



Penn State Facilities Engineering Institute
College of Engineering
The Pennsylvania State University
Marion Place, Suite 414
135 East Nittany Avenue
State College, PA 16801

814-865-7615
Fax: 814-863-7835

RECEIVED

July 27, 2015

JUL 27 2015

Pennsylvania Public Utility Commission
Secretary
PO Box 3265
Harrisburg, PA 17105-3265

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

RE: Application of The Pennsylvania State University for Natural Gas Broker/Marketer Services

Ladies and Gentlemen:

Enclosed is the application of The Pennsylvania State University for a Pennsylvania Natural Gas Broker/Marketer License in the Commonwealth of Pennsylvania. We include one signed original and one PDF copy of the complete Application on cd-rom, a check for \$350 for applicable filing fees, and NGDC bonding letters.

Please feel free to contact me by email at jhajduk@enr.psu.edu or by telephone at 814-867-4897 if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Hajduk".

John D. Hajduk
Associate Director
Penn State Facilities Engineering Institute

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of The Pennsylvania State University, d/b/a The Pennsylvania State University, for approval to offer, render, furnish, or supply natural gas supply services as a(n) **Broker/Marketer** to the public in the Commonwealth of Pennsylvania (Pennsylvania).

To the Pennsylvania Public Utility Commission:

1. IDENTIFICATION AND CONTACT INFORMATION

- a. **IDENTITY OF THE APPLICANT:** Provide name (*including any fictitious name or d/b/a*), primary address, web address, and telephone number of Applicant:

The Pennsylvania State University
408 Old Main
University Park PA 16802
www.psu.edu

- b. **PENNSYLVANIA ADDRESS / REGISTERED AGENT:** If the Applicant maintains a primary address outside of Pennsylvania, provide the name, address, telephone number, and fax number of the Applicant's secondary office within Pennsylvania. If the Applicant does not maintain a physical location *within Pennsylvania*, provide the name, address, telephone number, and fax number of the Applicant's Registered Agent within Pennsylvania.
- c. **REGULATORY CONTACT:** Provide the name, title, address, telephone number, fax number, and e-mail address of the person to whom questions about this Application should be addressed.

John D. Hajduk
Associate Director
Penn State Facilities Engineering Institute
135 East Nittany Avenue, Suite 414
State College, PA 16801
Phone: 814-867-4897
Fax: 814-863-7835
jdh257@psu.edu

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- d. **ATTORNEY:** Provide the name, address, telephone number, fax number, and e-mail address of the Applicant's attorney. If the Applicant is not using an attorney, explicitly state so.

Jennifer M. Eck
Office of General Counsel
227 West Benner Avenue, Suite 507
State College, PA 16801
814-867-4088 (phone)
814-863-8469 (fax)
jme30@psu.edu

- e. **CONTACTS FOR CONSUMER SERVICE AND COMPLAINTS:** Provide the name, title, address, telephone number, fax number, and e-mail of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints filed with the Applicant, the Natural Gas Distribution Company, the Pennsylvania Public Utility Commission, or other agencies. The main contact's information will be listed on the Commission website list of licensed NGSS.

Primary Contact:

John Hajduk
Associate Director
Penn State Facilities Engineering Institute
135 East Nittany Avenue, Suite 414
State College, PA 16801
jdh257@psu.edu
Phone: 814-867-4897
Fax: 814-863-7835

Alternate Contact:

James Myers
Director
Penn State Facilities Engineering Institute
135 East Nittany Avenue, Suite 414
State College, PA 16801
jxm17@psu.edu
Phone: 814-867-1657
Fax: 814-863-7835

2. BUSINESS ENTITY FILINGS AND REGISTRATION

a. FICTITIOUS NAME: *(Select appropriate statement and provide supporting documentation as listed.)*

The Applicant will be using a fictitious name or doing business as ("d/b/a")

Provide a copy of the Applicant's filing with Pennsylvania's Department of State Pursuant to 54 Pa. C.S. §311.

or

The Applicant will not be using a fictitious name.

b. BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:

(Select appropriate statement and provide supporting documentation. As well, understand that Domestic means being formed within Pennsylvania and foreign means being formed outside Pennsylvania.)

The Applicant is a sole proprietor.

- If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

or

The Applicant is a:

- domestic general partnership (*)
- domestic limited partnership (15 Pa. C.S. §8511)
- foreign general or limited partnership (15 Pa. C.S. §4124)
- domestic limited liability partnership (15 Pa. C.S. §8201)
- foreign limited liability general partnership (15 Pa. C.S. §8211)
- foreign limited liability limited partnership (15 Pa. C.S. §8211)

- Provide proof of compliance with appropriate Department of State filing requirements as indicated above.
- Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.
- Provide the state in which the business is organized/formed and provide a copy of the Applicant's charter documentation.

- * If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

or

The Applicant is a:

- domestic corporation (15 Pa. C.S. §1308)
- foreign corporation (15 Pa. C.S. §4124)
- domestic limited liability company (15 Pa. C.S. §8913)
- foreign limited liability company (15 Pa. C.S. §8981)
- Other (Describe): **Instrumentality of the Commonwealth of Pennsylvania and Pennsylvania non-profit corporation.**

- Provide proof of compliance with appropriate Department of State filing requirements as indicated above.
- Provide the state in which the business is incorporated/organized/formed and provide a copy of the Applicant's charter documentation.

See attached Pennsylvania Exemption Certificate and Charter Documentation.

- Give name and address of officers.

**Eric J. Barron - President
The Pennsylvania State University
201 Old Main
University Park, PA 16802
Telephone: 814-865-7611
Fax: 814-863-8583**

See attached Additional Officers' Names and Professional Profiles.

3. AFFILIATES AND PREDECESSORS

(both in state and out of state)

- a. **AFFILIATES:** Give name and address of any affiliate(s) currently doing business and state whether the affiliate(s) are jurisdictional public utilities. If the Applicant does not have any affiliates doing business, explicitly state so. Also, state whether the applicant has any affiliates that are currently applying to do business in Pennsylvania.

See attached Affiliates. Affiliates are organized in Pennsylvania. None of the affiliates are jurisdictional public utilities

- b. **PREDECESSORS:** Identify the predecessor(s) of the Applicant and provide the name(s) under which the Applicant has operated within the preceding five (5) years, including address, web address, and telephone number, if applicable. If the Applicant does not have any predecessors that have done business, explicitly state so.

Applicant does not have any predecessors that have done business as an Natural Gas Supplier in the preceding five (5) years.

4. OPERATIONS

a. **APPLICANT'S PRESENT OPERATIONS:** *(select and complete the appropriate statement)*

Definitions

- Supplier – an entity which provides natural gas supply services to retail gas customers utilizing the jurisdictional facilities of a natural gas distribution company
- Broker/Marketer - an entity that acts as an intermediary in the sale and purchase of natural gas but does not take title to the natural gas.

- The Applicant is presently doing business in Pennsylvania as a
- natural gas interstate pipeline
 - municipality providing service outside its municipal limits
 - local gas distribution company
 - retail supplier of natural gas services in the Commonwealth
 - a natural gas producer
 - a broker/marketer engaged in the business of supplying natural gas services
 - Other.

Institution of higher learning engaged in education, research, and outreach headquartered at University Park, Pennsylvania.

or

- The Applicant is not presently doing business in Pennsylvania.

b. **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as a:

- Supplier or Aggregator of natural gas services
- Municipal supplier of natural gas services
- Cooperative supplier of natural gas services
- Broker/Marketer engaged in the business of supplying natural gas services
- Check here to verify that your organization will not be taking title to the natural gas nor will you be making payments for customers.
- Other (Describe): **Institution of higher learning engaged in education, research, and outreach headquartered at University Park, Pennsylvania.**

c. **PROPOSED SERVICES:** Describe in detail the natural gas supply services which the Applicant proposes to offer.

The Penn State Facilities Engineering Institute intends to engage in business in Pennsylvania as a Broker/Marketer in the business of supplying selection and procurement services to governmental entities.

d. **PROPOSED SERVICE AREA:** Check the box of each Natural Gas Distribution Company for which the Applicant proposes to provide service.

- | | |
|---|--|
| <input type="checkbox"/> Columbia | <input type="checkbox"/> Philadelphia Gas Works |
| <input type="checkbox"/> National Fuel Gas | <input type="checkbox"/> UGI Central Penn |
| <input type="checkbox"/> PECO | <input type="checkbox"/> UGI Penn natural |
| <input type="checkbox"/> Peoples Gas – Equitable Div. | <input type="checkbox"/> UGI Utilities |
| <input type="checkbox"/> Peoples Natural Gas | <input type="checkbox"/> Valley Energy |
| <input type="checkbox"/> Peoples TWP | <input checked="" type="checkbox"/> All of the above |

e. **CUSTOMERS:** Applicant proposes to provide services to:

- Residential Customers
- Small Commercial Customers - (Less than 6,000 Mcf annually)
- Residential and Small Commercial as Mixed Meter ONLY (CANNOT BE TAKEN WITH RESIDENTIAL AND/OR SMALL COMMERCIAL ABOVE)
- Large Commercial Customers - (6,000 Mcf or more annually)
- Industrial Customers
- Governmental Customers
- All of above
- Other (Describe):

f. **START DATE:** Provide the approximate date the Applicant proposes to actively market within the Commonwealth.

8/1/2015

5. COMPLIANCE

a. **CRIMINAL/CIVIL PROCEEDINGS:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application, has been or is currently the defendant of a criminal or civil proceeding within the last five (5) years.

Identify all such proceedings (active or closed), by name, subject and citation; whether before an administrative body or in a judicial forum. If the Applicant has no proceedings to list, explicitly state such.

Neither the Trustees of The Pennsylvania State University, nor any person identified in this Application has been convicted of a crime involving fraud or a similar activity related to Natural Gas Supplier services.

b. **SUMMARY:** If applicable; provide a statement as to the resolution or present status of any such proceedings listed above.

Not applicable

c. **CUSTOMER/REGULATORY/PROSECUTORY ACTIONS:** Identify all formal or escalated actions or complaints filed with or by a customer, regulatory agency, or prosecutory agency against the Applicant, an affiliate, a predecessor of either, or a person identified in this Application, for the prior five (5) years, including but not limited to customers, Utility Commissions, and Consumer Protection Agencies such as the Offices of Attorney General. If the Applicant has no actions or complaints to list, explicitly state such.

Neither the Trustees of The Pennsylvania State University, nor any person identified in this Application has had any actions filed or complaints to list related to Natural Gas Supplier services.

d. **SUMMARY:** If applicable; provide a statement as to the resolution or present status of any actions listed above.

Not applicable

6. PROOF OF SERVICE

(Example Certificate of Service is attached at Appendix C)

a.) **STATUTORY AGENCIES:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, provide proof of service of a signed and verified Application with attachments on the following:

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Office of the Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

b.) **NGDCs:** Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, provide Proof of Service of the Application and attachments upon each of the Natural Gas Distribution Companies the Applicant proposed to provide service in. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14. Contact information for each NGDC is as follows.

Columbia Gas of PA, Inc.
Thomas C. Heckathorn
200 Civic Center Drive
Columbus, OH 43215
PH: 614.460.4996
FAX: 614.460.6442
theckathorn@nisource.com

Peoples Gas – Equitable Division
Lynda Petrichevich
375 North Shore Drive, Suite 600
Pittsburg, PA 15212
PH: 412.208.6528
FAX: 412.208.6577
e-mail: Lynda.w.petrichevich@peoples-gas.com

National Fuel Gas Distribution Corp.
David D. Wolford
6363 Main Street
Williamsville, NY 14221
PH: 716.857.7483
FAX: 716.857.7479
e-mail: wolfordd@natfuel.com

PECO
Carlos Thillet, Manager, Gas Supply and
Transportation
2301 Market Street, S9-2
Philadelphia, PA 19103
PH: 215.841.6452
Email: carlos.thillet@exeloncorp.com

The Peoples Natural Gas Company
Lynda Petrichevich
375 North Shore Drive, Suite 600
Pittsburg, PA 15212
PH: 412.208.6528
FAX: 412.208.6577
e-mail: Lynda.w.petrichevich@peoples-gas.com

Philadelphia Gas Works
Nicholas LaPergola
800 West Montgomery Avenue
Philadelphia, PA 19122
PH: 215.684.6278
email: nicholas.lapergola@pgworks.com

Peoples TWP LLC (Formerly T. W. Phillips)
Lynda Petrichevich
375 North Shore Drive, Suite 600
Pittsburg, PA 15212
PH: 412.208.6528
FAX: 412.208.6577
e-mail: Lynda.w.petrichevich@peoples-gas.com

UGI
David Lahoff
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677
PH: 610.796.3520
Email: dlahoff@ugi.com

UGI Central Penn
David Lahoff
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677
PH: 610.796.3520
Email: dlahoff@ugi.com

UGI Penn Natural
David Lahoff
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677
PH: 610.796.3520
Email: dlahoff@ugi.com

Valley Energy Inc.
Robert Crocker
523 South Keystone Avenue
Sayre, PA 18840-0340
PH: 570.888-9664
FAX: 570.888.6199
email: bobc@ctenterprises.org

7. FINANCIAL FITNESS

- a. **BONDING:** In accordance with 66 Pa. C.S. Section 2208(c), no natural gas supplier license shall be issued or remain in force unless the applicant or holder furnishes a bond or other security in a form and amount to ensure the financial responsibility of the natural gas supplier. The criteria used to determine the amount and form of such bond or other security shall be set by each NGDC. Provide documentation that the applicant has met the security requirement of each NGDC by submitting the letters sent by the NGDCs stating what bonding amounts they require.

See attached NGDC bonding letters.

- b. **FINANCIAL RECORDS, STATEMENTS, AND RATINGS:** Applicant must provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:
- Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies.
 - Published Applicant or parent company financial and credit information (i.e. 10Q or 10K). (SEC/EDGAR web addresses are sufficient)
 - Applicant's accounting statements, including balance sheet and income statements for the past two years.
 - Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form, evidence of Moody's, S&P, or Fitch ratings, and/or other independent financial service reports.
 - A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee.
 - Audited financial statements exhibiting accounts over a minimum two year period.

- Bank account statement, tax returns from the previous two years, or any other information that demonstrates Applicant's financial fitness.

See attached Audited Financial Statements for The Pennsylvania State University Fiscal Year Ended June 30, 2014.

- c. **SUPPLIER FUNDING METHOD:** If Applicant is operating as anything other than Broker/Marketer only, explain how Applicant will fund its operations. Provide all credit agreements, lines of credit, etc., and elaborate on how much is available on each item.

Not applicable

- d. **BROKER PAYMENT STRUCTURE:** If applicant is a broker/marketer, explain how your organization will be collecting your fees.

Fees will be collected as part of a contract for energy procurement advisory services over a specified duration. These fees will be paid directly to The Pennsylvania State University and The Pennsylvania State University will not be taking title to electricity or making payments on behalf of its clients.

- e. **ACCOUNTING RECORDS CUSTODIAN:** Provide the name, title, address, telephone number, FAX number, and e-mail address of Applicant's custodian for its accounting records.

Joseph J. Donsecz
Associate Vice President for Finance & Corporate Controller
Office of the Corporate Controller
408 Old Main
University Park PA 16802
Phone: 814-865-1355
Fax: 814-863-0701
jjd7@psu.edu

- f. **TAXATION:** Complete the TAX CERTIFICATION STATEMENT attached as Appendix D to this application.

All sections of the Tax Certification Statement must be completed. Absence (submitting N/A) of any of the TAX identifications numbers (items 7A through 7C) shall be accompanied by supporting documentation or an explanation validating the absence of such information.

Items 7A and 7C on the Tax Certification Statement are designated by the Pennsylvania Department of Revenue. Item 7B on the Tax Certification Statement is designated by the Internal Revenue Service.

See Appendix D, Tax Certification Statement.

8. TECHNICAL FITNESS:

To ensure that the present quality and availability of service provided by natural gas distribution companies does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided.

a. **EXPERIENCE, PLAN, STRUCTURE:** such information may include:

The Penn State Facilities Engineering Institute (PSFEI) has provided facility engineering support to the Commonwealth of Pennsylvania since 1947. Over the past 20 years, PSFEI has grown by staying at the forefront of educational and energy trends as they relate to the customers of the Commonwealth and the federal government. Since its inception, one of the cornerstones of PSFEI services has been to provide services related to conservation of energy and saving money on energy procurement. PSFEI began assisting the Commonwealth with energy procurement due to the onset of electric and natural gas deregulation in Pennsylvania during the late 1990s.

b. **PROPOSED MARKETING METHOD** (check all that apply)

- Internal – Applicant will use its own internal resources/employees for marketing
- External NGS – Applicant will contract with a **PUC LICENSED NGS**
- Affiliate – Applicant will use a **NON-NGS affiliate that is a nontraditional marketer and/or marketing services consultant**
- External Third-Party – Applicant will contract with a **NON-NGS third party nontraditional marketer and/or nonselling marketer**
- Other (Describe):

c. **DOOR TO DOOR SALES:** Will the Applicant be implementing door to door sales activities?

- Yes
- No

If yes, will the Applicant be using verification procedures?

- Yes
- No

If yes, describe the Applicant's verification procedures.

d. **OVERSIGHT OF MARKETING:** Explain all methods Applicant will use to ensure all marketing is performed in an ethical manner, for both employees and subcontractors.

The Pennsylvania State University will ensure all marketing is performed in alignment with its Ethics and Compliance Office. The Mission of the Office of Ethics and Compliance is to assist the University and its community in achieving its commitment to the highest standards of ethics, honesty, and integrity. The office meets this mission by:

- **Setting forth guidelines for conduct designed to prevent, deter and detect violations of the law, uphold accreditation standards and comply with University policies;**
- **Offering support through training and educational resources;**
- **Providing an operational structure that outlines and documents the University's ethics and compliance efforts;**
- **Working in conjunction with other University offices.**

The Ethics and Compliance Department is responsible for issuing and maintaining such documents, providing guidance in response to questions regarding such information, and ensuring consistent application and adherence to such guidance, it is ultimately the responsibility of each individual to meet these expectations.

- e. **OFFICERS:** Identify Applicant's chief officers, and include the professional resumes for any officers directly responsible for operations.

See attached **Additional Officers' Names and Professional Profiles.**

9. DISCLOSURE STATEMENT:

DISCLOSURE STATEMENTS: If proposing to serve Residential and/or Small Commercial (less than 6,000 Mcf annually) Customers, provide a Residential and/or Small Commercial disclosure statement. A sample disclosure statement is provided as Appendix E to this Application.

Not applicable for an applicant applying for a license exclusively as a broker/marketer.

10. VERIFICATIONS, ACKNOWLEDGEMENTS, AND AGREEMENTS

- a. **STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission. Further, the Applicant agrees that it must comply with and ensure that its employees, agents, representatives, and independent contractors comply with the standards of conduct and disclosure set out in Commission regulations at 52 Pa. Code § 62.114.

 AGREED

- b. **REPORTING REQUIREMENTS:** Applicant agrees to provide the following information to the Commission:

- Reports of Gross Receipts: Applicant shall file an annual report with the Commission on an annual basis no later than April 30th following the end of the calendar year per 52 Pa. Code § 62.110.

 AGREED

- c. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. § 2208(d). Transferee will be required to file the appropriate licensing application.

 AGREED

- d. **ASSESSMENT:** The Commission does not presently assess Natural Gas Suppliers for the purposes of recovery of regulatory expenses.

 ACKNOWLEDGED

- e. **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur to the information upon which the Commission relied in approving the original filing. See 52 Pa. Code § 62.105.

 AGREED

- f. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to

the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

AGREED

- g. **NOTIFICATION OF CHANGE:** If your answer to any of these items changes during the pendency of your application or if the information relative to any item herein changes while you are operating within the Commonwealth of Pennsylvania, you are under a duty to so inform the Commission, within thirty (30) days, as to the specifics of any changes which have a significant impact on the conduct of business in Pennsylvania. See 52 Pa. Code § 62.105.

AGREED

- h. **CEASING OF OPERATIONS:** Applicant is also required to officially notify the Commission if it plans to cease doing business in Pennsylvania, 90 days prior to ceasing operations.

AGREED

- i. **FEE:** The Applicant has enclosed or paid the required initial licensing fee of \$350.00 payable to the Commonwealth of Pennsylvania.

PAYMENT ENCLOSED

Check No. 5722451

11. AFFIDAVITS

- a.) **APPLICATION AFFIDAVIT:** Complete and submit with your filing an officially notarized Application Affidavit stating that all the information submitted in this application is truthful and correct. An example copy of this Affidavit can be found at Appendix A.

See Appendix A.

- b.) **OPERATIONS AFFIDAVIT:** Provide an officially notarized affidavit stating that you will adhere to the Public Utility Code of Pennsylvania and applicable federal and state laws. An example copy of this Affidavit can be found at Appendix B.

See Appendix B.

12. NEWSPAPER PUBLICATIONS

Notice of filing of this Application must be published in newspapers of general circulation covering each county in which the applicant intends to provide service. Below is a list of newspapers which cover the publication requirements for Natural Gas Suppliers looking to do business in Pennsylvania.

The newspapers in which proof of publication are required is dependent on the service territories the applicant is proposing to serve. The chart below dictates which newspapers are necessary for each NGDC. If the applicant is proposing to serve the entire Commonwealth, please file proof of publication in all seven newspapers.

Please file with the Commission the Certification of Publication, along with a Photostatic copy of the notice to complete the notice requirements.

Proof of newspaper publications must be filed with the initial application. Applicants **do not** need a docket number in their publication. Docket numbers will be issued when all criteria on the item 14 checklist (see below) are satisfied.

See attached copies of proof of publication of legal notice in the foregoing newspapers.

Note: The original proofs of publication have been filed with The Pennsylvania State University's application for Electricity or Electric Generation Services.

