Book IV

UGI CENTRAL PENN GAS, INC.

BEFORE

THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Information Submitted Pursuant To

Section 53.51 et seq of the Commission's Regulations

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ORIGINAL TARIFF
CPG GAS – PA P.U.C. NO. 4

DOCKET NO. – R-2010-2214415

Issued January 14, 2011 **Effective March 15, 2011**

CPG STATEMENT NO. 7 – PAUL R. HERBERT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	Docket No. R-2010-2214415
UGI CENTRAL PENN GAS, INC.	:	

DIRECT TESTIMONY
OF
PAUL R. HERBERT

CPG Statement No. 7

Cost of Service Allocation

Date: January 14, 2011

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
DOCKET NO. R-2010-2214415

RE: UGI CENTRAL PENN GAS, INC.

DIRECT TESTIMONY OF PAUL R. HERBERT

Line No.

Q. Please state your name and business address.

A. My name is Paul R. Herbert. My business address is 207 Senate Avenue, Camp Hill, Pennsylvania.

Q. By whom are you employed?

A. I am employed by Gannett Fleming, Inc.

Q. Please describe your position with Gannett Fleming, Inc. and briefly state your general duties and responsibilities.

A. I am President of the Valuation and Rate Division. My duties and responsibilities include the preparation of accounting and financial data for revenue requirement and cash working capital claims, the allocation of cost of service to customer classifications, and the design of customer rates in support of public utility rate filings.

Q. Have you presented testimony in rate proceedings before a regulatory agency?

A. Yes. I have testified before the Pennsylvania Public Utility Commission, the New Jersey Board of Public Utilities, the Public Utilities Commission of Ohio, the Public Service Commission of West Virginia, the Kentucky Public Service Commission, the Iowa State Utilities Board, the Virginia State Corporation Commission, the Illinois Commerce Commission, the Tennessee Regulatory Authority, the California Public Utilities Commission, New Mexico Public Regulation Commission, the Delaware

Public Service Commission, Arizona Corporate Commission, the Connecticut Department of Public Utility Control, and the Missouri Public Service Commission concerning revenue requirements, cost of service allocation, rate design and cash working capital claims.

A list of the cases in which I have testified is provided at the end of my direct testimony.

Q. What is your educational background?

A. I have a Bachelor of Science Degree in Finance from the Pennsylvania State University, University Park, Pennsylvania.

Q. Would you please describe your professional affiliations?

A. I am a member of the American Water Works Association and serve as a member of the Management Committee for the Pennsylvania Section. I am also a member of the Pennsylvania Municipal Authorities Association. In 1998, I became a member of the National Association of Water Companies as well as a member of its Rates and Revenue Committee.

Q. Briefly describe your work experience.

A. I joined the Valuation Division of Gannett Fleming Corddry and Carpenter, Inc., predecessor to Gannett Fleming Valuation and Rate Consultants, Inc., in September 1977, as a Junior Rate Analyst. Since then, I advanced through several positions and was assigned the position of Manager of Rate Studies on July 1, 1990. On June 1, 1994, I was promoted to Vice President and on November 1, 2003, I was promoted to Senior Vice President. On July 1, 2007, I was promoted to my current position as President of the Valuation and Rate Division of Gannett Fleming, Inc.

While attending Penn State, I was employed during the summers of 1972, 1973 and 1974 by the United Telephone System - Eastern Group in its accounting department. Upon graduation from college in 1975, I was employed by Herbert Associates, Inc., Consulting Engineers (now Herbert Rowland and Grubic, Inc.), as a field office manager until September 1977.

COST OF SERVICE ALLOCATION STUDY

Q. What is the purpose of the cost of service allocation study?

A. The purpose of the study was to allocate the total cost of service to the several service classifications. The study provides a basis for determining the extent to which the revenues to be derived from each classification are commensurate with the cost of serving that classification.

Q. Have you prepared a cost of service study for UGI Central Penn Gas in a prior case?

A. Yes. I prepared the cost of service study in the UGI Central Penn Gas rate case at Docket No. R-2008-2079675. In 2006, at Docket No. R-00061398, I prepared the cost of service study for PPL Gas Utilities Corporation, predecessor of UGI Central Penn Gas, Inc.

Q. What method of cost allocation was used in the study?

A. I used the Average and Extra Demand Method (Average/Excess) which is described in Exhibit D and in the text, "Gas Rate Fundamentals", published by the American Gas Association's Rate Committee.

Q. Please describe Exhibit D.

A. Exhibit D titled, "Cost of Service Allocation Study as of September 30, 2011," is the report on the cost of service allocation study prepared for UGI Central Penn Gas, Inc. It sets forth the results of the study based on the projected costs and conditions during the twelve months ended September 30, 2011. The data in the exhibit include a description of the methods and procedures used in the study, the allocations of cost of service and measure of value, the factors on which the allocations were based and an analysis of customer costs.

Q. Please describe the major changes in the cost of service allocation study submitted in this case from the study you submitted in the last case for UGI Central Penn Gas.

A. The service classifications changed from the last study to agree with the reclassification the Company is proposing in this case. The service classifications are Residential (R), Non-Residential including sales and transportation (N and NT), and three transportation classifications; Delivery Service (DS), Large Firm Delivery Service (LFD), and Extended Large Volume Delivery Service (XD).

Also, the rate base and related operating costs associated with storage assets have been removed from the revenue requirements. These assets will be transferred to an affiliated Company effective April 1, 2011.

Q. Please outline the procedure which you followed in the cost allocation study.

A. The detailed allocation of costs to cost functions and customer classifications is presented in Schedule E, pages II-6 through II-11, of Exhibit D. Gas costs are excluded from the amounts in Schedule E in order to develop costs by function and classification

related to the delivery of gas. Gas costs are allocated to sales customers in the cost of service summary set forth in Schedule D.

In the detailed allocation, the items of cost, which include operating expenses, depreciation expense, taxes, and income available for return, are identified in column 1 of Schedule E. The cost of each item, shown in column 3, is allocated to the several service classifications explained above.

The reference codes entered in column 2 enable one to determine the specific basis for the allocation of each item. The reference codes refer to the information presented in Schedule F, beginning on page II-12, of the exhibit.

Referring to some of the larger delivery cost items, transmission costs were allocated partly on the basis of average consumption and partly on the basis of demand in excess of average, or extra demand, inasmuch as the function of these facilities is to meet peak requirements. Costs related to meters and services in Accounts 380 and 381 and the associated house regulators were allocated to service classifications on the basis of the number of equivalent meters and services by classification. Costs related to industrial measurement and regulation were allocated to the N, DS, LFD and XD Services on the basis of equivalent costs in account 385. The costs related to distribution mains and distribution measuring and regulating stations were allocated on the bases of average daily consumption and extra demand. Customers under Rate XD were excluded from the allocation of small distribution mains since these customers are connected to larger mains. Interruptible volumes in the LFD and XD rate classes were removed from the extra capacity calculations as these volumes can be curtailed during periods of peak demand.

Q. Please explain the allocation of uncollectible accounts and the costs associated with EEC and NGV surcharges?

A. Uncollectible accounts associated with the gas cost portion are allocated consistent with the recovery of such costs through the Merchant Function Charge (Rider D). The remaining uncollectible account cost is recovered based on an analysis of write-offs. Costs associated with the Energy Efficiency and Conservation (EEC) and the Natural Gas Vehicle Pilot (NGVP) surcharges (Riders F and H) are allocated consistent with the recovery of such costs.

Q. Please describe the allocation of customer accounting costs and the remaining cost of service elements.

A. Customer accounting costs were allocated to service classifications on the basis of the number of customers. Administrative and general costs were allocated on the basis of the allocated direct costs excluding those costs requiring little administrative and general expense.

Annual depreciation accruals were allocated on the basis of the function of the facilities represented by the depreciation expense for each depreciable plant account. The original cost less depreciation of utility plant in service was similarly allocated for the purpose of allocating certain taxes other than income taxes, income taxes and income available for return.

Q. What are the results of the cost of service allocation study?

A. The results of the cost of service allocation set forth in Schedule E are brought forward and summarized in Schedule D. The total cost of service by classification in Schedule D is then brought forward to Schedule A (without gas costs) and Schedule A-1 (with

gas costs), columns 2 and 3, where these results are compared to the pro forma revenues under present rates (columns 4 and 5) and proposed rates (columns 6 and 7). The proposed change in revenue under proposed rates and the percent change are shown in columns 8 and 9 of Schedule A and Schedule A-1.

Q. Did you prepare schedule showing the rate of return by classification?

A. Yes. Schedule B sets forth the rate of return by classification under present rates and Schedule C shows the rate of return by classification under proposed rates.

Q. Did you prepare an analysis of customer costs?

A. Yes. I prepared a fully allocated customer cost analysis and a direct customer cost analysis. Both analyses of customer costs is presented in Schedule J of Exhibit D.

Q. Please explain the analysis of customer costs as set forth in Exhibit D.

A. The customer costs were determined by first allocating the cost of service to cost functions. The customer cost function was then allocated to service classifications. The volumetric and customer functional costs were determined by an allocation of the total cost of service to these functions in Schedule E of Exhibit D. The customer costs were further allocated to the Residential, Non-residential, Delivery Service, Large Firm Delivery Service, and Extended Large Volume Delivery Service classifications in the same schedule. The factors which were the bases for the allocation to cost functions and the allocation of customer costs to classifications are presented in Schedule F. A summary of the customer costs and the development of cost-based customer charges are presented in Schedule J.

Q. Did you prepare an analysis of costs related to the demand charge for rate LFD and XD Service?

A. Yes. The analysis of costs related to the demand charges for LFD and XD Service is presented in Schedule K of Exhibit D.

Q. Please explain the analysis of the LFD and XD Service costs related to demand charges as set forth in Exhibit D.

A. The costs related to LFD and XD Service demand charges were determined by the allocation of certain fixed costs, depreciation, taxes and return to these classifications. The allocation was performed in Schedule E. A summary of the allocated costs and the development of the unit demand costs are presented in Schedule K.

Q. Does that conclude your direct testimony?

A. Yes, it does.

LIST OF CASES IN WHICH PAUL R. HERBERT TESTIFIED

	Year	Jurisdiction	Docket No.	Client/Utility	Subject
1.	1983	Pa. PUC	R-832399	T. W. Phillips Gas and Oil Co.	Pro Forma Revenues
2.	1989	Pa. PUC	R-891208	Pennsylvania-American Water Company	Bill Analysis and Rate Application
3.	1991	PSC of W. Va.	91-106-W-MA	Clarksburg Water Board	Revenue Requirements (Rule 42)
4.	1992	Pa. PUC	R-922276	North Penn Gas Company	Cash Working Capital
5.	1992	NJ BPU	WR92050532J	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
6.	1994	Pa. PUC	R-943053	The York Water Company	Cost Allocation and Rate Design
7.	1994	Pa. PUC	R-943124	City of Bethlehem	Revenue Requirements, Cost Allocation, Rate Design and Cash Working Capital
8.	1994	Pa. PUC	R-943177	Roaring Creek Water Company	Cash Working Capital
9.	1994	Pa. PUC	R-943245	North Penn Gas Company	Cash Working Capital
10.	1994	NJ BPU	WR94070325	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
11.	1995	Pa. PUC	R-953300	Citizens Utilities Water Company of Pennsylvania	Cost Allocation and Rate Design
12.	1995	Pa. PUC	R-953378	Apollo Gas Company	Revenue Requirements and Rate Design
13.	1995	Pa. PUC	R-953379	Carnegie Natural Gas Company	Revenue Requirements and Rate Design
14.	1996	Pa. PUC	R-963619	The York Water Company	Cost Allocation and Rate Design
15.	1997	Pa. PUC	R-973972	Consumers Pennsylvania Water Company - Shenango Valley Division	Cash Working Capital
16.	1998	Ohio PUC	98-178-WS-AIR	Citizens Utilities Company of Ohio	Water and Wastewater Cost Allocation and Rate Design
17.	1998	Pa. PUC	R-984375	City of Bethlehem - Bureau of Water	Revenue Requirement, Cost Allocation and Rate Design
18.	1999	Pa. PUC	R-994605	The York Water Company	Cost Allocation and Rate Design
19.	1999	Pa. PUC	R-994868	Philadelphia Suburban Water Company	Cost Allocation and Rate Design
20.	1999	PSC of W.Va.	99-1570-W-MA	Clarksburg Water Board	Revenue Requirements (Rule 42), Cost Allocation and Rate Design
21.	2000	Ky. PSC	2000-120	Kentucky-American Water Company	Cost Allocation and Rate Design
22.	2000	Pa. PUC	R-00005277	PPL Gas Utilities	Cash Working Capital
23.	2000	NJ BPU	WR00080575	Atlantic City Sewerage Company	Cost Allocation and Rate Design
24.	2001	Ia. St Util Bd	RPU-01-4	Iowa-American Water Company	Cost Allocation and Rate Design
25.	2001	Va. St. Corp	PUE010312	Virginia-American Water Company	Cost Allocation and Rate Design
26.	2001	WV PSC	01-0326-W-42T	West-Virginia American Water Company	Cost Allocation And Rate Design
27.	2001	Pa. PUC	R-016114	City of Lancaster	Tapping Fee Study
28.	2001	Pa. PUC	R-016236	The York Water Company	Cost Allocation and Rate Design
29.	2001	Pa. PUC	R-016339	Pennsylvania-American Water Company	Cost Allocation and Rate Design
30.	2001	Pa. PUC	R-016750	Philadelphia Suburban Water Company	Cost Allocation and Rate Design
31.	2002	Va. St. Corp Cm	PUE-2002-00375	Virginia-American Water Company	Cost Allocation and Rate Design
32.	2003	Pa. PUC	R-027975	The York Water Company	Cost Allocation and Rate Design
33.	2003	Tn Reg. Auth	03-	Tennessee-American Water Company	Cost Allocation and Rate Design
34.	2003	Pa. PUC	R-038304	Pennsylvania-American Water Company	Cost Allocation and Rate Design
35.	2003	NJ BPU	WR03070511	New Jersey-American Water Company	Cost Allocation and Rate Design
36.	2003	Mo. PSC	WR-2003-0500	Missouri-American Water Company	Cost Allocation and Rate Design
37.	2004	Va. St. Corp Cm	PUE-200 -	Virginia-American Water Company	Cost Allocation and Rate Design
38.	2004	Pa. PUC	R-038805	Pennsylvania Suburban Water Company	Cost Allocation and Rate Design
39.	2004	Pa. PUC	R-049165	The York Water Company	Cost Allocation and Rate Design
40.	2004	NJ BPU	WRO4091064	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
41.	2005	WV PSC	04-1024-S-MA	Morgantown Utility Board	Cost Allocation and Rate Design
42.	2005	WV PSC	04-1025-W-MA	Morgantown Utility Board	Cost Allocation and Rate Design
43.	2005	Pa. PUC	R-051030	Aqua Pennsylvania, Inc.	Cost Allocation and Rate Design

