Monthly #2 Oct-Dec							38,000			
21											
<b>COMPUTATION OF REVENUE</b>											
22	Fixed Charge Revenue	782,460	173,880	0	2,412	3,216	1,608	749,205	11,412	4,020	1,728,213
23	Volumetric Revenue	1,440,717	492,064		34,575	9,956	341,098	413,228	173,093	359,332	3,264,063
24	<b>Total Distribution Revenue</b>	<b>\$2,223,177</b>	<b>\$665,944</b>	<b>\$0</b>	<b>\$36,987</b>	<b>\$13,172</b>	<b>\$342,706</b>	<b>\$1,162,433</b>	<b>\$184,505</b>	<b>\$363,352</b>	<b>\$4,992,276</b>
25											
<b>BILLING UNITS- DETAIL</b>											
27	ccf Sales	5,621,653	2,446,133		540,070	72,313	2,477,467	8,877,735	860,473	5,612,809	26,508,654
28	Customers	6,210	805		3	4	2	11	53	5	7,093
29							21.82% Firm / (Firm+Contract)				
30											

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PA PUBLIC UTILITY COMMISSION  
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B3

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Number of Customers Served Whose Bills Will be Increased  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 b[3]

Line	Customer Type	Average Number of Customers During the Year		
		12/31/2018	12/31/2019	12/31/2020
1	Residential sales	6,058	6,210	6,270
2	Commercial and Industrial sales	812	812	814
3	Transportation	72	71	71
4	Total Customers Served	6,942	7,093	7,155
5				
6				
7				

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

B4

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Summary Of Sales, Customers And Revenue At Present and Proposed Rates  
Fully Projected Future Test Year December 31, 2020

Line	Rate Class	Sales (ccf)	Customers	Revenue - Present Rates			Revenue - Proposed Rates			Target Revenue	Proposed Increase
				Fixed Charge	Volumetric	Distribution Total	Fixed Charge	Volumetric	Distribution Total		
1	<u>Residential Sales Customers</u>										
2	Rate R- Residential	5,675,968	6,270	\$790,020	\$1,454,637	2,244,657	\$1,015,740	\$1,831,408	2,847,148	2,847,151	602,494
3											
4	<u>Commercial and Industrial Sales Customers</u>										
5	Rate C- Commercial	2,452,210	807	174,312	493,287	667,599	224,185	623,254	847,438	846,790	179,192
6	Rate I- Large Industrial Firm	0	0	0	0	0	0	0	0	0	0
7	Rate IS- Interruptible Service	540,070	3	2,412	34,575	36,987	3,060	43,854	46,914	46,915	9,928
8	Rate SI- Small Industrial	72,313	4	3,216	9,956	13,172	4,080	12,628	16,708	16,708	3,536
9		<u>3,064,594</u>	<u>814</u>	<u>179,940</u>	<u>537,818</u>	<u>717,758</u>	<u>231,325</u>	<u>679,735</u>	<u>911,060</u>	<u>910,413</u>	<u>192,655</u>
10											
11	<u>Transportation Customers</u>										
12	Transport. Firm	2,477,467	2	1,608	341,098	342,706	2,040	432,640	434,680	434,692	91,986
13	Transport. Firm- Fixed			759,420		759,420	759,420		759,420	759,420	0
14	Transport. Firm- Volumetric	8,877,735	11		417,254	417,254		417,254	417,254	417,254	0
15	Transport. Firm- DDQ	860,473	53	11,412	173,093	184,505	14,677	218,698	233,375	234,028	49,523
16	Transport. Interruptible	5,612,809	5	4,020	359,332	363,352	5,100	455,760	460,860	460,880	97,528
17		<u>17,828,485</u>	<u>71</u>	<u>776,460</u>	<u>1,290,776</u>	<u>2,067,236</u>	<u>781,237</u>	<u>1,524,352</u>	<u>2,305,589</u>	<u>2,306,274</u>	<u>239,038</u>
18											
19	TOTAL	<u>26,569,046</u>	<u>7,155</u>	<u>\$1,746,420</u>	<u>\$3,283,231</u>	<u>\$5,029,651</u>	<u>\$2,028,302</u>	<u>\$4,035,495</u>	<u>\$6,063,797</u>	<u>\$6,063,838</u>	<u>\$1,034,186</u>
20											
21	Overall Distribution Increase										20.56%

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



B4-1

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Billing Units, Rates And Revenue At PRESENT Rates  
Fully Projected Future Test Year December 31, 2020

Line	Description	Rate R- Residential	Rate C- Commercial	Rate I- Large Industrial Firm	Rate IS- Interruptible Service	Rate SI- Small Industrial	Transport Firm	Transport Firm- Contract	Transport Firm- DDQ	Transport. Interruptible	Total
<b>BILLING UNITS</b>											
1											
2	ccf Sales	5,675,968	2,452,210	0	540,070	72,313	2,477,467	8,877,735	860,473	5,612,809	26,569,046
3											
4	Number of Bills	75,240	9,684	0	36	48	24	132	634	60	85,858
5	Average Monthly Bills	6,270	807	0	3	4	2	11	53	5	7,155
6											
<b>RATES AND CHARGES</b>											
<b>Tariff Rates</b>											
9	Customer Charge	\$10.50	\$18.00	\$0.00	\$67.00	\$67.00	\$67.00	\$0.00	\$18.00	\$67.00	
10											
11	Commodity Block 1	\$0.256280	\$0.201160	\$0.104664	\$0.064020	\$0.137680	\$0.137680	\$0.04700	\$0.201160	\$0.064020	
12	Commodity Block 2			\$0.064289				\$0.04700			
13	Commodity Block 3			\$0.042116				9.31% Dec %			
14	Commodity Block 4										
15											
16	Demand Block 1			\$1.149023							
17	Demand Block 2			\$0.596273							
18	Fixed Monthly #1							25,000			
19	Fixed Monthly #2 Jan-Sep							38,000			
20	Fixed Monthly #2 Oct-Dec							39,140			
21											
<b>COMPUTATION OF REVENUE</b>											
22	Fixed Charge Revenue	790,020	174,312	0	2,412	3,216	1,608	759,420	11,412	4,020	1,746,420
23	Volumetric Revenue	1,454,637	493,287		34,575	9,956	341,098	417,254	173,093	359,332	3,283,231
24	<b>Total Distribution Revenue</b>	<b>\$2,244,657</b>	<b>\$667,599</b>	<b>\$0</b>	<b>\$36,987</b>	<b>\$13,172</b>	<b>\$342,706</b>	<b>\$1,176,674</b>	<b>\$184,505</b>	<b>\$363,352</b>	<b>\$5,029,651</b>
25											
<b>BILLING UNITS- DETAIL</b>											
27	ccf Sales	5,675,968	2,452,210		540,070	72,313	2,477,467	8,877,735	860,473	5,612,809	26,569,046
28	Customers	6,270	807		3	4	2	11	53	5	7,155
29							21.82% Firm / (Firm+Contract)				

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

B4-2

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Billing Units, Rates And Revenue At PROPOSED Rates  
Fully Projected Future Test Year December 31, 2020

Line	Description	Rate R- Residential	Rate C- Commercial	Rate I- Large Industrial Firm	Rate IS- Interruptible Service	Rate SI- Small Industrial	Transport Firm	Transport Firm- Contract	Transport Firm- DDQ	Transport Interruptible	Total
<b>BILLING UNITS</b>											
1											
2	ccf Sales	5,675,968	2,452,210	0	540,070	72,313	2,477,467	8,877,735	860,473	5,612,809	26,569,046
3											
4	Number of Bills	75,240	9,684	0	36	48	24	132	634	60	85,858
5	Average Monthly Bills	6,270	807	0	3	4	2	11	53	5	7,155
6											
<b>RATES AND CHARGES</b>											
<b>Tariff Rates</b>											
9	Customer Charge Input rates	\$13.50	\$23.15	\$0.00	\$85.00	\$85.00	\$85.00	\$0.00	\$23.15	\$85.00	
10											
11	Commodity Block 1	\$0.32266	\$0.25416	\$0.13276	\$0.08120	\$0.17463	\$0.17463	\$0.04700	\$0.25416	\$0.08120	
12	Commodity Block 2			\$0.08154				\$0.04700			
13	Commodity Block 3			\$0.05342				9.31% Dec %			
14	Commodity Block 4										
15											
16	Demand Block 1			\$1.45743							
17	Demand Block 2			\$0.75632							
18	Fixed Monthly #1							25,000			
19	Fixed Monthly #2 Jan-Sep							38,000			
20	Fixed Monthly #2 Oct-Dec							39,140			
21											
<b>COMPUTATION OF REVENUE</b>											
22	Fixed Charge Revenue	1,015,740	224,185	0	3,060	4,080	2,040	759,420	14,677	5,100	2,028,302
23	Volumetric Revenue	1,831,408	623,254		43,854	12,628	432,640	417,254	218,698	455,760	4,035,495
24	<b>Total Distribution Revenue</b>	<b>\$2,847,148</b>	<b>\$847,438</b>	<b>\$0</b>	<b>\$46,914</b>	<b>\$16,708</b>	<b>\$434,680</b>	<b>\$1,176,674</b>	<b>\$233,375</b>	<b>\$460,860</b>	<b>\$6,063,797</b>
25	Target	2,847,151	846,790		46,915	16,708	434,692	1,176,674	234,028	460,880	6,063,838
26											
<b>BILLING UNITS-DETAIL</b>											
27	Block 1 ccf Sales	5,675,968	2,452,210	0	540,070	72,313	2,477,467	8,877,735	860,473	5,612,809	26,569,046
28											

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Summary Of Present And Proposed Tariff Rates  
Historic Year December 31, 2018 and Fully Projected Future Test Year December 31, 2020

Line	Present Rates (excluding GCR)	GCR Current	Present Rates (including GCR)	Proposed Rates (excluding GCR)	GCR Current	Proposed Rates (including GCR)	Proposed Increase (excluding GCR)	Proposed Increase (including GCR)
<b>Rate R- Residential</b>								
1								
2	Customer Charge per Bill	\$10.50	\$10.50	\$13.50		\$13.50	28.57%	28.57%
3								
4	<b>Commodity charge per ccf</b>							
5	All usage	\$0.256280	\$0.296500	\$0.55278	\$0.322660	\$0.311560	\$0.63422	25.90% 14.73%
6	<b>Rate C- Commercial</b>							
7	Customer Charge per Bill	\$18.00	\$18.00	\$23.15		\$23.15	28.61%	28.61%
8								
9	<b>Commodity charge per ccf</b>							
10	All usage	\$0.201160	\$0.296500	\$0.49766	\$0.254160	\$0.311560	\$0.56572	26.35% 13.68%
11	<b>Rate I- Large Industrial Firm</b>							
12	Customer Charge per Bill	\$0.00	\$0.00	\$0.00		\$0.00		
13								
14	<b>Commodity charge per ccf</b>							
15	Block 1	\$0.104664	\$0.296500	\$0.40116	\$0.132760	\$0.311560	\$0.44432	26.84% 10.76%
16	Block 2	\$0.064289	\$0.296500	\$0.36079	\$0.081540	\$0.311560	\$0.39310	26.83% 8.96%
17	Block 3	\$0.042116	\$0.296500	\$0.33862	\$0.053420	\$0.311560	\$0.36498	26.84% 7.79%
18								
19	<b>Demand charge per mcf</b>							
20	Block 1	\$1.149023		\$1.14902	\$1.457430		\$1.45743	26.84% 26.84%
21	Block 2	\$0.596273		\$0.59627	\$0.756320		\$0.75632	26.84% 26.84%
22	<b>Rate IS- Interruptible Service</b>							
23	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00		26.87%
24								
25	<b>Transport charge per ccf</b>							
26	All usage	\$0.064020		\$0.06402	\$0.081200		\$0.08120	26.84% 26.84%
27	<b>Rate SI- Small Industrial</b>							
28	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00	26.87%	26.87%
29								
30	<b>Demand charge per mcf</b>							
31	All usage	\$0.137680	\$0.296500	\$0.43418	\$0.174630	\$0.311560	\$0.48619	26.84% 11.98%
32	<b>Transport. Firm</b>							
33	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00		
34								
35	<b>Transport charge per ccf</b>							
36	All usage	\$0.137680		\$0.137680	\$0.174630		\$0.174630	26.84% 26.84%
37	<b>Transport. Firm- DDQ</b>							
38	Customer Charge per Bill	\$18.00	\$18.00	\$23.15		\$23.15		28.61%
39								
40	<b>Transport charge per ccf</b>							
41	All usage	\$0.201160		\$0.201160	\$0.254160		\$0.254160	26.35%
42	<b>Transport. Interruptible</b>							
43	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00		
44								
45	<b>Transport charge per ccf</b>							
46	All usage	\$0.064020		\$0.064020	\$0.081200		\$0.081200	26.84%

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SECRETARY'S BUREAU

B5-1

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Bill Comparisons (including GCR)  
Fully Projected Future Test Year December 31, 2020  
Rate R- Residential

Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
1		Minimum	\$10.50		\$13.50		\$3.00	28.57%
2		10	16.03	\$1.60278	19.84	\$1.98422	3.81	23.80%
3		20	21.56	1.07778	26.18	1.30922	4.63	21.47%
4	All Residential, Apr-Sep	36	30.40	0.84445	36.33	1.00922	5.93	19.51%
5		50	38.14	0.76278	45.21	0.90422	7.07	18.54%
6	All Residential, Annual	71	49.75	0.70067	58.53	0.82436	8.78	17.65%
7	All Residential, Oct-Mar	106	69.09	0.65184	80.73	0.76158	11.63	16.84%
8		150	93.42	0.62278	108.63	0.72422	15.22	16.29%
9		200	121.06	0.60528	140.34	0.70172	19.29	15.93%
10		250	148.70	0.59478	172.06	0.68822	23.36	15.71%
11								
12			Rate C- Commercial					
13								
14								
Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
15		Minimum	\$18.00		\$23.15		\$5.15	28.61%
16		25	30.44	\$1.21766	37.29	\$1.49172	6.85	22.51%
17		50	42.88	0.85766	51.44	1.02872	8.55	19.94%
18		100	67.77	0.67766	79.72	0.79722	11.96	17.64%
19		200	117.53	0.58766	136.29	0.68147	18.76	15.96%
20								
21	All Commercial, Annual	247	140.92	0.57053	162.88	0.65944	21.96	15.58%
22		300	167.30	0.55766	192.87	0.64289	25.57	15.28%
23		400	217.06	0.54266	249.44	0.62360	32.37	14.91%
24		500	266.83	0.53366	306.01	0.61202	39.18	14.68%
25		750	391.25	0.52166	447.44	0.59659	56.20	14.36%
26		1,000	515.66	0.51566	588.87	0.58887	73.21	14.20%
27								