	Erie Times-News	Harrisburg Patriot-News	Philadelphia Daily News	Pittsburg Post-Gazette	Scranton Times-Tribune	Williamsport Sun-Gazette	Johnstown Tribune-Democrat
Columbia Gas	X	X		X		X	X
Equitable Gas	X			X			
National Fuel Gas				X			
PECO			X				
Peoples Natural Gas	X			X			X
Peoples TWP LLC				X			
Philadelphia Gas Works			X				
UGI		X	X		X		
UGI Central Penn	X	X	X	X	X	X	X
UGI Penn Natural		X			X	X	
Valley Energy					X	X	
Entire Commonwealth	X	X	X	X	X	X	X

(Example Publications are provided at Appendices F and G)

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13. SIGNATURE

JUL 27 2015

Applicant: The Pennsylvania State University

By: Joseph J. Donsecz

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Title: Joseph J. Donsecz
Associate Vice President for Finance & Corporate Controller

14. CHECKLIST

For the applicant's convenience, please use the following checklist to ensure all relevant sections are complete. The Commission Secretary's Bureau will not accept an application unless each of the following sections is complete.

Applicant: The Pennsylvania State University

Applicant's Use	Signature	
	Filing Fee	
	Application Affidavit	
	Operations Affidavit	
	Proof of Publication	
	Tax Certification Statement	
	Commonwealth Department of State Verification	
	Certificate of Service	
		PUC Secretary's Bureau Use

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

RECEIVED

Appendix A
APPLICATION AFFIDAVIT

JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Commonwealth of Pennsylvania:

ss.

County of Centre:

Joseph J. Doncsecz, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

He is the Associate Vice President for Finance & Corporate Controller of The Pennsylvania State University;

That he is authorized to and does make this affidavit for said Applicant;

That the Applicant herein The Pennsylvania State University has the burden of producing information and supporting documentation demonstrating its technical and financial fitness to be licensed as an electric generation supplier pursuant to 66 Pa. C.S. § 2809 (B).

That the Applicant herein The Pennsylvania State University has answered the questions on the application correctly, truthfully, and completely and provided supporting documentation as required.

That the Applicant herein The Pennsylvania State University acknowledges that it is under a duty to update information provided in answer to questions on this application and contained in supporting documents.

That the Applicant herein The Pennsylvania State University acknowledges that it is under a duty to supplement information provided in answer to questions on this application and contained in supporting documents as requested by the Commission.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.

Joseph J. Doncsecz
Signature of Affiant

Sworn and subscribed before me this 27th day of July, 2015.

Diane K. Keshvari
Signature of official administering oath

My commission expires July 26, 2019

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DIANE K. KESHVARI, Notary Public
State College Boro., Centre County
My Commission Expires July 26, 2019

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Appendix B
OPERATIONS AFFIDAVIT

JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Commonwealth of Pennsylvania:

ss.

County of Centre:

Joseph J. Doncsecz, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

He is the Associate Vice President for Finance & Corporate Controller of The Pennsylvania State University;

That he is authorized to and does make this affidavit for said Applicant;

That The Pennsylvania State University the Applicant herein, acknowledges that The Pennsylvania State University may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That The Pennsylvania State University, the Applicant herein, asserts that it possesses the requisite technical, managerial, and financial fitness to render electric service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

That The Pennsylvania State University, the Applicant herein, certifies to the Commission that it is subject to, will pay, and in the past has paid, the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 28 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of Chapter 28, shall be cause for the Commission to revoke the license of the Applicant. The Applicant acknowledges that it shall report to the Commission its jurisdictional Gross Receipts and power sales for ultimate consumption, for the previous year or as otherwise required by the Commission. The Applicant also acknowledges that it is subject to 66 Pa. C.S. §506 (relating to the inspection of facilities and records).

As provided by 66 Pa. C.S. §2810 (C)(6)(iv), Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

That The Pennsylvania State University, the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 Pa. C.S. §506, §2807 (C), §2807(D)(2), §2809(B) and the standards and billing practices of 52 PA. Code Chapter 56.

That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Bureau of Public Liaison or other Commission bureaus. Materials and information requested may be analyzed by the Commission to meet obligations under applicable sections of the law.

Appendix B (Continued)

That the facts above set forth are true and correct/true and correct to the best of his/her knowledge, information, and belief.

Joseph J. Donawick

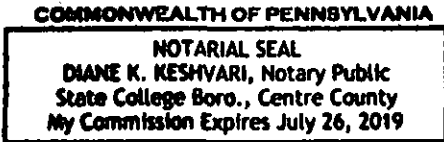
Signature of Affiant

Sworn and subscribed before me this 27th day of July, 2015.

Diane K. Keshvari

Signature of official administering oath

My commission expires July 26, 2019.





**BUREAU OF
BUSINESS TRUST FUND TAXES**
PO BOX 280901
HARRISBURG, PA 17128-0901

**PENNSYLVANIA EXEMPTION
CERTIFICATE**

CHECK ONE:

- STATE OR LOCAL SALES AND USE TAX
- STATE OR LOCAL HOTEL OCCUPANCY TAX
- PUBLIC TRANSPORTATION ASSISTANCE TAXES AND FEES (PTA)
- VEHICLE RENTAL TAX (VRT)

(Please Print or Type)

This form cannot be used to obtain a Sales Tax License Number, PTA License Number or Exempt Status.

**Read Instructions
On Reverse Carefully**

THIS FORM MAY BE PHOTOCOPIED - VOID UNLESS COMPLETE INFORMATION IS SUPPLIED

- CHECK ONE:** PENNSYLVANIA TAX UNIT EXEMPTION CERTIFICATE (USE FOR ONE TRANSACTION)
 PENNSYLVANIA TAX BLANKET EXEMPTION CERTIFICATE (USE FOR MULTIPLE TRANSACTIONS)

Name of Seller, Vendor, or Lessor _____

Street _____	City _____	State _____	ZIP Code _____
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NOTE: Do not use this form for claiming an exemption on the registration of a vehicle. To claim an exemption from tax for a motor vehicle, trailer, semi-trailer or tractor with the PA Department of Transportation, Bureau of Motor Vehicles, use one of the following forms:

- FORM MV-1 Application for Certificate of Title (first time registrations)
- FORM MV-4ST Vehicle Sales and Use Tax Return/Application for Registration (other registrations)

Property and services purchased or leased using this certificate are exempt from tax because: (Select the appropriate paragraph from the back of this form, check the corresponding block below and insert information requested.)

- 1. Property or services will be used directly and predominately by purchaser in performing purchaser's operation of: _____
- 2. Purchaser is a/an: Instrumentality of the Commonwealth of Pennsylvania
- 3. Property will be resold under License Number _____ (If purchaser does not have a PA Sales Tax License Number, include a statement under Number 7 explaining why a number is not required.)
- 4. Purchaser is a/an: _____ holding Exemption Number _____
- 5. Property or services will be used directly and predominately by purchaser performing a public utility service.
 PA Public Utility Commission PUC Number _____ and/or US Department of Transportation MC/MX _____
- 6. Exempt wrapping supplies, License Number _____ (If purchaser does not have a PA Sales Tax License Number, include a statement under Number 7 explaining why a number is not required.)
- 7. Other _____
 (Explain in detail. Additional space on reverse side.)

I am authorized to execute this Certificate and claim this exemption. Misuse of this Certificate by seller, lessor, buyer, lessee, or their representative is punishable by fine and imprisonment.

Name of Purchaser or Lessee The Pennsylvania State University	Signature <i>George Haney</i> City Director Procurement Services	EIN 24-6000376	Date 01/05/15
Street 101 Procurement Services Building	University Park	PA	ZIP Code 16802

1. ACCEPTANCE AND VALIDITY:

For this certificate to be valid, the seller/lessor shall exercise good faith in accepting this certificate, which includes: (1) the certificate shall be completed properly; (2) the certificate shall be in the seller/lessor's possession within 60 days from the date of sale/lease; (3) the certificate does not contain information which is knowingly false; and (4) the property or service is consistent with the exemption to which the customer is entitled. For more information, refer to Exemption Certificates, Title 61 PA Code §32.2. An invalid certificate may subject the seller/lessor to the tax.

2. REPRODUCTION OF FORM:

This form may be reproduced but shall contain the same information as appears on this form.

3. RETENTION:

The seller or lessor must retain this certificate for at least four years from the date of the exempt sale to which the certificate applies.

DO NOT RETURN THIS FORM TO THE PA DEPARTMENT OF REVENUE.

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

4. EXEMPT ORGANIZATIONS:

This form may be used in conjunction with form REV-1715, Exempt Organization Declaration of Sales Tax Exemption, when a purchase of \$200 or more is made by an organization which is registered with the PA Department of Revenue as an exempt organization. These organizations are assigned an exemption number, beginning with the two digits 75 (example: 75-00000-0).

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JUL 27 2015

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CORPORATE CHARTER OF THE PENNSYLVANIA STATE UNIVERSITY*

The Charter of The Pennsylvania State University is not in the traditional form of charters of other corporations. This is because no particular form was followed when the institution was created as the Farmers' High School by special act of the legislature of Pennsylvania on February 22, 1855. The name of the institution has been changed successively to the Agricultural College of Pennsylvania in 1862, the Pennsylvania State College in 1874, and The Pennsylvania State University in 1953. The original charter has been amended once in the Court of Quarter Sessions of Centre County on May 1, 1862, and in the Court of Common Pleas of Centre County in the following proceedings: No. 235 November Term, 1875; No. 166 April Term, 1892; No. 162 May Term, 1915; No. 130 February Term, 1925; No. 218 February Term, 1951; No. 140 December Term, 1953; No. 211 February Term, 1958; No. 189 October Term, 1959; and No. 192 October Term, 1962. The Charter was further amended by action of the Board of Trustees on November 22, 2002, May 3, 2013, November 22, 2013, March 7, 2014 and November 14, 2014. Various acts of assembly have been passed which deal with the status and rights of The Pennsylvania State University as the instrumentality of the Commonwealth to perform the essential governmental functions of education, but these do not alter the charter and powers of the institution.

In reality, the charter of The Pennsylvania State University consists of the acts of assembly which properly relate to it as well as all of the decrees of the Court of Centre County above cited. The following are selected paragraphs from these various acts and decrees arranged under traditional headings.

NAME AND PURPOSE OF THE INSTITUTION

There is hereby erected and established, at the place which shall be designated by the authority, and as hereinafter provided, an institution for the education of youth in the various branches of science, learning and practical agriculture, as they are connected with each other, by the name, style, and title of The Pennsylvania State University. (Act of February 22, 1855, P.L. 46, sec. 1, 24 Purd. Comp. Stat. sec. 2531; Decree of the Court of Quarter Sessions of Centre County, May 1, 1862, No. 8, April Sessions, 1862; Decree of the Court of Common Pleas of Centre County, January 26, 1874, No. 238, November Term, 1873; Decree of the Court of Common Pleas of Centre County, Pennsylvania, November 13, 1953, No. 140, December Term, 1953)

MANAGEMENT OF THE INSTITUTION

The said institution shall be under the management and government of the Board of Trustees. (Act of February 22, 1855, P.L. 46, sec. 2, 24 Purd. Comp. Stat. sec. 2532)

INCORPORATION

Said trustees and their successors in office are hereby erected and declared to be a body politic and corporate in law, with perpetual succession, by the name, style, and title of The Pennsylvania State University, by which name and title the said trustees, and their successors, shall be able and capable in law to take by gift, grant, sale or conveyance, by bequest, devise, or otherwise, any estate in any lands, tenements, and hereditaments, goods, chattels, or effects, and at pleasure to alien or

*For a copy of the original Charter of the University, see pages C-9 through C-11

otherwise dispose of the same to and for the use and purpose of the said institution; and the said corporation shall, by the same name, have power to sue and be sued, and generally to do and transact all and every business touching or concerning the premises, or which shall be necessarily incidental thereto, and to hold, enjoy, and exercise all such powers, authorities, and jurisdiction as are customary within the colleges within this Commonwealth. (Act of February 22, 1855, P.L. 46, sec. 3, 24 Purd. Comp. Stat. sec. 2533; Resolution of the Board of Trustees, May 3, 2013)

CORPORATE SEAL

The same trustees shall cause to be made a seal, with such device as they may think proper, and by and with which all the deeds, diplomas, certificates, and acts of the institution shall be authenticated, and they may at their pleasure alter the same. (Act of February 22, 1855, P.L. 46, sec. 4, 24 Purd. Comp. Stat. sec. 2534)

NUMBER OF TRUSTEES

The number of trustees of said institution shall be fixed at thirty-eight. (Act of February 22, 1855, P.L. 46, sec. 3, 24 Purd. Comp. Stat. sec. 2533; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Decree of the Court of Common Pleas of Centre County, July 19, 1951, No. 218, February Term, 1951; Resolution of the Board of Trustees, November 14, 2014)

MEMBERSHIP OF THE BOARD

- (1) Ex Officio Members: The Secretary of Education, the Secretary of Agriculture and the Secretary of Conservation and Natural Resources of the Commonwealth shall be *ex officio* voting members of the Board and the President of The Pennsylvania State University and the Governor of the Commonwealth shall be *ex officio* non-voting members of the Board. (Act of February 22, 1855, P.L. 46, sec. 3, 24 Purd. Comp. Stat. sec. 2533; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Act of June 2, 1893, P.L. 272, sec. 1; Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Decree of the Court of Common Pleas of Centre County, July 19, 1951, No. 218, February Term, 1951; Resolution of the Board of Trustees, May 3, 2013)
- (2) Members Appointed by the Governor: Six trustees shall be appointed by the Governor of the Commonwealth. (Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925)
- (3) Members Elected by the Alumni: A total of nine trustees shall be elected by alumni and former students of the University. (Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the

Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Resolution of the Board of Trustees, November 14, 2014)

- (4) Members Elected by Agricultural Organizations: Six trustees, who shall be members of and represent organized agricultural societies and associations of the Commonwealth ("Agricultural Organizations"), shall be elected by three delegates from each county in the Commonwealth representing such Agricultural Organizations. (Act of February 22, 1855, P.L. 46, sec. 5, 24 Purd. Comp. Stat. sec. 2535; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Decree of the Court of Common Pleas of Centre County, July 19, 1951, No. 218, February Term, 1951; Resolution of the Board of Trustees, November 14, 2014))
- (5) Members Elected Representing Business and Industry: Six trustees representing business and industry endeavors shall be elected by the Board of Trustees. (Resolution of the Board of Trustees, November 22, 2002; Resolution of the Board of Trustees, November 14, 2014))
- (6) Member Elected Representing the Student Body. In May 2015 and bi-annually thereafter, a trustee representing the student body shall be elected by the Board of Trustees. (Resolution of the Board of Trustees, November 14, 2014))
- (7) Member Elected Representing the Faculty. In May 2015 and every three years thereafter, a trustee representing the faculty of the University shall be elected by the Board of Trustees. (Resolution of the Board of Trustees, November 14, 2014))
- (8) Member representing the Penn State Alumni Association. Commencing July 1, 2015, and bi-annually thereafter, the immediate past president of the Penn State Alumni Association shall be an ex officio member of the Board of Trustees. (Resolution of the Board of Trustees, November 14, 2014))
- (9) Members Elected by the Board of Trustees. In May 2015 three at-large trustees shall be elected by the Board of Trustees. Thereafter, one at-large trustee shall be elected annually by the Board of Trustees. (Resolution of the Board of Trustees, November 14, 2014))

QUALIFICATIONS OF ELECTORS

- (1) Alumni
 - (a) All graduates who have received a first or bachelor's degree or an advanced degree from the University, and former students (limited to those persons who have satisfactorily passed one semester's or two terms' work, or more, in any University program which requires two years, or more, for completion and which results in a degree) shall be eligible to vote for alumni trustees, at the election next following the year of their graduation or the year following that in which they were no longer in attendance at the University, subject, however, to the procedure next stated. (Decree of the Court of Common Pleas of Centre County, April 25, 1892, No. 166, April Term, 1892; Decree of the Court of Common Pleas of Centre County,

February 28, 1958, No. 211, February Term, 1958; Decree of the Court of Common Pleas of Centre County, No. 192, October Term, 1962; Resolution of the Board of Trustees, March 7, 2014)

- (b) Procedure in Conducting Nominations and Elections: Ballots for the nomination and election of alumni to the Board of Trustees of the University shall be sent electronically to:
- (i) Electors (qualified as above set forth) who have a valid email address on file in the University's alumni records as of the date of distribution of such ballots, and
 - (ii) Electors who make individual request, in writing to the University, that such ballots be furnished to them. (Decree of the Court of Common Pleas of Centre County, February 28, 1958, No. 211, February Term, 1958; Resolution of the Board of Trustees, May 3, 2013; Resolution of the Board of Trustees, March 7, 2014; Resolution of the Board of Trustees, November 14, 2014)
- (2) Agricultural Organizations: In case more than one Agricultural Organization from a county shall elect delegates, then the delegates from such county shall select three from their number who shall represent such county. No individual may represent an Agricultural Organization as a delegate unless such person is a member in good standing of such Agricultural Organization. (Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Resolution of the Board of Trustees, November 14, 2014)
- (3) Agricultural Organizations to Be Organized Twelve Months: No Agricultural Organization shall be entitled to send delegates unless such Agricultural Organization has at least fifteen (15) members and has been regularly organized and in existence at least twelve (12) months preceding the time of the election of trustees. (Act of February 22, 1855, P.L. 46, sec. 5, 24 Purd. Comp. Stat. sec. 2535; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Resolution of the Board of Trustees, November 14, 2014)

RULES AND REGULATIONS

The Board of Trustees is hereby authorized and empowered to make and alter, from time to time, such rules and regulations for the election of members thereof as it shall deem necessary and expedient. (Resolution of the Board of Trustees, November 14, 2014)

TIME OF ELECTION

The election of trustees shall be held annually, by ballot, in manner as provided by the Board of Trustees, on such day and hour during Commencement week and on such day previous to the day

for the final public exercises of Commencement as from time to time shall be determined by the Board of Trustees. (Act of February 22, 1855, P.L. 46, sec. 5, 24 Purd. Comp. Stat. sec. 2535; Decree of the Court of Common Pleas of Centre County, January 26, 1874, No. 238, November Term, 1873; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Decree of the Court of Common Pleas of Centre County, April 25, 1892, No. 166, April Term, 1892; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925)

NOTICE OF ELECTION

Notice of such date for the election of trustees and of the meeting or meetings to be held for such purpose shall be provided by the Secretary of the Board of Trustees at least sixty days prior to the date of said election to (a) the qualified electors described in Section (1)(b) under "QUALIFICATIONS OF ELECTORS" above, and (b) the societies and associations hereinbefore named shall be sent by the Secretary of the Board of Trustees at least sixty days prior to the date of said election to such agricultural societies or associations as appeared eligible at the next preceding annual election. Such notice shall be also similarly given at least sixty days prior to the date of said election for the election of business and industry trustees. Notice shall also be posted on the University's website at least sixty days prior to the election. (Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Resolution of the Board of Trustees, May 3, 2013)

PLACE OF ELECTION

All elections shall be held at the institution by so many of the electors and alumni above mentioned as shall be present at the regular time for holding elections, under the direction of the Board of Trustees and by ballot, as now provided by law. (Act of February 22, 1855, P.L. 46, sec. 5, 24 Purd. Comp. Stat. sec. 2535; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875)

JUDGES OF ELECTION

It shall be the duty of said Board of Trustees to appoint two of their number as judges to hold such election, to receive and count the votes, and return the same to the Board of Trustees with their certificate of the number of votes cast, and for whom, whereupon the said Board shall determine who have received the highest number of votes and who are thereby elected. (Act of February 22, 1855, P.L. 46, sec. 5, 24 Purd. Comp. Stat. sec. 2535)

TERM OF TRUSTEES

Except as set forth below, the term of the trustees appointed and elected as aforesaid shall be three years; two of whom shall be appointed by the Governor annually; three of whom shall be elected annually by the alumni of the University; two of whom shall be elected annually by the delegates representing the agricultural societies and associations, two of whom shall be elected annually representing business and industry and one of whom shall be elected annually at large; all of whose terms of office shall begin on the first day of July following their appointment or election, as the case may be. The trustee elected to represent the student body and the trustee who serves *ex officio* as the immediate past President of the Penn State Alumni Association shall each have a two year

term; provided, however, that if the trustee elected to represent the student body ceases to meet all of the criteria set forth in the University's Bylaws, such trustee's term shall expire on the date that such trustee no longer meets such criteria. The three at-large trustees elected in May 2015 shall be elected for staggered terms of one, two and three years, respectively. (Act of February 22, 1855, P.L. 46, sec. 5, 24 Purd. Comp. Stat. sec. 2535; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Decree of the Court of Common Pleas of Centre County, April 25, 1892, No. 166, April Term, 1892; Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 23, 1925, No. 130, February Term, 1925; Decree of the Court of Common Pleas of Centre County, July 19, 1951, No. 218, February Term, 1951; Resolution of the Board of Trustees, November 14, 2014)

MEETINGS OF THE BOARD

In addition to the annual meeting of the Board of Trustees at the institution, such other meetings are authorized as may be fixed by the Board by their adjournment from time to time, or be called by the authority of the President and Secretary, in which latter case notice shall be given to each and every member of the Board at least three days prior to the time of meeting, which said meetings shall take place and be in lieu of those provided by the sixth section of the Act of the twenty-second of February, A.D. 1855. (Act of February 22, 1855, P.L. 46, sec. 6, 24 Purd. Comp. Stat. sec. 2541; Decree of the Court of Common Pleas of Centre County, November 22, 1875, No. 235, November Term, 1875; Resolution of the Board of Trustees, May 3, 2013)

COMPENSATION OF TRUSTEES

Members of the Board of Trustees serve as volunteers and shall not be compensated for their services. Trustees may be reimbursed upon request for transportation and other direct expenses while engaged in the discharge of their official duties, in accordance with the University's travel reimbursement policies in effect from time to time. (Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Resolution of the Board of Trustees, May 3, 2013)