LIST OF CASES IN WHICH PAUL R. HERBERT TESTIFIED

	Year	Jurisdiction	Docket No.	Client/Utility	Subject
44.	2006	Pa. PUC	R-051178	T. W. Phillips Gas and Oil Co.	Cost Allocation and Rate Design
45.	2006	Pa. PUC	R-061322	The York Water Company	Cost Allocation and Rate Design
46.	2006	NJ BPU	WR-06030257	New Jersey American Water Company	Cost Allocation and Rate Design
47.	2006	Pa. PUC	R-061398	PPL Gas Utilities, Inc.	Cost Allocation and Rate Design
48.	2006	NM PRC	06-00208-UT	New Mexico American Water Company	Cost Allocation and Rate Design
49.	2006	Tn Reg Auth	06-00290	Tennessee American Water Company	Cost Allocation and Rate Design
50.	2007	Ca. PUC	U-339-W	Suburban Water Systems	Water Conservation Rate Design
51.	2007	Ca. PUC	U-168-W	San Jose Water Company	Water Conservation Rate Design
52.	2007	Pa. PUC	R-00072229	Pennsylvania American Water Company	Cost Allocation and Rate Design
53.	2007	Ky. PSC	2007-00143	Kentucky American Water Company	Cost Allocation and Rate Design
54.	2007	Mo. PSC	WR-2007-0216	Missouri American Water Company	Cost Allocation and Rate Design
55.	2007	Oh. PUC	07-1112-WS-AIR	Ohio American Water Company	Cost Allocation and Rate Design
56.	2007	Il. CC	07-0507	Illinois American Water Company	Customer Class Demand Study
57.	2007	Pa. PUC	R-00072711	Aqua Pennsylvania, Inc.	Cost Allocation and Rate Design
58.	2007	NJ BPU	WR07110866	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
59.	2007	Pa. PUC	R-00072492	City of Bethlehem – Bureau of Water	Revenue Requirements, Cost Alloc.
60.	2007	WV PSC	07-0541-W-MA	Clarksburg Water Board	Cost Allocation and Rate Design
61.	2007	WV PSC	07-0998-W-42T	West Virginia American Water Company	Cost Allocation and Rate Design
62.	2008	NJ BPU	WR08010020	New Jersey American Water Company	Cost Allocation and Rate Design
63.	2008	Va St Corp Com	Pue-2008-00009	Virginia American Water Company	Cost Allocation and Rate Design
64.	2008	Tn. Reg. Auth.	08-00039	Tennessee American Water Company	Cost Allocation and Rate Design
65.	2008	Mo PSC	WR-2008-0311	Missouri American Water Company	Cost Allocation and Rate Design
66.	2008	De PSC	08-96	Artesian Water Company, Inc.	Cost Allocation and Rate Design
67.	2008	Pa PUC	R-2008-2032689	Penna. American Water Co. – Coatesville Wastewater	Cost Allocation and Rate Design
68.	2008	AZ Corp. Com.	W-01303A-08-0227 SW-01303A-08-0227	Arizona American Water Co. - Water - Wastewater	Cost Allocation and Rate Design
69.	2008	Pa PUC	R-2008-2023067	The York Water Company	Cost Allocation and Rate Design
70.	2008	WV PSC	08-0900-W-42T	West Virginia American Water Company	Cost Allocation and Rate Design
71.	2008	Ky PSC	2008-00250	Frankfort Electric and Water Plant Board	Cost Allocation and Rate Design
72.	2008	Ky PSC	2008-00427	Kentucky American Water Company	Cost Allocation and Rate Design
73.	2009	Pa PUC	2008-2079660	UGI – Penn Natural Gas	Cost of Service Allocation
74.	2009	Pa PUC	2008-2079675	UGI – Central Penn Gas	Cost of Service Allocation
75.	2009	Pa PUC	2009-2097323	Pennsylvania American Water Co.	Cost Allocation and Rate Design
76.	2009	Ia St Util Bd	RPU-09-	Iowa-American Water Company	Cost Allocation and Rate Design
77.	2009	Il CC	09-0319	Illinois-American Water Company	Cost Allocation and Rate Design
78.	2009	Oh PUC	09-391-WS-AIR	Ohio-American Water Company	Cost Allocation and Rate Design
79.	2009	Pa PUC	R-2009-2132019	Aqua Pennsylvania, Inc.	Cost Allocation and Rate Design
80.	S009	Va St Corp Com	PUC-00059	Aqua Virginia, Inc.	Cost Allocation (only)
81.	2009	Mo PSC	WR-2010-0131	Missouri American Water Company	Cost Allocation and Rate Design
82.	2010	Va St Corp Com	2010-00001	Virginia American Water Company	Cost Allocation and Rate Design
83.	2010	Ky PSC	2010-00036	Kentucky American Water Company	Cost Allocation and Rate Design
84.	2010	NJ BPU	WR10040260	New Jersey American Water Company	Cost Allocation and Rate Design
85.	2010	Pa PUC	2010-	T.W. Phillips Gas and Oil Co.	Cost Allocation and Rate Design
86.	2010	Pa PUC	2010-2166212	Pennsylvania American Water Co. - Wastewater	Cost Allocation and Rate Design
87.	2010	Pa PUC	R-2010-2157140	The York Water Company	Cost Allocation and Rate Design
88.	2010	Ky PSC	2010-00094	Northern Kentucky Water District	Cost Allocation and Rate Design
89.	2010	WV PSC	10-0920-W-42T	West Virginia American Water Co.	Cost Allocation and Rate Design

CPG STATEMENT NO. 8 – CHRIS A. ROSSI

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	**Docket No. R-2010-2214415**
	:	
UGI CENTRAL PENN GAS, INC.	:	

DIRECT TESTIMONY

OF

CHRIS ANN ROSSI

CPG Statement No. 8

Dated: January 14, 2011

Q. Please state your name and business address.

A. My name is Chris Ann Rossi, and my current business address is 225 Morgantown Road, Reading, Pennsylvania 19611.

Q. By whom are you employed and in what capacity?

A. I am Manager – Customer Accounting Services for UGI Utilities, Inc. (“UGI”). In this position, I am responsible for managing the customer information center for UGI, UGI Penn Natural Gas, Inc. (“PNG”) and UGI Central Penn Gas, Inc. (“CPG” or the "Company"). I also manage the dispatching, customer accounting and customer outreach and compliance departments, which includes the administration of all universal service programs.

A. What is your educational background and work experience?

Q. I received my undergraduate degree from Pennsylvania State University. I have been employed by UGI since August 2000. I have held various positions in Customer Accounting, Credit and Collections and Gas Supply. For the past year, I have held the position of Manager of Customer Account Services. Prior to my employment at UGI, I served in the Pennsylvania Army National Guard from the years 1984 through 1986. I held various positions in customer service in both the banking industry and in distribution. From 1985 through 1991, I was employed by Miners National Bank, working in many of the local branch offices. From 1991 through 2000, I was employed by Schoeneman Corporation, Pottsville PA. During most of my time at Schoeneman, I was in the position of Customer Service Manager. I was responsible for the call center, quality assurance, and metrics performance reporting.

Q. What is the purpose of your direct testimony?

A. In my testimony, I will describe the existing and proposed universal service programs of CPG, the costs of which are currently recovered through the universal service program rider ("USP Rider"), as approved by the Commission in CPG's last base rate case at Docket No. R-2008-2079675. I will also address CPG's performance pertaining to quality of customer service.

Q. What universal service and low-income conservation programs does CPG currently offer to its customers?

A. CPG offers the following universal service programs: (1) the Customer Assistance Program ("CAP"), (2) the Low-Income Usage Reduction Program ("LIURP"), (3) Operation Share Energy Fund (hardship fund), and (4) the Customer Assistance and Referral Evaluation Services ("CARES") program, which includes outreach for the Low Income Home Energy Assistance Program ("LIHEAP").

Q. Has CPG's universal service and low-income conservation plan previously been reviewed by the Commission?

A. CPG is required to submit certain information, including its universal service and energy conservation plan, on a tri-annual basis, pursuant to the provisions of 52 Pa. Code §62.7. In accordance with this requirement, on July 1, 2010, CPG, along with UGI and PNG (the "UGI Companies"), submitted its Universal Service and Energy Conservation Plan ("2011-2013 USP Plan") for the three year period January 1, 2011 through December 31, 2013, which is currently pending before the Commission in Docket No. M-2010-2186052.

Q. Why did CPG submit its 2011-2013 USP Plan along with UGI and PNG?

A. The UGI Companies believe that having a commonly-managed, unified plan fosters administrative efficiencies and substantive enhancements to the universal service programs, which ultimately allows the UGI Companies to better serve the needs of low-income, payment-troubled customers located in their service territories.

Q. Does the fact that CPG jointly submitted the 2011-2013 USP Plan impact its funding levels and budgets for its universal service and energy conservation programs?

A. No. While the UGI Companies proposed in the 2011-2013 USP Plan to provide universal service programs under the same rules, terms and conditions, each UGI company will maintain its own separate committed funding source and budgeted expenditures for the operation and administration of the programs.

Q. In this proceeding, is CPG proposing any changes to the universal service programs that are not pending before the Commission in Docket No. M-2010-2186052?

A. Yes. With respect to the LIURP program, the Company is proposing to reduce its $500,000 annual LIURP funding obligation that was approved by the Commission in the CPG acquisition proceeding on August 21, 2008, at Docket Nos. A-2008-2034045, A-2008-2034047, G-2008-2034115 and G-2008-2034132 (the “CPG Acquisition Order"). The Company proposes to set its annual LIURP funding commitment level at $250,000, which represents approximately 0.2 percent of the proposed jurisdictional revenue sought to be recovered in this proceeding. This funding level is consistent with the Commission’s LIURP funding guidelines under 52 Pa. Code § 58.4. In addition, the Company proposes to hold a collaborative meeting with all interested stakeholders to

determine whether any changes should be made to the LIURP funding level, including a potential return to a higher funding level.

Q. Is CPG proposing any other changes to the universal service programs that are not pending before the Commission in Docket No. M-2010-2186052?

A. No. Except for changes to LIURP funding, CPG is not proposing any other changes to the rules and conditions of the universal service and energy conservation programs currently pending before the Commission, as we believe those programs are reasonable as proposed and are well suited to protect the interests of both CAP and non-CAP customers alike.

I. CAP

Q. Please describe the purpose of CPG's currently effective CAP.

A. CAP provides low-income, payment-troubled residential customers that reside in the CPG service territory an affordable way to pay their natural gas bill. CPG's current CAP provides an affordable monthly payment plan for customers that: (1) have a household income at or below 150 percent of the Federal Poverty Income Guidelines ("FPIG"); and (2) are defaulting (or have defaulted) on a payment arrangement and/or are receiving LIHEAP grants. The program is open to eligible heating and non-heating customers, subject to a proposed enrollment ceiling of 6,000.

Q. Please describe how the CAP is administered.

A, CAP is administered by Community Based Organizations ("CBOs"). The CBOs utilize the Company's web-based application called the Customer Outreach system ("COS"), for such functions as determining CAP eligibility, CAP enrollment, CAP re-certification, and CAP removal. The COS is currently used by all UGI Companies. The sharing of a

common COS and associated CAP rules among the UGI Companies eases administrative burdens, provides enhanced benefits to CAP participants and facilitates the enhanced participation of CBOs.

Q. Please describe how a customer's monthly CAP payment amount is determined.

A. The monthly CAP payment amount is determined based on a combination of the customer's income level and usage. In addition, each year, the Company allocates to each CAP participant a maximum shortfall forgiveness amount. Also, any LIHEAP Cash grant received by the customer and directed toward the Company will be applied to reduce the customer's monthly "asked-to-pay" amount in accordance with the Department of Public Welfare's ("DPW's") state plan.

Q. What is the maximum shortfall forgiveness amount allocated to each CAP customer?

A. The maximum shortfall forgiveness amount represents the maximum billing deficiency that the Company will forgive on an annual basis. The billing deficiency is the difference between the customer's annual CAP payment and the customer's actual annual bill. In its 2011-2013 USP Plan, CPG has proposed to allocate a maximum shortfall forgiveness amount of $950 for heating accounts and $560 for non-heating accounts. CPG also has proposed to decrease the maximum shortfall forgiveness amounts from previously-approved amounts (*i.e.*, from $1146 to $950 for heating accounts), to reflect declining purchased gas cost rates. These adjustments will also serve to mitigate the impact of the DPW's "asked to pay" policy by protecting non-CAP customers from being required to pay for excessive consumption on the part of CAP customers, while continuing to exact an affordable payment for the typical CAP customer.