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SECRETARY'S BUREAU

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Bill Comparisons (including GCR)  
Fully Projected Future Test Year December 31, 2020  
Rate SI- Small Industrial

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Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
		Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
	Minimum	\$67.00		\$85.00		\$18.00	26.87%
	2,000	935.36	\$0.46768	1,057.38	\$0.52869	122.02	13.05%
	4,000	1,803.72	0.45093	2,029.76	0.50744	226.04	12.53%
	6,000	2,672.08	0.44535	3,002.14	0.50036	330.06	12.35%
	8,000	3,540.44	0.44256	3,974.52	0.49682	434.08	12.26%
	10,000	4,408.80	0.44088	4,946.90	0.49469	538.10	12.21%
	12,000	5,277.16	0.43976	5,919.28	0.49327	642.12	12.17%
	14,000	6,145.52	0.43897	6,891.66	0.49226	746.14	12.14%
	16,000	7,013.88	0.43837	7,864.04	0.49150	850.16	12.12%
	18,000	7,882.24	0.43790	8,836.42	0.49091	954.18	12.11%
	20,000	8,750.60	0.43753	9,808.80	0.49044	1,058.20	12.09%

B5-2

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Bill Comparisons (excluding GCR)  
Fully Projected Future Test Year December 31, 2020  
Rate R- Residential

Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
1		Minimum	\$10.50		\$13.50		\$3.00	28.57%
2		10	13.06	\$1.30628	16.73	\$1.67266	3.66	28.05%
3		20	15.63	0.78128	19.95	0.99766	4.33	27.70%
4	All Residential, Apr-Sep	36	19.73	0.54795	25.12	0.69766	5.39	27.32%
5		50	23.31	0.46628	29.63	0.59266	6.32	27.10%
6	All Residential, Annual	71	28.70	0.40417	36.41	0.51280	7.71	26.88%
7	All Residential, Oct-Mar	106	37.67	0.35534	47.70	0.45002	10.04	26.65%
8		150	48.94	0.32628	61.90	0.41266	12.96	26.47%
9		200	61.76	0.30878	78.03	0.39016	16.28	26.36%
10		250	74.57	0.29828	94.17	0.37666	19.60	26.28%
11								
12	Rate C- Commercial							
13								
14								
Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
15		Minimum	\$18.00		\$23.15		\$5.15	28.61%
16		25	23.03	\$0.92116	29.50	\$1.18016	6.48	28.12%
17		50	28.06	0.56116	35.86	0.71716	7.80	27.80%
18		100	38.12	0.38116	48.57	0.48566	10.45	27.42%
19		200	58.23	0.29116	73.98	0.36991	15.75	27.05%
20								
21	All Commercial, Annual	247	67.69	0.27403	85.93	0.34788	18.24	26.95%
22		300	78.35	0.26116	99.40	0.33133	21.05	26.87%
23		400	98.46	0.24616	124.81	0.31204	26.35	26.76%
24		500	118.58	0.23716	150.23	0.30046	31.65	26.69%
25		750	168.87	0.22516	213.77	0.28503	44.90	26.59%
26		1,000	219.16	0.21916	277.31	0.27731	58.15	26.53%
27								

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Bill Comparisons (excluding GCR)  
Fully Projected Future Test Year December 31, 2020  
Rate SI- Small Industrial

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Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
		Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
	Minimum	\$67.00		\$85.00		\$18.00	26.87%
	2,000	342.36	\$0.17118	434.26	\$0.21713	91.90	26.84%
	4,000	617.72	0.15443	783.52	0.19588	165.80	26.84%
	6,000	893.08	0.14885	1,132.78	0.18880	239.70	26.84%
	8,000	1,168.44	0.14606	1,482.04	0.18526	313.60	26.84%
	10,000	1,443.80	0.14438	1,831.30	0.18313	387.50	26.84%
	12,000	1,719.16	0.14326	2,180.56	0.18171	461.40	26.84%
	14,000	1,994.52	0.14247	2,529.82	0.18070	535.30	26.84%
	16,000	2,269.88	0.14187	2,879.08	0.17994	609.20	26.84%
	18,000	2,545.24	0.14140	3,228.34	0.17935	683.10	26.84%
	20,000	2,820.60	0.14103	3,577.60	0.17888	757.00	26.84%

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[1]

Line	Description	Historic Year December 31, 2018		Future Test Year	PRESENT RATES	PROPOSED RATES
		Per Books	Distribution Only	December 31, 2019	Fully Projected Future Test Year December 31, 2020	Fully Projected Future Test Year December 31, 2020
1	<b>REVENUE</b>					
2	Residential	\$4,634,028	\$2,312,839	\$2,223,177	\$2,244,657	2,847,148
3	Commercial and industrial	2,371,653	849,525	716,103	717,758	911,060
4	Transportation	2,602,478	2,121,242	2,052,996	2,067,236	2,305,589
5	Operating revenue	9,608,159	5,283,606	4,992,276	5,029,651	6,063,797
6	Other revenue, net	22,483	22,483	22,483	22,483	22,483
7	Total Revenue	9,630,642	5,306,089	5,014,759	5,052,134	6,086,280
8	<i>ccf</i>	28,737,694		26,308,654		26,569,046
9	<b>EXPENSES</b>					
10	Purchased gas	3,349,457				
11	Distribution	1,349,824	1,349,824	1,444,764	1,480,806	1,480,806
12	Customer accounting & collection expenses	640,292	640,292	723,546	743,530	743,530
13	Uncollectible costs to recover in GCR				(55,430)	(55,430)
14	Administrative & general expenses	811,119	811,119	885,303	913,205	913,205
15	Total Operating expenses	6,150,692	2,801,234	3,053,613	3,082,111	3,082,111
16						
17	Depreciation expense	832,784	832,784	902,784	1,106,575	1,106,575
18	Taxes other than income	32,930	32,930	34,296	34,296	34,296
19	Rate case expense amortization				90,333	90,333
20	Total Expenses	7,016,406	3,666,949	3,990,694	4,313,315	4,313,315
21						
22	Net operating income before income taxes	2,614,236	1,639,141	1,024,066	738,820	1,772,965
23						
24	Income tax expense	550,603	233,622	90,079	26,644	325,430
25						
26	NET UTILITY OPERATING INCOME (LOSS)	\$2,063,633	\$1,405,518	\$933,987	\$712,176	\$1,447,535
27						
28	RATE BASE (B)	\$15,353,399	\$15,353,399	\$15,353,399	\$17,398,606	\$17,398,606
29	RATE OF RETURN ON RATE BASE (A / B)	13.44%	9.15%	6.08%	4.09%	8.32%
30						

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[1] - Support Sheet No. 1  
Support Sheet No. 1- Operating Expense and Going-Level Adjustments

Line	Acct.	Account Description	Year 2016	Year 2017	Historic Year December 31, 2018	Changes 2018-2019				Future Test Year December 31, 2019
						Labor	Overheads	Trans- portation, Materials & Supplies	Other	
1		<b>Gas Cost</b>								
2	804	Gas Purchased	\$2,868,627	\$3,137,230	\$3,349,457					\$0
3		Total Other Power Supply Expenses	2,868,627	3,137,230	3,349,457	0	0	0	(3,349,457)	0
4										
5		<b>Distribution Expenses</b>								
6	842	Fuel	20,229	22,625	32,754	0	0	0	(808)	31,946
7	870	Labor Operation Supervision/Eng.	65,207	80,117	158,043	(8,172)	5,743	(5,808)	0	149,806
8	871	Distribtuion Load Dispatching	5,017	5,744	0	0	0	5,427	0	5,427
9	874	Mains and Serviccs	407,628	425,516	449,307	13,795	39,671	1,450	0	504,223
10	875	Measuring and regulating- general	45,070	59,771	49,260	3,946	9,335	2,785	0	65,326
11	876	Industrial / commercial meters and regula	53,818	53,967	65,404	(64)	5,866	381	0	71,587
12	877	Measuring and regulating- city gate	54,341	36,857	45,851	150	898	(887)	0	46,012
13	878	Meters and house regulators	132,974	139,432	144,075	2,690	18,423	2,916	0	168,104
14	879	Customer installations	131,225	106,627	114,336	1,274	13,532	(269)	0	128,874
15	880	Other operating expense	2,555	3,642	3,893	0	0	117	0	4,010
16	881	Rents	2,626	1,045	1,871	0	0	0	41	1,912
17		Total Operation	920,691	935,343	1,064,795	13,619	93,469	6,110	(768)	1,177,226
18										
19	885	Supervision and engineering	30,192	25,260	25,312	67	2,841	97	0	28,318
20	886	Structures and improvements	26,214	26,268	37,189	(132)	3,336	(258)	0	40,136
21	887	Mains	86,502	89,887	56,809	(58,644)	10,104	27,810	0	36,078
22	889	Measuring and regulating- general	22,206	34,174	27,158	(3,706)	(4,079)	(1,655)	0	17,719
23	890	Measuring and regulating- industrial	24,466	18,826	17,371	140	1,453	(2,129)	0	16,835
24	891	Measuring and regulating- city gate	8,130	6,827	11,207	(788)	460	(7)	0	10,872
25	892	Services	51,810	79,353	53,701	1,052	3,866	979	0	59,598
26	893	Meters and house regulators	104,484	65,985	56,283	(670)	4,241	(1,870)	0	57,984
27		Total Maintenance	354,003	346,580	285,030	(62,680)	22,223	22,966	0	267,539
28		Total Distribution Expenses	1,274,694	1,281,923	1,349,824	(49,060)	115,692	29,076	(768)	1,444,764

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to S2 Pa. Code 53.52 c[1] - Support Sheet No. 1  
Support Sheet No. 1- Operating Expense and Going-Level Adjustments

Changes 2019-2020								
Line	Acct.	Account Description	Future Test Year December 31, 2019	Labor	Overheads	Trans- portation, Materials & Supplies	Other	Fully Projected Future Test Year December 31, 2020
1		<u>Gas Cost</u>						
2	804	Gas Purchased	50					50
3		<i>Total Other Power Supply Expenses</i>	0	0	0	0	0	0
4								
5		<u>Distribution Expenses</u>						
6	842	Fuel	31,946	0	0	0	958	32,904
7	870	Labor Operation Supervision/Eng.	149,806	1,757	1,997	142	0	153,703
8	871	Distribtuion Load Dispatching	5,427	0	0	163	0	5,590
9	874	Mains and Services	504,223	5,975	2,170	2,329	0	514,698
10	875	Measuring and regulating- general	65,326	603	685	467	0	67,081
11	876	Industrial / commercial meters and regula	71,587	762	866	260	0	73,475
12	877	Measuring and regulating- city gate	46,012	120	137	1,083	0	47,351
13	878	Meters and house regulators	168,104	1,718	1,952	789	0	172,563
14	879	Customer installations	128,874	1,387	1,576	432	0	132,269
15	880	Other operating expense	4,010	0	0	120	0	4,130
16	881	Rents	1,912	0	0	0	57	1,969
17		<i>Total Operation</i>	1,177,226	12,322	9,384	5,786	1,016	1,205,733
18								
19	885	Supervision and engineering	28,318	329	373	36	0	29,056
20	886	Structures and improvements	40,136	437	496	123	0	41,191
21	887	Mains	36,078	(1,481)	707	1,437	0	36,742
22	889	Measuring and regulating- general	17,719	58	65	389	0	18,231
23	890	Mcasuring and regulating- industrial	16,835	163	185	101	0	17,284
24	891	Measuring and regulating- city gate	10,872	681	106	106	0	11,765
25	892	Services	59,598	369	419	874	0	61,261
26	893	Meters and house regulators	57,984	532	604	423	0	59,542
27		<i>Total Maintenance</i>	267,539	1,086	2,958	3,489	0	275,072
28		<i>Total Distribution Expenses</i>	1,444,764	13,408	12,342	9,276	1,016	1,480,806

C1-1

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[1] - Support Sheet No. 1  
Support Sheet No. 1- Operating Expense and Going-Level Adjustments

Line	Acct.	Account Description	Year 2016	Year 2017	Historic Year December 31, 2018	Changes 2018-2019				Future Test Year December 31, 2019
						Labor	Overheads	Trans- portation, Materials & Supplies	Other	
29										
30		<u>Customer Accounting &amp; Collection Expenses:</u>								
31	902	Meter Reading Expense	84,694	105,993	84,847	2,581	11,195	(1,540)	0	97,083
32	903	Customer Records & Collection Exp	432,803	448,576	467,965	71	24,698	4,395	2,512	499,643
33	904	Uncollectible Accounts	20,749	39,383	54,012	0	0	0	43,852	97,864
34	905	Miscellaneous customer	4,132	15,190	28,364	0	0	(4,627)	0	23,736
35	909	Info & Instructional Advcrt Expense	2,527	1,240	1,276	0	0	0	(76)	1,200
36	913	Advertising Expense	6,986	4,143	3,828	0	0	0	192	4,021
37		<i>Total Customer Accounting &amp; Collection</i>	<u>551,892</u>	<u>614,525</u>	<u>640,292</u>	<u>2,652</u>	<u>35,893</u>	<u>(1,772)</u>	<u>46,481</u>	<u>723,546</u>
38										
39		<u>Administrative &amp; General Expenses:</u>								
40	920	Administrative & General Salaries	443,785	522,228	442,616	10,371	69,965	132	0	523,084
41	921	Office Supplies & Expenses	27,755	37,612	52,025	0	0	3,167	17,334	72,525
42	923	Outside Services Employed	69,146	77,054	115,613	0	0	0	(33,866)	81,747
43	924	Property Insurance	10,930	11,156	11,456	0	0	0	244	11,700
44	925	Injuries and damage	60,294	56,695	55,616	0	0	0	2,532	58,148
45	926	Employee Pensions & Benefits	834	2,916	2,150	0	0	0	926	3,076
46	928	Regulatory commission expenses	41,372	38,446	35,992	0	0	0	1,409	37,401
47	930	General advertising	49,048	52,295	73,436	289	0	0	(2,489)	71,236
48	932	Maintenance of general plant	10,639	19,478	22,214	461	2,404	900	406	26,385
49		<i>Total Administrative &amp; General Expenses</i>	<u>713,803</u>	<u>817,879</u>	<u>811,119</u>	<u>11,121</u>	<u>72,369</u>	<u>4,198</u>	<u>(13,504)</u>	<u>885,303</u>
50										
51		<b>Total Oper &amp; Maint Expense</b>	<b><u>\$5,409,015</u></b>	<b><u>\$5,851,557</u></b>	<b><u>\$6,150,692</u></b>	<b><u>(\$35,287)</u></b>	<b><u>\$223,954</u></b>	<b><u>\$31,503</u></b>	<b><u>(\$3,317,248)</u></b>	<b><u>\$3,053,613</u></b>