OFFICERS OF THE BOARD

The officers of the Board of Trustees shall be chosen annually by the Board to serve for a period of one year; and shall consist of a Chair, a Vice Chair, a Secretary and a Treasurer. (Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Resolution of the Board of Trustees, May 3, 2013)

EXECUTIVE COMMITTEE

- (1) Membership: The executive committee shall have 13 members, all of whom shall be voting members. The executive committee shall be composed of the Chair of the Board of Trustees (who shall also be the chair of the executive committee), the Vice Chair, the chairs of the standing committees, the chair of the Board of Directors of the Milton S. Hershey Medical Center (or, if such chair is not a voting member of the Board of Trustees, a member of the Board of Directors of The Milton S. Hershey Medical Center who is also a voting member of the Board of Trustees), the immediate past chair of the Board of Trustees, and

such number of at-large members nominated by the Governance and Long-Range Planning Committee and elected by the Board of Trustees as may be necessary to have an Executive Committee of thirteen (13) members. The Secretary of the Board shall be the Recording Secretary of the Executive Committee. In addition, the President of the University shall be an ex-officio nonvoting member of the Executive Committee. (Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Decree of the Court of Common Pleas of Centre County, February 28, 1958, No. 211, February Term, 1958; Decree of the Court of Common Pleas of Centre County, September 23, 1959, No. 189, October Term, 1959; Resolution of the Board of Trustees, May 3, 2013; Resolution of the Board of Trustees, November 22, 2013)

- (2) Duties: The duty of the Executive Committee shall be, under the direction of and subject to the approval of the Board of Trustees, to transact such necessary business as may arise in the intervals between the regular meetings of the Board. (Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915)

TREASURER

The Treasurer (who shall receive and disburse the funds of the institution, and perform such other duties as shall be required of him) shall not be a member of the Board, and shall receive such compensation from time to time as the Board may direct. (Act of February 22, 1855, P.L. 46, sec. 8, 24 Purd. Comp. Stat. sec. 2539; Decree of the Court of Common Pleas of Centre County, June 15, 1915, No. 162, May Term, 1915; Resolution of the Board of Trustees, May 3, 2013)

ORGANIZATION AND SITE

On the second Thursday of June after the passage of this act, the Board of Trustees, who are hereby appointed, shall meet at Harrisburg and proceed to the organization of an institution and selection of the most eligible site within the Commonwealth of Pennsylvania for its location, where they shall purchase or obtain by gift, grant, or otherwise, a tract of land containing at least two hundred acres, upon which they shall procure such improvements and alterations to be made as will make it an institution properly adapted to the instruction of youth in the art of farming according to the meaning and design of this act. (Act of February 22, 1855, P.L. 46, sec. 6, 24 Purd. Comp. Stat. sec. 2541; Resolution of the Board of Trustees, May 3, 2013)

PRINCIPAL AND FACULTY

[Deleted]. (Act of February 22, 1855, P.L. 46, sec. 6, 24 Purd. Comp. Stat. sec. 2541; Resolution of the Board of Trustees, May 3, 2013)

BYLAWS, ORDINANCES, AND RULES

The Board shall have power to pass all such bylaws, ordinances, and rules as the good government of the institution shall require, and therein to prescribe what shall be taught to the pupils, and generally to do and perform all such administrative acts as are usually performed by and within the appropriate duty of a Board of Trustees, and shall, by a Secretary of their appointment, keep a minute of the proceedings and action of the Board. (Act of February 22, 1855, P.L. 46, sec. 6, 24 Purd. Comp. Stat. sec. 2541; Resolution of the Board of Trustees, May 3, 2013)

SUBJECTS TO BE TAUGHT

It shall be the duty of the Board of Trustees as soon as and as often as the exigencies of the case may require, in addition to the principal, to employ such other professors, teachers, or tutors as shall be qualified to impart to pupils under their charge a knowledge of the English language, grammar, geography, history, mathematics, chemistry, and such other academic disciplines as may be deemed appropriate from time to time. (Act of February 22, 1855, P.L. 46, sec. 7, 24 Purd. Comp. Stat. sec. 2542; Resolution of the Board of Trustees, May 3, 2013.)

AN ACT TO INCORPORATE THE FARMERS' HIGH SCHOOL OF PENNSYLVANIA[†]

Section 1. Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same, that there be and is hereby erected and established, at the place which shall be designated by the authority, and as hereinafter provided, an institution for the education of youth in the various branches of sciences, learning, and practical agriculture, as they are connected with each other, by the name, style, and title of the Farmers' High School of Pennsylvania.

Section 2. That the institution shall be under the management and government of a board of trustees, of whom there shall be thirteen, and seven of whom shall be a quorum, competent to perform the duties hereinafter authorized and required.

Section 3. That the Governor, Secretary of the Commonwealth, the president of the Pennsylvania State Agricultural Society, and the principal of the institution, shall each be ex-officio a member of the board of trustees, and they, with Dr. Alfred L. Elwyn and Algernon S. Roberts, of the city of Philadelphia; H. N. McAllister, of the county of Centre; R. C. Walker, of the county of Allegheny; James Miles, of the county of Erie; John Strohm, of the county of Lancaster; A. O. Hiester, of the county of Dauphin; William Jessup, of the county of Susquehanna, and Frederick Watts, of the county of Cumberland, shall constitute the first Board of Trustees; which said trustees and their successors in office, are hereby erected and declared to be a body politic and corporate in law, with perpetual succession, by the name, style, and title of the Farmers' High School of Pennsylvania, by which name and title the said trustees, and their successors, shall be able and capable in law to take by gift, grant, sale, or conveyance, by bequest, devise, or otherwise, any estate in any lands, tenements, and hereditaments, goods, chattels, or effects, and at pleasure to alien or otherwise dispose of the same to and for the use and purpose of the said institution: Provided, however, That the annual income of the said estate so held, shall at no time exceed twenty-five thousand dollars; and the said corporation shall, by the same name, have power to sue and be sued, and generally to do and transact all and every business touching or concerning the premises, or which shall be necessarily incidental thereto, and to hold, enjoy, and exercise all such powers, authorities, and jurisdiction as are customary within the colleges within this Commonwealth.

Section 4. That the same trustees shall cause to be made a seal, with such device as they may think proper, and by and with which all the deeds, diplomas, certificates and acts of the institution shall be authenticated, and they may at their pleasure alter the same.

Section 5. That at the first meeting of the board of trustees, the nine named, who are not ex-officio members, shall, by themselves and by lot, be divided into three classes of three each, numbered one, two, and three; the appointment hereby made of class number one, shall terminate on the first Monday of October, one thousand eight hundred and fifty-six; number two on the first Monday of October, one thousand eight hundred and fifty-seven, and number three on the first Monday of October, one thousand eight hundred and fifty-eight; and upon the termination of such office of such directors, to wit: On the first Monday of October in every year an election shall be held at the institution to supply their place, and such election shall be determined by the votes of

[†] Act of February 22, 1855, P.L. 46, sec. 1, 24 Purd. Comp. Stat.

the members of the executive committee of the Pennsylvania State Agricultural Society, and the votes of three representatives duly chosen by each county agricultural society in this Commonwealth which shall have been organized at least three months preceding the time of election, and it shall be the duty of said board of trustees to appoint two of their number as judges to hold such election, to receive and count the votes, and return the same to the board of trustees *with their certificate of the number of votes cast, and for whom, whereupon the said board shall determine who have received the highest number of votes, and who are thereby elected.*

Section 6. That on the second Thursday of June after the passage of this act, the board of trustees, who are hereby appointed, shall meet at Harrisburg, and proceed to the organization of an institution and selection of the most eligible site within the Commonwealth of Pennsylvania for its location, where they shall purchase or obtain by gift, grant, or otherwise, a tract of land containing at least two hundred acres, and not exceeding two thousand acres, upon which they shall procure such improvements and alterations to be made, as will make it an institution properly adapted to the instruction of youth in the art of farming according to the meaning and design of this act. They shall select and choose a principal for said institution, who, with such scientific attainments and capacity to teach as the board shall deem necessary, shall be a good practical farmer; he, with such other persons as shall, from time to time, be employed as teachers, shall comprise the faculty, under whose control the immediate management of the institution, and the instruction of all the youth committed to its care shall be, subject, however, to the revision and all the orders of the board of trustees; there shall be a quarterly meeting of the board of trustees at the institution, and as much oftener as shall be necessary, and they shall determine; the board shall have power to pass all such bylaws, ordinances, and rules as the good government of the institution shall require, and therein to prescribe what shall be taught to and what labor performed by the pupils, and generally to do and perform all such administrative acts as are usually performed by and within the appropriate duty of a board of trustees, and shall, by a secretary of their appointment, keep a minute of the proceedings and action of the board.

Section 7. That it shall be the duty of the board of trustees as soon and as often as the exigencies of the case may require, in addition to the principal, to employ such other professors, teachers, or tutors as shall be qualified to impart to pupils under their charge a knowledge of the English language, grammar, geography, history, mathematics, chemistry, and such other branches of natural and exact science as will conduce to the proper education of a farmer; the pupils shall, themselves, at such proper times and seasons as shall be prescribed by the board of trustees, perform all the labor necessary in the cultivation of the farm, and shall thus be instructed and taught all things necessary to be known by a farmer.

Section 8. That the board of trustees shall annually elect a treasurer, who shall receive and disburse the funds of the institution, and perform such other duties as shall be required of him, and from whom they shall take such security for the faithful performance of his duty as necessity shall require; and it shall be the duty of said board of trustees, annually, on or before the first of December, to make out a full and detailed account of the operations of the institution for the preceding year, and an account of all its receipts and disbursements, and report the same to the Pennsylvania State Agricultural Society, who shall embody said report in the annual report which, by existing laws, the said society is bound to make and transmit to the Legislature on or before the first Monday of January each and every year.

Section 9. That it shall be lawful for the Pennsylvania State Agricultural Society to appropriate, out of their funds to the object of this act, a sum not exceeding ten thousand dollars, whenever the same shall be required, and to make such further appropriations, annually, out of their funds, as will aid in the prosecution of this object, and it shall be the duty and privilege of said society, at such time as they shall deem expedient by their committee, officers, or otherwise, to visit the said institution and examine into the details of its management.

Section 10. That the act to incorporate the "Farmers' High School of Pennsylvania," approved the thirteenth day of April, Anno Domini, one thousand eight hundred and fifty-four, be and the same is hereby repealed.

APPROVED -- The twenty-second day of February, A.D., 1855.

James Pollock

AMENDMENTS TO THE CHARTER

This original charter has been amended a number of times. The major amendments are listed below.

- | | |
|------------|--|
| 05/01/1862 | Name changed to The Agricultural College of Pennsylvania |
| 01/26/1874 | Name changed to The Pennsylvania State College |
| 11/22/1875 | Number of trustees increased to 23, providing for first trustees elected by alumni, and providing for participation of the mining and manufacturing associations in the Commonwealth in the election of trustees |
| 04/25/1892 | Changed date of annual election and beginning of term of office of elected trustees; specified right of alumni to vote would begin three years after graduation |
| 03/24/1905 | Number of trustees increased to 32 providing for 6 trustees to be appointed by the Governor and increasing to 9 the number elected by the alumni. Term of elected trustees to begin July 1; officers to be elected annually and an executive committee of not less than 3 nor more than 7 members to act during intervals between Board meetings |
| 06/15/1915 | Number of trustees decreased to 31 (the President of the State Agricultural Society and the Secretary of the State Board of Agriculture were replaced by the Secretary of Agriculture). Specified method of election of trustees by delegates from county agricultural and industrial interests |
| 02/23/1925 | <i>Election of trustees to be held on such day and hour during commencement week as the Board may from time to time determine</i> |
| 06/24/1939 | <i>Increased number of trustees to 32 by adding the Secretary of Mines</i> |
| 07/19/1951 | Separated the 12 trustees elected by delegates into two groups -- 6 to be elected by delegates from county agricultural societies and 6 to be elected by delegates from county industrial societies |
| 11/13/1953 | Name changed to The Pennsylvania State University |
| 02/28/1958 | Specified qualifications of electors of alumni trustees and procedures in conducting alumni elections; provided for an executive committee of nine members |
| 09/23/1959 | Provided for an executive committee of not less than 7 nor more than 11 members |

- 09/28/1962 Amended procedure for alumni elections as a result of the term system
- 11/22/2002 Discontinued provision for election of trustees from county industrial interests; specified election of trustees representing business and industry endeavors
- 05/03/2013 Significant changes regarding ex officio membership, responsibilities of officers, membership of the executive committee, requisite notice for meetings and manner of delivery and notice for election materials
- 11/22/2013 Revised the composition and method of selection of the executive committee.
- 03/07/2014 Amended the procedure for electronic distribution of ballots in connection with the alumni elections.

- 11/14/2014 Made the Secretary of Agriculture, the Secretary of Education and the Secretary of Conservation and Natural Resources *ex officio* non-voting members of the Board; added the immediate past president of the Penn State Alumni Association as an ex officio member of the Board; provided for the election of a student trustee, an academic trustee and three at-large trustees; amended provisions relating to the election of trustees representing agricultural interests; provided for the terms of office for the student trustee, academic trustee and at-large trustees; changed the composition of the executive committee.

Additional Officers' Names and Professional Profiles

I hereby certify that at a meeting of the Board of Trustees of The Pennsylvania State University, a corporation organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania, held on May 3, 2013, at which said meeting a quorum was present and acting throughout, the following was adopted and ever since has been and is in full force and effect authorizing certain University officers to sign on behalf of the corporation:

(i) The President, Vice President, Secretary, Treasurer, Assistant Treasurer, Senior Vice President for Finance and Business, and Corporate Controller of the University, or any one of such officers be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all deeds, agreements and contracts, and to transfer and endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(ii) The Treasurer, or in the absence of the Treasurer, the Senior Vice President for Finance and Business, may delegate in writing to such employees of the University as they may deem appropriate, the authority to execute and acknowledge on behalf of the University standardized agreements and contracts for which those employees have administrative responsibility.

(iii) The Chief Executive Officer, Office of Investment Management, or in his absence, the Chief Investment Officer, is hereby fully authorized and empowered on behalf of the University to transfer and endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(iv) The Associate Vice President for Finance and Business and Controller, or, in his or her absence, the Associate Controller, be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all agreements and contracts related to the affairs of the College of Medicine.

(v) The Associate Secretary and Assistant Secretary of this University, or any one of such officers, be and they are hereby fully authorized and empowered on behalf of this University to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

I further certify that the authority hereby conferred is not inconsistent with the Charter or Bylaws of this Corporation and that the following is a true and correct list of the officers as authorized by the Board of Trustees in full force and effect as of the present date:

Chairman	Keith E. Masser
Vice Chairman	Kathleen L. Casey
President	Eric J. Barron
Secretary	Thomas G. Poole
Associate Secretary	Janine S. Andrews
Assistant Secretary	Carmella Mulroy-Degenhart
Assistant Secretary	Donna J. Newburg
Assistant Secretary	Carol A. Maddox
Treasurer	David J. Gray
Assistant Treasurer	Deborah M. Meder
Assistant Treasurer	Susan J. Wiedemer
Corporate Controller	Joseph J. Doncsecz
Associate Vice President for Finance and Business and Controller	Wayne W. Zolko
Associate Controller	Vincent A. Falvo
Chief Executive Officer, Office of Investment Management	David E. Branigan
Chief Investment Officer	John C. Pomeroy, Jr.


In witness whereof, I have hereunto set my hand and seal of said Corporation this _____ day of _____

(Corporate Seal)

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JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



Janine S. Andrews
Associate Secretary

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization

Employer identification number

The Pennsylvania State University

246000376

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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JUL 27 2015
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) The Milton S. Hershey Medical Center 25-1854772 Hershey, PA 17033	Healthcare	PA	501(c)(3)	509(a)(1)	Penn State Univ	✓	
(2) The Corporation for Penn State 25-1500292 University Park, PA 16802	Holding company	PA	501(c)(3)	509(a)(3)	Penn State Univ	✓	
(3) Penn State Research Foundation 23-1359185 University Park, PA 16802	Research	PA	501(c)(3)	509(a)(3)	Corp for Penn S	✓	
(4) Pennsylvania College of Technology 23-2564508 Williamsburg, PA 17701	Education	PA	501(c)(3)	509(a)(1)	Corp for Penn S	✓	
(5) Ben Franklin Tech. Ctr of Central and Northern PA 25-1618093 University Park, PA 16802	Technology	PA	501(c)(3)	509(a)(1)	Corp for Penn S	✓	
(6) Nittany Title Corporation 25-1518479 University Park, PA 16802	Holding Property	PA	501(c)(2)		Corp for Penn S	✓	
(7) Recycling Markets Center 20-2191485 Middletown, PA 17057	Promote Recycling	PA	501(c)(3)	509(a)(1)	Corp for Penn S	✓	

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization

The Pennsylvania State University

Employer identification number

246000376

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) Pennsylvania College of Technology Community Arts Center, Inc Williamsport, PA 17701 23-2617447	Art Center	PA	501(c)(3)	509(a)(1)	Penn Tech.	✓	
(2) The Pennsylvania State University Philanthropic Fund University Park, PA 16802 27-4628784	Fundraising	PA	501(c)(3)	509(a)(1)	Corp for Penn S	✓	
(3)							
(4)							
(5)							
(6)							
(7)							

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) HOSC Hershey, PA 17033	Medical	PA	PSHHS	Related	308107	1405526		✓	N/A		✓	72
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) Research Park Mgmt. Corp 25-1625696 University Park, PA 16802	Real Estate	PA	Corp for P.S.	C corp	459916	1577699	100%	✓	
(2) Research Park Hotel Corp. 25-1673018 University Park, PA 16802	Hotel	PA	Res Park Mgt.	C corp	2951868	25163847	100%	✓	
(3) Penn State Hershey Health Systems 25-1769611 University Park, PA 16802	Healthcare	PA	Corp for P.S.	C corp	1003936	12679369	100%	✓	
(4) Nittany Insurance Company 25-1718998 Burlington, VT 05606-4119	Insurance	PA	Corp for P.S.	C corp	189400	26983258	100%	✓	
(5) PS Research Park Tech. Center 25-1723275 University Park, PA 16802	Condo Mgmt.	PA	Corp for P.S.	C corp	0	0	100%	✓	
(6)									
(7)									

June 5, 2015

John Hajduk
The Pennsylvania State University
135 East Nittany Ave, Suite 414
State College, PA 16801

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JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Dear John Hajduk:

We are pleased that The Pennsylvania State University has applied for a license to provide Natural Gas Broker/Marketer Services on the distribution system of Columbia Gas of Pennsylvania, Inc. ("Columbia Gas").

Under Paragraph 2.4.5 of the Rules Applicable to Distribution Service section of the Tariff of Columbia Gas, The Pennsylvania State University could be required to provide to Columbia Gas a bond or other financial security instrument in an amount that Columbia Gas determines to be appropriate. The Pennsylvania State University has indicated only brokering and consulting services will be provided. Therefore, we have determined at this time that The Pennsylvania State University does not need a bond or other financial security requirement to provide broker natural gas services to Columbia Gas customers.

If the creditworthiness requirement or Columbia Gas' exposure to The Pennsylvania State University changes in the future, Columbia Gas might deem it appropriate to require The Pennsylvania State University to provide a bond or other financial security instrument.

Please feel free to contact me at 614-460-6841 should you have any questions regarding a bond or other financial security instrument requirements of Columbia Gas.

Sincerely,



Michele Caddell
Manager of Choice and Transportation Support Services



National Fuel

June 19th, 2015

The Pennsylvania State University
Attention: John D. Hajduk
408 Old Main
University Park, PA 16802

Re: Security Requirement for The Pennsylvania State University

Dear John,

National Fuel Gas Distribution Corporation ("NFGDC") is aware The Pennsylvania State University (PSU) has filed an application with the Pennsylvania Public Utility Commission to supply natural gas service to the public in Pennsylvania and specifically within the service territory of NFGDC.

As you know, in making such an application, PSU must furnish acceptable security to each utility where PSU will do business. As such, under its tariff, NFGDC could require PSU to provide a bond or other financial security instrument in an amount that NFGDC determines to be appropriate.

However, you have indicated, and it is NFGDC's understanding that PSU intends only to provide natural gas aggregating, brokering and consulting services at this time. You have stated that, in performing these services, PSU will never take title to any delivered natural gas.

Based upon your representations, NFGDC has determined that, at this time, PSU does not need to post a bond or other form of security to operate in its service territory. However, if the services provided by PSU change in the future, NFGDC reserves the right to require security from PSU as it deems appropriate.

If you have any questions concerning the foregoing, please contact me at 716-857-7599.

Yours truly,

Nathan E. Barnes
Transportation Services Department



PECO Energy Company
Gas
2301 Market Street, S9-3
Philadelphia, PA 19101

www.exeloncorp.com

An Exelon Company

June 8, 2015

Penn State Facilities Engineering Institute
College of Engineering Institute
135 East Nittany Avenue, Suite 414
State College, PA 16801

Re: Bonding Requirements

Dear John Hajduk:

PECO is aware that The Pennsylvania State University has applied for a license to provide brokering and consulting services to commercial and industrial customers on the distribution system of PECO.

In making such an application, The Pennsylvania State University could be required to provide to PECO a bond or other acceptable financial security in an amount that PECO determines to be appropriate. The Pennsylvania State University has indicated that it intends to provide only brokering and consulting services to commercial and industrial customers will not take title to any delivered natural gas; nor will accept any customer payments or deposits. Therefore, PECO has determined at this time that The Pennsylvania State University does not need a bond or other financial security requirement, since they are not directly engaging in business with PECO and only providing brokering or consulting services to PECO customers. However, if the services provided by The Pennsylvania State University or the creditworthiness requirement for PECO's exposure to The Pennsylvania State University changes in the future, PECO reserves the right to require The Pennsylvania State University to provide a bond or other financial security instrument.