Q. Are the monthly CAP payment amounts adjusted?

A. Yes. The monthly CAP payment amount will be reviewed periodically by the Company and adjusted as needed to account for any changes in actual usage or income and instances where billing shortfall begins to exceed the prescribed maximum shortfall forgiveness amount.

Q. Please describe the customer eligibility requirements for the CAP.

A. To be eligible for CAP, a residential heating or non-heating customer must be, among other things: (1) referred to CAP by either the Company or one of the CBOs; and (2) income-verified. Income verification is performed by the CBOs, which verify a customer's income against the FPIG. A customer's failure to provide the required information will result in the customer being ineligible for CAP.

Q. What are the obligations that CAP participants must satisfy to remain in the program?

A. There are several material obligations, including the obligation of making the monthly CAP payments. In addition, among other things, CAP customers must apply for LIHEAP funding and designate CPG for the LIHEAP payment, although the customer need not receive a grant in order to remain eligible for CAP participation. Additionally, customers must keep the CBOs apprised of any changes in family size, change in income or change of address.

Q. How is a customer's Pre-Program Arrearage treated under CAP?

A. If there is an outstanding arrearage for gas service provided by CPG prior to a customer's entry into CAP (a “Pre-Program Arrearage”), the CAP participant's Pre-Program

Arrearage will be forgiven in thirds, after 6, 18 and 30 months of participation, so long as all required CAP payments are made.

Q. Are there any features to protect the interests of non-CAP customers under the existing CAP rules?

A. Yes. First, CPG has proposed to limit CAP enrollment to a total of 6,000 participants. In addition, income re-verification will occur on an annual basis, and CAP participants will either be charged the average bill amount or removed from the program if they fail to verify continued income eligibility. Furthermore, CPG has proposed in its 2011-2013 USP Plan to increase the CAP minimum payment to $25 for both heating and non-heating customers. Finally, as noted earlier, CPG has proposed in its 2011-2013 USP Plan to lower the maximum shortfall forgiveness amount afforded to each CAP participant, in part, to mitigate the impact of DPW's newly imposed LIHEAP policy. DPW's state plan requires utilities to apply LIHEAP Cash grants directly to a CAP customer's "asked to pay" amount; thereby prohibiting utilities from applying the Cash grants to the customer's shortfall amount. The Company believes that this rule will result in an increase in the amount recoverable from non-CAP customers. The proposal to reduce the maximum shortfall forgiveness amount serves to mitigate the impact of this rule.

Q. Are CAP participants encouraged to conserve energy?

A. Yes, CAP participants are required to participate in CPG's LIURP and any other weatherization services offered through local and state weatherization agencies (unless the residence was previously weatherized under these programs) if their usage exceeds an amount considered reasonable by the Company. The reduced maximum shortfall

forgiveness amount also encourages conservation, as customers must pay all amounts incurred above that amount. A participant also may be removed from CAP if: (1) weather-normalized consumption increases over 7 out of 12 individual months (which need not be sequential); and (2) the Company has provided at least three prior warnings to the customer to reduce usage.

Q. How are CAP costs currently recovered?

A. As established in CPG's last base rate case in Docket No. R-2008-2079675, CPG was permitted to recover under its USP Rider, with an annual reconciliation for actual costs and actual recoveries, the CAP revenue shortfall, Pre-Program Arrearages and external administrative costs. The reconciliation of costs reflect actual shortfall credits and forgiven Pre-Program Arrearages, as well as actual administrative costs.

II. LIURP

Q. Please describe the purpose of CPG's LIURP program.

A. LIURP, also commonly referred to as the Weatherization Program, is offered to reduce the energy consumption of low-income customers though the installation of energy conservation measures and offering of education initiatives. LIURP is intended to reduce customer arrearages, collections and termination costs by reducing the energy consumption of low-income customers. The program places top priority on the health and safety of all LIURP participants.

Q. Please describe CPG's LIURP program.

A. CPG's LIURP was established in 2008 as a pilot program operating in 7 of the counties served by CPG. In the 2011-2013 USP Plan pending before the Commission, CPG proposed to expand the program to be operational in its entire service territory. CPG's

LIURP is offered to low-income customers who use natural gas for heating their homes. Program services are provided free of charge. Energy saving measures for eligible customers may include window and baseboard caulking, door and window weather-stripping, door sweeps and thresholds, replacement of broken windows, attic and sidewall insulation, storm windows, duct and pipe insulation, ventilation, water conservation devices, furnace replacements and energy education.

Q. How is LIURP administered?

A. CPG has transferred the administration of this program to the CBOs, which utilize the COS for such functions as determining customer eligibility and enrollment. As explained above, the use of the commonly-managed COS allows for the administration of the LIURP in a more cost-effective manner. Furthermore, the Company utilizes an independent inspector to verify completion of home weatherization jobs in accordance with LIURP standards.

Q. Describe the customer eligibility requirements for LIURP.

A. To be eligible for LIURP, a customer must, among other things, have a household income at or below 150 percent of the FPIG, although we allow up to 20 percent of our LIURP jobs to be for customers with income at or below 200 percent of the FPIG. In addition, we target high consumption customers with annual consumption levels above the customer average as a way to ensure that home weatherization measures are allocated to customers with the greatest need.

Q. Please describe the pilot programs associated with LIURP.

A. CPG has proposed in the 2011-2013 USP Plan pending before the Commission to introduce a Rehabilitation Pilot Program utilizing 10% of the LIURP budget to install

weatherization measures in new construction of low-income housing or in the rehabilitation of existing structures. CPG also has proposed the Conservation Pilot Program which allows the Company to contribute up to five percent of its annual LIURP budget to a non-profit organization aimed to increase energy conservation or demand reduction. Selected organizations, however, must provide housing to low-income customers or a transitional population, such as halfway houses for drug and other substance dependent individuals or shelters for abused women and children. If the entire budgeted amount is not expended, the remainder will be returned to traditional LIURP services funding.

Q. How are LIURP expenditures currently recovered?

A. LIURP expenditures are currently recovered through the Commission-approved USP Rider. The Company only recovers the actual LIURP dollars spent under the USP Rider.

Q. Is CPG proposing any changes to its LIURP funding in this proceeding?

A. Yes, CPG is proposing to reduce the annual LIURP funding commitment level to $250,000, which is approximately 0.2 percent of the proposed jurisdictional revenue sought to be recovered in this proceeding.

Q. Why is CPG proposing to reduce its annual LIURP funding level?

A. The current $500,000 funding level is the product of a settlement agreement in the CPG acquisition proceeding, which was approved by the Commission in the CPG Acquisition Order. For various reasons, the Company has been unable to spend the full funding level to date. In 2009 and 2010, respectively, the total LIURP expenditures were $187,213 and $91,404. As a result, we believe it is appropriate to reduce the funding amount to the level suggested by the Commission's guidelines of 0.2 percent of jurisdictional revenues,

which, in this case, is approximately equal to $250,000. In addition, the Company will hold a collaborative meeting with all interested stakeholders in this proceeding to determine whether improvements to the program can be implemented to justify a change in the LIURP funding level, including a potential return to a higher funding level.

Q. Why has the Company been unable to spend its LIURP budget to date?

A. The Company believes that the rural nature of the Company's service territory prevents it from ever reaching the $500,000 budgeted level. In addition, certain transitional issues have prevented the Company from even reaching the 0.2 percent of revenue level. These transitional issues include the fact that PPL Gas did not have a pilot program until 2008, only months before UGI acquired the Company in October 2008. Thereafter, UGI has undertaken a variety of measures to integrate CPG's operations, including integration of CPG's various universal service programs into the COS. These integration efforts encountered programming delays with respect to the COS that resulted in a delay in the full implementation of CPG's LIURP Program. However, the integration is now complete, and the LIURP program has been fully integrated in COS. As a result, we expect annual LIURP spending to increase to an approximate level of $250,000.

III. OPERATION SHARE ENERGY FUND

Q. Please describe the purpose of the Operation Share Energy Fund.

A. CPG's Operation Share Energy Fund (the "Fund") is a fuel fund, supported by charitable donations from the Company's customers, employees and the public. This Fund was formed for the purpose of providing assistance to residential customers facing a hardship in paying their energy bills due to unforeseen situations, such as unplanned unemployment, disability, etc.

Q. Please describe CPG's Operation Share Energy Fund.

A. The program targets low-income, payment-troubled customers at or below 200 percent of the FPIG. The Operation Share Energy Fund is a public charity under Section 501(c)(3) of the Internal Revenue Code, and accordingly donations are tax deductible. Customers, employees and the public are provided an opportunity to contribute money.

Q. Please describe how CPG administers this hardship fund.

A. As with its other universal service programs, CPG has transferred the administration of this Fund to the CBOs, which utilize the COS for such functions as determining customer eligibility, enrollment and grant awards.

Q. How does CPG propose to recover the costs associated with this program?

A. Annually, CPG will contribute a flat donation of $50,000, which includes CPG's matching funds for contributions made by customers, employees or outside sources. CPG does not propose to recover the costs associated with its contributions. However, internal administrative expenses are included in the *pro forma* expenses claimed by CPG in this proceeding. To the extent CPG incurs outside administrative services to administer the Fund, CPG recovers such expenses through the reconcilable USP Rider.

IV. CARES

Q. Please describe the goal of CPG's CARES program.

A. The goal of the CARES Program is to provide personal assistance and referrals to payment-troubled customers to help ameliorate their delinquent bill payment problems. CARES concentrates on, but is not exclusively for, low-income customers who may not be aware of energy conservation, budget counseling and fuel assistance programs.

CARES is geared toward the customer who is payment-troubled because of a temporary, immediate need, such as loss of income, loss of head of household or illness.

Q. What services does CPG provide under the CARES program and how are customers identified to receive these services?

A. CPG CARES consists of two components - traditional CARES and seasonal LIHEAP outreach. At any time throughout the year, eligible customers are referred to CARES primarily by the Company's customer service representatives, although referrals are also accepted from the appropriate CBOs. A Company representative may contact the customer to verify the reason for the referral. If the Company determines that the customer is an appropriate candidate for CARES, CPG will refer the customer to any and all appropriate social services (budget counseling, food banks, job training, literacy programs, etc.) and will assist the customer in applying for all available energy grants. CPG also will work with the customer to establish an appropriate payment arrangement. Each CARES customer may receive a follow-up contact. At appropriate times of the year, each eligible CARES customer will receive information about programs, such as LIHEAP, LIURP, CAP, Operation Share Energy Fund and the CPG Customer Assistance Guide.

Q. Please describe LIHEAP.

A. LIHEAP is a primarily federally-funded program that provides assistance to low-income customers in paying their utility bills. The money provided through LIHEAP is a grant and does not need to be repaid by the customer. In Pennsylvania, the LIHEAP program is administered by the DPW.

Q. What activities does CPG perform to assist customers in receiving LIHEAP grants?

A. CPG educates customers about the availability of LIHEAP funds and interacts with the DPW to assist CPG customers in obtaining grants. The Company also ensures that a customer's account is properly credited with the LIHEAP funds submitted to CPG on the customer's behalf.

Q. How does CPG recover CARES program expenses?

A. CPG recovers the costs of administering its CARES program as part of its *pro forma* expense claim in this proceeding. LIHEAP outreach costs are a component of this amount.

V. Quality of Service Performance

Q. Please describe CPG's performance goals for measuring the quality of customer service provided by the Company.

A. CPG utilizes the following performance benchmarks to measure the quality of customer service it provides:

Call Center:

Category	Benchmark
% of Calls Answered within 30 Seconds :	80% for all
Average Call Abandonment Rate:	Less than 10%
Average Busy-out Rate:	Less than 1%

Customer Disputes, Meter Reads & Bills Rendered in a Billing Cycle:

Category	Benchmark
% of Residential Meters Not Read Within 6 Months:	0.50%
% of Residential Meters Not Read Within 12 Months:	0.50%

% of Residential Bills Not Rendered Once Every Billing Cycle: 0%

% of Residential Customer Disputes Not Issued a Report within 30 Days: 0%

Gas Safety Response Time:

Category	Benchmark
Gas Safety Response Time[1]	Respond to 96% of gas leaks within 45 minutes

Q. Has CPG collected data to track the quality of customer service in each of the aforementioned categories?

A. Yes. The Company has collected data for the categories mentioned above for the time period between August 1, 2009 through December 31, 2010. With one exception, the quality of customer service has improved in the specified categories since the date of the CPG acquisition, as shown in the tables below.

Call Center:

Category	2008	2009	2010
Percent of Calls Answered within 30 Seconds :	76%	80%	84%
Average Call Abandonment Rate:	12%	7%	4%
Average Busy-Out Rate:	NA	1%	3%

Customer Disputes, Meter Reads & Bills Rendered in a Billing Cycle:

Category	2008	2009	2010
% of Res. Meters Not Read Within 6 Months**:**	NA	0%	0%
% of Res. Meters Not Read Within 12 Months:	NA	0%	0%

[1] As defined for all gas utilities by the Commission's Gas Safety Bureau.

% of Res. Bills Not Rendered Once Every Billing Cycle:	0%	0%	0%
% of Res. Customer Disputes Not Issued a Report w/in 30 Days:	0%	0%	0%

Gas Safety Response Time:

Category	2008	2009	2010
Gas Safety Response Time[2]	98%	98%	98%

CPG's Grade of Service improved from 76% to 84% in the two years following the acquisition. CPG also showed great improvement in the average call abandonment rate, reducing from 12% to 4%. All of the service quality metrics were met or exceeded following the 2009 Base Rate Case.