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[1] - Support Sheet No. 1  
Support Sheet No. 1- Operating Expense and Going-Level Adjustments

								Changes 2019-2020	
Line	Acct.	Account Description	Future Test Year December 31, 2019	Labor	Overheads	Trans- portation, Materials & Supplies	Other	Fully Projected Future Test Year December 31, 2020	
29									
30		<u>Customer Accounting &amp; Collection Expenses:</u>							
31	902	Meter Reading Expense	97,083	964	1,095	526	0	99,668	
32	903	Customer Records & Collection Exp	499,643	4,102	4,663	1,636	3,194	513,237	
33	904	Uncollectible Accounts	97,864	0	0	0	2,936	100,799	
34	905	Miscellaneous customer	23,736	0	0	712	0	24,449	
35	909	Info & Instructional Advert Expense	1,200	0	0	0	36	1,236	
36	913	Advertising Expense	4,021	0	0	0	121	4,141	
37		<i>Total Customer Accounting &amp; Collection</i>	<u>723,546</u>	<u>5,066</u>	<u>5,758</u>	<u>2,873</u>	<u>6,287</u>	<u>743,530</u>	
38									
39		<u>Administrative &amp; General Expenses:</u>							
40	920	Administrative & General Salaries	523,084	6,117	6,952	544	0	536,697	
41	921	Office Supplies & Expenses	72,525	0	0	402	1,774	74,701	
42	923	Outside Services Employed	81,747	0	0	0	5,952	87,699	
43	924	Property Insurance	11,700	0	0	0	351	12,051	
44	925	Injuries and damage	58,148	0	0	0	1,744	59,893	
45	926	Employee Pensions & Benefits	3,076	0	0	0	92	3,168	
46	928	Regulatory commission expenses	37,401	0	0	0	1,122	38,524	
47	930	General advertising	71,236	298	0	0	1,839	73,373	
48	932	Maintenance of general plant	26,385	230	261	113	110	27,098	
49		<i>Total Administrative &amp; General Expenses</i>	<u>885,303</u>	<u>6,645</u>	<u>7,214</u>	<u>1,058</u>	<u>12,985</u>	<u>913,205</u>	
50									
51		<b>Total Oper &amp; Maint Expense</b>	<b><u>\$3,053,613</u></b>	<b><u>\$25,119</u></b>	<b><u>\$25,314</u></b>	<b><u>\$13,207</u></b>	<b><u>\$20,287</u></b>	<b><u>\$3,137,541</u></b>	

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Support Sheet No. 2- Summary of Cost of Capital and Fair Rate of Return Based upon a  
Hypothetical Ratemaking Capital Structure  
12/31/2020

<u>Line</u>	<u>Type of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rat</u>
1	Long-Term Debt	47.45%	4.98%	2.36%
2	Common Equity	52.55%	11.35%	5.96%
3	Total	<u>52.55%</u>		<u>8.32%</u>
4	TargetROR			<u>8.32%</u>

5  
6 [1] Recommended hypothetical capital structure ratios as discussed in direct testimony.

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**Valley Energy Company (PA)**  
**Rate Case with Fully Projected Future Test Year 2020**

**Net Operating Income And Rates of Return**  
**Years Ended 12/31/2018, 12/31/2019 and 12/31/2020**  
**Answer to 52 Pa. Code 53.52 c(1)**  
**Support Sheet No. 3- Taxes Other Than Income**

Line	Description	Historic Year December 31,		Future Test	PRESENT RATES	PROPOSED RATES
		2018		Year December 31, 2019	Fully Projected Future Test Year December 31, 2020	Fully Projected Future Test Year December 31, 2020
		Per Books	Distribution Only	Distribution Only	Distribution Only	Distribution Only
1	<b>Taxes other than income:</b>					
2	Pennsylvania Use Tax	(1,366)	(1,366)	0	0	0
3	Public Utility Realty Tax	10,000	10,000	10,000	10,000	10,000
4	Pennsylvania PUC assessment	24,296	24,296	24,296	24,296	24,296
5		<u>\$32,930</u>	<u>\$32,930</u>	<u>\$34,296</u>	<u>\$34,296</u>	<u>\$34,296</u>
6						
7	<b>Rate case expense amortization</b>					
8	Estimated expenses				\$271,000	
9	Amortization period (years)				3	
10	Annual amortization expense				<u>\$90,333</u>	<u>\$90,333</u>

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**Net Operating Income And Rates of Return**  
**Years Ended 12/31/2018, 12/31/2019 and 12/31/2020**  
**Answer to 52 Pa. Code 53.52 c[1]**  
**Support Sheet No. 4- Income Tax Calculations**

Line	Description	Historic Year December 31, 2018		Future Test Year December 31, 2019	PRESENT RATES Fully Projected Future Test Year December 31, 2020	PROPOSED RATES Fully Projected Future Test Year December 31, 2020	
		Per Books	Distribution Only	Distribution Only	Distribution Only	Distribution Only	
1	Net Operating Income Excluding Income Taxes	\$2,614,236	\$1,639,141	\$1,024,066	\$738,820	\$1,772,965	
2							
3	<b>Non-Operating Expenses:</b>						
4	Synchronized interest expense:						
5	Rate base	15,353,399	15,353,399	15,353,399	17,398,606	17,398,606	
6	Less: CWIP	(114,497)	(114,497)	(114,497)	(114,497)	(114,497)	
7	Rate base for interest computation	15,238,902	15,238,902	15,238,902	17,284,109	17,284,109	
8	Weighted Cost of debt	2.360%	2.360%	2.360%	2.360%	2.360%	
9	Synchronized interest expense	359,638	359,638	359,638	407,905	407,905	
10	Taxable income before depreciation tax adjustments	2,254,598	1,279,503	664,428	330,915	1,365,060	
11							
12	<b>Pennsylvania depreciation adjustment:</b>						
13	Tax depreciation (using DDB method)	(1,620,820)	(1,620,820)	(1,642,204)	(1,573,006)	(1,573,006)	
14	Book depreciation	832,784	832,784	902,784	1,106,575	1,106,575	
15	Pennsylvania depreciation adjustment	(788,036)	(788,036)	(739,420)	(466,431)	(466,431)	
16	Pennsylvania taxable income	1,466,562	44,748	163,364	(135,516)	898,629	
17	Regulatory Pennsylvania income tax expense	9.99%	146,510	4,470	16,320	(13,538)	89,773
18							
19	<b>Federal depreciation adjustment:</b>						
20	Tax depreciation (using SL method)	(1,016,616)	(1,016,616)	(1,199,660)	(1,259,685)	(1,259,685)	
21	Book depreciation	832,784	832,784	902,784	1,106,575	1,106,575	
22	Federal depreciation adjustment	(183,832)	(183,832)	(296,876)	(153,110)	(153,110)	
23							
24	Taxable income before depreciation tax adjustments	2,254,598	1,279,503	664,428	330,915	1,365,060	
25	Federal depreciation adjustment	(183,832)	(183,832)	(296,876)	(153,110)	(153,110)	
26	Pennsylvania income tax expense	(146,510)	(4,470)	(16,320)	13,538	(89,773)	
27	Federal taxable income	1,924,257	1,091,201	351,232	191,343	1,122,177	
28	Regulatory Federal income tax expense	21.00%	404,094	229,152	73,759	40,182	235,657
29	EDIT Accretion						
30	Regulatory Total income tax expense	\$550,603	\$233,622	\$90,079	\$26,644	\$325,430	
31							
32	<b>Deferred Federal Income Tax expense (included in above):</b>						
33	Tax depreciation (using SL method)	1,016,616	1,016,616	1,199,660	1,259,685	1,259,685	
34	Tax depreciation (using DDB method)	1,620,820	1,620,820	1,642,204	1,573,006	1,573,006	
35		604,204	604,204	442,544	313,321	313,321	
36	Federal tax rate	21.00%	21.00%	21.00%	21.00%	21.00%	
37	Deferred Federal income tax (credit)	\$126,883	\$126,883	\$92,934	\$65,797	\$65,797	
38							
39	<b>Combined statutory tax rate</b>	<b>28.89%</b>					

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[1]  
Support Sheet No. 5- Pension and OPEB

		103.0%										
Line	Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	FTY 2019	FTY 2020
1	Cash payments for OPEB	\$26,056	\$3,406	\$11,521	\$24,308	\$30,132	\$29,882	\$28,746	\$25,042	\$58,865	\$55,216	\$56,872
2												
3	Accrued expense- Valley PA	87,490	83,587	48,867	29,109	11,302	(7,562)	4,391	13,904	(5,773)	4,147	4,271
4	Accrued expense- CT Shared services	3,690	1,511	102	3,870	2,389	1,815	1,854	6,293	5,412	4,520	4,656
5		<u>\$117,235</u>	<u>\$88,503</u>	<u>\$60,491</u>	<u>\$57,287</u>	<u>\$43,823</u>	<u>\$24,135</u>	<u>\$34,990</u>	<u>\$45,239</u>	<u>\$58,504</u>	<u>\$63,883</u>	<u>\$65,799</u>
6												
7	Amount in rates	\$91,179	\$91,179	\$91,179	\$91,179	\$91,179	\$91,179	\$91,179	\$91,179	\$91,179	\$91,179	\$65,799
8	Difference Deferred asset (liability)	26,056	(2,676)	(30,689)	(33,893)	(47,356)	(67,044)	(56,189)	(45,940)	(32,676)	(27,297)	0
9	Cumulative Deferred asset (liability)	26,056	23,380	(7,309)	(41,201)	(88,558)	(155,602)	(211,791)	(257,731)	(290,407)	(317,703)	(317,703)
10												
11	<u>Future Payments Expected to be Paid</u>											
12	2019											46,066
13	2020											75,285
14	2021											76,329
15	2022											69,086
16	2023											60,823
17	2024-2028											312,837
18												

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[1]  
Support Sheet No. 6- Computation of Rate Base

Line	Description	Source	12/31/2017	Historic Year December 31, 2018	Future Test Year December 31, 2019	Fully Projected Future Test Year December 31, 2020
1	<u>Utility Plant in Service</u>					
2	Assets	Schedule C3		\$ 30,596,938	\$ 33,129,952	\$ 34,714,831
3	Less: Accumulated Depreciation	Schedule C3		(14,357,752)	(15,395,698)	(16,502,273)
4				16,239,186	17,734,254	18,212,558
5	Construction work in progress	Schedule C2		114,497	114,497	114,497
6	Less: Accumulated deferred income taxes	Line 33		(172,321)	(169,558)	(165,352)
7	Less: Excess deferred income taxes (EDIT)	Line 40		(82,329)	(73,182)	(64,034)
8	Less: Customer deposits	Schedule C2		(362,607)	(362,607)	(362,607)
9	Natural gas inventories- avg balance for year	Trial Balances		650,909	650,909	650,909
10	Unbundled, to be Recovered in GCR			(650,909)	(650,909)	(650,909)
11	Accrued OPEB Liability / OPEB asset, net	Line 47		(899,115)	(899,115)	(899,115)
12	Materials & Supplies	Schedule C2		161,817	161,817	161,817
13				14,999,128	16,506,107	16,997,764
14	Cash Working Capital Allowance	Line 26		354,271	385,989	400,842
15	RATE BASE			\$ 15,353,399	\$ 16,892,096	\$ 17,398,606
16						

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Net Operating Income And Rates of Return  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to S2 Pa. Code 53.52 c[1]  
Support Sheet No. 6- Computation of Rate Base

Line	Description	Source	12/31/2017	Historic Year December 31, 2018	Future Test Year December 31, 2019	Fully Projected Future Test Year December 31, 2020
17	<u>Cash Working Capital Allowance:</u>					
18	Operating Expenses	Schedule C1		\$ 7,016,406	\$ 3,990,694	\$ 4,313,315
19						
20	Deductions:					
21	Purchased Gas	Schedule C1		3,349,457	0	0
22	Depreciation Expense	Schedule C1		832,784	902,784	1,106,575
23	Total Deductions			4,182,242	902,784	1,106,575
24	Cash Operating Expenses			2,834,164	3,087,909	3,206,740
25	Cash Operating Expenses Ratio			1/8	1/8	1/8
26	Cash Working Capital Allowance (A plus B)			\$ 354,271	\$ 385,989	\$ 400,842
27						
28	<u>Regulatory Accumulated deferred income tax:</u>					
29	Accumulated depreciation based on tax expense borne by ratepayers	BKD		24,757,048	25,956,710	27,216,395
30	Accumulated depreciation based on taxes paid by company	BKD		25,577,626	26,764,127	28,003,786
31	(Excess) depreciation taken by company			(820,578)	(807,417)	(787,391)
32	Federal tax rate			21.00%	21.00%	21.00%
33	Regulatory Accumulated deferred income tax (liability)			\$ (172,321)	\$ (169,558)	\$ (165,352)
34						
35	<u>Excess deferred income tax:(EDIT)</u>					
36	Accumulated depreciation based on tax expense borne by ratepayers		23,781,445			
37	Accumulated depreciation based on taxes paid by company		24,485,114			
38	(Excess) depreciation taken by company		(703,669)			
39	Change in Federal tax rate		13.00%			
40	Excess deferred income tax:(EDIT)		(91,477)	(82,329)	(73,182)	(64,034)
41	Annual Amortization	10		(9,148)	(9,148)	(9,148)
42						
43	<u>Accrued OPEB Liability / OPEB asset, net</u>					
44	Accrued postretirement cost			(743,778)	(743,778)	(743,778)
45	Regulatory asset- OPEB			(369,507)	(369,507)	(369,507)
46	Deferred tax asset related to OPEB			214,171	214,171	214,171
47				(899,115)	(899,115)	(899,115)
48						