If you should have any questions regarding this matter, please contact Chris Sauerbaum at 215-841-6422 or myself at 215-841-6452.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carlos P. Thillet".

Carlos P. Thillet
Manager, Gas Supply and Transportation
2301 Market St S9-1
Philadelphia, Pa 19103



PEOPLES NATURAL GAS



PEOPLES TWP

225 North Shore Drive
Pittsburgh, PA 15212

Lynda W. Petrichevich
Director, Rates and Requirements Forecasting

Peoples Service Company LLC
Phone: 412-208-6528; Fax: 412-208-6577
Email: lpetrichevich@peoples-gas.com

June 18, 2015

The Pennsylvania State University
John Hajduk, MBA
Associate Director
135 East Nittany Avenue, Suite 414
State College, PA 16801

Dear Mr. Hajduk:

We are pleased that The Pennsylvania State University has applied for a license to provide natural gas broker/marketer services on the Peoples Group of Companies. Specifically you have requested to be licensed as a supplier on the distribution systems of Peoples Natural Gas Company LLC, Peoples TWP, and Peoples Natural Gas LLC – Equitable Division ("the Companies").

Since The Pennsylvania State University is not currently operating, and has no immediate plan to operate a Pool on the Peoples systems, we have determined at this time that The Pennsylvania State University does not need a bond or other financial security requirement to provide these services to the Company's customers.

If the creditworthiness requirement or the Company's exposure to The Pennsylvania State University provision of services on the Peoples' system changes in the future, the Companies may deem it appropriate to require a bond or other financial instrument.

If you have any questions feel free to contact me at 412-208-6528 or by email at Lynda.W.Petrichevich@peoples-gas.com.

Sincerely,

Lynda W. Petrichevich
Director – Rates and Requirements Forecasting
Peoples Natural Gas Company LLC

Cc: Steven Kolich
Carol Miller

Philadelphia Gas Works



800 W. Montgomery Ave., Philadelphia, PA 19122
Telephone: 215-236-0500

June 5, 2015

Mr. John D. Hajduk
The Pennsylvania State University
Penn State Facilities Engineering
Institute
135 East Nittany Avenue, Suite 414
State College, PA 16801

RE: Security Requirement Bond for The Pennsylvania State University

Dear Mr. Hajduk:

Philadelphia Gas Works (PGW) is aware that The Pennsylvania State University has filed an application with the Pennsylvania Public Utility Commission to supply natural gas services to the public in Pennsylvania and specifically within the services territory of Philadelphia Gas Works.

As you know, in making such an application, The Pennsylvania State University must furnish acceptable security to each utility where The Pennsylvania State University will do business. As such, under its tariff, Philadelphia Gas Works could require The Pennsylvania State University to provide a bond or other financial security instrument in an amount that Philadelphia Gas Works determines to be appropriate.

However, you have indicated, and it is Philadelphia Gas Works' understanding, that The Pennsylvania State University intends only to provide natural gas aggregating, brokering and consulting services at this time. You have stated that, in performing these services, The Pennsylvania State University will never take title to any delivered natural gas.

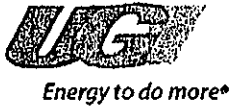
Based upon your representations, Philadelphia Gas Works has determined that, at this time, The Pennsylvania State University does not need to post a bond or other form of security to operate in its service territory. If the services provided by The Pennsylvania State University should change, Philadelphia Gas Works reserves the right to require security from The Pennsylvania State University as it deems appropriate.

If you have any questions concerning the foregoing, please contact me at (215) 684-6278.

Sincerely,

A handwritten signature in cursive script that reads "Nicholas LaPergola".
Nicholas LaPergola, Director
Gas Supply, Transportation & Control

NL:b



UGI Utilities, Inc.
2525 North 12th Street
Suite 360
Post Office Box 12677
Reading, PA 19612-2677

June 11, 2015

John Hajduk
Associate Director
College of Engineering
Penn State Facilities Engineering Institute
135 East Nittany Avenue, Suite 414
State College, PA 16801

RE: Pennsylvania State University application to serve as a Natural Gas Broker

Dear Mr. Hajduk,

Based on your assertion that Pennsylvania State University ("PENN STATE") is applying with the State of Pennsylvania to operate as a natural gas broker/marketer, UGI Utilities Inc. ("UGIU") has concluded that PENN STATE will not need to post security with UGI-Central Penn Gas ("CPG"), UGI-Penn Natural Gas ("PNG") or UGI Utilities Gas Division ("UGI"). This is based on the declaration that PENN STATE will not be taking title to gas or directly serving end use customers. This also assumes that PENN STATE will be acting in conjunction with a licensed Natural Gas Supplier who has been approved by the Pennsylvania Public Utility Commission to serve in the applicable UGIU service territories and who has posted the required financial security as specified in the respective UGIU tariffs. If PENN STATE wishes to directly serve Choice customers in the service territories of UGI, PNG and/or CPG in the future as a natural gas supplier, it will have to post security as specified in the respective UGI tariffs prior to the commencement of the service.
Please feel free to contact me with any additional questions that you may have.

Sincerely,

David E. Lahoff
Manager, Tariff & Supplier Administration
UGI Utilities, Inc.



VALLEY ENERGY

523 S. Keystone Avenue, P.O. Box 340, Sayre, PA 18840
800/998-4427 • 570/888-9664 • FAX 570/888-6199

June 9, 2015

John D. Hajduk, MBA
Penn State Facilities Engineering Institute
College of Engineering
135 East Nittany Ave., Suite 414
State College, PA 16801

Dear Mr. Hajduk:

We understand that The Pennsylvania State University has applied with the Pennsylvania Public Utility Commission to supply natural gas services to the public in Pennsylvania including our company's service area.

Because The Pennsylvania State University intends to only provide natural gas aggregating, brokering and consulting services at this time, we have determined that The Pennsylvania State University will not be required to post a bond or other form of financial security instrument to provide these services in our service area. However, if the services provided change in the future, we reserve the right to require security from The Pennsylvania State University as deemed appropriate.

If you have any questions, please contact Mrs. Marjorie Johnston at 570-888-9664.

Sincerely,

Robert J. Crocker
President & CEO

RJC/ss

cc: M. Johnston, Valley Energy

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Audited Financial Statements

The Pennsylvania State University
Fiscal Year Ended June 30, 2014

THE PENNSYLVANIA STATE UNIVERSITY

UNIVERSITY OFFICERS

as of November 14, 2014

ERIC J. BARRON

President

STEPHEN S. DUNHAM

Vice President and General Counsel

DAVID J. GRAY

Senior Vice President for
Finance and Business/Treasurer

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Hershey Medical Center; Senior
Vice President for Health Affairs, Penn State University; and
Dean, Penn State College of Medicine

NICHOLAS P. JONES

Executive Vice President
and Provost

RODNEY P. KIRSCH

Senior Vice President for Development
and Alumni Relations

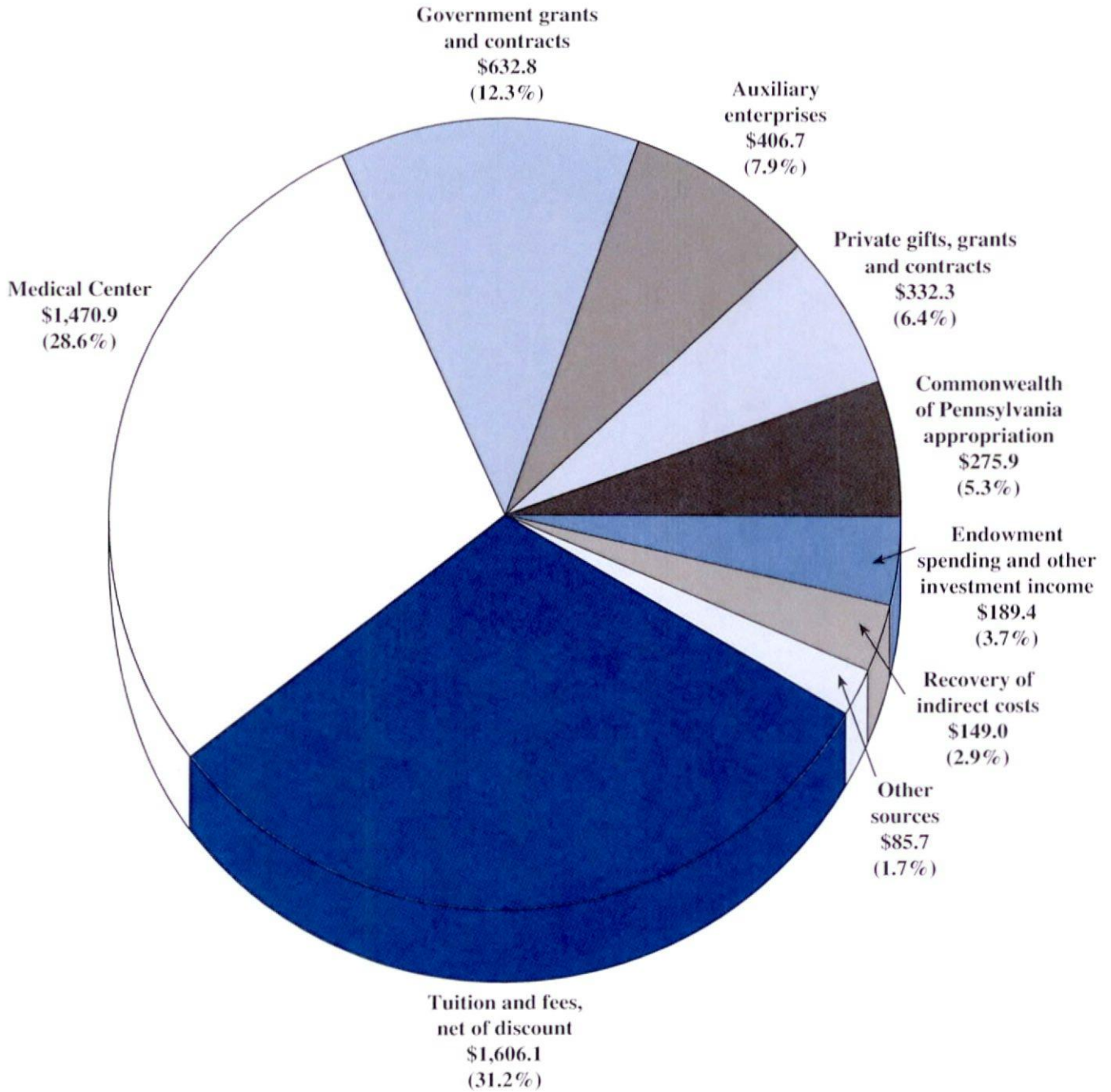
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OPERATING REVENUES BY SOURCE (\$5.1 billion)

For the Year Ended June 30, 2014

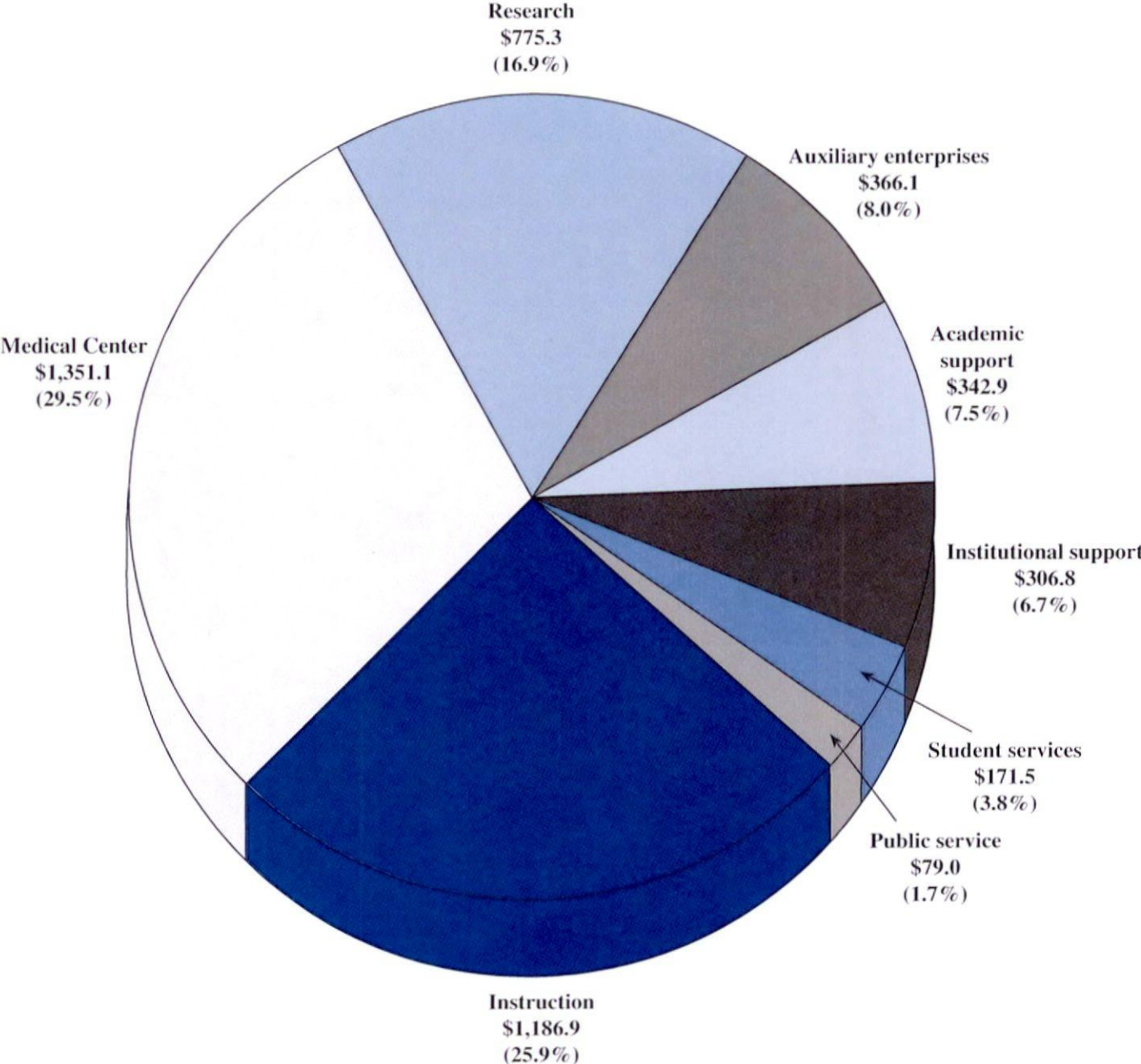
(\$ in millions)



OPERATING EXPENSES BY FUNCTION (\$4.6 billion)

For the Year Ended June 30, 2014

(\$ in millions)



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Joseph J. Doncsecz
Associate Vice President for Finance and Corporate Controller

The Pennsylvania State University
408 Old Main
University Park, PA 16802-1505

October 24, 2014

Dr. Eric J. Barron, President
The Pennsylvania State University

Dear Dr. Barron:

The audited consolidated financial statements of The Pennsylvania State University and subsidiaries (the "University") for the fiscal years ended June 30, 2014 and 2013 are presented on the accompanying pages. These financial statements represent a complete and permanent record of the finances of the University as of and for the years then ended.

These financial statements have been audited by Deloitte & Touche LLP, independent auditors, and their report has been made a part of this record.

Respectfully submitted,

Joseph J. Doncsecz
Associate Vice President for Finance and Corporate Controller

David J. Gray
Senior Vice President for Finance and Business, and Treasurer

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of The Pennsylvania State University
University Park, Pennsylvania

We have audited the accompanying consolidated financial statements of The Pennsylvania State University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 24, 2014

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
ASSETS
JUNE 30, 2014 AND 2013
(in thousands)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,028,529	\$ 983,256
Short-term investments	365,851	200,273
Deposits held for others	57,014	44,166
Accounts receivable, net of allowances of \$72,957 and \$66,974	527,213	492,404
Contributions receivable, net	63,573	50,411
Loans to students, net of allowances of \$384 and \$584	8,163	10,683
Inventories	35,484	31,406
Prepaid expenses and other assets	<u>114,963</u>	<u>115,463</u>
Total current assets	<u>2,200,790</u>	<u>1,928,062</u>
Noncurrent assets:		
Deposits held by bond trustees	2,551	2,551
Contributions receivable, net	150,891	127,726
Loans to students, net of allowances of \$2,319 and \$2,497	52,654	48,161
Deferred bond costs, net	5,095	5,181
Total investment in plant, net	3,944,252	3,730,764
Beneficial interest in perpetual trusts	15,498	13,252
Investments	5,319,035	4,816,961
Other assets	<u>19,841</u>	<u>17,958</u>
Total noncurrent assets	<u>9,509,817</u>	<u>8,762,554</u>
Total assets	<u>\$ 11,710,607</u>	<u>\$ 10,690,616</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
LIABILITIES AND NET ASSETS
JUNE 30, 2014 AND 2013
(in thousands)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current liabilities:		
Accounts payable and other accrued expenses	\$ 526,815	\$ 660,096
Deferred revenue	271,684	264,727
Long-term debt	47,177	43,650
Present value of annuities payable	5,597	5,276
Accrued postretirement benefits	<u>53,350</u>	<u>51,390</u>
Total current liabilities	<u>904,623</u>	<u>1,025,139</u>
Noncurrent liabilities:		
Deposits held in custody for others	40,619	50,804
Deferred revenue	1,952	6,969
Long-term debt	934,311	961,758
Present value of annuities payable	45,554	36,979
Accrued postretirement benefits	1,847,056	1,643,651
Refundable United States Government student loans	46,318	45,300
Other liabilities	<u>206,649</u>	<u>210,919</u>
Total noncurrent liabilities	<u>3,122,459</u>	<u>2,956,380</u>
Total liabilities	<u>4,027,082</u>	<u>3,981,519</u>
Net assets:		
Unrestricted -		
Undesignated	1,637	1,635
Designated for specific purposes	3,182,328	2,757,846
Net investment in plant	<u>2,473,238</u>	<u>2,246,228</u>
Total unrestricted - The Pennsylvania State University	5,657,203	5,005,709
Noncontrolling interest	<u>961</u>	<u>831</u>
Total unrestricted	5,658,164	5,006,540
Temporarily restricted	694,240	484,375
Permanently restricted	<u>1,331,121</u>	<u>1,218,182</u>
Total net assets	<u>7,683,525</u>	<u>6,709,097</u>
Total liabilities and net assets	<u>\$ 11,710,607</u>	<u>\$ 10,690,616</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support:				
Tuition and fees, net of discounts of \$153,724	\$ 1,606,079	\$ -	\$ -	\$ 1,606,079
Commonwealth of Pennsylvania -				
Appropriations	275,931	-	-	275,931
Special contracts	71,750	-	-	71,750
Department of General Services projects	82,337	-	-	82,337
United States Government grants and contracts	478,699	-	-	478,699
Private grants and contracts	184,722	-	-	184,722
Gifts and pledges	104,947	42,672	-	147,619
Endowment spending	75,383	-	-	75,383
Other investment income	113,349	674	-	114,023
Sales and services of educational activities	66,758	-	-	66,758
Recovery of indirect costs	148,988	-	-	148,988
Auxiliary enterprises	406,685	-	-	406,685
Medical Center revenue	1,470,925	-	-	1,470,925
Other sources	18,925	-	-	18,925
Net assets released from restrictions	25,649	(25,649)	-	-
Total operating revenues and other support	<u>5,131,127</u>	<u>17,697</u>	<u>-</u>	<u>5,148,824</u>
Operating expenses:				
Educational and general -				
Instruction	1,186,941	-	-	1,186,941
Research	775,321	-	-	775,321
Public service	78,960	-	-	78,960
Academic support	342,876	-	-	342,876
Student services	171,484	-	-	171,484
Institutional support	306,833	-	-	306,833
Total educational and general	<u>2,862,415</u>	<u>-</u>	<u>-</u>	<u>2,862,415</u>
Auxiliary enterprises	366,101	-	-	366,101
Medical Center expense	1,351,131	-	-	1,351,131
Total operating expenses	<u>4,579,647</u>	<u>-</u>	<u>-</u>	<u>4,579,647</u>
Increase in net assets from operating activities	551,480	17,697	-	569,177
Nonoperating activities:				
Gifts and pledges	-	-	114,659	114,659
Current year investment returns	279,217	193,815	9,087	482,119
Endowment appreciation utilized	(47,077)	-	-	(47,077)
Changes in funds held by others in perpetuity	-	363	1,702	2,065
Write-offs and disposals of assets	(5,141)	-	-	(5,141)
Nonperiodic change in postretirement benefit plan	(126,985)	-	-	(126,985)
Actuarial adjustment on annuities payable	-	(2,010)	(12,509)	(14,519)
Increase in net assets from nonoperating activities	<u>100,014</u>	<u>192,168</u>	<u>112,939</u>	<u>405,121</u>
Increase in net assets - The Pennsylvania State University	651,494	209,865	112,939	974,298
Noncontrolling interest:				
Excess of revenues over expenses	130	-	-	130
Increase in net assets noncontrolling interest	<u>130</u>	<u>-</u>	<u>-</u>	<u>130</u>
Increase in total net assets	651,624	209,865	112,939	974,428
Net assets at the beginning of the year	<u>5,006,540</u>	<u>484,375</u>	<u>1,218,182</u>	<u>6,709,097</u>
Net assets at the end of the year	<u>\$ 5,658,164</u>	<u>\$ 694,240</u>	<u>\$ 1,331,121</u>	<u>\$ 7,683,525</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support:				
Tuition and fees, net of discounts of \$127,987	\$ 1,548,974	\$ -	\$ -	\$ 1,548,974
Commonwealth of Pennsylvania -				
Appropriations	272,431	-	-	272,431
Special contracts	65,712	-	-	65,712
Department of General Services projects	49,890	-	-	49,890
United States Government grants and contracts	503,517	-	-	503,517
Private grants and contracts	182,661	-	-	182,661
Gifts and pledges	74,454	16,827	-	91,281
Endowment spending	71,459	-	-	71,459
Other investment income	100,094	592	-	100,686
Sales and services of educational activities	66,054	-	-	66,054
Recovery of indirect costs	153,662	-	-	153,662
Auxiliary enterprises	378,290	-	-	378,290
Medical Center revenue	1,372,500	-	-	1,372,500
Other sources	15,998	-	-	15,998
Net assets released from restrictions	<u>76,783</u>	<u>(76,783)</u>	-	-
Total operating revenues and other support	<u>4,932,479</u>	<u>(59,364)</u>	-	<u>4,873,115</u>
Operating expenses:				
Educational and general -				
Instruction	1,129,431	-	-	1,129,431
Research	806,333	-	-	806,333
Public service	82,221	-	-	82,221
Academic support	327,327	-	-	327,327
Student services	167,061	-	-	167,061
Institutional support	<u>376,602</u>	-	-	<u>376,602</u>
Total educational and general	2,888,975	-	-	2,888,975
Auxiliary enterprises	347,606	-	-	347,606
Medical Center expense	<u>1,232,710</u>	-	-	<u>1,232,710</u>
Total operating expenses	<u>4,469,291</u>	-	-	<u>4,469,291</u>
Increase/(decrease) in net assets from operating activities	463,188	(59,364)	-	403,824
Nonoperating activities:				
Gifts and pledges	-	-	68,521	68,521
Current year investment returns	56,633	62,315	8,103	127,051
Endowment appreciation utilized	(35,180)	-	-	(35,180)
Changes in funds held by others in perpetuity	-	424	353	777
Write-offs and disposals of assets	(2,000)	-	-	(2,000)
Nonperiodic change in postretirement benefit plan	283,416	-	-	283,416
Actuarial adjustment on annuities payable	-	<u>(1,208)</u>	<u>(3,159)</u>	<u>(4,367)</u>
Increase in net assets from nonoperating activities	<u>302,869</u>	<u>61,531</u>	<u>73,818</u>	<u>438,218</u>
Increase in net assets - The Pennsylvania State University	766,057	2,167	73,818	842,042
Noncontrolling interest:				
Excess of revenues over expenses	<u>57</u>	-	-	<u>57</u>
Increase in net assets noncontrolling interest	<u>57</u>	-	-	<u>57</u>
Increase in total net assets	766,114	2,167	73,818	842,099
Net assets at the beginning of the year	<u>4,240,426</u>	<u>482,208</u>	<u>1,144,364</u>	<u>5,866,998</u>
Net assets at the end of the year	<u>\$ 5,006,540</u>	<u>\$ 484,375</u>	<u>\$ 1,218,182</u>	<u>\$ 6,709,097</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(in thousands)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 974,428	\$ 842,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial adjustment on annuities payable	14,519	4,366
Contributions restricted for long-term investment	(115,854)	(100,126)
Interest and dividends restricted for long-term investment	(60,684)	(61,553)
Net realized and unrealized gains on long-term investments	(512,770)	(132,907)
Depreciation expense	275,369	251,407
Amortization expense	536	480
(Gain)/loss on early extinguishment of debt	25	(213)
Write-offs and disposals of assets	4,693	16,000
Contributions of land, buildings and equipment	(27,089)	(14,821)
Buildings and equipment provided by Pennsylvania Department of General Services	(222)	(1,293)
Contribution to government student loan funds	431	154
Provision for bad debts	54,115	49,433
Increase in deposits held for others	(12,848)	(40,601)
Increase in receivables	(132,791)	(90,238)
Increase in inventories	(4,013)	(503)
(Increase)/decrease in prepaid expenses and other assets	(5,725)	14,598
(Decrease)/increase in accounts payable and other accrued expenses	(68,638)	80,820
Increase in deferred revenue	1,184	18,564
Increase/(decrease) in accrued postretirement benefits	205,365	(169,858)
Net cash provided by operating activities	<u>590,031</u>	<u>665,808</u>
Cash flows from investing activities:		
Purchase of land, buildings and equipment	(450,139)	(434,933)
Advances on student loans	(11,013)	(9,836)
Collections on student loans	8,983	8,320
Proceeds from sale of donated financial assets	159	-
Purchase of investments	(39,148,432)	(40,907,840)
Proceeds from sale of investments	<u>38,919,400</u>	<u>40,068,438</u>
Net cash used in investing activities	<u>(681,042)</u>	<u>(1,275,851)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	115,854	100,126
Interest and dividends restricted for long-term investment	60,684	61,553
Payments of annuity obligations	(5,620)	(5,297)
Proceeds from notes payable	10,000	-
Principal payments on notes, bonds and capital leases	(45,322)	(163,604)
Proceeds related to government student loan funds, net of collection costs	688	658
Net cash provided by/(used in) financing activities	<u>136,284</u>	<u>(6,564)</u>
Net increase/(decrease) in cash and cash equivalents	45,273	(616,607)
Cash and cash equivalents at the beginning of the year	<u>983,256</u>	<u>1,599,863</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,028,529</u>	<u>\$ 983,256</u>