Q. Does that conclude your testimony?

A. Yes.

[2] As defined for all gas utilities by the Commission's Gas Safety Bureau.

CPG STATEMENT NO. 9 – PAUL H. RAAB

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

UGI Central Penn Gas, Inc.

v.

Pennsylvania Public Utility Commission

Docket No. R- 2010-2214415

DIRECT TESTIMONY OF PAUL H. RAAB

CPG STATEMENT NO. 9

Dated: January 14, 2011

Q. Please state your full name and business address.

A. My name is Paul H. Raab and my business address is 5313 Portsmouth Road, Bethesda, MD 20816.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of UGI Central Penn Gas, Inc. ("CPG" or the "Company").

Q. By whom are you employed and in what capacity?

A. I am an independent economic consultant and provide consulting services by myself and as a partner with energytools, llc.

Q. What are your duties as a consultant and partner with energytools, llc?

A. As a consultant and partner at energytools, llc, I have provided consulting services to the utility industry for over 30 years. I have assisted electric, natural gas, telephone and water utilities, Commissions and intervenor clients in a variety of areas. I am trained as a quantitative economist so that most of this assistance has been in the form of mathematical and economic analysis and information systems development. My particular areas of focus are regulatory change management, Demand Side Management ("DSM") planning, marginal cost and rate design analysis, and depreciation and life analysis. I have been responsible for designing, implementing and evaluating DSM programs for Washington Gas in the District of Columbia, Maryland, and Virginia. I also have worked with

Piedmont Natural Gas in the design, implementation and evaluation of its DSM programs in South Carolina. I have worked on DSM program offerings by electric and natural gas utilities in the District of Columbia, Kansas, Maryland, Oklahoma, Texas, and Virginia. I also acted as the consultant for a number of Pennsylvania Natural Gas Distribution Companies ("NGDCs") including UGI Utilities – Gas Division, in addressing the fuel-switching aspects of the larger Pennsylvania electric distribution companies ("EDCs") Act 129 filings that were reviewed by this Commission last summer.

Q. What is your educational background?

A. I have a B.A. in Economics from Rutgers University and an M.A. from the State University of New York at Binghamton with a concentration in econometrics. While attending Rutgers, I studied as a Henry Rutgers Scholar.

Q. Have you previously provided expert testimony before the Pennsylvania Public Utility Commission ("Commission")?

A. Yes. I have provided expert testimony before this Commission in Duquesne Light Company at Docket No. R-0061346. Also, as noted above, I presented testimony at the Commission's November 19, 2008 en banc energy efficiency hearing and in several of the larger EDCs' Act 129 proceedings that were litigated before the Commission last summer.

I have also provided expert testimony before the state regulatory authorities of Alaska, the District of Columbia, Georgia, Indiana, Iowa, Kansas,

Kentucky, Louisiana, Maryland, Michigan, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Tennessee, Virginia, West Virginia and Wisconsin as well as the Federal Energy Regulatory Commission, the Michigan House Economic Development and Energy Committee, the Pennsylvania House Consumer Affairs Committee, the Province of Saskatchewan, and the United States Tax Court.

Appendix A to my direct testimony presents more details on my areas of focus and the subject matter of the testimony provided.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide support for and information about CPG's proposed portfolio of energy efficiency and conservation (EE&C) programs. Specifically, I detail how this portfolio will meet the Commission's cost effectiveness requirements and describe how the portfolio was developed.

Q. What role did you play in the preparation of CPG's proposed portfolio?

A. I worked with the internal staff of CPG to design the individual programs and EE&C measures in the portfolio. I prepared the technical analyses and calculations regarding the projected savings, costs and benefits for the individual measures and for the programs that make up the proposed portfolio.

Q. Are you sponsoring any exhibits in the filing?

A. Yes. I sponsor Exhibit CPG-PHR-1, a summary of the TRC benefit cost results by program.

Q. Please describe CPG's proposed programs.

A. As described more fully in the Direct Testimony of Brian J. Fitzpatrick, CPG has constructed a portfolio of seven programs that are designed to offer customer education, technical assistance and financial incentives to all customer classes. Those program measures are:

(i) A rebate for the installation of high efficiency natural gas-fired boilers, space heaters and water heaters in new homes;

(ii) A rebate for the installation of high efficiency natural gas fired boilers or space heaters in existing homes;

(iii) A rebate for the installation of high efficiency natural gas-fired water heaters in existing homes;

(iv) An energy efficiency education program;

(v) A rebate to fully offset financing costs on Keystone HELP energy loans granted for the installation of high efficiency natural gas-fired gas boilers, space heaters or water heaters;

(vi) A rebate for the installation of natural gas-fired combined heat and power equipment; and

(vii) Rebates for custom high efficiency natural gas-fired Commercial & Industrial measures.

In my opinion, the program design is comprehensive with realistic forecasting of numbers of participants as well as savings per participant considering the economic climate CPG is facing.

Q. How did CPG construct the portfolio of programs?

A. CPG carefully developed the portfolio following these steps:

1. CPG established its budget for implementation of the portfolio;
2. CPG compiled a comprehensive list of energy efficiency and conservation measures and practices from a number of sources;
3. CPG determined the life-cycle costs, savings and avoided cost benefits for each measure to compute that measure's cost-effectiveness from a total resource cost ("TRC") perspective;
4. CPG calculated anticipated program-level savings, spreading the aggregate savings for each program over the three-year cycle to set annual participation levels and savings targets; and
5. CPG balanced the portfolio by adjusting the number of participants to develop a reasonable mix of programs.

Q. How did CPG choose the programs that are included in its portfolio?

A. The CPG team selected the programs based upon the anticipated market potential, the programs' cost-effectiveness, and considering the goal of achieving an equitable balance of measures that would be available to all customer classes.

CPG considered the experiences of other outside sources to identify programs with a high likelihood of success.

Q. Does the proposed portfolio satisfy the PUC's Total Resource Cost ("TRC") test requirements?

A. Yes. The portfolio as whole and all of the individual programs in the portfolio are cost-effective according to the TRC guidelines established by the PUC. CPG's analysis indicates a TRC benefit-to-cost ratio of 1.27 for the proposed portfolio. When Company internal administration costs that cannot be directly assigned to a particular program are factored into this calculation, the proposed portfolio still provides net TRC benefits in excess of $4.2M and a benefit-to-cost ratio in excess of 1.00. Detailed TRC results are provided with my testimony as Exhibit CPG-PHR-1.

Q. How did you develop these TRC results?

A. In order to apply a TRC test consistent with the Commission's guidelines, a number of input values must first be developed. These are:

1. Avoided gas and electric costs;
2. Changes in energy usage associated with each program;
3. Program costs; and
4. Measure costs.

The Company provided me with program and measure costs. I developed the estimates of avoided costs and changes in energy usage.

Q. How did you develop estimates of the avoided gas and electric costs?

A. Avoided gas costs were developed by escalating the Company's PGA at the same rate as NYMEX natural gas futures prices. Thus, the natural gas avoided cost estimate includes both commodity and transportation costs that should be avoided as energy savings from the Company's programs are realized.

Avoided electric costs were developed as the sum of capacity avoided costs and energy avoided costs. Capacity avoided costs were assumed to be the same PJM capacity prices as used by the Electric Division in the development of its Conservation and Energy Efficiency Plan. The avoided energy costs were developed on the basis of a "natural gas equivalent" avoided cost, using source to site ratios developed by the EPA.

Q. How did you develop estimates of the changes in energy usage associated with each program?

A. Energy usage changes are developed by using engineering relationships that compare the usage of high efficiency appliances incented by the Company's proposals with their standard efficiency counterparts. Specific energy savings estimates were developed for boilers, furnaces and 90% and 95% efficient water heaters in the residential sector and for combined heat and power applications in the Commercial sector. No energy savings estimates were developed for the education component of the Company's portfolio. Savings estimates for the Company's Commercial Custom Program will be developed on a project-by-

project basis. For purposes of developing the portfolio TRC results, I assumed a level of savings consistent with program participation requirements and budget levels. In so doing, I have developed a conservative estimate of TRC results for this program and for the portfolio as a whole.

Q. Has the Company ensured that the customer class that receives the benefit from the specific measures will pay the cost of those measures?

A. Yes. As explained by Mr. Lahoff in his direct testimony, the direct cost of each measure will be assigned to the customer class implementing that measure. General or administrative costs that apply system-wide to all programs will be allocated to individual customer classes based upon projected sales volumes.

Q. Does the proposed portfolio provide energy efficiency incentives to low income customers on CPG's system?

A. Yes. Some examples include the residential high efficiency heating upgrade program, the residential high efficiency water heater upgrade program and the energy education handout program. These programs should assist low income customers in reducing their energy costs going forward.

Q. How does CPG propose to review and monitor the performance of the portfolio?

A. CPG anticipates performing an internal review of the success of the programs in the portfolio. CPG anticipates that it will file annual reports with the Commission

regarding the results of the review. My understanding is that the report and related annual review is subject to Commission audit, as it deems necessary. Mr. Fitzpatrick describes that process in more detail in his direct testimony.

Q. Does CPG's portfolio contain procedures for quality assurance and measurement and verification of performance of the proposed programs?

A. Yes. The portfolio incorporates extensive procedures for tracking the performance of each of the programs in the portfolio. This is designed to assure quality of service, verification for CPG that the measures have in fact been employed and verification of related savings. The portfolio describes the procedures CPG will employ for monitoring program activities and for undertaking quality assurance through inspection measures to ensure equipment quality, proper installation and operation. CPG will make extensive efforts to ensure that all necessary evaluations will be performed to assess whether adjustments are necessary to the portfolio on an annual basis. As I noted above, CPG expects to provide an annual report to the Commission regarding the success of the portfolio as well as any adjustments that may be undertaken as a result of portfolio outcomes.

Q. Are there any factors that, in your opinion, may jeopardize CPG's ability to meet the targets set in the portfolio?

A. Yes. The most glaring uncertainty is the question of customer willingness to participate in the proposed programs given today's economic climate. This is

particularly true for the commercial and industrial markets where implementation of energy-efficiency projects requires sizeable initial capital investment and significant lead time. These cost barriers are uncertainties that may impact the Company's goals. In addition, CPG has made a point of making its programs available to the new construction market; however, the sluggishness of activity in that market may also present a significant barrier to portfolio implementation. Again, CPG has the ability to make adjustments on an annual basis to its portfolio after it has some experience with the programs as currently constructed.

Q. Does this conclude your direct testimony?

A. Yes, it does.

CPG STATEMENT NO. 9 - PHR APPENDIX A

PAUL H. RAAB

Mr. Raab's consulting focus is on the regulated public utility industry. His experience includes mathematical and economic analyses and system development and his areas of expertise include regulatory change management, load forecasting, supply-side and demand-side planning, management audits, mergers and acquisitions, costing and rate design, and depreciation and life analysis.

PROFESSIONAL EXPERIENCE

Mr. Raab has directed or has had a key role in numerous engagements in the areas listed above. Representative clients are provided for each of these areas in the subsections below.

Regulatory Change Management. Mr. Raab has recently been assisting both electric and natural gas utilities as they prepare to operate in an environment that is significantly different from the one they operate in today. This work has involved the development of unbundled cost of service studies; the development of strategies that will allow companies to prosper in a restructured industry; retail access program development, implementation, and evaluation; and the development of innovative ratemaking approaches to accompany changes in the regulatory structure. Representative clients for whom he has performed such work include:

- Texas Gas Service
- Virginia Natural Gas
- UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc.
- The Peoples Natural Gas Company d/b/a Dominion Peoples
- National Fuel Gas Distribution Corporation
- Columbia Gas of Pennsylvania, Inc.
- Aquila
- Kansas Corporation Commission
- Atmos Energy Corporation
- Electric Cooperatives' Association
- Cleco
- Washington Gas
- Western Resources
- Kansas Gas Service
- Mid Continent Market Center.

Load Forecasting. Mr. Raab has broad experience in the review and development of forecasts of sales forecasts for electric and natural gas utilities. This work has also included the development of elasticity of demand measures that have been used for attrition adjustments and revenue requirement reconciliations.

Representative clients for whom he has performed such work include:

- Washington Gas Energy Services
- Central Louisiana Electric Company
- Washington Gas
- Saskatchewan Public Utilities Review Commission
- Union Gas Limited
- Nova Scotia Power Corporation
- Cajun Electric Power Cooperative
- Cincinnati Gas & Electric
- Commonwealth Edison Company
- Cleveland Electric Illuminating
- Public Service of Indiana
- Atlantic City Electric Company
- Detroit Edison Company
- Sierra Pacific Power
- Connecticut Natural Gas Corporation
- Appalachian Power Company
- Missouri Public Service Company
- Empire District Electric Company
- Public Service Company of Oklahoma
- Wisconsin Electric Power Company
- Northern States Power Company
- Iowa State Commerce Commission
- Missouri Public Service Commission.

Supply Side Planning. Mr. Raab has assisted clients to determine the most appropriate supply-side resources to meet future demands. This assistance has included the determination of optimal sizes and types of capacity to install, determination of production costs including and excluding the resource, and an assessment of system reliability changes as a result of different resource additions. Much of this work for the following clients has been done in conjunction with litigation:

- Enstar Natural Gas
- AGL Resources
- Washington Gas
- Soyland Electric Cooperative
- Houston Lighting and Power
- City of Farmington, New Mexico
- Big Rivers Electric Cooperative
- City of Redding, California
- Brown & Root
- Kentucky Joint Committee on Electric Power Planning Coordination
- Sierra Pacific Power.