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Comparison to Prior Rate Case  
Prior Rate Case and Fully Projected Future Test Year December 31, 2020

Line	Description	Fully Projected Future Test Year December 31, 2020	R-2010-2174470, Settlement	Difference	Gross-Up for GRT	Revenue Requirement Effect
1	Revenue	5,052,134	3,811,183	1,240,951	1.0000	(1,240,951)
2	ccf	26,569,046	28,625,433			
3						
4						
5	O&M	3,082,111	2,063,997	1,018,113	1.0000	1,018,113
6	Taxes other than income, Rate Case	124,629	122,410	2,219	1.0000	2,219
7	Depreciation	1,106,575	648,782	457,793	1.0000	457,793
8	Income tax	26,644	33,188			
9	Net Income	712,176	942,806			
10						
11	Rate Base	\$17,398,606	\$11,412,287	5,986,319		
12	Required Return	8.32%	8.26%			
13	Target Return	1,447,564	942,806	504,758	1.0000	504,758
14						
15	Income Tax Expense	325,430	33,188	292,242	1.0000	292,242
16						
17	Rounding					12
18	Revenue Increase Required					1,034,186
19						
20	Check					1,034,186

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Allocation of Customer Charge Costs  
Future Test Year Ended 12/31/2020

Line	Description	Fully Projected Future Test Year December 31, 2020	Weight for Non- Residential	6,270		885		7,155	
				Residential	Non- Residential, Weighted	Total	Residential	Residential per Customer- Month	
1	Meter reading	99,668	2.00	6,270	1,770	8,040	77.99%	\$1.03	
2	Meter operations costs	172,563	2.00	6,270	1,770	8,040	77.99%	\$1.79	
3	Services maintenance	61,261	2.50	6,270	2,212	8,482	73.92%	\$0.60	
4	Meter maintenance	59,542	2.00	6,270	1,770	8,040	77.99%	\$0.62	
5	Billing	513,237	3.00	6,270	2,655	8,925	70.26%	\$4.79	
6	Depreciation- Services	295,716	2.50	6,270	2,212	8,482	73.92%	\$2.91	
7	Depreciation- Meters	96,568	2.00	6,270	1,770	8,040	77.99%	\$1.00	
8		1,298,556						\$12.74	
9									
10	Services, net	5,283,630	2.50	6,270	2,212	8,482	73.92%	\$51.91	
11	Meters, net	2,196,571	2.00	6,270	1,770	8,040	77.99%	\$22.77	
12	ADIT	(83,643)	2.35	6,270	2,082	8,352	75.07%	(\$0.83)	
13		7,396,558					2	\$73.84	
14	Return	8.32%						8.32%	
15		615,394						\$6.14	
16	Tax gross up	1,40631						1,40631	
17		865,436						\$8.64	
18									
19	Customer revenue requirement	2,163,993						\$21.38	
20									
21	ADIT, EDIT total	229,386							
22	Services / Meters, net	7,480,201							
23	All utility plant, net	20,514,024							
24	Services / Meters %	36.46%							
25	Services / Meters ADIT, EDIT	83,643							

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Balance Sheets  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[2]

Line	Account Title	Per Books 12/31/2018	Pro Forma 12/31/2019	Pro Forma 12/31/2020
1	<b>Assets and Other Debits</b>			
2	<b>Utility Plant</b>			
12	Gas plant in service	\$30,596,938	\$33,129,952	\$34,714,831
13	Acquisition adjustment, net	1,134,675	1,018,039	901,402
14	Construction work in progress	114,497	114,497	114,497
15	Accumulated depreciation	(14,357,752)	(15,395,698)	(16,502,273)
16	<i>Total utility plant</i>	<u>17,488,358</u>	<u>18,866,790</u>	<u>19,228,457</u>
17				
18	<b>Other Property and Investments:</b>			
19	RS Plan Prepayment	376,096	376,096	376,096
20	Regulatory asset	3,604	3,604	3,604
21	<i>Total other property and investments</i>	<u>379,700</u>	<u>379,700</u>	<u>379,700</u>
22				
23	<b>Current Assets:</b>			
24	Cash	2,280,513	2,280,513	2,280,513
25	Customer accounts receivable	1,009,868	1,009,868	1,009,868
26	Advances to affiliates	320,112	320,112	320,112
27	Natural gas inventories	808,335	808,335	808,335
28	Materials and supplies	161,817	161,817	161,817
29	Prepayments	84,404	84,404	84,404
30	<i>Total current assets</i>	<u>4,665,049</u>	<u>4,665,049</u>	<u>4,665,049</u>
31				
32	<b>Total Assets and Other Debits</b>	<b><u>\$22,533,107</u></b>	<b><u>\$23,911,539</u></b>	<b><u>\$24,273,206</u></b>
33				

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Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Balance Sheets  
Years Ended 12/31/2018, 12/31/2019 and 12/31/2020  
Answer to 52 Pa. Code 53.52 c[2]

Line	Account Title	Per Books 12/31/2018	Pro Forma 12/31/2019	Pro Forma 12/31/2020
34	<b>Liabilities and Other Credits</b>			
35				
36	<b>Proprietary Capital:</b>			
37	Common stock Issued	\$768,293	\$768,293	\$768,293
38	Retained earnings	10,072,152	11,006,139	11,718,315
39	<i>Total proprietary capital</i>	<u>10,840,445</u>	<u>11,774,432</u>	<u>12,486,608</u>
40				
41	<b>Long-Term Debt:</b>			
42	Long Term Debt incl Cap Leases	7,749,435	7,176,436	6,603,437
43	<i>Total long-term debt</i>	<u>7,749,435</u>	<u>7,176,436</u>	<u>6,603,437</u>
44				
45	<b>Current and Accrued Liabilities:</b>			
46	Cash (over) under		(1,286,762)	(1,064,272)
47	Current maturities of Long Term Debt	572,999	572,999	572,999
48	Accounts payable and accruals	804,121	804,121	804,121
49	Due for purchased gas	519,724	519,724	519,724
50	Customer deposits	362,607	362,607	362,607
51	Over collected gas costs	283,450	283,450	283,450
52	<i>Total current and accrued liabilities</i>	<u>2,542,901</u>	<u>1,256,139</u>	<u>1,478,629</u>
53				
54	<b>Deferred Credits and Other Liabilities:</b>			
55	Deferred taxes	2,392,000	2,392,000	2,392,000
56	Accrued postretirement cost	858,090	858,090	858,090
57	Regulatory liability	454,442	454,442	454,442
58	<i>Total deferred credits</i>	<u>3,704,532</u>	<u>3,704,532</u>	<u>3,704,532</u>
59				
60	<b>Total Liabilities and Other Credits</b>	<b><u>\$24,837,313</u></b>	<b><u>\$23,911,539</u></b>	<b><u>\$24,273,206</u></b>

Line	Acct No.	Account Title	Original Cost				Original Cost		
			12/31/2017		12/31/2018		12/31/2019		12/31/2020
			Per Books	Additions	Per Books	Additions	Pro Forma	Additions	Pro Forma
1		<i>Distribution Plant</i>							
2	114	Gas Plant Acquisition Adjustment	3,361,289		3,361,289	0	3,361,289	0	3,361,289
3	366	Trans. Structures and improvements	42,947		42,947	11,240	54,187	115,429	169,616
4	367	Trans. Mains	1,918,973		1,918,973	0	1,918,973	0	1,918,973
5	369	Trans. Meas / Reg Sta Equip	220,851	72,578	293,429	0	293,429	0	293,429
6	369A	Trans CIAC	2,760,464		2,760,464	0	2,760,464	0	2,760,464
7	375	Structures and improvements	88,623	1,625	90,248	14,254	104,502	12,159	116,661
8	376S	Mains- Steel	3,224,724	3,121	3,227,845	106,037	3,333,882	0	3,333,882
9	376P	Mains- Plastic	7,843,747	277,582	8,121,329	788,986	8,910,315	441,364	9,351,679
10	378	Meas / Reg Sta Equip	817,992	21,638	839,630	135,652	975,282	89,182	1,064,464
11	380S	Services- Steel	525,508	12,250	537,758	0	537,758	0	537,758
12	380P	Services- Plastic	7,247,848	337,624	7,585,472	382,351	7,967,823	449,609	8,417,432
13	381	Meters	1,644,201	31,844	1,676,045	77,838	1,753,883	74,639	1,828,522
14	381AMR	Transponders- Old	745,535		745,535		745,535	0	745,535
15	381T	Transponders- New		264,692	264,692	346,944	611,636	34,891	646,527
16	383	House regulators	299,708	3,165	302,873	1,500	304,373	1,500	305,873
17	385	Indu Meas / Reg Sta Equip	870,729	13,561	884,290	40,554	924,844	33,664	958,508
18	387	Other equipment	9,978		9,978	0	9,978	0	9,978
19		<b>Total Distribution Plant</b>	<b>31,623,117</b>	<b>1,039,680</b>	<b>32,662,797</b>	<b>1,905,356</b>	<b>34,568,153</b>	<b>1,252,437</b>	<b>35,820,590</b>
20									
21		<i>General Plant</i>							
22	390	Structures & Improvements	1,043,084	238,587	1,281,671	324,209	1,605,880	147,342	1,753,222
23	391	Office Furniture & Equipment	68,369	1,170	69,539	2,000	71,539	0	71,539
24	391C	Computer equipment	522,150	45,786	567,936	186,200	754,136	37,100	791,236
25	392	Transportation Equipment	827,322	120,112	947,434	51,000	998,434	20,000	1,018,434
26	393	Stores Equipment	29,907		29,907	0	29,907	0	29,907
27	394	Tools, Shop & Garage Equipment	479,482	8,182	487,664	64,250	551,914	37,000	588,914
28	396	Power Operated / Communication	209,893		209,893	0	209,893	91,000	300,893
29		Fully Depreciated	275,000		275,000	0	275,000	0	275,000
30	398	Miscellaneous Equipment	1,803		1,803	0	1,803	0	1,803
31	301	Intangible plant, organization	18,666		18,666	0	18,666	0	18,666
32	304	MGP , Tx-Dx-Gen ROW	166,381		166,381	0	166,381	0	166,381
33		<b>Total General Plant</b>	<b>3,642,057</b>	<b>413,837</b>	<b>4,055,894</b>	<b>627,659</b>	<b>4,683,553</b>	<b>332,442</b>	<b>5,015,995</b>
34									
35		Less: Acquisition, CIAC	(6,121,753)	0	(6,121,753)	0	(6,121,753)	0	(6,121,753)
36		<b>Total Plant in Service</b>	<b>\$29,143,421</b>	<b>\$1,453,517</b>	<b>\$30,596,938</b>	<b>\$2,533,014</b>	<b>\$33,129,952</b>	<b>\$1,584,879</b>	<b>\$34,714,831</b>
37		Less: Clearing, Charged to NY							
38									

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Line	Acct No.	Account Title	Accumulated Depreciation								
			12/31/2017	Year 2018		12/31/2018	Year 2019	12/31/2019	Year 2020	12/31/2020	
			Depr. Rate	Per Books	Additions	Removal	Per Books	Additions	Pro Forma	Additions	Pro Forma
1		<i>Distribution Plant</i>									
2	114	Gas Plant Acquisition Adjustment	3.47%	2,109,977	116,637		2,226,614	116,637	2,343,250	116,637	2,459,887
3	366	Trans. Structures and improvements	0.62%	3,909	266		4,175	301	4,476	694	5,170
4	367	Trans. Mains	1.79%	988,738	34,350		1,023,088	34,350	1,057,437	34,350	1,091,787
5	369	Trans. Meas / Reg Sta Equip	4.40%	204,542	11,314	(1,192)	214,664	12,911	227,575	12,911	240,486
6	369A	Trans CIAC		338,692	120,306		458,998	0	458,998	0	458,998
7	375	Structures and improvements	2.63%	74,264	2,352		76,616	2,561	79,177	2,908	82,085
8	376S	Mains- Steel	3.15%	2,016,306	101,628	(8,234)	2,109,700	103,347	2,213,047	105,017	2,318,064
9	376P	Mains- Plastic	2.02%	2,687,923	161,247	(12,439)	2,836,731	172,020	3,008,751	184,446	3,193,197
10	378	Meas / Reg Sta Equip	6.72%	755,259	55,696		810,955	60,981	871,936	68,535	940,472
11	380S	Services- Steel	3.04%	177,536	16,162	(10,766)	182,932	16,348	199,279	16,348	215,627
12	380P	Services- Plastic	3.41%	2,686,143	252,908	(27,671)	2,911,380	265,184	3,176,564	279,369	3,455,932
13	381	Meters	2.74%	756,603	45,487		802,090	46,990	849,080	49,079	898,159
14	381AMR	Transponders- Old	2.74%	119,388	20,428		139,816	20,428	160,243	20,428	180,671
15	381T	Transponders- New	2.74%		3,626		3,626	12,006	15,632	17,237	32,869
16	383	House regulators	3.22%	188,884	9,702		198,586	9,777	208,362	9,825	218,187
17	385	Indu Meas / Reg Sta Equip	4.11%	605,058	36,066		641,124	37,178	678,301	38,703	717,004
18	387	Other equipment	3.66%	5,103	365		5,468	365	5,833	365	6,199
19		Total Distribution Plant		13,718,325	988,540	(60,302)	14,646,563	911,382	15,557,944	956,851	16,514,795
20											
21		<i>General Plant</i>									
22	390	Structures & Improvements	2.43%	531,688	28,246	(9,816)	550,118	35,084	585,202	40,813	626,015
23	391	Office Furniture & Equipment	6.75%	73,244	4,654		77,898	4,761	82,660	4,829	87,489
24	391C	Computer equipment	6.75%	427,454	36,790		464,244	44,620	508,864	52,156	561,021
25	392	Transportation Equipment	12.00%	500,757	106,485		607,242	116,752	723,994	121,012	845,007
26	393	Stores Equipment	6.67%	10,348	1,995		12,343	1,995	14,338	1,995	16,332
27	394	Tools, Shop & Garage Equipment	5.00%	564,984	24,179		589,163	25,989	615,152	28,521	643,673
28	396	Power Operated / Communication	6.67%	91,574	14,000		105,574	14,000	119,574	17,035	136,608
29		Fully Depreciated					0	0	0	0	0
30	398	Miscellaneous Equipment	0.00%	(9,781)			(9,781)	0	(9,781)	0	(9,781)
31	301	Intangible plant, organization	0.00%		0		0	0	0	0	0
32	304	MGP, Tx-Dx-Gen ROW	0.00%		0		0	0	0	0	0
33		Total General Plant		2,190,268	216,349	(9,816)	2,396,801	243,201	2,640,002	266,361	2,906,363
34											
35		Less: Acquisition, CIAC		(2,448,669)	(236,943)	0	(2,685,612)	(116,637)	(2,802,248)	(116,637)	(2,918,885)
36		Total Plant in Service		\$13,459,924	\$967,946	(\$70,118)	\$14,357,752	\$1,037,946	\$15,395,698	\$1,106,575	\$16,502,273
37		Less: Clearing, Charged to NY			(\$135,162)			(\$135,162)		\$0	
38					\$832,784			\$902,784		\$1,106,575	