Supplemental disclosures of cash flow information (Note 2)

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

1. THE UNIVERSITY AND RELATED ENTITIES

The Pennsylvania State University ("the University"), which was created as an instrumentality of the Commonwealth of Pennsylvania ("the Commonwealth" or "Pennsylvania"), is organized as a non-profit corporation under the laws of the Commonwealth. As Pennsylvania's land grant university, the University is committed to improving the lives of the people of Pennsylvania, the nation and the world through its integrated, tri-part mission of high-quality teaching, research and outreach.

Basis of Presentation

The financial statements of the University include, on a consolidated basis, the combined financial statements of The Milton S. Hershey Medical Center ("TMSHMC" or "Medical Center"), a not-for-profit corporation and Penn State Hershey Health System, Inc. ("Health System") and The Corporation for Penn State and its subsidiaries ("the Corporation"). See Note 11 for additional information about TMSHMC and the Health System. The Corporation is a non-profit member corporation organized in 1985 for the exclusive purpose of benefiting and promoting the interests of the University, the Corporation's sole member. The Corporation's financial statements consist primarily of the assets and revenues of The Pennsylvania College of Technology ("Penn College"), a wholly-owned subsidiary of the Corporation. All significant transactions between the University, TMSHMC and the Corporation have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The University's consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the source of authoritative GAAP.

The University's consolidated financial statements include statements of financial position, activities and cash flows. In accordance with FASB ASC requirements, net assets and the changes in net assets are classified as permanently restricted, temporarily restricted or unrestricted.

Permanently restricted net assets consist primarily of the historical amounts of endowed gifts. Additionally, contributions receivable and remainder interests, which are required by donors to be permanently retained, are included at their estimated net present values.

Temporarily restricted net assets consist of contributions receivable and remainder interests whose ultimate use is not permanently restricted. In addition, the excess of current market value over the historical cost of permanently restricted endowments is classified as temporarily restricted net assets.

Unrestricted net assets are all the remaining net assets of the University. Net unrealized losses on permanently restricted endowment funds for which historical cost exceeds market value are recorded as a reduction to unrestricted net assets.

Revenue from temporarily restricted sources is reclassified as unrestricted revenue when the circumstances of the restriction have been fulfilled. Donor-restricted revenues whose restrictions are met within the same fiscal year are reported as unrestricted income.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts on the financial statements and the disclosure of contingencies and commitments. Actual results could differ from those estimates.

Revenue Recognition

Tuition revenue is recognized in the fiscal year in which the substantial portion of the educational term occurs. Institutional financial aid provided by the University for tuition and fees is reflected as a reduction of tuition and fee revenue. Revenues for auxiliary enterprises are recognized as the related goods and services are delivered and rendered. Grant revenues are recognized as the eligible grant activities are conducted. Payments received in advance for tuition, goods and services are deferred.

Unconditional promises to give are recognized as revenues and receivables in the year made and consist of written or oral promises to contribute to the University in the future. Contributions receivable are recorded with the revenue assigned to the appropriate category of restriction. The amounts are present valued based on timing of expected collections.

TMSHMC and Health System have agreements with third-party payors that provide for payments to TMSHMC and Health System at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. In addition, net patient service revenue is net of provision for bad debts of \$50.1 million and \$43.6 million for the years ended June 30, 2014 and 2013, respectively. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or such estimates change.

TMSHMC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. The Medical Center does not pursue collection of amounts determined to qualify as charity care; they are not reported as net patient service revenue. The amounts of direct and indirect costs for services and supplies furnished under the Medical Center's charity care policy totaled approximately \$20.2 million and \$20.0 million for the years ended June 30, 2014 and 2013, respectively, and is based on a ratio of the Medical Center's operational costs to its gross charges. The amount of charges foregone for services and supplies furnished under the Medical Center's charity policy during 2014 and 2013 totaled approximately \$56.3 million and \$54.9 million, respectively.

Fair Value of Financial Instruments

The University has provided fair value estimates for certain financial instruments in the notes to the financial statements. Fair value information presented in the financial statements is based on information available at June 30, 2014 and 2013. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and other accrued expenses approximate fair value because of the terms and relatively short maturity of these financial instruments. The carrying values of the University's loans to students are also reasonable estimates of their fair value, as the total outstanding loans to students as of June 30, 2014 and 2013 have been made at the rates available to students for similar loans at such times. Investments are reported at fair value as disclosed in Note 3. The fair value of the University's bonds payable is disclosed in Note 7. See Note 5 for further discussion of fair value measurements.

Cash Flows

The following items are included as supplemental disclosure to the statements of cash flows for the years ended June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Interest paid	\$ 44,673	\$ 46,798
Non-cash acquisitions of land, buildings and equipment	38,470	32,723

Capitalized costs accrued related to construction are \$46.2 million and \$44.8 million as of June 30, 2014 and 2013, respectively. Taxes paid for 2014 and 2013 are considered immaterial. Cash and cash equivalents include certain investments in highly liquid instruments with initial maturities of 90 days or less, except for such assets held by the University's investment managers as part of their long-term investment strategies. Short-term investments include other current investments held for general operating purposes with maturities greater than three months but less than 12 months.

Accounts Receivable

Accounts receivable, net at June 30 consists of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Grants and contracts, net of allowance of \$1,211 and \$1,241	\$ 222,981	\$ 166,963
Patient accounts receivable, net of allowance of \$60,108 and \$54,759	172,104	173,582
Student receivables, net of allowance of \$6,689 and \$6,434	30,946	33,178
Investment and interest receivable	58,765	78,419
Other, net of allowance of \$4,949 and \$4,540	<u>42,417</u>	<u>40,262</u>
Total accounts receivable, net	<u>\$ 527,213</u>	<u>\$ 492,404</u>

The University maintains allowances for doubtful accounts to reflect management's best estimate of probable losses inherent in receivable balances. Management determines the allowances for doubtful accounts based on known factors, historical experience, and other currently available evidence. Receivables are written off when management determines they will not be collected.

Related to patient accounts receivable associated with services provided to patients who have third-party coverage, management analyzes contractually due amounts and provides an allowance for doubtful accounts (for example, for expected uncollectible deductibles and copayments or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables from self-pay patients the Medical Center and Health System records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. In estimating the allowance for doubtful accounts, account age is taken into consideration. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Loans to Students

Loans to students are disbursed to qualified students based on need and include loans granted by the University from institutional resources and under federal government loan programs. Students have a grace period until repayment is required based upon the earlier of graduation or no longer achieving at least half-time enrollment status. The grace period varies depending on the type of loan. Loans accrue interest after the grace period and are repaid directly to the University. Loans to students are uncollateralized and carry default risk. At June 30, 2014 and 2013, student loans represent 0.5% and 0.6% of total assets, respectively.

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the federal government of \$46.3 million and \$45.3 million at June 30, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the federal government.

At June 30, 2014 and 2013, loans to students consisted of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Loans to students:		
Federal government loan programs:		
Perkins loan program	\$ 44,337	\$ 42,789
Health Professions Student Loans and Loans for Disadvantaged Students	<u>117</u>	<u>197</u>
Federal government loan programs	44,454	42,986
Institutional loan programs	<u>19,066</u>	<u>18,939</u>
	63,520	61,925
Less allowance for doubtful accounts:		
Balance, beginning of year	(3,081)	(2,733)
Provision for doubtful accounts	<u>378</u>	<u>(348)</u>
Balance, end of year	<u>(2,703)</u>	<u>(3,081)</u>
Loans to students, net	<u>\$ 60,817</u>	<u>\$ 58,844</u>

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts according to the terms of the loan. Further, the University does not evaluate credit quality of student loans receivable after the initial approval of the loan. Loans to students are considered past due when payment is not received by the due date, and interest continues to accrue until the loan is paid in full or written off. When loans to students are deemed uncollectible, an allowance for doubtful accounts is established.

The University considers the age of the amounts outstanding in determining the collectability of loans to students. The aging of the loans to students based on days delinquent and the related allowance for doubtful accounts at June 30, 2014 and 2013 are as follows:

	<i>(in thousands of dollars)</i>				
<u>2014</u>	<u>30 days or less</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Loans to students:					
Federal government loan programs	\$ 42,955	\$ 705	\$ 64	\$ 730	\$ 44,454
Institutional loan programs	<u>18,271</u>	<u>239</u>	<u>34</u>	<u>522</u>	<u>19,066</u>
Total loans to students	<u>61,226</u>	<u>944</u>	<u>98</u>	<u>1,252</u>	<u>63,520</u>
Allowance for doubtful accounts:					
Federal government loan programs					(1,297)
Institutional loan programs					<u>(1,406)</u>
Total allowance for doubtful accounts					<u>(2,703)</u>
Total loans to students, net					<u>\$ 60,817</u>

	(in thousands of dollars)				
2013	<u>30 days or less</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Loans to students:					
Federal government loan programs	\$ 41,367	\$ 656	\$ 86	\$ 877	\$ 42,986
Institutional loan programs	<u>18,310</u>	<u>280</u>	<u>23</u>	<u>326</u>	<u>18,939</u>
Total loans to students	<u>59,677</u>	<u>936</u>	<u>109</u>	<u>1,203</u>	<u>61,925</u>
Allowance for doubtful accounts:					
Federal government loan programs					(1,432)
Institutional loan programs					<u>(1,649)</u>
Total allowance for doubtful accounts					<u>(3,081)</u>
Total loans to students, net					<u>\$ 58,844</u>

Inventories

Inventories are stated at the lower of cost or market, generally on the first-in, first-out basis.

Investments

The University's noncurrent investments represent the University's endowment and other investments held for general operating purposes. The University's investments are reported at fair value in the accompanying financial statements. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values with gains and losses included in the consolidated statements of activities. In the management of investments, the University authorizes certain investment managers to purchase derivative securities to attain a desired market position; and the University may directly invest in derivative securities to attain a desired market position. The University does not trade or issue derivative financial instruments other than through the investment management practices noted above. The University records derivative securities at fair value with gains and losses reflected in the consolidated statements of activities.

The estimated fair value amounts for marketable debt, equity and fixed income securities held by the University have been reviewed by the University and determined using available market information as supplied by the various financial institutions that act as trustees or custodians for the University. For non-liquid holdings, generally limited partnership investments in private real estate, venture capital, private equity, natural resources, and private debt, estimated fair value is determined based upon financial information provided by the general partner. This financial information includes assumptions and methods that were reviewed by University management. The University believes that the estimated fair value is a reasonable estimate of market value as of June 30, 2014 and 2013. Because the limited partnerships are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material.

Income on operating investments and income used for the annual distribution under the annual spending policy for endowments are reported in operating revenues within the consolidated statement of activities.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. The fair value of these trust assets has been recorded as permanently restricted net assets and related beneficial interest in perpetual trusts in the consolidated financial statements.

Investment in Plant

Total investment in plant as of June 30 is comprised of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Land	\$ 123,532	\$ 116,050
Buildings	5,354,902	5,043,463
Improvements other than buildings	587,492	559,877
Equipment	<u>1,186,744</u>	<u>1,100,431</u>
Total plant	7,252,670	6,819,821
Less accumulated depreciation	<u>(3,308,418)</u>	<u>(3,089,057)</u>
Total investment in plant, net	<u>\$ 3,944,252</u>	<u>\$ 3,730,764</u>

The value of land, buildings, and equipment is recorded at cost or, if received as gifts, at fair value at date of gift. The University does not capitalize the cost of library books. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Useful lives range from 4 to 50 years for buildings, 10 to 20 years for improvements other than buildings, and 1 to 20 years for equipment. Depreciation expense was \$275.4 million and \$251.4 million for the fiscal years ended June 30, 2014 and 2013, respectively. The University has certain building and equipment lease agreements in effect which are considered capital leases that are included as long-term debt in the statements of financial position. These leases have been capitalized at the lower of fair market value or net present value of the minimum lease payments. Buildings and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. The capitalized cost and accumulated depreciation of the leases at June 30, 2014 and 2013 was \$127.9 million and \$42.5 million, and \$135.5 million and \$41.8 million, respectively.

Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses at June 30 consist of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Accounts payable (non-Medical Center)	\$ 231,910	\$ 366,637
Medical Center accounts payable and other accrued expenses	186,570	187,667
Accrued payroll and other related liabilities	89,851	87,300
Accrued bond interest	13,093	13,674
Student deposits	<u>5,391</u>	<u>4,818</u>
Total accounts payable and other accrued expenses	<u>\$ 526,815</u>	<u>\$ 660,096</u>

Impairment of Long-Lived Assets

Long-lived assets, which include investment in plant and definite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss is recognized in change in net assets in the period that the impairment occurs.

Asset Retirement Obligations

Under ASC 410-20, *Asset Retirement and Environmental Obligations – Asset Retirement Obligations*, organizations must accrue for costs related to legal obligations to perform certain activities in connection with retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The University has identified asbestos abatement and the decommissioning of the Breazeale Nuclear Reactor as conditional asset retirement obligations. These obligations are reported as part of other noncurrent liabilities within the consolidated statement of financial position. The following table details the change in liabilities for the years ended June 30:

	<i>(in thousands of dollars)</i>
Balance as of June 30, 2012	\$ 61,934
Accretion expense	7,651
Liabilities settled	<u>(4,293)</u>
Balance as of June 30, 2013	65,292
Accretion expense	5,229
Liabilities settled	<u>(4,188)</u>
Balance as of June 30, 2014	<u>\$ 66,333</u>

Annuities Payable

Annuities payable consist of annuity payments currently due and the actuarial amount of annuities payable. The actuarial amount of annuities payable is the present value of the aggregate liability for annuity payments over the expected lives of the beneficiaries.

Income Taxes

The University files U.S. federal and state tax returns. The statute of limitations on the University's federal returns generally remains open for three years following the year they are filed. In accordance with ASC 740 *Income Taxes Topic*, the University continues to evaluate tax positions and has determined there is no material impact on the University financial statements.

Recent Accounting Pronouncements

In October 2012, the FASB issued ASU 2012-05, "*Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.*" This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. This guidance is effective for the University beginning July 1, 2013. The adoption of this guidance did not have a material impact on its consolidated statement of cash flows.

In January 2013, the FASB issued ASU 2013-01, "*Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities.*" This guidance provides clarification on the scope of the offsetting disclosure requirements in ASU 2011-11. This guidance is effective for the University beginning July 1, 2013. The adoption of this guidance did not have a material impact on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, "*Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date.*" This guidance requires entities to measure obligations resulting from the joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This guidance is effective for the University beginning July 1, 2014 with early adoption permitted. The University has not yet evaluated the impact this guidance may have on its consolidated financial statements.

In April 2013, the FASB issued ASU 2013-06, "*Services Received from Personnel of an Affiliate.*" This update specifies guidance for not-for-profit entities to apply in recognizing and measuring services received from personnel of an affiliate. This guidance is effective for the University beginning after June 15, 2014 with early adoption permitted. The University has not yet evaluated the impact this guidance may have on its consolidated financial statements.

3. INVESTMENTS

Investments by major category as of June 30 are summarized as follows:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Money markets	\$ 213,878	\$ 371,987
Fixed income:		
U.S. government/agency	1,190,248	1,174,609
U.S. corporate	803,990	706,291
Foreign	408,364	372,515
Other	169,962	146,617
Equities	1,742,632	1,342,487
Private capital	<u>1,155,812</u>	<u>902,728</u>
Total	<u>\$ 5,684,886</u>	<u>\$ 5,017,234</u>

Other fixed income investments consist of collateralized mortgage obligations, mortgage-backed securities and asset-backed securities. Equity investments are comprised of domestic and foreign common stocks. Private capital consists primarily of interests in private real estate, venture capital, private equity, natural resources, private debt, commodities and hedge fund limited partnerships.

Futures contracts, which are fully cash collateralized, comprise the University's directly held derivative instruments at June 30, 2014 and 2013, respectively, are marked to market daily and are included in the fair value of the University's investments. The fair value of derivative instruments is included in the fair value of the University's investments within the money market category. Futures contracts have minimal credit risk because the counterparties are the exchanges themselves. Fully cash collateralized derivative securities comprised \$172.8 million, 3.0% of total investments, and \$270.5 million, 5.4% of total investments at June 30, 2014 and 2013, respectively. The University's derivatives consist of S&P 500 and Treasury futures and are employed as a low cost, passive investment vehicle with daily liquidity which allows the University to maintain desired market exposure in light of irregular cash flows.