Demand Side Planning. Demand Side Planning involves the forecasting of future demands; the design, development, implementation, and evaluation of demand side management programs; the determination of future supply side costs; and the integration of cost effective demand side management programs into an Integrated Least Cost Resource Plan. Mr. Raab has performed such work for the following clients:

- UGI Utilities
- Dominion Peoples Gas
- National Fuel Gas Distribution Corporation
- Columbia Gas of Pennsylvania
- Kansas Gas Service
- Atmos Energy Corporation
- Black Hills Gas Company
- Oklahoma Natural Gas Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- Montana-Dakota Utilities.

Management Audits. Mr. Raab has been involved in a number of management audits. Consistent with his other experience, the focus of his efforts has been in the areas of load forecasting, demand- and supply-side planning, integrated resource planning, sales and marketing, and rates. Representative commission/utility clients are as follows:

- Public Utilities Commission of Ohio/East Ohio Gas
- Kentucky Public Service Commission/Louisville Gas & Electric
- New Hampshire Public Service Commission/Public Service Company of New Hampshire
- New Mexico Public Service Commission/Public Service of New Mexico
- New York Public Service Commission/New York State Electric & Gas
- Missouri Public Service Commission/Laclede Gas Company
- New Jersey Board of Public Utilities/Jersey Central Power & Light
- New Jersey Board of Public Utilities/New Jersey Natural Gas
- Pennsylvania Public Utilities Commission/ Pennsylvania Power & Light
- California Public Utilities Commission/San Diego Gas & Electric Company.

Mergers and Acquisitions. Mr. Raab has been involved in a number of merger and acquisition studies throughout his career. Many of these were conducted as confidential studies and cannot be listed. Those in which his involvement was publicly known are:

- ONEOK, Inc./Southwest Gas Corporation
- Western Resources

- Constellation.

Costing and Rate Design Analysis. Mr. Raab has prepared generic rate design studies for the National Governor's Conference, the Electricity Consumer's Resource Council, the Tennessee Valley Industrial Committee, the State Electricity Commission of Western Australia, and the State Electricity Commission of Victoria. These generic studies addressed advantages and disadvantages of alternative costing approaches in the electric utility industry; the strengths and weaknesses of commonly encountered costing methodologies; future tariff policies to promote equity, efficiency, and fairness criteria; and the advisability of changing tariff policies. Mr. Raab has performed specific costing and rate design studies for the following companies:

- SEMCO Gas
- Enstar Natural Gas
- Atmos Energy Corporation
- Southern Maryland Electric Cooperative, Inc.
- Comcast Cable Communications, Inc.
- Cable Television Association of Georgia
- Devon Energy
- Aquila
- Oklahoma Natural Gas
- Semco Energy Gas Company
- Laclede Gas
- Western Resources
- Kansas Gas Service Company
- Central Louisiana Electric Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- KPL Gas Service Company
- Allegheny Power Systems
- Northern States Power
- Interstate Power Company
- Iowa-Illinois Gas & Electric Company
- Arkansas Power and Light
- Iowa Power & Light
- Iowa Public Service Company
- Southern California Edison
- Pacific Gas & Electric
- New York State Electric & Gas
- Middle South Utilities
- Missouri Public Service Company
- Empire District Electric Company
- Sierra Pacific Power

- Commonwealth Edison Company
- South Carolina Electric & Gas
- State Electricity Commission of Western Australia
- State Electricity Commission of Victoria, Australia
- Public Service Company of New Mexico
- Tennessee Valley Authority.

Depreciation and Life Analysis. Mr. Raab has extensive experience in depreciation and life analysis studies for the electric, gas, rail, and telephone industries and has taught a course on depreciation at George Washington University, Washington, DC. Representative clients in this area include:

- Champaign Telephone Company
- Plains Generation & Transmission Cooperative
- CSX Corporation (Includes work for Seaboard Coast Line, Louisville & Nashville, Baltimore & Ohio, Chesapeake & Ohio, and Western Maryland Railroads)
- Lea County Electric Cooperative, Inc.
- North Carolina Electric Membership Cooperative
- Alberta Gas Trunk Lines (NOVA)
- Federal Communications Commission.

TESTIMONY

The following table summarizes Mr. Raab's testimony experience.

Jurisdiction	Docket Number	Subject
Alaska	U-09-69, U-09-70	Rate Design
District of Columbia	834	Demand Side Planning
	905	Costing/Rate Design
	917	Costing/Rate Design
	921	Demand Side Planning
	922	Rate Design
	934	Rate Design
	989	Rate Design
	1016	Rate Design
	1053	Costing/Rate Design
	1054	Rate Design
	1079	Rate Design
Georgia	18300-U	Costing/Rate Design

Indiana	36818	Capacity Planning
Iowa	RPU-05-2	Costing/Rate Design

Jurisdiction	Docket Number	Subject
Kansas	174,155-U	Retail Competition
	176,716-U	Costing/Rate Design
	98-KGSG-822-TAR	Rate Design
	99-KGSG-705-GIG	Restructuring
	01-KGSG-229-TAR	Rate Design
	02-KGSG-018-TAR	Rate Design
	02-WSRE-301-RTS	Cost of Service
	03-KGSG-602-RTS	Cost of Service/Rate Design
	03-AQLG-1076-TAR	Rate Design
	01-KGSG-229-TAR	Rate Design
	05-AQLG-367-RTS	Cost of Service/Rate Design
	06-KGSG-1209-RTS	Cost of Service/Rate Design
	07-AQLG-431-RTS	Rate Design
	08-WSEE-1041-RTS	Cost of Service
	10-KCPE-415-RTS	Cost of Service/Rate Design
	10-KGSG-421-TAR	Demand Side Planning
	10-KCPE-795-TAR	Demand Side Planning
Kentucky	9613	Capacity Planning
	97-083	Management Audit
	2009-00354	Cost of Service
Louisiana	U-21453	Restructuring/Market Power
Maryland	8251	Costing/Rate Design
	8259	Demand Side Planning
	8315	Costing/Rate Design
	8720	Demand Side Planning
	8791	Costing/Rate Design
	8920	Costing/Rate Design
	8959	Costing/Rate Design
	9092	Costing/Rate Design
	9104	Costing/Rate Design
	9106	Costing/Rate Design
	9180	Capacity Planning
Michigan	U-6949	Load Forecasting
	U-13575	Costing/Rate Design

	U-16169	Costing/Rate Design
Missouri	GR-2002-356	Rate Design
Montana	D2005.4.48	Costing/Rate Design
Jurisdiction	**Docket Number**	**Subject**
Nebraska	NG-0001, NG-0002, NG-0003	Rate Design
	NG-0041	Rate Design
Nevada	81-660	Load Forecasting
New Jersey	OAL# PUC 1876-82 BPU# 822-0116	Load Forecasting
New Mexico	2087	Capacity Planning
New York	27546	Costing/Rate Design
Ohio	81-1378-EL-AIR	Load Forecasting
Oklahoma	27068	Load Forecasting
	PUD 200400610	Costing/Rate Design
	PUD 200700449	Demand Side Planning
	PUD 200800348	Costing/Rate Design
	PUD 200900110	Costing/Rate Design
	PUD 201000354	Demand Side Planning
Pennsylvania	R-0061346	Costing/Rate Design
	M-2009-2092222, M-2009-2112952, M-2009-2112956	Demand Side Planning
	M-2009-2093216	Demand Side Planning
	M-2009-2093217	Demand Side Planning
	M-2009-2093218	Demand Side Planning
	M-2010-2210316	Demand Side Planning
Tennessee	PURPA Hearings	Costing/Rate Design
Texas	GUD No. 9762	Costing/Rate Design
US Tax Court	4870	Life Analysis
	4875	Life Analysis

Jurisdiction	Docket Number	Subject
Virginia	PUE900013	Demand Side Planning
	PUE920041	Costing/Rate Design
	PUE940030	Costing/Rate Design
	PUE940031	Costing/Rate Design
	PUE950131	Capacity Planning
	PUE980813	Costing/Rate Design
	PUE-2002-00346	Costing/Rate Design
	PUE-2003-00603	Costing/Rate Design
	PUE-2006-00059	Costing/Rate Design
	PUE-2008-00060	Demand Side Planning
	PUE-2009-00064	Demand Side Planning
West Virginia	79-140-E-42T	Capacity Planning
	90-046-E-PC	Demand Side Planning
Wisconsin	05-EP-2	Capacity Planning

In addition, Mr. Raab has presented expert testimony before the Federal Energy Regulatory Commission, the Pennsylvania House Consumer Affairs Committee, the Michigan House Economic Development and Energy Committee and the Province of Saskatchewan. He is a member of the Advisory Board of the Expert Evidence Report, published by The Bureau of National Affairs, Inc.

EDUCATION

Mr. Raab holds a B.A. (with high distinction) in Economics from Rutgers University and an M.A. from SUNY at Binghamton with a concentration in Econometrics. While attending Rutgers, he studied as a Henry Rutgers Scholar.

PUBLICATIONS AND PRESENTATIONS

Mr. Raab has published in a number of professional journals and spoken at a number of industry conferences. His publications/ presentations include:

- "Natural Gas as an Electric DSM Tool," American Gas Association Membership Services Committee Meeting, Williamsburg, VA, September 15, 2009.

- "Electric-to-Gas Fuel Switching," NARUC Summer Meeting, Seattle, WA, July 20, 2009.

- "The Future of Fuel in Virginia: Natural Gas," The Twenty-Seventh National Regulatory Conference, Williamsburg, VA, May 19, 2009.

- "Revenue Decoupling for Natural Gas Utilities," Energy Bar Association Midwest Energy Conference, Chicago, IL, March 6, 2008.

- "Responses to Arrearage Problems from High Natural Gas Bills," American Gas Association Rate and Regulatory Issues Seminar, Phoenix, AZ, April 8, 2004.

- "Factors Influencing Cooperative Power Supply," National Rural Utilities Cooperative Finance Corporation Independent Borrower's Conference, Boston, MA, July 3, 1997.

- "Current Status of LDC Unbundling," American Gas Association Unbundling Conference: Regulatory and Competitive Issues, Arlington, VA, June 19, 1997.

- "Balancing, Capacity Assignment, and Stranded Costs," American Gas Association Rate and Strategic Planning Committee Spring Meeting, Phoenix, AZ, March 26, 1997.

- "Gas Industry Restructuring and Changes: The Relationship of Economics and Marketing" (with Jed Smith), National Association of Business Economists, 38th Annual Meeting, Boston, MA September 10, 1996.

- "Improving Corporate Performance By Better Forecasting," 1996 Peak Day Demand and Supply Planning Seminar, San Francisco, CA, April 11, 1996.

- "Natural Gas Price Elasticity Estimation," AGA Forecasting Review, Vol. 6, No. 1, November 1995.

- "Assessing Price Competitiveness," Competitive Analysis & Benchmarking for Power Companies, Washington, DC, November 13, 1995.

- "Avoided Cost Concepts and Management Considerations," Workshop on Avoided Costs in a Post 636 Gas Industry: Is It Time to Unbundle Avoided Cost? Sponsored by the Gas Research Institute and Wisconsin Center for Demand-Side Research, Milwaukee, WI, June 29, 1994.

- "Estimating Implied Long- and Short-Run Price Elasticities of Natural Gas Consumption," Atlantic Economic Conference, Philadelphia, PA, October 10, 1993.

- "Program Evaluation and Marginal Cost," The Natural Gas Least Cost Planning Conference, Washington, DC, April 7, 1992.

- "The New Environmentalism & Least Cost Planning," Institute for Environmental Negotiation, University of Virginia, May 15, 1991.

- "Development of Conditional Demand Estimates of Gas Appliances," AGA Forecasting Review, Vol. 1, No. 1, October 1988.

- "The Feasibility Study: Forecasting and Sensitivities," Municipal Wastewater Treatment Facilities, The Energy Bureau, Inc., November 18, 1985.

- "The Development of a Gas Sales End-Use Forecasting Model," Third International Forecasting Symposium, The International Institute of Forecasting, July 1984.

- "New Forecasting Guidelines for REC's - A Seminar," (Chairman), Kansas City, Missouri, June 1984.

- "A Method and Application of Estimating Long Run Marginal Cost for an Electric Utility," Advances in Microeconomics, Volume II, 1983.

- "Forecasting Under Public Scrutiny," Forecasting Energy and Demand Requirements, University of Wisconsin - Extension, October 25, 1982.

- "Forecasting Public Utilities," The Journal of Business Forecasting, Vol. 1, No. 4, Summer, 1982.

- "Are Utilities Underforecasting," Electric Ratemaking, Vol. 1. No. 1, February, 1982.

- "A Polynomial Spline Function Technique for Defining and Forecasting Electric Utility Load Duration Curves," First International Forecasting Symposium, Montreal, Canada, May, 1981.

- "Time-of-Use Rates and Marginal Costs," ELCON Legal Seminar, March 20, l980.

- "The Ernst & Whinney Forecasting Model," Forecasting Energy & Demand Requirements, University of Wisconsin - Extension, October 8, l979.

- "Marginal Cost in Electric Utilities-A Multi-Technology Multi-Period Analysis" (with Frederick McCoy), ORSA/Tims Joint National Meeting, Los Angeles, California, November 13-15, 1978.