C4

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Unbundled Costs to Recover in GCR  
Fully Projected Future Test Year December 31, 2020

Line	Description	Source	Revenue Requirement Effect
1	<u>Rate Base Items</u>		
2	Natural gas inventories- avg balance for year	C1-6	650,909
3	Target Return on Rate Base	C1	8.32%
4			<u>54,156</u>
5			
6	Statutory tax rate	C1-4	28.89%
7	Gross-up for Income Tax		<u>1.41</u>
8	<b>Return on Natural gas inventories</b>		<b>76,160</b>
9			
10	<u>Uncollectible Accounts</u>		
11	Uncollectible Accounts expense- FPFTY	C1-1	100,799
12			
13	Total Operating revenue, Test Year	C1	9,608,159
14	Distribution revenue, Test Year	C1	<u>5,283,606</u>
15	Distribution portion of revenue		54.99%
16			
17	<b>Distribution portion of Uncollectible accounts</b>		<b>55,430</b>
18			
19	<b>Unbundled costs to recover in GCR</b>		<b><u>131,590</u></b>
20			
21	Residential sales ccf		5,675,968
22	Commercial sales ccf		<u>3,064,594</u>
23			<u>8,740,562</u>
24	Unbundled costs per ccf		\$0.01506
25	GCR- June 2019		<u>\$0.29650</u>
26	GCR with Unbundled costs		<u>\$0.31156</u>
27			

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C1-2

Valley Energy Company (PA)  
Rate Case with Fully Projected Future Test Year 2020

Support Sheet No. 2- Summary of Cost of Capital and Fair Rate of Return Based upon a  
Hypothetical Ratemaking Capital Structure

12/31/2020

<u>Line</u>	<u>Type of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rat</u>
1	Long-Term Debt	47.45%	4.98%	2.36%
2	Common Equity	52.55%	11.35%	5.96%
3	Total	<u>52.55%</u>		<u>8.32%</u>
4	TargetROR			<u>8.32%</u>

5

6 [1] Recommended hypothetical capital structure ratios as discussed in direct testimony.

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Supplement No. 49 to  
Gas-Pa. P.U.C. No. 2  
Thirty-First Revised Title Page  
Canceling Thirtieth 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

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

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Issued: July 1, 2019

Effective: August 30, 2019

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

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**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

- Pages 11, 12 and 13: Added definitions of "Daily Quantity" and "System Maintenance Order;" updated definitions of "Point of Delivery" and "Service Pipe;" alphabetized all definitions.
- Pages 18, 18A, 19, 19A, 20, 21, and 23: For "Rule 2 – Natural Gas Shortage and Emergency Conditions," added an explanation of Natural Gas Emergency and System Maintenance Order; deleted "Base Period Volumes;" revised "Gas Shortage Process" to "Curtailed Process," including definitions of "Reservation of Company Right to Curtail," "Pre-Curtailed Procedures," "Curtailed Directive," "Curtailed Sequence," "Customer Notification," and "Natural Gas Emergency Plan;" added a section on unauthorized use of natural gas; updated the threshold for when penalties must be assessed on overrun volumes of natural gas; deleted "Emergency Curtailed" section.
- Pages 27 and 27A: For "Rule 4 – Equipment and Facilities," added a "General" section under "Facilities Expansion Policy;" updated "Company Investment" section; updated "Customer Investment" section; added a new section titled "Tax Accounting of CIAC."
- Pages 34 and 35: For "Rule 7 – Suspension or Discontinuance of Service" and "Rule 8 – Temporary, Short Term, Seasonal or Special Service," increased the disconnection and reconnection fees.
- Page 36: For "Rate "C" – Commercial Rate," increased the monthly distribution and monthly minimum charges.
- Page 39: For "Rate "I" – Large Industrial Service-Firm," updated the definition of "Automatic Meter Reading Equipment."
- Pages 43 and 44: For "Rate "IS" – Industrial Interruptible Service," updated the definition of "Automatic Meter Reading Equipment" and increased the monthly distribution and monthly minimum charges.
- Page 49: For "Rate "SI" – Small Industrial," increased the monthly distribution and monthly minimum charges.
- Page 50: For "Rate "R" – Residential Rate," increased the monthly distribution and monthly minimum charges; increased the Gas Cost Rate.
- Page 53: Changed "Priority 1" to "Category 1"
- Page 58: For "Rate Schedule "T" – Transportation Service," increased the Gas Cost Rate and updated the definition of "Automatic Meter Reading Equipment."
- Page 60: Changed "Priority 1" to "Category 1"
- Page 78: For "Rider "A" – Gas Cost Rate," increased the Gas Cost Rate and added definition of "S."
- Page 81: For "Rider "B" – State Tax Surcharge," reset the STAS to 0.00%.

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By: Edward E. Rogers, President & Chief Executive Officer  
 523 S. Keystone Ave.  
 Sayre, PA 18840-0340  
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**DEFINITIONS (Continued)**

**COMPANY**

VALLEY ENERGY, INC.

**CONNECTED LOAD**

Connected Load is the combined rated capacity of all of Customer's gas consuming devices.

(C)  
|  
(C)

**CUSTOMER**

Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the ratepayer for any premises, building, structure, etc. or (iii) is primarily responsible for payment of bills. A Customer includes anyone taking Supplier of Last Resort Service and/or Distribution Service under this Tariff. For residential accounts, Customer includes a natural person in whose name the account is listed and any adult occupant whose name appears on the mortgage, deed or lease of the property.

**CUSTOMER CHARGE**

A monthly charge to cover such Company costs as maintaining the gas lines, meter reading and billing.

**CUSTOMER'S INSTALLATION**

All pipes, fixtures, valves, shut-off cocks, appliances and apparatus of every kind and nature used in connection with or forming a part of an installation for utilizing gas for any purpose, ordinarily located on the Customer's side of the Point of Delivery and including the Service Extension, whether such installation is owned outright by Customer or used by Customer under lease or otherwise.

(C)

**DAILY QUANTITY**

The quantity of gas used in a twenty-four (24)-hour period beginning at 10:00 a.m., Eastern Standard Time or Daylight Savings Time, whichever is in common use, or as subsequently defined by natural gas industry standards promulgated by FERC.

**DEMAND**

Demand is the minimum amount of gas which the Company is under contract to furnish to Customer and Customer is obliged to take and pay for, whether it is expressed in therms, cubic feet or any other unit of measurement. Initially, it is the minimum amount specified in the application or contract, or as shown by test.

(C)

(C) Indicates Change

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Sayre, PA 18840-0340  
(570) 888-9664

(C)



---

**DEFINITIONS (Continued)**

**DISTRIBUTION CHARGES**

Charges to recover the costs the Company incurs to provide the services necessary to deliver natural gas to a customer from the point of receipt into the Company's distribution system.

**Dth (Dekatherm)**

A measure of the heat content value of gas equal to one million BTUs. Gas usage is determined by multiplying the Mcf used by the heat (BTU) content value of the gas per Mcf.

**GAS SUPPLY CHARGE**

Charges by an NGS or Supplier of Last Resort to recover the cost of procuring natural gas and delivering it to the Company's facilities for redelivery to Customers.

**Mcf**

1,000 cubic feet of gas. This is a volume measure of gas usage.

**NATURAL GAS SUPPLIER (NGS)**

Any person, corporation or other entity that has received a license from the Commission determining that it is eligible and licensed to supply natural gas supply services to Customers in the Company's service territory under and pursuant to the Act and that has met the additional criteria established by the Company to permit it to provide natural gas supply service to Customers.

**POINT OF DELIVERY**

That point at which the Customer's facilities are connected to the Company's facilities which is the first fitting after the outlet side of the meter connection point.

**SERVICE**

The furnishing of service or the delivery of gas referred to in these Rules and Regulations and in contracts with Customers shall be construed to mean readiness and ability on the part of Company to supply the Customer at the time Company is obligated to supply, whether or not Customer makes any use thereof.

**SERVICE EXTENSION**

The portion of Customer's Installation to which Company connects its Service Pipe.

(C) Indicates Change

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(C)

(C)

(C)

(C)

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**DEFINITIONS (Continued)**

**SERVICE PIPE**

The pipe extending from the Company's supply main to a metered Point of Delivery.

**SUPPLIER OF LAST RESORT**

The Company or another entity that provides natural gas supply services to customers that do not elect another supplier or choose to be served by the supplier of last resort, customers that are refused service from an NGS, or customers whose NGS fails to deliver the required gas supplies. Currently, the Company is the supplier of last resort for all residential, small commercial, small industrial, and essential human needs customers under the terms of this tariff. Each customer may only have one (1) supplier of last resort.

**SYSTEM MAINTENANCE ORDER ("SMO")**

Operational directive issued by the Company, in its sole discretion, to protect the operational integrity of its systems in terms of line pressure and adequacy of supply. Such orders directly affect the quantity of gas to be delivered on the same gas day or other near-term gas days and may require a Customer or class of Customers, or a Customer's natural gas supplier or agent, to maintain, decrease or increase the quantity of natural gas delivered to the Company's system.

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(C) Indicates Change

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**RULE 2—NATURAL GAS SHORTAGE AND EMERGENCY CONDITIONS (Continued)**

The definitions for terms used in the priority of service categories are as follows:

1. **Commercial Use:** Gas usage by Customers engaged primarily in the sale of goods or services including, but not limited to, consumption by office buildings, institutions and governmental agencies. Commercial use shall not include use of gas for manufacturing or electric power generation.

2. **Critical Uses:** Gas usage where natural gas, propane or other gaseous fuel is the only feasible form of energy due to its combustion characteristics, controllability or chemical properties.

3. **Essential Human Needs Use:** Gas usage by Customers for service to any buildings where persons normally dwell including, but not limited to, apartment houses, residential dwellings, schools, day care centers, dormitories, hotels, hospitals and nursing homes as well as the use of natural gas by sewage plants.

4. **Firm Service:** Service pursuant to schedules or contracts under which the Company is explicitly or implicitly obligated to deliver specific volumes within a given time period or which anticipate no interruptions, but which may permit unexpected interruptions in case service to higher priority Customers is threatened. The Company shall be deemed to be implicitly obligated to deliver specific volumes where it has by any means previously or presently established periodic allocations for its Customers.

5. **Industrial Use:** Gas usage by Customers engaged primarily in a process that creates or changes raw or unfinished materials into another form or product including the generation of electric power.

6. **Interruptible Service:** Service pursuant to schedules or contracts under which the Company explicitly or implicitly reserves the option to interrupt or curtail deliveries.

7. **Natural Gas Emergency:** Whenever the aggregate demand of firm service customers on the Company's system or portion of the Company's system, for any reason, exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess creates an immediate threat to the Company's system operating integrity or the ability of the Company to satisfy the demand requirements of its Category 1 Customers (including when continued delivery of gas to Customers would prevent the Company from arranging for the injection of gas into underground storage pools necessary for the protection of winter season supply requirements). (C)

8. **Non-Critical Use:** Gas usage where natural gas, propane or other gaseous fuel is not the only feasible form of energy, i.e., where the user has alternate fuel capability. (C)

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**RULE 2—NATURAL GAS SHORTAGE AND EMERGENCY CONDITIONS (Continued)**

9. Plant Protection Use: Minimum volumes of natural gas required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternative fuel. Plant protection requirements include volumes necessary for the protection of such material in process as would otherwise be destroyed, but does not include deliveries required to maintain production.

10. Residential Use: Gas usage in a residential dwelling or unit for space heating, air conditioning, cooking, water heating, or other domestic purposes.

11. System Maintenance Order ("SMO"): As defined in the Definitions section of this Tariff.

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**RULE 2—NATURAL GAS SHORTAGE AND EMERGENCY CONDITIONS (Continued)**

**B. CURTAILMENT PROCESS**

1. **Reservation of Company Right to Curtail:** The Company reserves the right to reduce or eliminate the availability of firm natural gas service to Customers during a natural gas emergency, on a system-wide or localized basis ("curtailment"), when, in the Company's sole judgment, curtailment of natural gas service is necessary to protect the integrity of service to Category 1 Customers and/or the Company's gas distribution system assets. When necessary, the Company may curtail service to Category 1 Customers.

2. **Pre-Curtailment Procedures:** To avoid curtailment of service, the Company will use reasonable business and operational efforts to interrupt all Category 6 services, issue appropriate system maintenance orders (SMO) to Rate Schedule T and ST Customers and their Natural Gas Suppliers or other agents, and/or request customers to institute voluntary usage reductions.

3. **Curtailment Directive:** In the event that Pre-Curtailment Procedures are not practicable or fail to protect the integrity of service to Category 1 customers and/or the Company's gas distribution system assets, the Company may issue a Curtailment Directive. The Curtailment Directive should be reasonably well-tailored by the Company to require Customers of lower priority services to reduce usage by an amount calculated by the Company, as necessary to minimize the potential threat to public health and safety and to minimize the effect of a natural gas emergency on the integrity of service to Category 1 customers and/or the Company's gas distribution system assets, but may be issued without regard to priorities of service. During the period specified by the curtailment directive, Customers directed to curtail usage must comply with the directive or face physical shut-off by the Company and/or the assessment of penalties elsewhere set forth in this Rule 2.