The following schedules summarize the investment return and its classification in the consolidated statement of activities for the years ended June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 141,655	\$ 674	\$ 9,087	\$ 151,416	
Net realized gains	45,538	28,535	-	74,073	
Net unrealized gains	233,679	165,280	-	398,959	
Total returns	<u>\$ 420,872</u>	<u>\$ 194,489</u>	<u>\$ 9,087</u>	<u>\$ 624,448</u>	

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 136,373	\$ 592	\$ 8,103	\$ 145,068	
Net realized gains	38,563	21,898	-	60,461	
Net unrealized gains	18,070	40,417	-	58,487	
Total returns	<u>\$ 193,006</u>	<u>\$ 62,907</u>	<u>\$ 8,103</u>	<u>\$ 264,016</u>	

4. ENDOWMENT NET ASSETS

The University's endowment includes both donor-restricted endowment funds and funds designated to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The ASC Not-for-Profit Entities Presentation of Financial Statements Subtopic (ASC Subtopic 958-205) provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and improves disclosure about an organization's endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA but rather has enacted Pennsylvania Act 141 ("PA Act 141"). PA Act 141 permits an organization's trustees to define income as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of the assets averaged over a period of at least three preceding years) without regard to actual interest, dividend, or realized and unrealized gains.

The University has interpreted PA Act 141 to permit the University to spend the earnings of its endowment based on a total return approach, without regard to the fair value of the original gift. As a result of this interpretation, the University classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Funds functioning as endowments are established at the direction of University management and are classified as unrestricted net assets due to the lack of external donor restrictions. Gains and losses attributable to permanent endowments are recorded as temporarily restricted net assets and gains and losses attributable to funds functioning as endowments are recorded as unrestricted net assets.

From time to time, due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets are unaffected to the same extent and maintain or exceed the level required. The aggregate amount of deficiencies at June 30, 2014 and 2013 was \$1.0 million and \$2.5 million, respectively, reported in unrestricted net assets on the consolidated statement of activities. Subsequent investment gains will be used to restore the balance up to the fair market value of the original gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets.

Endowment net asset composition by type of fund as of June 30:

<i>(in thousands of dollars)</i>		<u>Temporarily</u>	<u>Permanently</u>	
<u>2014</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (959)	\$ 521,680	\$ 1,146,955	\$ 1,667,676
Funds functioning as endowments	<u>596,738</u>	<u>-</u>	<u>-</u>	<u>596,738</u>
Total net assets	<u>\$ 595,779</u>	<u>\$ 521,680</u>	<u>\$ 1,146,955</u>	<u>\$ 2,264,414</u>

<i>(in thousands of dollars)</i>		<u>Temporarily</u>	<u>Permanently</u>	
<u>2013</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (2,530)	\$ 338,970	\$ 1,067,081	\$ 1,403,521
Funds functioning as endowments	<u>520,622</u>	<u>-</u>	<u>-</u>	<u>520,622</u>
Total net assets	<u>\$ 518,092</u>	<u>\$ 338,970</u>	<u>\$ 1,067,081</u>	<u>\$ 1,924,143</u>

Changes in endowment net assets for the years ended June 30:

<i>(in thousands of dollars)</i>		<u>Temporarily</u>	<u>Permanently</u>	
<u>2014</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 518,092	\$ 338,970	\$ 1,067,081	\$ 1,924,143
Endowment return:				
Endowment earnings	28,306	20	3,054	31,380
Net realized gains	47,077	28,374	-	75,451
Net unrealized gains	63,399	155,123	-	218,522
Reclassification of funds with deficiencies	<u>1,571</u>	<u>(1,571)</u>	<u>-</u>	<u>-</u>
Total endowment return	<u>140,353</u>	<u>181,946</u>	<u>3,054</u>	<u>325,353</u>
Contributions	-	764	76,820	77,584
Endowment spending	(75,383)	-	-	(75,383)
Transfers to create funds functioning as endowments	<u>12,717</u>	<u>-</u>	<u>-</u>	<u>12,717</u>
Endowment net assets, end of the year	<u>\$ 595,779</u>	<u>\$ 521,680</u>	<u>\$ 1,146,955</u>	<u>\$ 2,264,414</u>
 <i>(in thousands of dollars)</i>				
<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 486,802	\$ 284,539	\$ 1,001,580	\$ 1,772,921
Endowment return:				
Endowment earnings	36,279	80	3,605	39,964
Net realized gains	35,180	21,351	-	56,531
Net unrealized losses	20,830	34,900	-	55,730
Reclassification of funds with deficiencies	<u>2,405</u>	<u>(2,405)</u>	<u>-</u>	<u>-</u>
Total endowment return	<u>94,694</u>	<u>53,926</u>	<u>3,605</u>	<u>152,225</u>
Contributions	-	505	61,896	62,401
Endowment spending	(71,459)	-	-	(71,459)
Transfers to create funds functioning as endowments	<u>8,055</u>	<u>-</u>	<u>-</u>	<u>8,055</u>
Endowment net assets, end of the year	<u>\$ 518,092</u>	<u>\$ 338,970</u>	<u>\$ 1,067,081</u>	<u>\$ 1,924,143</u>

The University has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable stream of funding to programs supported by its endowment while seeking to maintain, over time, the purchasing power of the endowment assets. The overall management objective for the University's pooled endowment funds is to preserve or grow the real (inflation-adjusted) purchasing power of the assets through a prudent long-term investment strategy. This objective would be achieved on a total return basis. Under these policies, as approved by the Board of Trustees and the Penn State Investment Council, the primary investment objective of the University's pooled endowment is to attain a real total return (net of investment management fees) that at least equals a total annual effective spending rate of 5.25% (program spending of 4.5% plus administrative costs of 0.75%) over the long term.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets of the University are invested in a broad range of equities and fixed income securities, thereby limiting the market risk exposure in any one institution or individual investment.

The University has a policy of appropriating for distribution each year a certain percentage (4.5% for 2014 and 2013) of its pooled endowment fund's average fair market value over the prior five years preceding the

fiscal year in which the distribution is planned. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to provide generous current spending while preserving "intergenerational equity". This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

5. FAIR VALUE MEASUREMENTS

The University utilizes the following fair value hierarchy, which prioritizes into three broad levels, the inputs to valuation techniques used to measure fair value:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets as of the measurement date. Such instruments valued at Level 1, primarily consist of securities that are directly held and actively traded in public markets.
- Level 2 – Inputs other than unadjusted quoted prices that are observable for the asset or liability, directly or indirectly, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Level 2 measures include University interests in certain debt instruments and commingled investment funds which NAV is used as a practical expedient. These funds are redeemable at NAV as of the measurement date, generally within 90 days.
- Level 3 – Unobservable inputs that cannot be corroborated by observable market data. Level 3 instruments primarily consist of investment funds for which NAV is used as a practical expedient. The University does not have the ability to redeem the funds at NAV as of the measurement date.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of significance of a particular item to the fair value measurement in its entirety requires judgment, including consideration of inputs specific to the asset.

The following table presents information as of June 30, 2014 about the University's financial assets and liabilities that are measured at fair value on a recurring basis:

<i>(in thousands of dollars)</i>	Quoted Prices in Active Markets For Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total Fair Value
<u>Assets:</u>				
Long-term Investment Pool:				
Money markets	\$ 48,692	\$ 160,388	\$ -	\$ 209,080
Fixed income				
U.S. government/agency	85,285	24,447	-	109,732
U.S. corporate	-	96,171	-	96,171
Foreign	64,007	187,203	-	251,210
Other	-	9,679	-	9,679
Equities	906,248	588,246	121,186	1,615,680
Private capital	-	397,295	751,380	1,148,675
Total	<u>\$ 1,104,232</u>	<u>\$ 1,463,429</u>	<u>\$ 872,566</u>	<u>\$ 3,440,227</u>
Operating investments:				
Money markets	\$ 4,592	\$ 206	\$ -	\$ 4,798
Fixed income				
U.S. government/agency	646,086	434,286	144	1,080,516
U.S. corporate	44,646	663,173	-	707,819
Foreign	8,070	149,084	-	157,154
Other	10,627	146,451	3,205	160,283
Equities	124,989	-	1,963	126,952
Private capital	-	-	7,137	7,137
Total	<u>\$ 839,010</u>	<u>\$ 1,393,200</u>	<u>\$ 12,449</u>	<u>\$ 2,244,659</u>
Deposits held by bond trustees:				
Fixed income				
U.S. government/agency	\$ -	\$ 2,551	-	\$ 2,551
Total	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ -</u>	<u>\$ 2,551</u>
Beneficial interest in perpetual trusts				
	\$ -	\$ -	\$ 15,498	\$ 15,498
<u>Liabilities:</u>				
Present value of annuities payable	\$ -	\$ -	\$ 51,151	\$ 51,151

The following table presents information as of June 30, 2013 about the University's financial assets and liabilities that are measured at fair value on a recurring basis:

<i>(in thousands of dollars)</i>	Quoted Prices in Active Markets For Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total <u>Fair Value</u>
Assets:				
Long-term Investment Pool:				
Money markets	\$ 86,754	\$ 261,667	\$ -	\$ 348,421
Fixed income				
U.S. government/agency	84,168	29,967	-	114,135
U.S. corporate	4,229	83,480	-	87,709
Foreign	60,260	174,985	-	235,245
Other	-	8,913	-	8,913
Equities	822,353	373,406	63,157	1,258,916
Private capital	-	307,741	588,922	896,663
Total	<u>\$ 1,057,764</u>	<u>\$ 1,240,159</u>	<u>\$ 652,079</u>	<u>\$ 2,950,002</u>
Operating investments:				
Money markets	\$ 23,360	\$ 206	\$ -	\$ 23,566
Fixed income				
U.S. government/agency	574,415	485,921	138	1,060,474
U.S. corporate	-	618,582	-	618,582
Foreign	-	137,270	-	137,270
Other	-	134,890	2,814	137,704
Equities	81,470	798	1,303	83,571
Private capital	-	-	6,065	6,065
Total	<u>\$ 679,245</u>	<u>\$ 1,377,667</u>	<u>\$ 10,320</u>	<u>\$ 2,067,232</u>
Deposits held by bond trustees:				
Fixed income				
U.S. government/agency	\$ -	\$ 2,551	-	\$ 2,551
Total	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ -</u>	<u>\$ 2,551</u>
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 13,252	\$ 13,252
Liabilities:				
Present value of annuities payable	\$ -	\$ -	\$ 42,255	\$ 42,255

The Long-term Investment Pool (LTIP) is a mutual fund-like vehicle used for investing the University's endowment funds, funds functioning as endowments, and other operating funds that are expected to be held long-term. A share method of accounting for the LTIP is utilized by the University. Each participating fund enters into and withdraws from the LTIP based on monthly share values. At June 30, 2014 and 2013, fair value of endowment funds and funds functioning as endowments within the LTIP totaled \$2,294.6 million and \$1,941.1 million, respectively. At June 30, 2014 and 2013, fair value of operating funds included in the LTIP totaled \$1,145.6 million and \$1,008.9 million, respectively.

The following tables present information related to changes in Level 3 for each category of assets and liabilities for year ended June 30, 2014:

<i>(in thousands of dollars)</i>	<u>Long-term Investment Pool</u>	<u>Operating Investments</u>	<u>Beneficial Interest in Perpetual Trusts</u>
Assets:			
Beginning balance	\$ 652,079	\$ 10,320	\$ 13,252
Total realized and unrealized gains	175,790	1,454	2,035
Purchases	175,566	747	291
Sales	(130,869)	(72)	(80)
Transfers into (out of) Level 3	-	-	-
Ending balance	<u>\$ 872,566</u>	<u>\$ 12,449</u>	<u>\$ 15,498</u>
	<u>Present Value of Annuities Payable</u>		
Liabilities:			
Beginning balance	\$ 42,255		
Actuarial adjustment of liability	(633)		
Gifts	10,135		
Sales	(606)		
Withdrawal from program	-		
Ending balance	<u>\$ 51,151</u>		

The following tables present information related to changes in Level 3 for each category of assets and liabilities for year ended June 30, 2013:

<i>(in thousands of dollars)</i>	<u>Long-term Investment Pool</u>	<u>Operating Investments</u>	<u>Beneficial Interest in Perpetual Trusts</u>
Assets:			
Beginning balance	\$ 607,407	\$ 10,778	\$ 12,891
Total realized and unrealized Gains/(losses)	60,065	(388)	361
Purchases	165,678	75	-
Sales	(135,294)	(145)	-
Transfers into (out of) Level 3	(45,777)	-	-
Ending balance	<u>\$ 652,079</u>	<u>\$ 10,320</u>	<u>\$ 13,252</u>
	<u>Present Value of Annuities Payable</u>		
Liabilities:			
Beginning balance	\$ 43,167		
Actuarial adjustment of liability	4,679		
Gifts	642		
Sales	(6,233)		
Withdrawal from program	-		
Ending balance	<u>\$ 42,255</u>		

For the year ended June 30, 2014, there were no transfers of assets between Level 3 and Level 2. For the year ended June 30, 2013, \$45.8 million of Level 3 assets were transferred to Level 2 as a result of the expiration of lock-up periods for two marketable alternative funds; now these investments may be redeemed within 90 days of June 30.

There were no transfers of investments between Level 1 and Level 2 in 2014 and 2013.

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent as of June 30, 2014:

<i>(in thousands of dollars)</i>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:			Quarterly/ Daily/Monthly	5-90 days
Non-U.S. Equity	\$ 617,223			
Subtotal	<u>\$ 617,223</u>			
Marketable Investment Partnerships:				
Absolute Return	\$ 17,135		Quarterly	65 days
Distressed Debt	58,506		Quarterly/ Semi Annual	60-90 days
Commodities	106,388		Monthly	30-60 days
Opportunistic	171,103		Quarterly	30 days
Directional Long/Short	62,818		Monthly	30 days
Subtotal	<u>\$ 415,950</u>			
Non-Marketable Investment Partnerships:				
Private Real Estate	\$ 101,360	\$ 45,193		
Venture Capital	213,012	112,579		
Private Equity	248,263	211,614		
Natural Resources	131,240	77,675		
Private Debt	45,987	51,040		
Subtotal	<u>\$ 739,862</u>	<u>\$ 498,101</u>		
Total	<u>\$ 1,773,035</u>	<u>\$ 498,101</u>		

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent as of June 30, 2013:

<i>(in thousands of dollars)</i>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:			Quarterly/ Daily/Monthly	5-90 days
Non-U.S. Equity	\$ 362,061			
Subtotal	<u>\$ 362,061</u>			
Marketable Investment Partnerships:				
Absolute Return	\$ 20,173		Quarterly	65 days
Distressed Debt	52,152		Quarterly/ Semi Annual	60-90 days
Commodities	84,271		Monthly	30-60 days
Opportunistic	140,181		Quarterly	30 days
Directional Long/Short	27,580		Quarterly	30-90 days
Subtotal	<u>\$ 324,357</u>			
Non-Marketable Investment Partnerships:				
Private Real Estate	\$ 88,567	\$ 19,788		
Venture Capital	144,712	83,095		
Private Equity	234,203	141,606		
Natural Resources	91,306	69,809		
Private Debt	19,583	20,031		
Subtotal	<u>\$ 578,371</u>	<u>\$ 334,329</u>		
Total	<u>\$ 1,264,789</u>	<u>\$ 334,329</u>		

Commingled funds include investments that aggregate assets from multiple investors and are managed collectively following a prescribed strategy. Redemptions vary from daily to quarterly with required notification of 90 days or less. The non-U.S. equity strategy is invested in developed and developing countries outside of the United States, and spans the entire equity capitalization spectrum. These collective portfolios preclude the need to obtain securities registration in foreign countries. One commingled fund has 2 years remaining on a 3-year gate and a second is 50% redeemable in three years. The two make up approximately 12.9% and 6.8%, respectively of commingled portfolio.

Marketable Investment Funds include several hedge funds whose underlying positions are traded via public securities markets. Liquidity terms range from quarterly to annually with advance notification for redemption ranging from 30 to 90 days. The fair values of the investments for each fund in this category have been estimated using the net asset value of the Long Term Investment Pool's (LTIP) share holdings in the fund. Five major investment strategies are included within this category. Absolute Return refers to relative value strategies. Directional refers to equity long/short strategies in both U.S. and non-U.S. markets. Opportunistic refers to global multi-strategy. Distressed Debt refers to securities rated below investment grade, along with non-rated debt. Commodities refer to publicly traded commodity instruments primarily including futures and options.

Nonmarketable Investment Partnerships include limited partnership interests in a variety of illiquid investments. The fair values of the investments for each fund in this category have been estimated using the net asset value of the LTIP's ownership interest in partner's capital and cannot be redeemed. Realizations from each fund are received as the underlying investments are liquidated or distributed, typically within 10 years after initial commitment. Unfunded commitments represent remaining commitments of the LTIP's drawdown funds as of June 30, 2014 and 2013, respectively. Five major investment strategies are included within this category. Private Real Estate includes properties primarily located in the U.S. Venture Capital includes non-public startups and enterprises in early stages of growth located globally. Private Equity includes buyouts of previously public companies as well as enterprises that are planning to go public in the near future, including funds focusing on opportunities outside the U.S. Natural Resources largely include companies primarily involved in oil and natural gas in addition to a variety of other natural resources. Private Debt includes global private credit securities rated below investment grade as well as non-rated debt.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
In one year or less	\$ 71,374	\$ 57,002
Between one year and five years	79,253	63,742
More than five years	<u>133,163</u>	<u>119,990</u>
	283,790	240,734
Less allowance	(6,911)	(5,704)
Less discount	<u>(62,415)</u>	<u>(56,893)</u>
Contributions receivable, net	<u>\$ 214,464</u>	<u>\$ 178,137</u>

Contributions receivable are discounted at rates ranging from 0.11% to 2.81% and 0.15% to 2.87% at June 30, 2014 and 2013, respectively. The discount rates for prior periods ranged from 0.15% to 6.28%.

At June 30, 2014 and 2013, the University has received bequest intentions and certain other conditional promises to give of \$98.2 million and \$85.8 million, respectively. These intentions and conditional promises to give are not included in the consolidated financial statements.

The following table summarizes the change in contributions receivable, net during the year ended June 30, 2014:

	<i>(in thousands of dollars)</i>
Balance beginning of year	\$ 178,137
New pledges	115,112
Collections on pledges	(72,056)
Increase in allowance	(1,207)
Increase in unamortized discounts	<u>(5,522)</u>
Balance at the end of year	<u>\$ 214,464</u>

7. LONG-TERM DEBT

The various bond issues and capital lease obligations that are included in long-term debt in the statements of financial position consist of the following at June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
<u>The Pennsylvania State University Bonds</u>		
Series 2010	\$ 135,035	\$ 135,035
Series 2009A	107,840	114,075
Series 2009B	74,235	74,235
Series 2008A	77,670	77,670
Series 2008B	3,035	3,980
Series 2007A	87,595	88,125
Series 2007B	60,630	63,515
Series 2005	83,650	85,700
Series 2004A	51,475	52,835
Refunding Series 2002	25,960	41,655
<u>Pennsylvania Higher Educational Facilities</u>		
<u>Authority University Revenue Bonds</u>		
<u>(issued for The Pennsylvania State University)</u>		
Series 2006	3,335	3,545
Series 2004	3,655	3,905
Series 2002	3,650	4,020
<u>Lycoming County Authority College</u>		
<u>Revenue Bonds (issued for Penn College)</u>		
Series 2012	24,685	24,685
Series 2011	39,050	39,050
Series 2008	55,000	55,000
Series 2005	10,060	11,085
Series 1993	<u>3,500</u>	<u>5,250</u>
Total bonds payable	850,060	883,365
Unamortized bond premiums	35,273	38,008
<u>Note payable and capital leases</u>		
Note payable	10,000	-
Capital lease obligations	<u>86,155</u>	<u>84,035</u>
Total notes payable and capital leases	<u>96,155</u>	<u>84,035</u>
Total long-term debt	<u>\$ 981,488</u>	<u>\$ 1,005,408</u>

<u>Debt issuance</u>	<u>Interest rate mode</u>	<u>Interest rates</u>	<u>Payment ranges and maturity</u> <i>(in thousands of dollars)</i>
The Pennsylvania State University Bonds			
Series 2010	Fixed	3.375% - 5.00%	\$3,655 to \$6,595 through March 2030 with \$21,805 and \$44,245 due March 2035 and 2040
Series 2009A	Fixed	4.00% - 5.00%	\$5,540 to \$9,320 through March 2029
Series 2009B	Variable	0.15%	June 2031
Series 2008A	Fixed	5.00%	\$1,840 to \$7,695 through August 2029
Series 2008B	Fixed	3.50% - 3.75%	\$975 to \$1,050 through August 2016
Series 2007A	Fixed	3.70% - 4.50%	\$550 to \$700 through August 2022, with \$11,115 and \$70,905 due August 2028 and 2036
Series 2007B	Fixed	5.00% - 5.25%	\$3,030 to \$5,955 through August 2027
Series 2005	Fixed	3.75% - 5.00%	\$2,150 to \$2,745 through September 2019 with \$15,990, \$20,550, and \$32,485 due September 2024, 2029, and 2035
Series 2004A	Fixed	4.50% - 5.00%	\$1,425 to \$1,825 through September 2019, with \$10,625, \$13,635, and \$17,515 due September 2024, 2029, and 2034
Refunding Series 2002	Fixed	5.25%	\$4,585 to \$16,540 through August 2016
Pennsylvania Higher Education Facilities Authority ("PHEFA") University Revenue Bonds			
Series 2006	Fixed	4.10% - 5.125%*	\$220 to \$280 through 2020, with \$1,610 due September 2025
Series 2004	Fixed	4.30% - 5.00%*	\$260 to \$325 through 2019, with \$1,905 due September 2024
Series 2002	Fixed	4.40% - 5.00%*	\$385 to \$425 due through 2017, with \$2,435 due March 2022
* Annual interest costs to the University for interest rates greater than 3.00% are subsidized by PHEFA.			
Lycoming County Authority College Revenue Bonds			
Series 2012	Fixed	2.00% - 5.00%	\$410 to \$2,635 through May 2032
Series 2011	Fixed	3.00% - 5.50%	\$70 to \$5,230 through July 2030
Series 2008	Fixed	3.50% - 5.50%	\$1,455 to \$4,140 through October 2037
Series 2005	Fixed	5.00%	\$505 to \$1,855 through January 2025
Series 1993	Fixed	6.15%	\$450 to \$478 through November 2015

The Series 2009B Bonds are currently paying interest on a variable rate basis at a long term rate for the period June 1, 2014 through May 31, 2015. The University has the option to convert to another variable rate (daily, weekly, monthly or flexible) or to a fixed rate basis (such rates are generally determined on a market basis) at respective conversion dates. The bonds currently pay interest at 0.15% with adjustment on the respective date to the rate the remarketing agent believes will cause the bonds to have a market value equal to the principal. The 2009B bondholders have the right to tender bonds on the purchase dates while such bonds bear interest at the daily, weekly or monthly rate. The 2009B Bonds were issued subject to the self-liquidity program established by the University on the date of issuance pursuant to which the University will provide liquidity for the 2009B Bonds from its general funds in the event of insufficient remarketing proceeds.