CPG EXHIBIT NO. – PHR-1

TRC Test Results by Program

Measures	NPV Benefit	NPV Cost	Net TRC Benefit	Benefit/Cost Ratio
High Efficiency New Homes Program	$ 792,390	$ 560,045	$ 232,345	1.41
High Efficiency Heating Upgrade Program	$ 3,649,578	$ 3,453,479	$ 196,099	1.06
High Efficiency Water Heater Upgrade Program	$ 3,661,252	$ 3,459,818	$ 201,434	1.06
Keystone Help Program	$ 729,659	$ 557,870	$ 171,790	1.31
Energy Education Program	$ -	$ 229,790	$ (229,790)	0.00
Total Residential	**$ 8,832,879**	**$ 8,261,002**	**$ 571,878**	**1.07**
C&I Combined Heat and Power	$ 3,470,383	$ 2,859,580	$ 610,803	1.21
C&I Custom	$ 7,507,567	$ 4,465,379	$ 3,042,188	1.68
C&I Total	**$ 10,977,950**	**$ 7,324,959**	**$ 3,652,991**	**1.50**
Total Portfolio	**$ 19,810,829**	**$ 15,585,960**	**$ 4,224,869**	**1.27**

CPG STATEMENT NO. 10 – BRIAN J. FITZPATRICK

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

UGI Central Penn Gas, Inc.

v.

Pennsylvania Public Utility Commission

Docket No. R- 2010-2214415

DIRECT TESTIMONY OF BRIAN J. FITZPATRICK

CPG STATEMENT NO. 10

Dated: January 14, 2011

Q. Please state your full name and business address.

A. My name is Brian J. Fitzpatrick and my business address is UGI Utilities, Inc., 2525 N. 12th Street, Suite 360, Reading, PA 19612.

Q. By whom are you employed and in what capacity?

A. I am employed by UGI Utilities, Inc. ("UGI") as Manager – Energy Efficiency and Conservation.

Q. What are your duties as Manager – Energy Efficiency and Conservation?

A. I am responsible for coordinating the development, implementation, and administration of the energy efficiency and conservation plan activities of UGI, including its gas and electric divisions, as well as UGI Penn Natural Gas, Inc. ("PNG") and UGI Central Penn Gas, Inc. ("CPG"). These responsibilities include coordination of all internal and external resources, developing and maintaining annual and future year plans, overseeing filing and reporting activities, and participating in associated rulemakings, collaboratives and working groups. This activity is exclusive of the company's existing LIURP program.

Q. What is your educational background?

A. I received a Bachelor of Science in Electrical Engineering from State University of New York in 1990.

Q. Please describe your professional experience.

A. I began my career in 1990 as a Quality Control Engineer for Celotex Corporation, after which I moved to a position as Plant Engineer – Electric Power Production with UGI in 1994. I became an Analyst – Electric Rates and Regulatory Affairs in 1999, and was promoted to Senior Analyst in 2002. In June 2005, I was

promoted to the position of Manager – Gas Supply and Transportation. I took on my current position as Manager – Energy Efficiency and Conservation in October 2010.

Q. Have you previously testified as a witness before the Pennsylvania Public Utility Commission ("Commission")?

A. Yes. I have previously provided testimony before the Commission in the 2006 through 2009 UGI PGC proceedings, the 2007 through 2009 PNG PGC proceedings, the 2009 CPG PGC proceeding and UGI - Electric Division ("UGI-ED") voluntary Energy Efficiency and Conservation Plan ("EE&C") filing at Docket No. M-2010-2210316.

INTRODUCTION

Q. Briefly describe the subject matter of your testimony in this proceeding.

A. I will describe CPG's proposed three-year pilot EE&C program. CPG witness Paul Raab, in turn, will explain how the CPG EE&C program is cost-effective under the Total Resource Cost test, and CPG witness David Lahoff will describe the cost and lost revenue recovery mechanisms CPG is proposing for the EE&C program.

Q. Why is CPG proposing an EE&C program in this proceeding?

A. The proposed CPG pilot EE&C program would offer a portfolio of energy efficiency and conservation measures for CPG customers over a three-year period that are designed to help overcome the first cost disadvantage of high efficiency gas appliances as compared to standard efficiency gas appliances. Many customers would experience energy and cost savings over the life of a high

efficiency gas appliance, but may (a) not elect the appliance model that provides them with the comparatively higher energy savings, (b) be unable to afford the initial higher cost of the higher efficiency gas appliance or (c) have their appliance chosen for them by home builders who are more focused on first cost savings rather than long-term energy savings. CPG's proposed EE&C program is designed to help overcome this first-cost disadvantage by offering customer education, rebates for high efficiency appliances and rebates for financing costs, as described in more detail below. Participants in the program will benefit from the energy savings associated with the use of higher efficiency appliances, and both participants and non-participants will benefit from the downward pressure on wholesale natural gas prices resulting from increased efficiencies, as well as the associated environmental benefits such as reduced emissions of greenhouse gases. CPG has also designed its pilot EE&C program to work in concert with the Keystone HELP Program, which is a Commonwealth of Pennsylvania sponsored program that also seeks to reduce the first cost barrier for high efficiency energy products for residential customers.

Q. Please summarize the proposed EE&C Plan program measures that would be offered to CPG customers.

A. Those program measures are:

(i) *New Home Program*: A rebate for the installation of high efficiency natural gas-fired boilers, furnaces and water heaters in new homes.

(ii) *Existing Home Program*: A rebate for the installation of high efficiency natural gas fired boilers or furnaces in existing homes.

(iii) *Existing Home Water Heater Program:* A rebate for the installation of high efficiency natural gas-fired water heaters in existing homes.

(iv) *Energy Efficiency Education Program:* An energy efficiency education program designed to inform customers of home energy efficiency improvements that they can make.

(v) *Keystone HELP Program:* A rebate to fully offset financing costs on Keystone HELP energy loans granted for the installation of high efficiency natural gas-fired gas boilers, furnaces or water heaters.

(vi) *Combined Heat and Power Program:* A rebate for the installation of natural gas-fired combined heat and power equipment.

(vii) *Customized Commercial and Industrial Program*: Rebates for custom high efficiency natural gas-fired Commercial & Industrial measures.

Q. How did CPG construct the portfolio of programs?

A. CPG carefully developed the portfolio by following these steps:

1. established a budget for implementation of the portfolio;
2. compiled a comprehensive list of energy efficiency and conservation measures and practices from a number of sources;
3. determined the life-cycle costs, savings and avoided cost benefits for each measure to compute that measure's cost-effectiveness from a total resource cost ("TRC") perspective;

4. calculated anticipated program-level savings, spreading the aggregate savings for each program over the three-year cycle to set annual participation levels and savings targets; and

5. balanced the portfolio by adjusting the number of participants to develop a reasonable mix of programs.

Q. What are the proposed budgets for the individual EE&C program measures and overall budget?

A. The proposed annual budgets for Residential and Commercial/Industrial customer classes are as follows:

Residential Measures	**Year 1**	**Year 2**	**Year 3**	**Total**
High Efficiency New Home	$ 137,335	$ 140,085	$ 142,835	$ 420,255
High Efficiency Heating Upgrade	$ 748,825	$ 762,440	$ 776,327	$2,287,592
High Efficiency Water Heater Upgrade	$ 699,600	$ 712,100	$ 725,100	$2,136,800
Keystone HELP Interest Rate Buy-Down	$ 322,832	$ 329,419	$ 336,018	$ 988,270
Energy Education	$ 50,000	$ 51,000	$ 52,020	$ 153,020
Subtotal Residential Costs	**$1,958,592**	**$1,995,044**	**$2,032,300**	**$5,985,937**
Residential Administrative Costs	$ 199,531	$ 199,531	$ 199,531	$ 598,593
Total Residential Costs	**$2,158,124**	**$2,194,576**	**$2,231,832**	**$6,584,531**
Residential Percent of Total Budget	77%	78%	79%	
Residential Percent of Total Administrative Costs	78%	78%	78%	
C&I Measures	**Year 1**	**Year 2**	**Year 3**	**Total**
Combined Heat & Power	$ 330,000	$ 336,600	$ 343,332	$1,009,932
C&I Custom	$ 271,408	$ 228,356	$ 184,368	$ 684,131
Subtotal C&I Costs	**$ 601,408**	**$ 564,956**	**$ 527,700**	**$1,694,063**
C&I Administrative	$ 56,468	$ 56,468	$ 56,468	$ 169,407
Total C&I Costs	**$ 657,876**	**$ 621,424**	**$ 584,168**	**$1,863,469**
C&I Percent of Total Budget	23%	22%	21%	
C&I Percent of Total Administrative Costs	22%	22%	22%	

Q. How were these budget numbers developed?

A. Initially, CPG selected an overall budget number that would represent approximately two percent (2%) of its intra-state jurisdictional revenues. In selecting this overall target, CPG was mindful of the two percent budget cap established under Act 129 for electric EE&C programs. CPG was also aware that a similar PECO Gas program, initially approved in PECO's base rate proceeding at Docket No. R-2008-2028394 et al. (Order entered October 29, 2008), and which received re-approval with increased funding levels at Docket No. R-2010-2161592 (Opinion and Order entered December 29, 2010), appears to be currently over subscribed, suggesting a strong demand among customers for natural gas EE&C programs. CPG then evaluated and selected program measures based upon the anticipated market potential, the programs' cost-effectiveness, and considering the goal of achieving an equitable balance of measures that would be available to all customer classes. Anticipated participation levels and costs were then developed to determine the budgets for individual program measures. In developing the budgets for individual program measures CPG included the anticipated costs of communication efforts for each measure. CPG did not think, however, that it would be possible to specifically identify its internal administrative costs by individual program measure. Accordingly, CPG developed an internal administrative cost budget for the entire program, and then allocated those costs by customer class as discussed in Mr. Raab's testimony.

Q. How were the internal administrative cost budgets developed?

A. CPG estimated that overall internal administrative costs would be approximately ten percent of the total EE&C program costs. Such costs would include an allocation of internal staff and related overhead costs, and the costs of developing and implementing internal systems to monitor and control the program. These internal administrative costs may decrease in the future to the extent that the Commission approves EE&C programs for other affiliates of CPG, and these administrative resources can be shared among the EE&C programs. I provided these estimated administrative costs to Mr. Lahoff for use in the development of proposed EE&C riders as presented in his direct testimony.

Q. Has UGI-ED recently proposed a voluntary EE&C program?

A. Yes. Although it is not subject to the provisions of Act 129 because of its size, UGI-ED was encouraged by the Commission to file a voluntary EE&C program, and filed its plan November 9, 2010. I would note that under that filing UGI-ED estimated that its internal administrative costs would be a higher percentage of the total proposed EE&C program budget since legal costs were included. In the current filing the legal costs associated with gaining approval for the plan have been included in CPG's base rate case legal expense claim.

Q. What energy savings are anticipated as a result of the EE&C program measures?

A. The following table provides estimated annual savings, expressed in Mcf:

Residential Measures	Year 1	Year 2	Year 3	Total
High Efficiency New Home	3,203	3,273	3,344	9,819
High Efficiency Heating Upgrade	14,760	15,056	15,357	45,172
High Efficiency Water Heater Upgrade	17,459	17,802	18,159	53,419
Keystone HELP Interest Rate Buy-Down	3,128	3,191	3,254	9,573
Energy Education	0	0	0	0
Total Residential Savings	**38,550**	**39,322**	**40,113**	**117,984**
Residential Savings Percentage	69%	69%	69%	
C&I Measures	**Year 1**	**Year 2**	**Year 3**	**Total**
Combined Heat & Power	7,644	7,644	7,644	22,932
C&I Custom	10,000	10,000	10,000	30,000
Total C&I Savings	**17,644**	**17,644**	**17,644**	**52,932**
C&I Savings Percentage	31%	31%	31%	

Q. Which customer classes will be eligible for CPG's EE&C program?

A. CPG is proposing to offer its EE&C program measures to all Residential, Commercial and Industrial customers. There may be customers who are unable to participate in certain measures because they are unable to meet program eligibility requirements.

Q. Will program measures be available to customers switching from alternative fuels?

A. Yes, like the program offered by PECO, CPG's proposed program will be available to all customers installing high efficiency gas appliances. However, in evaluating the cost effectiveness of the program CPG only considered the efficiency gains resulting from the installation of a high efficiency gas appliance as opposed to a standard efficiency gas appliance, instead of any, presumably larger, efficiency gains that may result from conversion from an alternate fuel appliance.

INDIVIDUAL PROGRAM DETAILS

New Home Program

Q. Please describe CPG's proposed new-home high-efficiency gas appliance rebate proposal.

A. CPG will offer a $550 rebate to customers installing in a new home (a) a high-efficiency gas boiler with a high efficiency gas water heater or (b) a high efficiency gas furnace with a high efficiency water heater. The installed equipment must have an efficiency rating of 85% or greater for a boiler, 90% or greater for a furnace or 80% or greater for a water heater.

Q. What are the standard efficiency ratings for gas-fired boilers, gas furnaces and gas water heaters?

A. The standard Annual Fuel Utilization Efficiency ("AFUE") level for a gas-fired boiler is 80% or less. The standard AFUE for a gas-fired furnace is 80% or less. The standard Energy Factor ("EF") for a gas-fired water heater is 60% or less.

Q. Does it cost less to purchase and install standard efficiency versions of gas-fired boilers, furnaces and water heaters in new homes?

A. Yes, the initial costs of standard efficiency installations are lower. It costs thousands of dollars to install either standard or high efficiency versions of these appliances, and the incremental costs of high efficiency installations can vary depending on efficiency levels, the design of the home or other factors. On average, CPG believes the incremental cost of installing high efficiency space heating is approximately $550 per installation. CPG also believes that the

incremental cost of installing high efficiency water heating is, on average, $200 per installation.

Q. Does the installation of the more expensive high efficiency versions of these appliances result in lower costs over time?