4. **Curtailment Sequence:** Curtailment of a customer class of a higher category shall not be initiated until all Customers falling into the lower classifications have been completely curtailed. Where only partial curtailment of any one classification is required, Customer usage should be reduced *pro rata* to the extent reasonably possible. As applied to Transportation Customers served under Rate Schedule T, *pro rata* reductions will be based on a percentage of the Customer's Transportation Contract Quantity unless the Customer has alternative fuel capability.

If the Customer has alternative fuel capability, a *pro rata* reduction shall be based on a percentage of the Customer's Transportation Contract Quantity less the daily alternative fuel capability.

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**RULE 2—NATURAL GAS SHORTAGE AND EMERGENCY CONDITIONS (Continued)**

5. **Customer Notification:** The Company shall provide maximum notice possible of a Curtailment Directive or of a change in curtailment amount or category level set forth in a Curtailment Directive. In the Curtailment Directive, the Company shall specify the authorized consumption for a specified period or until further notice. The Company reserves the right to provide notice by any reasonable means, including by telephone, pager, e-mail, facsimile or personal contact. If such notice is by telephone, then it will be followed by a written notice to the Customer, specifying the Customer's curtailment percentage and resulting peak day, daily, monthly, seasonal or annual authorized entitlement, as the case may be. An emergency curtailment may be made after oral notice to the Customer, effective when so given, but such oral notice will be confirmed in writing within 48 hours.

6. **Natural Gas Emergency Plan:** This Rule 2 is supplemented by Company procedures referenced in the Company's Natural Gas Emergency Plan filed by the Company in compliance with Commission Regulations at 52 Pa. Code §§ 59.63 and 59.71 *et seq.*, and such procedures may be modified from time to time.

7. The Company may curtail or discontinue gas service in accordance with this Rule without thereby incurring any liability for any loss or expense that may be sustained by the Customer.

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**RULE 2—NATURAL GAS SHORTAGE AND EMERGENCY CONDITIONS (Continued)**

1. **PENALTY PROVISION FOR OVERRUN VOLUMES OR UNAUTHORIZED USE** (C)

The provision of this or any other penalty sections do not serve to reduce any charge, assessments or penalties otherwise payable or applicable under provisions of any effective rate schedule or contract.

A Customer determined to have used natural gas in violation of a SMO issued pursuant to Rule 2.B(3) or a Curtailment Directive issued by the Company (“unauthorized use”) shall pay the Company a penalty charge based on the following: (C)  
 |  
 (C)

Penalties shall be assessed on overrun volumes (a) in excess of 103% of the authorized entitlement when the period concerned is daily, monthly, or seasonal as described below and (b) in excess of 103% of the authorized entitlement when the period concerned is twelve months and the Company invokes an annual as well as a daily, monthly or seasonal penalty. (C)

a. **Winter Penalty Clause**

If at the end of the five month period ending with the March billing period a Customer has exceeded the sum of its monthly authorized entitlement for such a period, that Customer shall pay on demand a penalty according to the following schedule:

<u>Actual Usage as Percentage of Total Monthly Authorized Entitlements</u>	<u>Penalty for Overrun Volumes</u>
Greater than 103% but not in excess of 110%	\$1/Ccf
Greater than 110% but not in excess of 125%	\$2/Ccf
Greater than 125%	\$5/Ccf

There shall be excluded from the volumes subject to penalty under this provision, volumes for which the buyer has previously been penalized pursuant to overruns of emergency curtailment (See Section entitled "Emergency Curtailment").

b. **Summer Penalty Clause**

If at the end of the seven month period ending with the October billing month, a Customer has exceeded the sum of its monthly authorized entitlements for such period, that Customer shall pay on demand a penalty according to the following schedule:

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**RULE 2—NATURAL GAS SHORTAGE AND EMERGENCY CONDITIONS (Continued)**

<u>Actual Usage as Percentage of Total Monthly Authorized Entitlements</u>	<u>Penalty for Overrun Volumes</u>
Greater than 103% but not in excess of 110%	\$1/Ccf
Greater than 110% but not in excess of 125%	\$2/Ccf
Greater than 125%	\$3/Ccf

(C)  
 |  
 (C)

Likewise, there shall be excluded from the volumes subject to penalty hereunder, volumes for which the buyer has previously been penalized pursuant to overruns of emergency curtailment.

c. Yearly Penalty Clause

If at the end of the twelve month period ending with the October billing month, a Customer has exceeded the sum of its monthly authorized entitlements for such twelve month period, that Customer shall pay on demand a penalty according to the following schedule:

<u>Actual Usage as Percentage of Total Authorized Entitlements</u>	<u>Penalty for Overrun Volumes Monthly</u>
Greater than 103% but not in excess of 110%	\$1/Ccf
Greater than 110% but not in excess of 125%	\$3/Ccf
Greater than 125%	\$5/Ccf

There shall be excluded from the volume subject to penalty under this section, volumes for which the buyer has previously been penalized during such twelve-month period pursuant to winter or summer overruns or emergency curtailments.

d. Availability of Excess Gas

If in the Company's judgment, sufficient gas supply is available to permit deliveries in addition to the monthly authorized entitlement in any month, the Company will provide all buyers with as much advance notice as possible of the amount of such additional gas anticipated to be available. Such gas shall be apportioned by the Company to all Customers of the highest priority being curtailed on the basis of the total of the base period volumes for all buyers in that priority for that month.

To the extent that a Customer has exceeded the sum of its authorized entitlements for any period, penalties shall not be assessed for any excess volumes authorized pursuant to the provisions of this section.

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**[RESERVED FOR FUTURE USE]**

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**RULE 4—EQUIPMENT AND FACILITIES (Continued)**

**I. FACILITIES EXPANSION POLICY**

1. General.

(a) **Estimates and Non-Standard Costs.** Cost estimates used by the Company may be based on construction and installation conditions anticipated for the extension, including, but not limited to, the cost of installation and construction, non-street surface restoration, such as replacement or repair of sidewalks, driveways, landscaping or sod, street opening and restoration terms and fees, and any other local government fees required for the installation. The Company may determine cost estimates based on average experienced unit costs.

(b) **Surface Restoration.** The Company will restore the street surface in accordance with applicable local government regulations and provide rough backfilling of the installation trench from the curb to the meter. The Extension Applicant will be responsible for the cost of all non-street surface restoration for the service line.

(c) **Standard conditions of construction in a residential development, commercial park, or industrial park include trenching provided by the developer.**

2. Company Investment. The Company will make a net capital investment in new or upgraded facilities based upon an investment allowance for each dollar of additional annual revenue as follows:

(a) **Residential Customers shall receive (i) an investment allowance not to exceed \$6.00 per each additional dollar of annual revenue or (ii) up to the cost of 200 feet of service and/or main extension or (iii) up to the Company's average cost of 200 feet of service and/or main extension of new installations for the 12 months ended September 30 of the previous year.**

(b) **Commercial and Industrial Customers shall receive (i) an investment allowance not to exceed \$4.50 per additional dollar of annual revenue or (ii) up to the cost of 200 feet of service and/or main extension or (iii) up to the Company's average cost of 200 feet of service and/or main extension of new installations for the 12 months ended September 30 of the previous year.**

Additional annual revenues shall be calculated at pricing of base rates in the gas tariff, but will exclude fuel cost component included in base rates, gas cost rate and state tax adjustment surcharges. Consumption estimates will be based upon individual design data.

The Company reserves the right to request an advance or guaranteed revenue contract for any construction expenditures when, in the Company's determination, the term of usage or the volume and associated revenue is speculative.

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3. Customer Investment. The Customer shall make a payment for costs exceeding the investment allowance in Company Investment, Section 2 above. Upon receipt of a written request by a Customer or developer made no earlier than the end of the third year following the date of an agreement for new gas service, the Company will: (a) review its records to determine if a refund is due to the Customer or the developer for additional customers beyond those used to calculate the Company and Customer Investment, as determined above that attached to the facilities paid for by the customer or the developer within three (3) years after the execution date of the agreement for new gas service, and (b) within sixty (60) days of receipt of such request, (i) make payment to the customer or developer of any refund due and (ii) provide the Customer or developer with documentation substantiating the refund calculations and identifying the attached loads for which the developer was credited. Customer or developer contributions may be refunded if, within three years of the date of the service agreement, new loads are added to facilities paid for by the contributing Customer or developer. Revenue and cost computations shall simulate that the original and new loads were installed at the same time. Refunds will be paid only to the contributing Customer or developer, and the original contribution shall be the maximum refund.

4. Tax Accounting of CIAC. Any contribution in aid of construction (CIAC), Customer advance or other like amounts received from the Customer which shall constitute taxable income as defined by the Internal Revenue Service will have the income taxes segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a CIAC or Customer advance will not be charged to the specific contributor of the capital.

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**RULE 7—SUSPENSION OR DISCONTINUANCE OF SERVICE**

**A. DISCONTINUANCE BY CUSTOMER**

1. All residential Customers shall give at least seven days notice to Company and to any occupant specifying the date service is to be discontinued. In the absence of such notice, the ratepayer shall be responsible for all services rendered. The ratepayer also shall be responsible for bills, if the residence is either multi-family or other than the ratepayer's residence and the ratepayer has not stated in writing on the appropriate form provided by Company that the premises are unoccupied. If the premises are occupied, and the ratepayer is terminating service, then Company requires written consent from the occupants to the disconnection of service.

2. Discontinuance of service for Non-Residential Customers shall be in accordance with the terms of the contract and/or applicable Rate Schedule.

**B. SHUT-DOWN FOR REPAIRS**

For the purpose of making necessary repairs upon the mains or other parts of its system, Company may suspend service for such period in such manner as in its judgment be necessary, but Customer shall be given at least three hours advance notice of any such suspension, except in cases of emergency where such notice is impracticable.

**C. COMPANY'S RIGHT TO TERMINATE CONTRACT OR SUSPEND SERVICE**

Company may disconnect service and remove its meter and other property from the premises of Customer upon any violation by the latter of any of these rules and regulations or of any of the terms and conditions of the contract between Company and Customer and in accordance with the Rules and Regulations of the Pennsylvania Public Utility Commission and Chapter 14 of the Public Utility Code, 66 Pa.C.S. Chapter 14. In the event of such disconnection, service will not be reconnected until the expense of disconnecting and reconnection is paid. The usual charge of making a disconnection and reconnection shall be thirty-five dollars (\$35.00) if the reconnection is made during normal working hours, otherwise the charge will be forty dollars (\$40.00), and shall be due upon reconnection of service. (I)  
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(I) Indicates Increase (C) Indicates Change

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**RULE 8—TEMPORARY, SHORT TERM, SEASONAL OR SPECIAL SERVICE**

1. Temporary, short term or special service will be supplied only under the terms of schedules covering such service and when Company has capacity and equipment available for the service desired. Company may, however, at its option, supply service for periods of less than one year under any standard schedule for purposes of tests and as an aid in securing business.

5. Seasonal service for annually recurring periods of less than one year and for which no specific schedule is provided will be supplied under the general service schedule plus a charge covering all costs of connection and disconnection. Unless it is specified to the contrary in the schedule the minimum charge for making a disconnection and reconnection shall be thirty-five dollars (\$35.00) if the reconnection is during normal working hours, otherwise the charge will be forty dollars (\$40.00). (I)  
(I)

5. Unless it is specified to the contrary in the schedule, the schedules contained in this tariff do not apply to standby and/or breakdown service and no other source of supply of gas shall be introduced or used by Customer in conjunction with Company's service without the written consent of Company.

4. Where gas service is requested by any applicant for standby or supplemental purposes, such as but not limited to gas for electric power generation in the event of failure of the normal electric power supply, and where the business in prospect does not warrant the expenditure required to render service, the Company will determine, from the circumstances of each case, what guarantees of revenue, or what financing shall be required of the Customer.

5. Customer contracting for service for not more than one year and discontinuing the use thereof before the expiration of such contract shall pay for the service already received at the rates provided in the short term schedule applicable thereto. The final bill shall be an amount equal to the sum of the monthly bills based on the short term schedule less the sum of the payments already made by the Customer.

(I) Indicates Increase (C) Indicates Change

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**RATE "C" - COMMERCIAL RATE****AVAILABILITY**

This rate is applicable to natural and manufactured gas service for all commercial purposes. Service will be supplied only where the Company's facilities and available quantity of gas are suitable to the service desired.

**MONTHLY DISTRIBUTION RATE**

Customer charge per month	\$23.15	(I)
All gas purchased per month	\$0.25416 per Ccf	(I)

**GAS SUPPLY SERVICE**

Any customer receiving service under this classification who has not contracted with a Natural Gas Supplier (NGS) to receive their natural gas commodity will receive Gas Supply Service as per Rider A of this Tariff.

**OTHER RATE PROVISIONS**

This schedule is subject to adjustment application of a State Tax Surcharge, Rider "B".

**MONTHLY MINIMUM CHARGE**

The minimum monthly charge is \$23.15. (I)

If service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same premises within twelve months unless it shall receive an amount equal to the minimum charge for each month of the intervening period.

The minimum charge provision in this Rate will be waived only in the event the premises have been completely vacated, and only so long as the same are unoccupied and not used.

**NET PAYMENT PERIOD**

Customer's bills will be computed at the net rates shown above, and this amount will be due twenty-one (21) days from the date of this bill and after twenty-six (26) days, 1-1/4% will be added per month to a maximum of 15% per annum.

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**RATE I - LARGE INDUSTRIAL SERVICE — FIRM (Continued)**

**OTHER RATE PROVISIONS**

This schedule is subject to adjustment application of a State Tax Surcharge, Rider "B".