Maturities and sinking fund requirements on bonds payable for each of the next five fiscal years and thereafter are summarized as follows:

<u>Year</u>	<u>Annual Installments</u> <i>(in thousands of dollars)</i>
2015	\$ 35,330
2016	24,320
2017	28,780
2018	24,455
2019	28,805
Thereafter	<u>708,370</u>
	<u>\$ 850,060</u>

The fair value of the University's bonds payable is estimated based on current rates offered for similar issues with similar security, terms and maturities using available market information as supplied by the various financial institutions who act as trustees or custodians for the University. At June 30, 2014, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums, are \$885.3 million and \$917.8 million, respectively. At June 30, 2013, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums, were \$921.4 million and \$939.4 million, respectively. Certain bond issues have associated issuance premiums, these issuance premiums total \$35.3 million and \$38.0 million at June 30, 2014 and 2013, respectively and are presented within the statement of financial position as long-term debt. These issuance premiums will be amortized over the term of the respective outstanding bonds.

Note payable and capital leases

A \$10 million note payable due annually through June 2024 is included within the consolidated statements of financial position at June 30, 2014. The note payable bears interest at 2.60%.

The University has certain building and equipment lease agreements in effect which are considered capital leases. Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2014 are as follows:

<u>Year</u>	<i>(in thousands of dollars)</i>
2015	\$ 15,010
2016	13,895
2017	12,888
2018	10,253
2019	8,244
Thereafter	<u>132,232</u>
Total minimum lease payments	192,522
Less imputed interest	<u>(106,367)</u>
Capital lease obligation	86,155
Current portion	<u>9,265</u>
Long-term portion	<u>\$ 76,890</u>

8. OPERATING LEASES

The University has certain lease agreements in effect which are considered operating leases. During the year ended June 30, 2014, the University recorded expenses of \$21.0 million for leased equipment and \$24.7 million for leased building space. During the year ended June 30, 2013, the University recorded expenses of \$22.0 million for leased equipment and \$22.6 million for leased building space.

Future minimum lease payments under operating leases as of June 30, 2014 are as follows:

<u>Year</u>	<i>(in thousands of dollars)</i>
2015	\$ 22,532
2016	16,534
2017	13,149
2018	10,057
2019	8,587
Thereafter	<u>37,490</u>
Total minimum lease payments	<u>\$ 108,349</u>

9. RETIREMENT BENEFITS

The University provides retirement benefits for substantially all regular employees, primarily through either contributory defined benefit plans administered by the Commonwealth of Pennsylvania State Employees' Retirement System and The Public School Employees' Retirement System or defined contribution plans administered by the Teachers Insurance and Annuity Association – College Retirement Equity Fund and Fidelity Investments. The University is billed for its share of the estimated actuarial cost of the defined benefit plans (\$50.9 million and \$35.9 million for the years ended June 30, 2014 and 2013, respectively). The University's total cost for retirement benefits, included in expenses, is \$168.1 million and \$146.6 million for the years ended June 30, 2014 and 2013, respectively.

10. POSTRETIREMENT BENEFITS

The University sponsors a retiree medical plan covering eligible retirees and eligible dependents. This program includes a Preferred Provider Organization ("PPO") plan for retirees and their dependents who are not eligible for Medicare, a Medicare Advantage PPO plan and a Medicare Supplement plan. In addition, the University provides retiree life insurance benefits at no cost to the retiree.

Employees who were hired prior to January 1, 2010 are eligible for medical coverage and life insurance after they retire if either of the following requirements are satisfied:

- they are at least age 60 and have at least 15 years of regular full-time employment and participation in a University-sponsored medical plan immediately preceding the retirement date
- regardless of age, if they have at least 25 years of regular full-time service. The last 10 of those 25 years of University service must be continuous and they must participate in a University-sponsored medical plan during the last 10 years immediately preceding the retirement date.

The retiree PPO medical plan and the life insurance coverage are self-funded programs, and all medical claims, death benefits and other expenses are paid from the unrestricted net assets of the University. The Medicare Advantage PPO plan and the Medicare Supplement plan are fully insured. The retirees pay varying amounts for coverage under the medical plan.

For those employees who were hired after December 31, 2009, the University will contribute funds each month on their behalf to a retirement healthcare savings plan. This plan is designed to help pay for qualified medical and health-related expenses in retirement, including the purchase of a health insurance policy.

Retirees will be eligible to access their Penn State Retirement Savings Account when they are no longer actively employed at Penn State and have satisfied either of the following requirements:

- completed 25 years of continuous full-time service and are age 60 or older
- completed a minimum of 15 years of continuous full-time service and are age 65 or older.

Included in unrestricted net assets at June 30, 2014 and 2013 are the following amounts that have not yet been recognized in net periodic postretirement cost: unrecognized prior service cost (benefit) of (\$64.6) million and (\$86.3) million and unrecognized actuarial loss of \$652.9 million and \$547.6 million, respectively.

The following sets forth the plan's benefit obligation, plan assets and funded status reconciled with the amounts recognized in the University's consolidated statements of financial position at June 30:

Change in benefit obligation:

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Benefit obligation at beginning of year	\$ 1,695,041	\$ 1,864,899
Service cost	44,844	56,194
Interest cost	78,696	77,943
Actuarial gain	(88,390)	(95,754)
Benefits paid	(47,661)	(43,840)
Plan assumptions	<u>217,876</u>	<u>(164,401)</u>
Benefit obligation at end of year	<u>\$ 1,900,406</u>	<u>\$ 1,695,041</u>

Change in plan assets:

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	47,661	43,840
Benefits paid	<u>(47,661)</u>	<u>(43,840)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status	\$ (1,900,406)	\$ (1,695,041)
Unrecognized prior service cost (benefit)	-	-
Unrecognized net actuarial loss	-	-
Accrued postretirement benefit expense	<u>\$ (1,900,406)</u>	<u>\$ (1,695,041)</u>

Net periodic postretirement cost includes the following components for the years ended June 30:

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Service cost	\$ 44,844	\$ 56,194
Interest cost	78,696	77,943
Amortization of prior service cost	(21,699)	(21,699)
Amortization of unrecognized net loss	<u>24,200</u>	<u>44,960</u>
Net periodic postretirement cost	<u>\$ 126,041</u>	<u>\$ 157,398</u>

The assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.50% and 8.00% for the years ended June 30, 2014 and 2013, respectively, reduced by 0.50% per year to a fixed level of 5.00%. The weighted average postretirement benefit obligation discount rate was 4.50% and 5.00% for the years ended June 30, 2014 and 2013, respectively.

If the healthcare cost trend rate assumptions were increased by 1% in each year, the accumulated postretirement benefit obligation would be increased by \$367.2 million and \$318.1 million as of June 30, 2014 and 2013, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be an increase of \$27.4 million and \$32.3 million as of June 30, 2014 and 2013, respectively. If the healthcare cost trend rate assumptions were decreased by 1% in

each year, the accumulated postretirement benefit obligation would be decreased by \$294.3 million and \$256.6 million as of June 30, 2014 and 2013, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be a decrease of \$21.0 million and \$24.5 million as of June 30, 2014 and 2013, respectively.

Gains and losses in excess of 10% of the accumulated postretirement benefit obligation are amortized over the average future service to assumed retirement of active participants.

Postretirement benefits expected to be paid for the years ended June 30 are as follows:

	<i>(in thousands of dollars)</i>
2015	\$ 53,350
2016	58,513
2017	63,596
2018	68,020
2019	72,598
2020-24	429,097

11. THE MILTON S. HERSHEY MEDICAL CENTER AND PENN STATE HERSHEY HEALTH SYSTEM

The University's wholly-owned subsidiary, TMSHMC, owns the assets of the clinical enterprise of the Hershey Medical Center complex. The University owns the Hershey Medical Center complex, including all buildings and land occupied by the Medical Center and operates the College of Medicine. The clinical facilities of the Hershey Medical Center complex are leased to TMSHMC. TMSHMC makes certain payments to support the College of Medicine.

The Health System is a corporate investor in healthcare joint ventures, which are supportive of the missions of the Medical Center. The Health System was organized in 1995 as a wholly-owned subsidiary of the Corporation for the purpose of organizing components of an integrated health care delivery system. The Health System recorded non-controlling interest related to the acquisition of additional ownership interest in a joint venture. This noncontrolling interest is recorded in the net assets within the consolidated statements of financial position with a value at June 30, 2014 and 2013 of \$961,000 and \$831,000, respectively.

On June 26, 2014, a letter of intent and term sheet ("agreement") was executed between the University, the Medical Center, the Health System and Pinnacle Health System. The purpose of the agreement was to set forth certain non-binding understandings and certain binding agreements between the parties. The intent is to form a new Health Enterprise in central Pennsylvania. This new collaborative innovative enterprise would bring together a high-performing university medical center and a community health system. It would provide increased access to a wider range of services and full spectrum of care to patients over a broad geographic base. Both systems will continue to operate independently and as normal until an integration is finalized and all necessary approvals are obtained.

12. CONTINGENCIES AND COMMITMENTS

Contractual Obligations

The University has contractual obligations for the construction of new buildings and for additions to existing buildings in the amount of \$814.6 million of which \$619.8 million has been paid or accrued as of June 30, 2014. The contract costs are being financed from available resources and from borrowings.

Letters of Credit

The University has available letters of credit in the amount of \$19.1 million and \$20.5 million as of June 30, 2014 and 2013, respectively. These letters of credit are used primarily to comply with minimum state and federal regulatory laws that govern various University activities. The fair value of these letters of credit approximates contract values based on the nature of the fee arrangements with the issuing banks.

Guarantees

The University has a contract with a third party whereby the third party acts as an agent of the University in connection with procurement of electricity. The University guarantees the payment of the obligations of the third party incurred on behalf of the University to counterparties. No liabilities related to guarantees have been recorded as of June 30, 2014.

Self-Insurance

The University has a coordinated program of commercial and self-insurance for medical malpractice claims at TMSHMC through the use of a qualified trust and a domestic captive insurance company in combination with a self-insured retention layer and is supplementing this program through participation in the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare Fund"), in accordance with Pennsylvania law. An estimate of the present value, discounted at 2% for the years ended June 30, 2014 and 2013, respectively, of the medical malpractice claims liability in the amount of \$96.4 million and \$96.7 million is recorded as of June 30, 2014 and 2013, respectively.

On July 1, 2003, TMSHMC became self-insured for all medical malpractice claims asserted on or after July 1, 2003, for all amounts that are below the coverage of the TMSHMC's excess insurance policies and not included in the insurance coverage of the Mcare Fund. Under the self-insurance program, TMSHMC is required to maintain a malpractice trust fund in an amount at least equal to the expected loss of known claims. The balance of this trust fund was \$19.7 million and \$20.7 million at June 30, 2014 and 2013, respectively. TMSHMC intends to fund any claims due during the next year from cash flows from operations.

With approval from the Pennsylvania Department of Labor and Industry ("PA-DLI"), the University elected to self-insure potential obligations applicable Pennsylvania workers' compensation. Certain claims under the program are contractually administered by a private agency. The University purchased insurance coverage for excess obligations over \$600,000 per incident. An estimate of the self-insured workers' compensation claims liability in the amount of \$10.1 million and \$10.9 million, discounted at 0.75%, is recorded as of June 30, 2014 and 2013, respectively. The University has established a trust fund, in the amount of \$12.8 million and \$12.7 million at June 30, 2014 and 2013, respectively, as required by PA-DLI, to provide for the payment of claims under this self-insurance program. TMSHMC is self-insured for workers' compensation claims and has purchased an excess policy through a commercial insurer which covers individual claims in excess of \$500,000 per incident for workers' compensation claims.

The University and TMSHMC are self-insured for certain health care benefits provided to employees. The University and TMSHMC have purchased excess policies which cover employee health benefit claims in excess of \$500,000 and \$350,000 per employee per year, respectively. The University and TMSHMC provide for reported claims and claims incurred but not reported.

Litigation and Contingencies

In November 2011, the University was made aware of certain allegations in a Commonwealth of Pennsylvania Grand Jury presentment. Various legal proceedings and investigations have arisen as a result of such allegations, including criminal proceedings against former officers and employees of the University. Certain claims and civil litigation have been filed against the University with anticipation that other complaints could be filed. The University accrued \$59.7 million for 26 of 32 known claims at June 30, 2013 with such claims subsequently paid during fiscal year 2014. These costs were included in institutional support within the consolidated statement of activities. Two of the claims were deemed to have no merit through the due diligence process. Subsequently, the University has been notified of five additional claims, bringing known claims to 37, two of which were made known to the University subsequent to June 30, 2014. Without having knowledge of the number and nature of unknown claims and in view of the inherent difficulty of predicting the outcome of our remaining eleven known claims, each with their own unique circumstances that give rise to their alleged claims, and given the various stages of the proceedings, we are unable to predict the outcome of these matters or the ultimate legal and financial liability, and at this time cannot reasonably estimate the possible loss or range of loss. Accordingly, no amounts have been accrued in the 2014 financial statements for these claims although a loss is reasonably possible in future periods which could have a material adverse effect on our current and future financial position, results of operations and cash flows.

For the years ended June 30, 2014 and 2013, the University has incurred costs, net of insurance reimbursements totaling \$15.6 million and \$17.3 million, respectively, for internal investigation, legal, communications and other related costs. These costs are included in institutional support within the consolidated statement of activities. Insurance reimbursements for the years ended June 30, 2014 and 2013 totaled \$64,000 and \$249,000, respectively. Amounts paid directly by insurance carriers for the years ended June 30, 2014 and 2013 totaled \$2,681,000 and \$2,994,000, respectively.

The University has submitted claims to insurance carriers at June 30, 2014 related to the claims settled and certain legal costs incurred to date. Amounts of future insurance reimbursement are unknown as of June 30, 2014 and as a result no insurance recovery accruals have been recorded in the 2014 financial statements.

Based on its operation of the Medical Center (see Note 11), the University, like the rest of the healthcare industry, is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions. Recently, government reviews of healthcare providers for compliance with regulations have increased. Although the University believes it has done its best to comply with these numerous regulations, such government reviews could result in significant repayments of previously billed and collected revenues from patient services.

On July 12, 2013, the University received a preliminary report from the U.S. Department of Education based on the program review of the University's compliance with the Clery Act, a federal law related to campus safety. The Department of Education will make a final program review determination after the process is complete. The outcome and financial impacts of the program review are unknown as of the date the consolidated financial statements were issued.

Various other legal proceedings have arisen in the normal course of conducting University business. The outcome of such litigation is not expected to have a material effect on the financial position of the University.

13. SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 24, 2014, the date on which the consolidated financial statements were issued. It did not identify any subsequent events to be disclosed other than those below or previously noted.

THE PENNSYLVANIA STATE UNIVERSITY

BOARD OF TRUSTEES

as of June 30, 2014

APPOINTED BY THE GOVERNOR	MEMBERS EX OFFICIO	ELECTED BY BOARD REPRESENTING BUSINESS AND INDUSTRY
CLIFFORD G. BENSON, JR. Chief Development Officer Buffalo Sabros	ERIC J. BARRON President The Pennsylvania State University	JAMES S. BROADHURST Chairman Eat'n Park Hospitality Group, Incorporated
KATHLEEN L. CASEY Senior Advisor Patomak Global Partners, LLC	THOMAS W. CORBETT JR. Governor Commonwealth of Pennsylvania*	RICHARD K. DANDREA Attorney Eckert Seamans Chenn & Mellott, LLC
MARK H. DAMBLY President Pennrose Properties, LLC	CAROLYN C. DUMARESQ Acting Secretary Pennsylvania Department of Education	KENNETH C. FRAZIER Chairman, President & Chief Executive Officer Merck & Company, Incorporated
ALLISON S. GOLOSTEIN Graduate Assistant The Pennsylvania State University	ELLEN M. FERRETTI Secretary Pennsylvania Department of Conservation and Natural Resources	EDWARD R. HINTZ, JR. President Hintz Capital Management, Incorporated
TODD L. RUCCI Government and Community Relations Officer PAP Technologies	GEORGE D. GREIG Secretary Pennsylvania Department of Agriculture	KAREN B. PEETZ President Bank of New York Mellon
PAUL H. SILVIS Head Coach SilcoTek	*JENNIFER BRANSTETTER Governor's Non-Voting Representative Director of Policy and Planning Office of the Governor	LINDA B. STRUMPF Retired Chief Investment Officer The Holmsley Chantable Trust
ELECTED BY ALUMNI	ELECTED BY DELEGATES FROM AGRICULTURAL SOCIETIES	ELECTED BY DELEGATES FROM AGRICULTURAL SOCIETIES
MARIANNE E. ALEXANDER President Emerita of the Public Leadership Education Network	RYAN J. MCCOMBIE Retired, United States Navy	DONALD G. COTNER President Cotner Farms, Inc
H. JESSE ARNELLE Attorney	JOEL N. MYERS President AccuWeather, Incorporated	KEITH W. ECKEL Sole Proprietor and President Fred W. Eckel and Sons Farms, Incorporated
EDWARD "TED" B. BROWN President & CEO KETCH Consulting, Inc.	WILLIAM F. OLDSEY Independent Consultant/Educational Publishing; Operating Partner, Atlas Advisors	M. ABRAHAM HARPSTER Co-Owner, Evergreen Farms, Inc.
BARBARA L. DORAN Portfolio Manager/Private Wealth Advisor Morgan Stanley	ADAM J. TALIAFERRO Healthcare Alliance Liaison Bristol Myers Squibb	BETSY E. HUBER Immediate Past Master, Pennsylvania State Grange
ANTHONY P. LUBRANO President, A.P. Lubrano & Company, Inc.		KEITH E. MASSER Chairman & Chief Executive Officer Serman Masser, Incorporated
		CARL T. SHAFFER President Pennsylvania Farm Bureau
EMERITI TRUSTEES		
CYNTHIA A. BALDWIN Retired Justice Supreme Court of Pennsylvania	STEVE A. GARBAN Senior Vice President for Finance and Operations/Treasurer Emeritus The Pennsylvania State University	L. J. ROWELL, JR. Retired Chairman and Chief Executive Officer Provident Mutual Life Insurance
CHARLES C. BROSIUS Retired President Marlboro Mushrooms	DAVID R. JONES Retired Assistant Managing Editor The New York Times	CECILE M. SPRINGER President, Springer Associates
WALTER J. CONTI Retired Owner Cross Keys Inn/Pipersville Inn	EDWARD P. JUNKER III Retired Vice Chairman PNC Bank Corporation	HELEN D. WISE Former Deputy Chief of Staff for Programs and Secretary of the Cabinet Governor's Office
DONALD M. COOK, JR. Retired President SEMCOR, Incorporated	ROGER A. MADIGAN Retired State Senator 23rd Senatorial District	BOYD E. WOLFF Retired, Owner and Operator Wolden Farms
MARIAN U. BARASH COPPERSMITH Retired Chairman of the Board The Barash Group	ROBERT D. METZGAR Former President North Penn Pipe & Supply, Incorporated	QUENTIN E. WOOD Retired Chairman of the Board and Chief Executive Officer Quaker State Corporation
ROBERT M. FREY Attorney-at-Law Frey & Tilley, P.C.	ANNE RILEY English Teacher	EDWARD P. ZEMPRELLI Attorney
	BARRY K. ROBINSON Attorney-at-Law	

Additional Officers' Names and Professional Profiles

I hereby certify that at a meeting of the Board of Trustees of The Pennsylvania State University, a corporation organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania, held on May 3, 2013, at which said meeting a quorum was present and acting throughout, the following was adopted and ever since has been and is in full force and effect authorizing certain University officers to sign on behalf of the corporation:

(i) The President, Vice President, Secretary, Treasurer, Assistant Treasurer, Senior Vice President for Finance and Business, and Corporate Controller of the University, or any one of such officers be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all deeds, agreements and contracts, and to transfer and endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(ii) The Treasurer, or in the absence of the Treasurer, the Senior Vice President for Finance and Business, may delegate in writing to such employees of the University as they may deem appropriate, the authority to execute and acknowledge on behalf of the University standardized agreements and contracts for which those employees have administrative responsibility.

(iii) The Chief Executive Officer, Office of Investment Management, or in his absence, the Chief Investment Officer, is hereby fully authorized and empowered on behalf of the University to transfer and endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(iv) The Associate Vice President for Finance and Business and Controller, or, in his or her absence, the Associate Controller, be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all agreements and contracts related to the affairs of the College of Medicine.

(v) The Associate Secretary and Assistant Secretary of this University, or any one of such officers, be and they are hereby fully authorized and empowered on behalf of this University to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

I further certify that the authority hereby conferred is not inconsistent with the Charter or Bylaws of this Corporation and that the following is a true and correct list of the officers as authorized by the Board of Trustees in full force and effect as of the present date:

Chairman	Keith E. Masser
Vice Chairman	Kathleen L. Casey
President	Eric J. Barron
Secretary	Thomas G. Poole
Associate Secretary	Janine S. Andrews
Assistant Secretary	Carmella Mulroy-Degenhart
Assistant Secretary	Donna J. Newburg
Assistant Secretary	Carol A. Maddox
Treasurer	David J. Gray
Assistant Treasurer	Deborah M. Meder
Assistant Treasurer	Susan J. Wiedemer
Corporate Controller	Joseph J. Doncsez
Associate Vice President for Finance and Business and Controller	Wayne W. Zolko
Associate Controller	Vincent A. Falvo
Chief Executive Officer, Office of Investment Management	David E. Branigan
Chief Investment Officer	John C. Pomeroy, Jr.