A. Yes, the end user of the high efficiency appliances benefits by using and paying for less gas over time. This decreased gas consumption, in turn, places downward pressure on wholesale gas costs as less gas is consumed, to the benefit of all gas consumers and the environment.

Q. Do these savings offset the incremental installation costs over time?

A. Yes, they more than offset the costs over time.

Q. Then why are standard efficiency gas appliances often selected?

A. Often the selection of the appliance is a decision made by a builder, whose focus is on reducing first costs, and not on the long-term savings that will be experienced by the building residents over time. This was evidenced in a recent survey of local HVAC contractors conducted by the Anderson Group[1] for UGI. Results of the survey indicated, among other findings, that most mass market builders are looking for low cost options when constructing new homes. End-use consumers may also experience difficulty in understanding the long-term benefits of higher efficiency appliances, or even if they do, may have difficulty in paying for or financing the incremental costs.

Q. What is the Total Resource Cost ("TRC") test?

A. The TRC test is a tool that has been adopted by the General Assembly and the Commission for the evaluation of electric energy efficiency programs. Under the

[1] The Anderson Group is a brand marketing & communication firm located in Sinking Spring, PA.

TRC test the total costs of energy efficiency measures to customers and the administrative costs incurred by a utility in administering a conservation program, exclusive of rebate or incentives paid to the customer, are compared to associated energy savings to determine if the program is cost effective. Although the TRC test has not been formally adopted for evaluation of gas energy efficiency programs, TRC evaluations have been provided, for example, in the PECO base rate case to help support its gas EE&C program, and CPG witness Paul Raab evaluates CPG's proposed EE&C program under the TRC test in his testimony.

Q. Have you provided certain information to Mr. Raab for his use in performing the TRC evaluation?

A. Yes. I have provided Mr. Raab with the $750 estimate of the average incremental costs of installing high efficiency boiler/hot water heater or high efficiency furnace/hot water heater combinations over the standard efficiency versions of these appliances. To calculate total EE&C program measure energy savings and customer costs, I have also provided Mr. Raab with estimated participation levels and estimated program communication costs. These communication costs consist of the readily verifiable costs that CPG would incur as a result of each EE&C program measure which Mr. Raab uses to calculate the cost effectiveness of each program measure before the allocation of internal administrative and general expense. Finally, I provided an estimate of internal administrative and general expense, shown in the chart above, which Mr. Raab uses to evaluate the cost effectiveness of the overall proposed EE&C program, and which Mr. Lahoff uses to calculate the proposed EEC Riders. I estimated that administrative and general

expense would be approximately ten percent (10%) of program expenditures, and propose that this fixed number be used during the initial three-year pilot phase of the program. As experience is gained with the program and it becomes more apparent whether resources will be able to be shared with other UGI conservation and energy efficiency programs, such as the pending UGI-ED EE&C program proposal, CPG may be able to develop internal tracking and recording systems to track actual internal administrative expenses with more detail in any future EE&C programs.

Q. What is the estimated participation level in the proposed new-home high-efficiency gas appliance rebate program measure?

A. CPG estimates that it will issue 227 rebates in the first year, 232 in the second year and 237 in the third year under this program measure.

Q. How was this estimate developed?

A. CPG reviewed its budgeted number of new homes fueled by gas, and assumed that eighty percent of these new home additions would elect to participate in the program by upgrading to high efficiency gas appliances. CPG's new home construction budget assumes a two percent annual growth rate.

Q. How will the new-home high-efficiency gas appliance rebate program measure be administered, and what incremental costs will be incurred?

A. The program will be administered using existing internal resources. However, there will be incremental costs incurred to disseminate information about the program to potential participants and trade allies. I have estimated those costs to be $12,485 per year for this program measure.

Q. Will participants receiving new-home high-efficiency gas appliance rebates also be able to qualify for the Keystone Help financing rebate?

A. Yes.

Existing Home Boiler or Furnace Program

Q. Please describe CPG's proposed high-efficiency gas heating appliance rebate proposal for existing homes.

A. CPG will offer a $350 rebate to offset a portion of the estimated $550 incremental cost of installing (a) a high- efficiency gas boiler or (b) a high efficiency gas furnace in an existing home (as compared to the costs of installing standard efficiency replacement gas appliances). The installed equipment must have an efficiency rating of 85% or greater for a gas boiler, or 90% or greater for a gas furnace. CPG estimates that it will issue 1,945 rebates in the first year, 1,984 in the second year and 2,024 in the third year. These participation numbers were based on an assumed seventy percent participation rate by budgeted gas boiler or furnace additions. The program will be administered using internal CPG resources. Associated communication costs are estimated at $68,075 per year.

Existing Home Water Heater Program

Q. Please describe CPG's proposed high-efficiency gas water heater rebate proposal.

A. CPG will offer a $200 rebate to offset the estimated $200 incremental cost of installing a water heater with a minimum efficiency rating of 80 percent (80%) and less than ninety percent (90%). CPG will also offer a rebate of $300 to offset a portion of the estimated $650 incremental cost of installing a water heater with

an efficiency rating of ninety percent (90%) or greater. CPG estimates that it will issue 1,272 rebates in the first year, 1,297 in the second year and 1,323 in the third year. The program will be administered using internal resources. These participation numbers were based on an assumed seventy percent (70%) participation rate by budgeted gas water heater additions. Associated communication costs for this program are estimated at $63,600 per year.

Energy Efficiency and Conservation Education Program

Q. Please describe CPG's proposed energy education program.

A. The purpose of CPG's EE&C educational program is to reach out to all customers in its service territory in an effort to provide information on ways they can reduce their natural gas usage and monthly energy costs through relatively simple changes. These changes would cover items such as the incorporation of programmable setback thermostats, lowering water heater temperature controls, increasing insulation levels in their homes and others. CPG intends to employ various means of customer communication in this endeavor including, but not limited to, company website, bill inserts and local media advertisements. The energy education program measure is budgeted at $50,000 for the first year, $51,000 for the second year and $52,020 for the third year.

Keystone HELP Program

Q. What is the Keystone HELP Program?

A. Keystone HELP is a program principally sponsored by the Pennsylvania Department of Environmental Protection, the Pennsylvania Housing Finance Agency and the Pennsylvania Treasury Department, and is administered by AFC

First Financial Corporation, headquartered in Allentown, PA. The program offers low-interest loans to qualifying customers for the installation of energy conservation measures, including the installation of high efficiency gas appliances, by approved contractors. Additional information about this program can be found at www.keystonehelp.com.

Q. Please describe CPG's proposed Keystone HELP initiative.

A. CPG proposes to incentivize customers to take advantage of the existing Keystone HELP program by offering rebates to fully offset the estimated financing costs of Keystone HELP energy loans used for the installation of high efficiency gas boilers, furnaces or water heaters. This would effectively reduce the customers financing cost to zero for these energy loans. Rebates for high efficiency gas boilers and furnaces would be subject to a $5,000 installation cost limit. Rebates for high efficiency water heaters would be subject to a $2,000 installation cost limit. Rebate payment would be issued to the customer upon verification of the completed installation. Please see the table below for the estimated customer participation levels during years one through three of this program.

Program Name: **Keystone HELP**

	Estimated Number of Participants			
Measure	**Year 1**	**Year 2**	**Year 3**	**Total**
High Efficiency Heating Upgrade	194	198	202	594
High Efficiency Water Heating Upgrade	254	259	264	777
Total	**448**	**457**	**466**	**1,371**

In order to qualify for Keystone HELP financing, boilers, furnaces and water heaters must, at a minimum, be Energy Star compliant. Estimated communication costs are $29,348, $29,935 and $30,534 respectively for years one through three of the program.

Combined Heat and Power Program

Q. Please describe CPG's proposed Combined Heat and Power ("CHP") rebate program.

A. CPG would offer rebates of $1,500 per kilowatt of installed capacity for gas-powered CHP installations up to $100,000 per customer. Such installation must use waste heat from the electric generation process for a useful purpose such as space or water heating. CPG estimates that it will issue three such rebates for each year of the EE&C program. Estimated communication costs are $30,000, $30,600 and $31,212 respectively for years one through three of the program.

Customized Commercial and Industrial ("C&I") Program

Q. Please describe CPG's proposed C&I custom measure rebate program.

A. CPG would offer rebates of 80% of the avoided costs as identified under the TRC test for high efficiency gas installations up to $100,000 per customer. CPG estimates that it would issue 30, 31 and 32 such rebates respectively during years one through three of the program, and would incur communication costs of $24,427, $20,552 and $16,593 respectively during these same years.

IMPLEMENTATION

Q. Please summarize CPG's strategy to implement the Plan after Commission review and approval.

A. Implementation of CPG's Plan will rely on the performance of its internal staff in collaboration with market partners, trade allies, community agencies, and other entities engaged in energy efficiency activities to promote, administer, and support the effective deployment of programs. Various forms of communication media, including websites, bill inserts, print ads, and radio will be utilized as needed to reach customers with Plan details. To ensure that CPG is prepared to begin implementing programs in a prompt way, the Company will begin to establish its infrastructure of staff, trade allies, systems and processes very soon. CPG anticipates rolling out its EE&C program over the course of a sixteen-week timeframe, with some programs ramping up more quickly than others.

Q. Does the proposed portfolio provide energy efficiency incentives to low income customers on CPG's system?

A. Yes. Some examples include the residential high efficiency heating upgrade program, the residential high efficiency water heater upgrade program and the energy education program. These programs should assist low income customers in reducing their energy costs, and supplement CPG's existing Low Income Usage Reduction Program as described by CPG witness Rossi.

Q. How does CPG propose to review and monitor the performance of its proposed EE&C program?

A. CPG will continually track customer participation levels in each of the program offerings and monitor and record energy savings for each application. In addition, CPG anticipates that it will file annual reports with the Commission regarding the program results. My understanding is that the report and related annual review is subject to Commission audit, as it deems necessary. In this regard, it should be emphasized that the EE&C program is based on a series of estimates, and it is likely that the actual results will vary from the estimates. As a result, CPG proposes to retain the flexibility to revise and modify the elements of these programs based on actual experience in order to implement the most efficient and cost effective program possible.

Q. Does CPG's proposed EE&C program contain procedures for quality assurance and measurement and verification of performance of the individual programs?

A. Yes. CPG personnel will be tracking the performance of each of the programs in the portfolio. This is designed to assure quality of service, verification for CPG that the measures have in fact been employed and verification of related savings. CPG will make extensive efforts to ensure that all necessary evaluations will be performed to assess whether adjustments are necessary to the portfolio on an annual basis. As I noted above, CPG expects to provide an annual report to the

Commission regarding the success of the programs as well as any adjustments that may be undertaken as a result of actual program performance.

Q. Is the proposed EE&C program cost-effective under the TRC test?

A. Yes, as explained in more detail in the testimony of Paul Raab, the program as a whole is cost effective under the TRC test.

Q. Does that conclude your testimony?

A. Yes.

CPG STATEMENT NO. 11 – CHARLES P. WEEKES

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION,	:	
v.	:	Docket No. R-2010-2214415
UGI CENTRAL PENN GAS, INC.	:	

DIRECT TESTIMONY
OF CHARLES P. WEEKES

CPG Statement No. 11

Operating Expenses
Payroll Taxes

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your full name and business address.

A. My name is Charles P. Weekes. My business address is 2525 North 12th Street, Suite 360, Reading, PA, 19612-2677.

Q. By whom are you employed and in what capacity?

A. I am employed by UGI Utilities, Inc. ("UGI"). My title is Director - Financial Planning and Analysis.

Q. What are your principal duties and responsibilities as Director - Financial Planning and Analysis?

A. I am responsible for the development of budgets, business plans and related analysis for UGI and its utility subsidiaries, UGI Penn Natural Gas, Inc. ("PNG") and UGI Central Penn Gas, Inc. ("CPG").

Q. What is your educational and professional background?

A. I graduated from Shippensburg University in 1984 with a Bachelor of Science Degree in Business Administration with a concentration in Accounting. I am a Certified Public Accountant licensed in the Commonwealth of Pennsylvania.

Q. Please describe your professional experience.

A. Prior to UGI's acquisition of Central Penn Gas, Inc. ("CPG" or the "Company") on October 1, 2008, I worked for CPG's predecessor, PPL Gas Utilities Corporation ("PPL Gas"). I joined PPL Gas in 1995 as a Gas Supply Analyst. I worked as

Manager of Budgeting from 1996 to 2001, and as a Senior Analyst from 2001 to 2003. I worked as the Manager-Business Planning and Analysis from 2004 to 2005. I worked as Manager of Business Planning and Regulatory Rates from 2005 to 2007. In 2007 I worked as the Director of Rates and Business Planning at PPL Gas. Following UGI's acquisition of PPL Gas, I assumed my current position as Director - Financial Planning and Analysis with UGI Utilities. Prior to joining PPL Gas, I spent 10 years working in the practice of public accounting as a Certified Public Accountant.

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

A. Yes, on several occasions. I have submitted testimony before the Commission for PPL Gas Utilities in gas cost rate proceedings, most recently at Docket Nos. R-2039634, R-00050540, R-00061519, R-00072333. I have also submitted testimony in the PPL Gas' base rate proceeding at Docket No. R-00061398.

Q. Please describe the purpose of your testimony.

A. I will explain the Company's operating expense claims and certain pro forma adjustments applicable to those areas. I will also explain the Company's proposed adjustment for payroll taxes.

Q. Mr. Weekes, are you sponsoring any exhibits in this proceeding?

A. Yes. Together with other Company witnesses, I am sponsoring portions of CPG Exhibit A (Future) and CPG Exhibit A (Historic) that pertain to operating

expenses. These exhibits comprise CPG's principal accounting exhibits for the future test year ending September 30, 2011, and the historic year ending September 30, 2010. I am also sponsoring certain responses to the Commission's filing requirements. Each response identifies the witness sponsoring it.