**AUTOMATIC METER READING EQUIPMENT**

In order to utilize this service, automatic meter reading equipment is required. Customer shall pay for all costs incurred by the Company to install automatic meter reading equipment as required by the Company and provide access for such equipment. The cost of installing automatic meter reading equipment plus all costs associated with dedicated telephone lines, ethernet connections and/or wireless communication devices and associated plans, and telemetering equipment shall be at the expense of the Customer. The equipment and labor cost may be paid by Customer over a two (2) year or some lesser period by means of a monthly surcharge designed to recover the cost of the equipment plus interest equal to the Company's overall rate of return as authorized from time to time by the Pennsylvania Public Utility Commission. All maintenance performed by the Company at the request of the Customer on automatic meter reading equipment will be paid by the Customer. Such charges shall also include battery costs, when a battery must be replaced and wireless communication subscription plans. The meter and associated telemetering equipment shall be the property of the Company.

**MONTHLY MINIMUM CHARGE**

Unless another methodology or charge is specified in the Customer's contract, the monthly minimum charge under this rate shall be the highest demand charge established during the twelve month period ending with the billing month under consideration, but not less than \$2,067.37.

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**RATE "IS" – INDUSTRIAL INTERRUPTIBLE SERVICE (Continued)**

**INTERRUPTIBILITY OF SERVICE (Continued)**

Company will endeavor to give Customer at least two hours advance notice of the time that gas service will be discontinued, or allocation will be increased or decreased. As soon as Company's supply and peak load conditions permit, Company will advise Customer promptly as to when service will be reestablished, or a change in allocation will be made.

Any volume of natural gas taken by Customer under this rate schedule in excess of the daily quantity limited by curtailment or interruption, or allocated by Company's authorized representative shall constitute unauthorized overrun volume.

When the unauthorized overrun volume on any day exceeds the quantity limited by curtailment, or interruption, or allocated to Customer, the Customer shall pay for such unauthorized overrun volume at a rate of five dollars (\$5.00) per Ccf in addition to the charges otherwise payable by Customer under this rate schedule. However, the Company shall have the right, without obligation, to waive any payment for unauthorized overrun volume if on the day the overrun was incurred deliveries to Company from its supplier did not exceed Company's then established daily maximum demand volume.

**DISTRIBUTION RATE PER MONTH**

Customer charge per month	\$85.00	(I)
Per 100 cu. ft. (Ccf) for all gas billed	\$0.08120 per Ccf	(I)

**GAS SUPPLY SERVICE**

Any customer receiving service under this classification who has not contracted with a Natural Gas Supplier (NGS) to receive their natural gas commodity will receive Gas Supply Service as per Rider A of this Tariff.

**OTHER RATE PROVISIONS**

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**RATE "IS" - INDUSTRIAL INTERRUPTIBLE SERVICE (Continued)**

**AUTOMATIC METER READING EQUIPMENT**

In order to utilize this service, automatic meter reading equipment is required. Customer shall pay for all costs incurred by the Company to install automatic meter reading equipment as required by the Company and provide access for such equipment. The cost of installing automatic meter reading equipment plus all costs associated with dedicated telephone lines, ethernet connections and/or wireless communication devices and associated plans, and telemetering equipment shall be at the expense of the Customer. The equipment and labor cost may be paid by Customer over a two (2) year or some lesser period by means of a monthly surcharge designed to recover the cost of the equipment plus interest equal to the Company's overall rate of return as authorized from time to time by the Pennsylvania Public Utility Commission. All maintenance performed by the Company at the request of the Customer on automatic meter reading equipment will be paid by the Customer. Such charges shall also include battery costs, when a battery must be replaced and wireless communication subscription plans. The meter and associated telemetering equipment shall be the property of the Company.

**MONTHLY MINIMUM CHARGE**

The monthly minimum charge under this rate shall be \$85.00. (I)

The monthly minimum charge for any month that the Company requires that service be interrupted shall be prorated in proportion to the number of days in which service was interrupted, as related to thirty (30) days.

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**RATE "SI" – SMALL INDUSTRIAL**

**AVAILABILITY**

Available to any Industrial customer using less than 1,000 Mcf per day.

**CHARACTER OF SERVICE**

Continuous natural gas of 1,000 or more Btu per cubic foot. Normal pressure not more than 9" nor less than 4" water column.

**MONTHLY DISTRIBUTION RATE**

Customer charge per month	\$85.00	(I)
All gas purchased per month	\$0.17463 per Ccf	(I)

**GAS SUPPLY SERVICE**

Any customer receiving service under this classification who has not contracted with a Natural Gas Supplier (NGS) to receive their natural gas commodity will receive Gas Supply Service as per Rider A of this Tariff.

**OTHER RATE PROVISIONS**

This Schedule is subject to adjustment application of State Tax Surcharge, Rider "B".

**MONTHLY MINIMUM CHARGE**

The net minimum monthly charge is \$85.00. (I)

If service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same premises within twelve months unless it shall receive an amount equal to the minimum charge for each month of the intervening period.

The minimum charge provision in this rate will be waived only in the event the premises have been completely vacated, and only so long as the same are unoccupied and not used.

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**RATE "R" - RESIDENTIAL RATE**

**AVAILABILITY**

Available to any residential customer using gas for any purpose.

**CHARACTER OF SERVICE**

Continuous natural gas 1,000 or more Btu per cubic foot. Normal pressure not more than 9" nor less than 4" water column.

**MONTHLY DISTRIBUTION RATE**

Customer charge per month	\$13.50	(I)
All gas purchased per month	\$0.32266 per Ccf	(I)

**GAS SUPPLY SERVICE**

Any Customer receiving service under this classification who has not contracted with a Natural Gas Supplier (NGS) to receive their natural gas commodity will receive Gas Supply Service as per Rider A of this Tariff. The total gas cost rate is \$0.31156 per Ccf. (I)

**OTHER RATE PROVISIONS**

This schedule is subject to adjustment application of State Tax Surcharge, Rider "B".

**MONTHLY MINIMUM CHARGE**

The net minimum monthly charge is \$13.50. (I)

If service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same premises within twelve months unless it shall receive an amount equal to the minimum charge for each month of the intervening period.

The minimum charge provision in this rate will be waived only in the event the premises have been completely vacated, and only so long as the same are unoccupied and not used.

**NET PAYMENT PERIOD**

Customer's bills will be computed at the net rates shown above, and this amount will be due twenty-one (21) days from the date of the bill and after twenty-six (26) days, 1-1/4% will be added per month to a maximum of 15% per annum.

(I) Indicates Increase

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Issued: July 1, 2019

Effective: August 30, 2019

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

(C)

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**RATE SCHEDULE "ST" – SMALL TRANSPORTATION SERVICE**

**AVAILABILITY**

This service is available to any customer(s) eligible for service under the schedule of Rates of Gas-Pa. P.U.C. No. 2, Rate Schedule R, Rate Schedule C or Rate Schedule SI (below 5,000 Mcf annual volumes). Customers on Rate Schedule SI may be required to switch from Rate Schedule ST to Rate Schedule T if their usage patterns change and the Company determines, in its reasonable judgment, that the revised usage characteristics will cause the Customer to exceed 5,000 Mcf in annual volumes.

**CHARACTER AND CONDITIONS OF SERVICE**

1. Service under this rate schedule shall consist of delivery to Customer of a daily quantity of gas received by the Company from a Natural Gas Supplier (NGS).

2. The Company shall not be required to commence service under this schedule until notice is received from the Customer's NGS as outlined in the Company's Supplier Tariff, Enrollment of Customers under Rate Schedules "R", "C", and "SI".

3. The location of entry points necessary for the introduction of customer-owned gas into the Company's facilities shall be determined by the Company.

4. Any customer classified as a Category 1 (residential and firm critical commercial essential human needs) customer under Title 52, Section 69.21(a)(1) of the Pennsylvania Code or group of customers containing such a customer(s) shall be required to purchase standby service unless the customer(s) can demonstrate that adequate installed alternate fuel capability is available at the facility for which transportation service is requested. (C)

5. No special communications or meter device is required.

6. The daily transportation quantity requested to be delivered into the Company's facilities shall include an allowance for fuel used and unaccounted for volumes of 2.5%.

7. Natural Gas Suppliers (NGSs) serving customers under this rate schedule are subject to the terms and conditions of the Company's Supplier Tariff, including the Small Customer Balancing requirements.

**RATE FOR SERVICE**

Any customer(s) desiring transportation service under this schedule shall be obliged to receive and pay for such service at the Distribution Rate specified in Rate R, C or SI, as applicable. In addition, all other terms and conditions of the applicable rate schedules shall apply.

(C) Indicates Change

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(C)

**RATE SCHEDULE "T" - TRANSPORTATION SERVICE (Continued)**

**RATE FOR SERVICE (Continued)**

5. Overrun Penalties - Any unauthorized withdrawals from the Company's facilities in excess of a customer's contract for Standby Service or any unauthorized withdrawals from the Company's facilities, for a customer not selecting Standby Service, in excess of that customer's delivery for that day shall be considered overrun gas subject to a penalty of the market value of gas (if consumed but not delivered by an NGS) plus \$3.00 per Ccf multiplied by any excess quantity withdrawn; provided, however, no penalty charge shall be imposed if the Company has an adequate supply of gas available.

6. Transportation Storage Service - The Company shall notify all customers receiving service under Rate Schedule "T" of any available storage capacity prior to April 30 of each year. Available capacity shall be allocated on a pro-rata basis according to requests received. The customer(s) electing this service shall be required to have a balance of zero (0) by March 31 of the succeeding year at which time the Company will determine available capacity for the next twelve months and notify customers pursuant to the notification provisions above.

Delivery of natural gas withdrawn from storage shall be on an interruptible basis.

The charge for this service shall be in addition to other transportation fees and shall be the Company's monthly cost for storage service and the related transportation to the Company's facilities. The current cost for storage service is as follows:

- a. A demand charge of \$98 per Mcf of annual storage capacity.
- b. A fee for interruptible delivery of \$0.01393 per Ccf transported.

Any customer(s) purchasing natural gas pursuant to an applicable retail rate schedule (including the current Gas Cost Rate) who has selected the interruptible Transportation Storage Service option shall receive a credit for retail purchases equivalent to that portion of gas costs related to storage fees. The present storage cost component of the currently effective Gas Cost Rate is \$0.03854 per Ccf purchased. (I)

7. Automatic Meter Reading Equipment - In order to utilize this service, automatic meter reading equipment is required. Customer shall pay for all costs incurred by the Company to install automatic meter reading equipment as required by the Company and provide access for such equipment. The cost of installing automatic meter reading equipment plus all costs associated with dedicated telephone lines, ethernet connections and/or wireless communication devices and associated plans, and telemetering equipment shall be at the expense of the Customer. The equipment and labor cost shall be paid by the customer prior to commencement of service. A dedicated telephone line must be provided by the customer, and the customer shall be responsible for maintaining the line. All maintenance performed by the Company at the request of the customer on automatic meter reading equipment will be paid by the Customer. Such charges shall also include battery costs, when a battery must be replaced and wireless communication subscription plans. The meter and associated telemetering equipment shall be the property of the Company. (C)  
(C)

(I) Indicates Increase (C) Indicates Change

Issued: July 1, 2019

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523 S. Keystone Ave.  
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(570) 888-9664

(C)

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**RATE SCHEDULE "T" - TRANSPORTATION SERVICE (Continued)**

**QUALITY (Continued)**

If the gas fails to meet the foregoing standards, either party may suspend the delivery or receipt thereof immediately, but shall provide notice to the other party of such suspension as soon as practicable.

**LIMITATIONS ON THE AVAILABILITY OF TRANSPORTATION SERVICE**

Customers who are defined as "Essential Human Needs Use" under the definition in Rule 2 of the General Rules and Regulations of this Tariff are not eligible for Firm Transportation Service unless such Customers agree to contract and pay for Standby Service in a quantity sufficient to meet their daily demand.

**LIMITATION OF LIABILITY**

The Company may curtail or interrupt gas service whenever the integrity of the Company's system or supply is threatened by conditions on its system. Such action shall not constitute default nor shall the Company be held liable in any respect. The Company makes no guarantee against and assumes no liability for interruption caused by any third party.

**POSSESSION OF GAS**

The Company shall be deemed to be in control and possession of the natural gas transported pursuant to this schedule upon receipt of such gas at the interconnection with Company's facilities as specified in the executed agreement for service and until delivery to Customer(s) facilities. The Customer(s) shall be deemed to be in control of such gas prior to the Company's receipt and after delivery to the Customer's(s) facilities. During periods of gas supply shortages when service is threatened to Customers classified as Category 1, Customer must agree to sell its supply of gas within the Company's distribution system to the Company at a rate equal to the higher of the Company's weighted average cost of gas or the Customer's total acquisition cost of gas (including pipeline transportation charges). In the event of a supply shortage which causes the Company to purchase Customer(s) gas the customer shall make available a copy of its contract for natural gas supply upon request or, in lieu thereof, the Customer shall supply a sworn affidavit specifying Customers total acquisition cost of natural gas. (C)

**WARRANTY OF TITLE**

The Customer(s) served under this schedule warrants that upon delivery of gas to Company for transportation the Customer will have good title to all gas delivered free of any lien or claim. The Company shall be deemed harmless from all suits and costs associated with any adverse claims of any party.

(C) Indicates Change

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(C)

**RIDER "A" - GAS COST RATE****PROVISION FOR GAS COST RATE**

The gas cost rate shall be applied to each Mcf (1,000 cubic feet) of gas supplied under Rate Schedules R, RC, C, SI, IS, I of this Tariff.

Gas Cost Rate	\$3.1156 per Mcf	(I)
	\$0.31156 per Ccf	(I)

**COMPUTATION AND APPLICATION OF GAS COST RATE**

The gas cost rate shall be computed to the nearest one hundredth of a cent (\$0.0001) per Mcf in accordance with the formula set forth below:

$$\text{GCR} = \frac{\text{C} - \text{E}}{\text{S}}$$

Each gas cost rate so computed shall be applied to customers' bills for twelve (12) monthly billing period commencing with November; provided, however, that such rate may be revised on an interim basis subject to approval of the Pennsylvania Utility Commission upon determination that the effective rate will result in material over or under collections if not revised. Such interim revised rate shall become effective ten (10) days from the date of filing unless otherwise denied or modified by the Commission.

**DEFINITIONS**

"GCR" -- gas cost rate determined to the nearest one-hundredth of a cent (\$0.0001) to be applied to each Mcf of gas supplied under Rate Schedules R, RC, C, SI, IS, I of this Tariff.