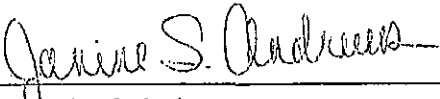
In witness whereof, I have hereunto set my hand and seal of said Corporation this _____ day of _____

(Corporate Seal)

RECEIVED

JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



Janine S. Andrews
Associate Secretary

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

NOTICE

Applications of The Pennsylvania State University For Approval To Offer, Render, or Furnish Services as a Marketer/Broker Engaged In The Business Of Supplying Natural Gas Supply Services and Electricity Supply or Electric Generation Services, To The Public In The Commonwealth Of Pennsylvania.

The Pennsylvania State University will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license as a broker/marketer engaged in the business of providing natural gas services. **The Pennsylvania State University** will also be filing an application with the PUC for a license to supply electricity or electric generation services as a broker/marketer engaged in the business of supplying electricity. **The Pennsylvania State University** proposes to sell electricity, natural gas, and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act and the Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of **The Pennsylvania State University** may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to **The Pennsylvania State University** attorney at the address listed below.

By and through Counsel:
Jennifer M. Eck
Office of General Counsel
The Pennsylvania State University
227 West Beaver Avenue
Suite 507 Rider Building
State College, PA 16801
Phone: (814) 867-4088
Fax: (814) 863-8469

RECEIVED

JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PROOF OF PUBLICATION
In
THE ERIE TIMES-NEWS
COMBINATION EDITION

Penn State Engineering Institute
135 E Nittany Ave, Suite 414
State College PA 16801

REFERENCE: 85413 141257
PUC Notiec

STATE OF PENNSYLVANIA)
COUNTY OF ERIE) SS:

Debra McGraw, being duly sworn, deposes and says that: (1) he/she is a designated agent of the Times Publishing Company (TPC) to execute Proofs of Publication on behalf of the TPC; (2) the TPC, whose principal place of business is at 205 W. 12th Street, Erie, Pennsylvania, owns and publishes the Erie Times-News, established October 2, 2000, a daily newspaper of general circulation, and published at Erie, Erie County Pennsylvania; (3) the subject notice or advertisement, a true and correct copy of which is attached, was published in the regular edition(s) of said newspaper on the date(s) referred to below. Affiant further deposes that he/she is duly authorized by the TPC, owner and publisher of the Erie Times-News, to verify the foregoing statement under oath, and affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

PUBLISHED ON: 06/09/15

TOTAL COST: \$409.00 AD SPACE: 0 Lines

FILED ON: 06/09/15

RECEIVED

JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE

Applications of The Pennsylvania State University For Approval To Offer, Resale, or Furnish Services as a Broker/Marketer Engaged in The Business Of Supplying Natural Gas Supply Services and Electricity Supply or Electric Generation Services, To The Public in The Commonwealth Of Pennsylvania.

The Pennsylvania State University will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license as a broker/marketer engaged in the business of providing natural gas services. The Pennsylvania State University will also be filing an application with the PUC for a license to supply electricity or electric generation services as a broker/marketer engaged in the business of supplying electricity. The Pennsylvania State University proposes to sell electricity, natural gas, and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act and the Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests filed in the technical or financial interests of The Pennsylvania State University may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to The Pennsylvania State University attorney at the address listed below.

By and through Counsel:
Jennifer M. Eck
Office of General Counsel
The Pennsylvania State University
227 West Beaver Avenue
Suite 507 Ridge Hall Building
State College, PA 16801
Phone: (814) 867-4088
Fax: (814) 863-8469

Sworn to and subscribed before me this 9th day of June 2015

Affiant: Debra McGraw

NOTARY: Barbara J. Meere

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Barbara J. Meere, Notary Public
City of Erie, Erie County
My Commission Expires March 23, 2016
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

The Patriot-News Co.
2020 Technology Pkwy
Suite 300
Mechanicsburg, PA 17050
Inquiries - 717-255-8213

The Patriot-News
Now you know

PENN STATE FACILITIES ENGINEERING INSTITUTE
135 EAST NITTANY AVENUE, SUITE 414

STATE COLLEGE PA 16801

THE PATRIOT NEWS
THE SUNDAY PATRIOT NEWS

Proof of Publication

Under Act No. 587, Approved May 16, 1929
Commonwealth of Pennsylvania, County of Dauphin) ss

Amy Kotula, being duly sworn according to law, deposes and says:

That she is a Staff Accountant of The Patriot News Co., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal office and place of business at 2020 Technology Pkwy, Suite 300, in the Township of Hampden, County of Cumberland, State of Pennsylvania, owner and publisher of The Patriot-News and The Sunday Patriot-News newspapers of general circulation, printed and published at 1900 Patriot Drive, in the City, County and State aforesaid; that The Patriot-News and The Sunday Patriot-News were established March 4th, 1854, and September 18th, 1949, respectively, and all have been continuously published ever since;

That the printed notice or publication which is securely attached hereto is exactly as printed and published in their regular daily and/or Sunday/ Community Weekly editions which appeared on the date(s) indicated below. That neither she nor said Company is interested in the subject matter of said printed notice or advertising, and that all of the allegations of this statement as to the time, place and character of publication are true; and

her personal knowledge of the facts aforesaid and is duly authorized and empowered to verify this statement on behalf of The Patriot News Co. aforesaid by virtue and pursuant to a resolution unanimously passed and adopted severally by the directors of the said Company and subsequently duly recorded in the office for the Recording of Deeds in Dauphin in Miscellaneous Book "M", Volume 14, Page 317.

This ad # 0002337903 ran on the dates shown below:

June 09, 2015

Amy Kotula

Sworn to and subscribed before me this 09 day of June, 2015 A.D.

Sheryl Marie Leggere
Notary Public

COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL

Sheryl Marie Leggere, Notary Public
Hampden Twp., Cumberland County
My Commission Expires July 16, 2018

MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE
Applications of The Pennsylvania State University For Approval To Offer, Render, or Furnish Services as a Marketer/Broker Engaged in The Business Of Supplying Natural Gas Supply Services and Electricity Supply or Electric Generation Services, To The Public In The Commonwealth Of Pennsylvania.
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The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of The Pennsylvania State University may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to The Pennsylvania State University attorney at the address listed below.
By and through Counsel:
Jennifer M. Eck
Office of General Counsel
The Pennsylvania State University
227 West Beaver Avenue
Suite 507 Rider Building
State College, PA 16801
Phone: (814) 863-4088
Fax: (814) 863-8469

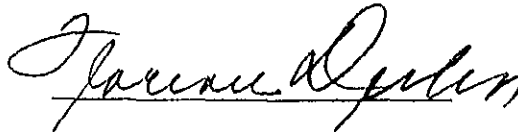
Proof of Publication in The Philadelphia Daily News
Under Act. No 587, Approved May 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF PHILADELPHIA

Florence Devlin being duly sworn, deposes and says that **The Philadelphia Daily News** is a newspaper published daily, except Sunday, at Philadelphia, Pennsylvania, and was established in said city in 1925, since which date said newspaper has been regularly issued in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of the said newspaper on the following dates:

June 8, 2015

Affiant further deposes and says that she is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that she is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.

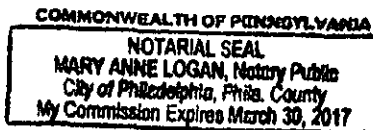


Sworn to and subscribed before me this 8th day of
June, 2015.



Notary Public

My Commission Expires:



Copy of Notice of Publication

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE
Applications of The Pennsylvania State University For Approval To Offer, Render, or Furnish Services as a Marketer/Broker Engaged in The Business Of Supplying Natural Gas Supply Services and Electricity Supply or Electric Generation Services, To The Public in The Commonwealth Of Pennsylvania.
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The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of The Pennsylvania State University may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3205, Harrisburg, PA 17108-3205. You should send copies of any protest to The Pennsylvania State University attorney at the address listed below.
By and through Counsel:
Jennifer M. Eck
Office of General Counsel
The Pennsylvania State University
227 West Beaver Avenue
Suite 507 Rider Building
State College, PA 16801
Phone: (814) 667-4000
Fax: (814) 663-8400

No. _____ Term, _____

Proof of Publication of Notice in Pittsburgh Post-Gazette

Under Act No 587, Approved May 16, 1929, PL 1784, as last amended by Act No 409 of September 29, 1951

Commonwealth of Pennsylvania, County of Allegheny, ss H. Java, being duly sworn, deposes and says that the Pittsburgh Post-Gazette, a newspaper of general circulation published in the City of Pittsburgh, County and Commonwealth aforesaid, was established in 1993 by the merging of the Pittsburgh Post-Gazette and Sun-Telegraph and The Pittsburgh Press and the Pittsburgh Post-Gazette and Sun-Telegraph was established in 1960 and the Pittsburgh Post-Gazette was established in 1927 by the merging of the Pittsburgh Gazette established in 1786 and the Pittsburgh Post, established in 1842, since which date the said Pittsburgh Post-Gazette has been regularly issued in said County and that a copy of said printed notice or publication is attached hereto exactly as the same was printed and published in the _____ regular _____ editions and issues of the said Pittsburgh Post-Gazette a newspaper of general circulation on the following dates, viz:

08 of June, 2015

Affiant further deposes that he/she is an agent for the PG Publishing Company, a corporation and publisher of the Pittsburgh Post-Gazette, that, as such agent, affiant is duly authorized to verify the foregoing statement under oath, that affiant is not interested in the subject matter of the afore said notice or publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.

COPY OF NOTICE OR PUBLICATION

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE

Applications of The Pennsylvania State University for Approval To Offer, Render, or Furnish Services as a Marketer/Broker Engaged in The Business Of Supplying Natural Gas Supply Services and Electricity Supply or Electric Generation Services, To The Public in The Commonwealth Of Pennsylvania.

The Pennsylvania State University will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license as a broker/marketer engaged in the business of providing natural gas services. The Pennsylvania State University will also be filing an application with the PUC for a license to supply electricity or electric generation services as a broker/marketer engaged in the business of supplying electricity. The Pennsylvania State University proposes to sell electricity, natural gas, and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act and the Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial interests of The Pennsylvania State University may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to The Pennsylvania State University attorney at the address listed below.

By and through Counsel:
Jennifer M. Eck
Office of General Counsel
The Pennsylvania State University
227 West Beaver Avenue
Suite 507 (Older Building)
State College, PA 16801
Phone: (814) 867-4058
Fax: (814) 863-8469

H. Java
PG Publishing Company

Sworn to and subscribed before me this day of:
June 08, 2015

Linda M. Gaertner

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Linda M. Gaertner, Notary Public
City of Pittsburgh, Allegheny County
My Commission Expires Jan. 31, 2019
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

STATEMENT OF ADVERTISING COSTS
Penn State Facilities Engineerin
135 E NITTANY AVE STE 414
MARION PLACE
STATE COLLEGE PA 16801-5369

To PG Publishing Company

Total ----- \$540.00

Publisher's Receipt for Advertising Costs

PG PUBLISHING COMPANY, publisher of the Pittsburgh Post-Gazette, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid advertising and publication costs and certifies that the same have been fully paid.

Office
34 Boulevard of the Allies
PITTSBURGH, PA 15222
Phone 412-263-1338

PG Publishing Company, a Corporation, Publisher of
Pittsburgh Post-Gazette, a Newspaper of General Circulation

By Manuel J. Arbolina

I hereby certify that the foregoing is the original Proof of Publication and receipt for the Advertising costs in the subject matter of said notice.

The Scranton Times (Under act P.L. 877 No 160. July 9, 1976)
Commonwealth of Pennsylvania, County of Lackawanna

PENN STATE FACILITIES ENGINEERING INSTITUTE
JOANN GILLETTE
135 EAST NITTANY AVE., STE 414 STATE COLLEGE PA 16801

Account # 604102
Order # 81677235
Ad Price: 256.25

LEGAL NOTICE PENNSYLVANIA

Gina Krushinski

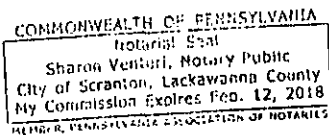
Being duly sworn according to law deposes and says that (s)he is Billing clerk for The Scranton Times, owner and publisher of The Scranton Times, a newspaper of general circulation, established in 1870, published in the city of Scranton, county and state aforesaid, and that the printed notice or publication hereto attached is exactly as printed in the regular editions of the said newspaper on the following dates:

06/08/2015

Affiant further deposes and says that neither the affiant nor The Scranton Times is interested in the subject matter of the aforesaid notice or advertisement and that all allegations in the foregoing statement as time, place and character or publication are true Gina Krushinski

Sworn and subscribed to before me
this 8th day of June A.D., 2015

Sharon Venturi
(Notary Public)



LEGAL NOTICE

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE
Applications of The Pennsylvania State University for Approval to Offer, Render, or Furnish Services as a Marketer/Broker Engaged in the Business of Supplying Natural Gas Supply Services and Electricity Supply or Electric Generation Services, to the Public in the Commonwealth of Pennsylvania.

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The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of The Pennsylvania State University may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to The Pennsylvania State University attorney at the address listed below.

By and through Counsel:
Jennifer M. Eck
Office of General Counsel
The Pennsylvania State University
227 West Beaver Avenue
Suite 807 Rider Building
State College, PA 16801
Phone: (814) 867-4088
Fax: (814) 863-8469

PROOF OF PUBLICATION OF NOTICE IN THE WILLIAMSPORT SUN-GAZETTE UNDER ACT NO. 587, APPROVED MAY 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF LYCOMING

SS:

Bernard A. Oravec Publisher of the Sun-Gazette Company, publishers of the Williamsport, Sun-Gazette, successor to the Williamsport Sun and the Gazette & Bulletin, both daily newspapers of general circulation, published at 252 West Fourth Street, Williamsport, Pennsylvania, being duly sworn, deposes and says that the Williamsport Sun was established in 1870 and the Gazette & Bulletin was established in 1801, since which dates said successor, the Williamsport Sun-Gazette, has been regularly issued and published in the aforesaid, and that a copy of the printed notice is attached hereto exactly as the same was printed and published in the _____ of said Williamsport Sun-Gazette on the following dates, viz:

PENNSYLVANIA
PUBLIC UTILITY
COMMISSION

NOTICE

Applications of The Pennsylvania State University For Approval To Offer, Render, or Furnish Services as a Broker/Marketer Engaged in The Business Of Supplying Natural Gas Supply Services and Electricity Supply or Electric Generation Services, To The Public in The Commonwealth of Pennsylvania.

June 8, 2015

Affiant fur to verify ti of publicat

an officer daily authorized by the Sun-Gazette Company, publisher of the Williamsport Sun-Gazette, under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice and that the facts and circumstances in the foregoing statement as to time, place and character of publication are true.

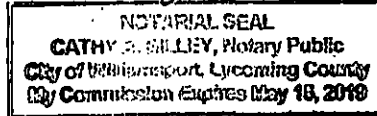
Bernard A. Oravec

SUN-GAZETTE COMPANY

Sworn to and subscribed before me

the 8th day of June 2015

Cathy A. Bulley
Notary Public



The Pennsylvania State University will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license as a broker/marketer engaged in the business of providing natural gas services. The Pennsylvania State University will also be filing an application with the PUC for a license to supply electricity or electric generation services as a broker/marketer engaged in the business of supplying electricity. The Pennsylvania State University proposes to sell electricity, natural gas, and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act and the Electricity Generation Customa Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of The Pennsylvania State University may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to The Pennsylvania State University attorney at the address listed below.

STATEMENT OF ADVERTISING COSTS

To the Sun-Gazette Company, Dr.:	
For publishing the notice attached hereto on the above state dates.....	\$ 318.20
Probated same.....	\$
Total.....	\$ 318.20

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE STATE OF PENNSYLVANIA
and certain

By and through Counsel:
Jennifer M. Eck
Office of General Counsel
The Pennsylvania State University
227 West Beaver Avenue
Suite 507 Rider Building
State College, PA 16801
Phone: (814) 867-4088
Fax: (814) 863-8469

COMPANY hereby acknowledges receipt of the aforesaid advertising and publication costs have been fully paid.

SUN-GAZETTE COMPANY

BY Bernard A. Oravec

COMMONWEALTH OF PENNSYLVANIA }
 County of Cambria } SS

PENNSYLVANIA PUBLIC UTILITY COMMISSION
 NOTICE

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By and through Counsel:
 Jennifer M. Eck
 Office of General Counsel
 The Pennsylvania State University
 227 West Beaver Avenue
 Suite 507 Eldor Building
 State College, PA 16801
 Phone: (814) 867-4088
 Fax: (814) 863-8469

Sworn to
 23rd day of June, 2015.

Jennifer M. Eck

COMMONWEALTH OF PENNSYLVANIA
 Notarial Seal
 Vivian Ohs, Notary Public
 City of Johnstown, Cambria County
 My Commission Expires Dec. 6, 2016
 MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

On this 23rd day of June A.D. 2015, before me, the subscriber, a Notary Public in and for said County and State, personally appeared Christine Marhefka, who being duly sworn according to law, deposes and says as Classified Advertising Manager of the Tribune-Democrat, Johnstown, PA, a newspaper of general circulation as defined by the "Newspaper Advertising Act", a merger September 8, 1952, of the Johnstown Tribune, established December 7, 1853; and of the Johnstown Democrat, established March 5, 1863.

of Cambria, and Commonwealth of Pennsylvania and we matter published in said publication in the regular issues A, on June 8, 2015; and that the Affiant is not interested in hat all of the allegations as to time, place and character of

Christine Marhefka

STATEMENT OF ADVERTISING COSTS

0.00 Lines @ \$2.50 per line	0.00
7.5 Inches @ \$25.00 per inch	187.50
Notary Fee	5.00
Clerical Fee	2.50
Total Cost	195.00

To The Tribune-Democrat, Johnstown, PA
 For publishing the notice or publication
 attached hereto on the above stated dates.

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

_____ for publisher of _____
 a newspaper of general circulation, hereby acknowledges receipt of the aforesaid
 and publication costs and certifies that the same has been duly paid.

 (Name of Newspaper)

By _____

RECEIVED

Appendix C
Example
CERTIFICATE OF SERVICE

JUL 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

On this the 28 day of JULY 2015, I certify that a true and correct copy of the foregoing application form for licensing within the Commonwealth of Pennsylvania as a Natural Gas Supplier and all attachments have been served, as either a hardcopy or a searchable PDF version on a cd-rom, upon the following:

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Office of the Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

Columbia Gas of PA, Inc.
Thomas C. Heckathorn
200 Civic Center Drive
Columbus, OH 43215
PH: 614.460.4996
FAX: 614.460.6442
heckathorn@nisource.com

Equitable Gas Company
Lynda Petrichevich
375 North Shore Drive, Suite 600
Pittsburg, PA 15212
PH: 412.208.6528
FAX: 412.208.6577
e-mail: Lynda.w.petrichevich@peoples-gas.com

National Fuel Gas Distribution Corp.
David D. Wolford
6363 Main Street
Williamsville, NY 14221
PH: 716.857.7483
FAX: 716.857.7479
e-mail: wolfordd@natfuel.com

PECO
Carlos Thillet, Manager, Gas Supply and Transportation
2301 Market Street, S9-2
Philadelphia, PA 19103
PH: 215.841.6452
Email: carlos.thillet@exeloncorp.com

The Peoples Natural Gas Company
Lynda Petrichevich
375 North Shore Drive, Suite 600
Pittsburg, PA 15212
PH: 412.208.6528
FAX: 412.208.6577
e-mail: Lynda.w.petrichevich@peoples-gas.com

Philadelphia Gas Works
Nicholas LaPergola
800 West Montgomery Avenue
Philadelphia, PA 19122
PH: 215.684.6278
email: nicholas.lapergola@pgworks.com

Peoples TWP LLC (Formerly T. W. Phillips)
Lynda Petrichevich
375 North Shore Drive, Suite 600
Pittsburg, PA 15212
PH: 412.208.6528
FAX: 412.208.6577
e-mail: Lynda.w.petrichevich@peoples-gas.com

UGI
David Lahoff
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677
PH: 610.796.3520
Email: dlahoff@uqi.com

UGI Central Penn

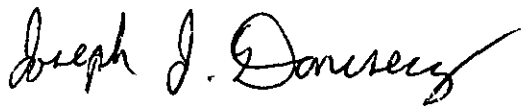
David Lahoff
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677
PH: 610.796.3520
Email: dlahoff@ugi.com

UGI Penn Natural

David Lahoff
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677
PH: 610.796.3520
Email: dlahoff@ugi.com

Valley Energy Inc.

Robert Crocker
523 South Keystone Avenue
Sayre, PA 18840-0340
PH: 570.888-9664
FAX: 570.888.6199
email: bobc@ctenterprises.org



Joseph J. Donesez, Associate Vice President for Finance & Corporate Controller
The Pennsylvania State University

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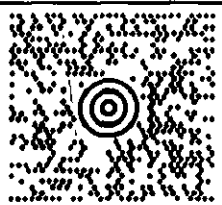
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PA PUBLIC UTILITY COMMISSION
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KEYSTONE BUILDING
HARRISBURG PA 17120

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11-28-2014

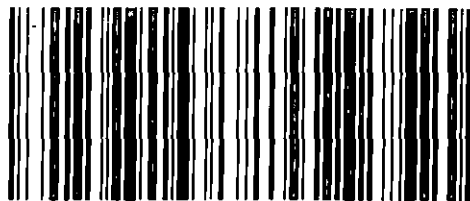


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BILLING: P/P

Budget Fund #: 41562-3097-FEIGENRLPAPUCLICENSE

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