"C" -- the current cost of gas, determined as follows: (a) for all types of purchased gas, project the gas costs as defined by 66 Pa.C.S. §1307(h), including, but not limited to, any fees or costs incurred for gas acquisition and management, including credit costs, and any costs for risk management (e.g., calls, straddles, options, collars, etc.), for the computation year (adjusted for net current gas stored); plus (b) the arithmetical sum of (1) the projected book value of noncurrent gas at the beginning of the computation year, minus (2) the projected book value of noncurrent gas at the end of the computation year, adjusted (3) for any forecasted credits, including Standby Credits, profit margins and costs of Off-system Sales, and gas costs related to Alternate Fuel Delivery customers.

"E" -- experienced net over collection (or under collection) of the cost of purchased gas for twelve (12) month period ending with the August billing period, including interest.

"S" -- projected Mcf of gas to be billed to customers during the computation year. (C)

Interest shall be computed monthly at the prime rate for commercial borrowing from the month the over or under collection occurs to the effective month such over collection is refunded or such under collection is recouped.

(I) Indicates Increase (C) Indicates Change

Issued: July 1, 2019

Effective: August 30, 2019

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523 S. Keystone Ave.  
Sayre, PA 18840-0340  
(570) 888-9664

(C)

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**RIDER "B" - STATE TAX SURCHARGE**

In addition to the charges provided in this tariff, a surcharge of 0.00% will apply to all bills for sales service rendered on or after August 30, 2019.

(C)(I)  
(C)

The above surcharge will be recomputed, using the elements prescribed by the Commission:

1. Whenever any of the tax rates used in calculation of the surcharge are changed.
2. Whenever the utility makes effective increased or decreased rates.
3. And on March 31, 1992, and each year thereafter.

The above recalculation will be submitted to the Commission within ten days after the occurrence of the event or date which occasions such recomputation. If the recomputed surcharge is less than the one in effect the utility will, and if the recomputed surcharge is more than the one then in effect the utility may submit with such recomputation a tariff or supplement to reflect.

(C) Indicates Change (I) Indicates Increase

Issued: July 1, 2019

Effective: August 30, 2019

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



**Summary Of Present And Proposed Tariff Rates**  
**Historic Year December 31, 2018 and Fully Projected Future Test Year December 31, 2020**

Line	Present Rates (excluding GCR)	GCR Current	Present Rates (including GCR)	Proposed Rates (excluding GCR)	GCR Current	Proposed Rates (including GCR)	Proposed Increase (excluding GCR)	Proposed Increase (including GCR)
<b>Rate R- Residential</b>								
1								
2	Customer Charge per Bill	\$10.50	\$10.50	\$13.50		\$13.50	28.57%	28.57%
3								
4	<u>Commodity charge per ccf</u>							
5	All usage	\$0.256280	\$0.296500	\$0.55278	\$0.322660	\$0.311560	\$0.63422	25.90% 14.73%
6	<b>Rate C- Commercial</b>							
7	Customer Charge per Bill	\$18.00	\$18.00	\$23.15		\$23.15	28.61%	28.61%
8								
9	<u>Commodity charge per ccf</u>							
10	All usage	\$0.201160	\$0.296500	\$0.49766	\$0.254160	\$0.311560	\$0.56572	26.35% 13.68%
11	<b>Rate I- Large Industrial Firm</b>							
12	Customer Charge per Bill	\$0.00	\$0.00	\$0.00		\$0.00		
13								
14	<u>Commodity charge per ccf</u>							
15	Block 1	\$0.104664	\$0.296500	\$0.40116	\$0.132760	\$0.311560	\$0.44432	26.84% 10.76%
16	Block 2	\$0.064289	\$0.296500	\$0.36079	\$0.081540	\$0.311560	\$0.39310	26.83% 8.96%
17	Block 3	\$0.042116	\$0.296500	\$0.33862	\$0.053420	\$0.311560	\$0.36498	26.84% 7.79%
18								
19	<u>Demand charge per mcf</u>							
20	Block 1	\$1.149023		\$1.14902	\$1.457430		\$1.45743	26.84% 26.84%
21	Block 2	\$0.596273		\$0.59627	\$0.756320		\$0.75632	26.84% 26.84%
22	<b>Rate IS- Interruptible Service</b>							
23	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00		26.87%
24								
25	<u>Transport charge per ccf</u>							
26	All usage	\$0.064020		\$0.06402	\$0.081200		\$0.08120	26.84% 26.84%
27	<b>Rate SI- Small Industrial</b>							
28	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00	26.87%	26.87%
29								
30	<u>Demand charge per mcf</u>							
31	All usage	\$0.137680	\$0.296500	\$0.43418	\$0.174630	\$0.311560	\$0.48619	26.84% 11.98%
32	<b>Transport. Firm</b>							
33	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00		
34								
35	<u>Transport charge per ccf</u>							
36	All usage	\$0.137680		\$0.137680	\$0.174630		\$0.174630	26.84% 26.84%
37	<b>Transport. Firm- DDQ</b>							
38	Customer Charge per Bill	\$18.00	\$18.00	\$23.15		\$23.15		28.61%
39								
40	<u>Transport charge per ccf</u>							
41	All usage	\$0.201160		\$0.201160	\$0.254160		\$0.254160	26.35%
42	<b>Transport. Interruptible</b>							
43	Customer Charge per Bill	\$67.00	\$67.00	\$85.00		\$85.00		
44								
45	<u>Transport charge per ccf</u>							
46	All usage	\$0.064020		\$0.064020	\$0.081200		\$0.081200	26.84%

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JUL - 1 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

JUL - 1 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**VALLEY ENERGY, INC.  
NOTICE OF PROPOSED RATE INCREASE AND TARIFF CHANGES**

To Our Customers:

On July 1, 2019, Valley Energy, Inc. (Valley or the Company) is filing a request with the Pennsylvania Public Utility Commission (PUC or Commission) to increase your natural gas rates and change some terms and conditions beginning August 30, 2019. This notice describes the Company's rate request, the PUC's role, and what actions you can take.

**Rate Request**

Valley Energy, Inc. has requested an overall rate increase of \$1,034,186 per year. This is approximately 10.8% of the Company's total annual revenues from natural gas sales and distribution services. If this filing is approved, it will also reset the State Tax Surcharge to 0.00%. Because the taxes addressed in the surcharge will be reflected in the new base rates, this will not impact your bill.

If the Company's entire request to increase rates by \$1,034,186 is approved by the PUC, the total bill for a residential customer purchasing gas supply from Valley and using 71 Ccf per month would increase by \$8.78 per month, from \$49.75 to \$58.53. This is approximately a 17.65% increase.

The total bill for a commercial class customer purchasing gas supply from Valley and using 247 Ccf per month would increase by \$21.96 per month, from \$140.92 to \$162.88. This is approximately a 15.58% increase.

Bills for other types of customers, including customers purchasing only transportation service from Valley, will also increase. Any residential, commercial, or other type of customer can contact Valley for an estimate of the impact of the proposed rate increase on your annual payments to the Company.

**Tariff Changes**

The Company is also proposing to make changes to the terms and conditions of service under its tariff, including clarifying and standardizing certain definitions within the current tariff; updating its Natural Gas Shortage and Emergency Conditions; and revising its Facilities Expansion Policy. A detailed description of these changes can be found in the Company's filing.

**More Information Available**

To find out your customer class, how the requested increase may affect your natural gas bill, or if you are interested in reviewing the material filed with the PUC, contact Valley Energy, Inc. at (800) 998-4427 or (570) 888-9664. The rates requested by the Company may be found in Tariff Supplement No. 49 to Gas-Pa. P.U.C. No. 2. You may examine the material filed with the PUC which explains the requested increase and the reasons for it. A copy of this material is kept at the Valley's office. Valley is open from 7:30 am to 4:30 pm Monday through Friday. Valley's office is located at 523 South Keystone Avenue, Sayre, Pennsylvania. A copy will also be posted on Valley's website at <http://www.valley-energy.com>. Upon request, the Company will send you the Statement of Reasons for Supplement No. 49, explaining why the rate increase has been requested.

## **PUC Role**

The state agency that approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Company must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates.

The PUC may change the amount of the rate increase or decrease requested by the utility for each customer class. As a result, the rate charged to you may be different than the rate requested by the Company and shown above.

## **Actions You Can Take**

There are three ways to challenge a company's request to change its rate:

1. You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC before August 30, 2019. If no formal complaints are filed, the Commission may grant all, some or none of the request without holding a hearing before a judge.
2. You can send the PUC a letter telling them why you object to the requested rate increase. Sometimes there is information in these letters that makes the PUC aware of problems with the Company's service or management. This information can be helpful when the PUC investigates the rate request. Send your letter or request for a formal complaint form to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
3. You can be a witness at a public input hearing. Public input hearings may be held if the Commission opens an investigation of the Company's rate increase request and if there is a large number of customers interested in the case. At these hearings you have the opportunity to present your views in person to the PUC judge hearing the case and the Company representatives. All testimony given "under oath" becomes part of the official rate case record. These hearings are held in the service area of the Company.

VALLEY ENERGY, INC.

## Press Release

Today, July 1, 2019, Valley Energy, Inc. (Valley or the Company), filed a base rate increase proposal with the Pennsylvania Public Utility Commission (PUC or Commission). The amount of the proposed increase is \$1,034,186 per year or about 10.8% of the Company's total annual revenues. The proposed effective date for the increase is August 30, 2019.

If the Company's entire request to increase rates by \$1,034,186 is approved by the PUC, the total bill for a residential customer purchasing gas supply from Valley and using 71 Ccf per month would increase by \$8.78 per month, from \$49.75 to \$58.53. This is approximately a 17.65% increase.

The total bill for a commercial class customer purchasing gas supply from Valley and using 247 Ccf per month would increase by \$21.96 per month, from \$140.92 to \$162.88. This is approximately a 15.58% increase.

Bills for other types of customers on other service schedules will also increase. Any customer can contact Valley for an estimate of the impact of the proposed rate increase on its annual payments to the Company.

The Company is also proposing to make changes to the terms and conditions of service under its tariff, including clarifying and standardizing certain definitions within the current tariff; updating its Natural Gas Shortage and Emergency Conditions; and revising its Facilities Expansion Policy. A detailed description of these changes can be found in the Company's filing.

The proposed rates are necessary to fund increases in operating costs and system utility plant additions. The Company continues to upgrade its system with newer and more modern equipment, which will increase the reliability of customer's service, and is taking other steps to improve its service to customers. The last rate increase granted to the Company by the PUC was in 2010.

Any questions concerning the increase or its effect on customers' bills can be directed to the Company at (800) 998-4427 or (570) 888-9664.

VALLEY ENERGY, INC.

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Valley Energy, Inc. :  
2019 Base Rate Filing :  
: Docket No. R-2019-3008209  
: Supplement No. 49 to :  
Tariff - Gas Pa. PUC No. 2 :

**AFFIDAVIT OF EDWARD ROGERS  
PRESIDENT & CHIEF EXECUTIVE OFFICER  
VALLEY ENERGY, INC.  
SAYRE, PA**

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**AFFIDAVIT**

COMMONWEALTH OF PENNSYLVANIA     )  
  )  
COUNTY OF BRADFORD                    )     ss:

EDWARD ROGERS, being duly sworn according to law, deposes and says that he is President and Chief Executive Officer of Valley Energy, Inc., Sayre, Pennsylvania, that he is authorized to make this affidavit on behalf of said company, and that the following statements are true and correct to the best of his knowledge, information and belief:

1. I have reviewed the Statement of Reasons and other information filed with the Pennsylvania Public Utility Commission on July 1, 2019, in connection with Valley's request to increase its base rates and implement other changes to its Tariff.

2. The factual assertions contained in the Statement of Reasons and other materials submitted with the filing are true and correct to the best of my knowledge, information and belief, and Valley will be able to prove the accuracy of the same, if necessary, at a hearing convened by the Commission in this matter.

3. Valley has retained the services of HSG Group, Inc. to assist in preparation of the supporting information filed with the Statement of Reasons.

4. The information contained in the supporting information submitted with the filing is true and correct to the best of my knowledge, information and belief, and the Company will be able to prove the same, if necessary, at any hearing convened by the Commission regarding the filing.

5. Based on the information prepared by HSG Group, Inc. and submitted with the filing, the proposed rate increase for each Rate Schedule is just and reasonable and should be approved by the Commission.

6. All customers of record as of July 1, 2019, will receive a bill insert of the NOTICE OF PROPOSED RATE INCREASE AND TARIFF CHANGES attached at Tab H of the Company's filing. The bill insert will be distributed throughout the next bill cycle.




Edward Rogers  
President and Chief Executive Officer

SWORN TO and subscribed

before me this 27<sup>th</sup> day

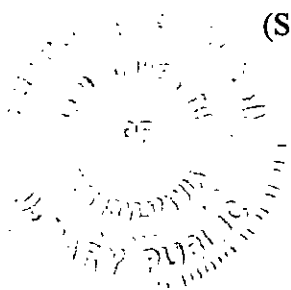
of June, 2019.



Notary Public

(SEAL)

Commonwealth of Pennsylvania - Notary Seal  
SHARON L. STIVASON, Notary Public  
Bradford County  
My Commission Expires April 23, 2022  
Commission Number 1189438



**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

**VIA E-MAIL AND FIRST CLASS MAIL**

Sharon Webb, Esq.  
Office of Small Business Advocate  
Suite 202, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101  
[swebb@pa.gov](mailto:swebb@pa.gov)

Brian Kalcic  
Excel Consulting  
225 South Meramec Avenue, Suite 720  
St. Louis, MO 63105  
[Excel.consulting@sbcglobal.net](mailto:Excel.consulting@sbcglobal.net)  
*OSBA Consultant*

Richard A. Kanaskie, Esq.  
Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
Harrisburg, PA 17120  
[rkanaskie@pa.gov](mailto:rkanaskie@pa.gov)

Tanya McCloskey, Esq.  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place - 5th Floor  
Harrisburg, PA 17101-1921  
[tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)

  
\_\_\_\_\_  
Adeolu A. Bakare

Counsel to Valley Energy, Inc.

Dated this 1<sup>st</sup> day of July, 2019, at Harrisburg, Pennsylvania.

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