II. EXPENSES

Q. Please provide an overview of CPG's principal accounting exhibits relative to the operating expense claims.

A. As explained in the direct testimony of Donald Brown (CPG St. No. 2), CPG's principal accounting exhibit is CPG Exhibit A (Future), which includes a presentation for the future test year ending September 30, 2011. Section D of CPG Exhibit A (Future) presents the Company's claims and necessary adjustments to budgeted levels of expense items and revenues. The pro forma adjustments related to revenues are summarized in Schedules D-1 through D-5. The pro forma adjustments related to expense are summarized in Schedules D-6 through D-34. These revenue and expense adjustments are used to derive CPG's pro forma income at present and proposed rates as set forth in Schedule A-1.

CPG Exhibit A (Historic) follows the format of CPG Exhibit A (Future) but reflects data for the historic year ending September 30, 2010. This information is provided in an effort to comply with the Commission's filing requirements. It provides a basis for comparing our future test year claims with actual book

results from the historic year. Regarding Section D to CPG Exhibit A (Historic), Schedule D-3 tracks the operating expense adjustments of Schedule D-3 of CPG Exhibit A (Future).

Q. Please discuss Schedule D-1 of CPG Exhibit A (Future).

A. As explained by Mr. Brown (CPG St. No. 2), Schedule D-1 presents a summary income statement that includes claimed revenues, expenses, and taxes at present and proposed rate levels. Mr. Szykman discusses the pro forma revenues and adjustments thereto, as well as the supporting schedules in his testimony (CPG St. No. 4). I will discuss the derivation of all pro forma expenses.

A. OPERATING EXPENSES

Q. How were the claimed operating expenses for the future test year determined?

A. Pro forma future test year expenses are based on the budgeted level of expenses as a starting point. The budgeted data, by FERC account, were then adjusted in accordance with Commission precedent and generally accepted ratemaking principles to reflect a normal, ongoing level of operations. Schedules supporting those adjustments are found in CPG Exhibit A (Future), Section D.

Q. Does the Company budget its operating expenses by FERC account?

A. Yes, it does. The Company budgets its operating expenses both by FERC account and by cost element such as payroll, employee benefits, rent, etc. The

Company uses historic data as a basis for the distribution of expenses to each FERC account. This is shown in Schedules B-2 through B-5.

Q. Were each of the pro forma adjustments reflected on Schedule D-3 also charged to an appropriate FERC account?

A. Yes. Each pro forma adjustment was calculated based on the appropriate cost element and then distributed to FERC accounts directly or by using the ratio used to distribute the budgeted cost for that element.

Q. Does Schedule D-3 depict the pro forma expense adjustments using FERC accounts?

A. In a general sense, yes. The general cost types are identified in the headers of the columns on pages 1 and 2 of Schedule D-3 and each adjustment is described in connection with a separate schedule show how the adjustment is derived. These adjustments are also shown in the Section D summary schedules.

Q. Schedule D-3 to CPG Exhibit A (Future) shows an adjustment to Gas Costs in column 4. Please discuss this adjustment.

A. The detail for this adjustment is shown in Schedule D-6. This adjustment is designed to reduce purchased gas cost expense by the same amount of the gas cost revenue adjustment recommended by CPG witness Paul Szykman shown on Schedule D-5, Column 3, lines 8-11, lines 8 -10, and Columns 7, line 21. The

Company recovers its gas costs on a dollar for dollar basis with no profit. Therefore, the reduction in purchased gas costs of $28.9 million equals the reduction in gas cost revenue that Mr. Szykman recommends. In this fashion, there is no effect on net operating income.

Q. Please discuss the Company Use of Fuel adjustment shown on Schedule D-4.

A. Schedule D-4 removes the cost of fuel used in company operations. This consists of the cost to heat buildings and facilities as well as the cost of fuel to operate city gate station heaters within the CPG territory. The cost of this fuel is being removed since it is recovered through the Company's Purchased Gas Cost rate.

Q. Please discuss the Salaries and Wages ("S&W") adjustment shown on Schedule D-7.

A. Schedule D-7 consists of 2 pages. Page 1, column 5, shows a $0.242 million increase to salaries and wages to increase the budgeted level of payroll for the future test year. This adjustment annualizes payroll expense and is distributed among the various cost accounts. Page 2 shows the development of the annualization adjustment.

Q. Please describe the annualization adjustment.

A. The annualization adjustment consists of two components. First, the adjustments shown on lines 1 through 10 of Schedule D-7, page 2, annualizes

the effect of wage increases for unionized, exempt and non-exempt employees that will take place during the future test year. Rows 3 through 9 indicate the number of months for which the salaries and wages increases are not reflected in the budget. Second, the adjustment shown on lines 12 through 20 of Schedule D-7, page 2, annualizes the effect of wage increases taking place in December 2011 and April 2012. These increases are not included in the 2011 budget so the adjustment reflects a full 12 months effect of the projected increase.

Q. Why is the annualization adjustment necessary?

A. The adjustment is designed to provide the Company with recovery of that portion of each salary or wage increase that is not reflected in the budget so that the Company's expenses will be better matched with the period in which the proposed rates will be effective. To accomplish this matching, it is also appropriate to include in test year expense known and measurable changes such as the post-future test year salaries and wages increases, which will occur shortly after the end of the future test year, as rates from this proceeding will not become effective until October 2011.

Q. How did you determine the split of the budgeted salaries among the various employee classifications shown on Schedule D-7, page 2, line 1?

A. The split of the budgeted salaries among the various classifications shown on D-7, page 2, line 1 was determined using the allocations of labor for Operating and Maintenance expense in the budget. These employee groupings are the same

groupings utilized in developing the labor budget. These categories were used in CPG's budgeting process for the operating expense portion of salaries and wages.

Q. What is the nature of the adjustment being shown in Schedule D-8 for Environmental Amortization Expense?

A. The environmental adjustment reflected in Schedule D-8 is being made to remove an amount that was incorrectly included in the 2011 budget for amortization of a regulatory asset related to environmental costs.

Q. Please explain the Benefits Expense adjustment shown on Schedule D-9.

A. The benefits expense adjustments shown on schedule D-9 is comprised of 2 components. The first component of Schedule D-9 is to adjust the budgeted pension expense for the future test years which was originally estimated in May 2010. The Pension Expense adjustment updates the Pension Expense to reflect actuarial calculations. The second component of Schedule D-9 is to adjust Medical and Dental expenses to reflect the latest employee enrollment and cost information for the future test year.

Q. Please discuss Schedule D-10, which shows an adjustment to Rate Case Expense.

A. Lines 1 through 3 show the total amount of rate case expense CPG expects to incur in this case $0.977 million. That amount is then normalized over the

anticipated two-year period between the filing of rate cases. From that normalized level of $0.489 million, we subtract the budgeted amount shown on line 7, to derive the test year adjustment of $0.258 million. We believe that CPG will make regular rate case filings every two years going forward. CPG's most recent rate case was filed in 2009.

Q. What is the nature of the adjustment being shown in Schedule D-11 for Uncollectible Accounts Expense?

A. Schedule D-11 adjusts the Company's budgeted uncollectible accounts expense, excluding amounts for the forgiveness of CAP pre-program arrearages. Lines 1 through 6 develop a ratio that represent the five-year average rate of uncollectible accounts expense for the fiscal years 2006 to 2010. This ratio is used to adjust the amount of uncollectible expense in the budget to conform to the five-year average for the charge-offs. The resulting 1.35% percent ratio shown on line 6 in column 5 is applied on line 8 to the pro forma revenues at present rates to calculate the pro forma uncollectible accounts expense of $1.472 million shown in column 4 on line 9. This results in an increase in the level of uncollectibles for the future test year from the budgeted amount as shown on line 7. The 1.35 percent figure is then applied to determine the level of uncollectible accounts expense at pro forma proposed rates through the gross revenue conversion factor, as shown in column 2, line 13 of Schedule D-1.

Q. What is the nature of the Allocated Labor Expense depicted in Schedule D-12?

A. Allocated Labor Expense represents the labor costs charged to CPG for services provided by the affiliated company, UGI Utilities, Inc., pursuant to affiliate interest agreements authorized by the PUC. Services provided by UGI Utilities Inc. include but are not limited to pipeline engineering, construction, maintenance, information services, payroll, accounts payable, accounting, finance, human resources and similar types of services.

Q. How are these charges determined?

A. All costs which can be identified as pertaining exclusively to an operating unit are billed directly to that unit. Those costs which cannot be directly associated with the operation of an individual operating unit are allocated to the various companies benefiting from the service by a formula internally referred to as the Modified Wisconsin Formula ("MWF"). The MWF achieves an equitable distribution of common expenses based on the relative activity and size of each operating unit to the total of all operating units. Activity is measured by total revenues and total operating expenses and size is measured by tangible net assets employed (excluding acquisition goodwill).

Q. Do you believe that the charges incurred by CPG under these agreements are reasonably determined?

A. Yes. These arrangements and the methods used to allocate the costs to the companies receiving service have been reviewed by the Commission in various management audits of UGI Utilities, Inc., the most recent of which was the Focused Management and Operations Audit of UGI Utilities, Inc., prepared by the PUC's

Bureau of Audits, issued February 2005, Docket No. D-04MGT014 ("Audit Report"). The Audit Report concluded: "[b]ased on our review, it appears that UGI Corporation's and UGI Utilities' cost allocation methods and procedures are sound and equitable, and that proper controls are in place to properly monitor affiliate transactions in a satisfactory manner." Audit Report at 26.

Q. Please describe how the adjustment shown on Schedule D-12 for Allocated Labor Expense is calculated.

A. Schedule D-12 annualizes the budgeted level of labor costs within Allocated Expense by $0.183 million. This adjustment was based on the 2.5 percent salary and wage increase to be granted to UGI Utilities' exempt and non-exempt employees during the test year on line 6. This adjustment is also based on the planned 2.5 percent salary and wage increase to be granted to UGI Utilities' exempt and non-exempt employees within 6 months after the end of the test year on line 11.

Q. Why is the annualization adjustment necessary?

A. The rationale for this annualization adjustment is the same as the salary and wage annualization adjustment shown on Schedule D-7 for CPG's own employees. Each of the annualization adjustments is designed to provide the Company with recovery of the portion of annual costs not reflected in the budget so that the Company's expenses will be better matched with the period in which

the proposed rates will be effective. These employees also provide services benefiting CPG.

Q. What is the adjustment for Post Retirement expense that is shown on Schedule D-13?

A. As shown in Schedule D-13, this adjustment is designed to decrease the Post Retirement health care expense from budgeted levels. The budgeted expense was determined on prior period estimates. The updated estimate was based on a more recent actuarial calculation.

Q. Please discuss the pro forma adjustment on Schedule D-14 for the Natural Gas Vehicle program.

A. This adjustment is needed to reflect the expense related to the Company's Natural Gas Vehicle pilot program, which is discussed in Mr. Lahoff's Testimony (CPG St. No. 5).

Q. What is the adjustment for Non-recurring Incentive Payment expense that is shown on Schedule D-15?

A. As shown in Schedule D-15, this adjustment is designed to remove a non-recurring incentive payment that was expected to be made in the future test year. This budgeted payment represented the cost to fund an incentive payment for the ratification of the CPG union agreements.

Q. Please discuss the pro forma adjustment on Schedule D-16 for Universal Service expense.

A. This adjustment is needed to reflect the expense related to the Company's Universal Service programs, which is discussed in Mr. Lahoff's direct testimony (CPG St. No. 5).

Q. Please explain the Allocated Intercompany Expenses shown in Schedule D-17.

A. Schedule D-17 makes three adjustments for allocated intercompany expenses. Lines 1 through 3 allocate a portion of the revised pension expense of UGI Utilities employees to CPG. This adjustment is made to reflect updated actuarial estimates of UGI Utilities pension expense. Lines 4 and 5 remove a portion of UGI Utilities pension expense attributable to former CPG employees who are now UGI Utilities employees. The pension expense associated with these transferred employees is accounted for as part of CPG's pension expense and not part of UGI Utilities pension expense. Lines 7 through 9 account for changes in allocations to the subsidiary companies as a result of UGI Corporation's update to its Modified Wisconsin Formula allocations. Lines 10 through 12 account for incentive compensation from UGI Corporation that is allocated to CPG through UGI Utilities. These costs were not fully allocated historically or during the future year budget process. The company believes that these costs should be fully allocated to the subsidiaries in order to more properly reflect costs of support services provided by UGI Corporation under Commission-approved affiliate interest agreements. Services provided by UGI Corporation include but

are not limited to executive management, finance, pension fund management, internal audit, legal, investor relations, human resources, insurances, claims, and other similar types of services.

Q. What is the adjustment for Storage Expense shown in Schedule D-18?

A. CPG has owned certain natural gas interstate storage facilities in the Tioga West, Meeker and Wharton Storage Fields ("Storage Facilities") located in Potter, Cameron and Tioga counties in Pennsylvania. On November 19, 2009, UGI Storage Company ("UGI Storage") filed an application at FERC at Docket No. CP10-23-000 for a certificate of public convenience and necessity to acquire the Storage Facilities from CPG, and to own and operate them in interstate commerce. In conjunction with this action, CPG filed a Petition with the Commission at Docket No. P-2009-2145774 seeking approval to reduce its base rates upon FERC approval of the transfer of the Storage Facilities. On September 28, 2010, the Commission approved a Proposed Stipulation to Resolve All Outstanding Issues resulting from CPG's Petition, and ordered CPG to file a compliance tariff supplement implementing the terms of the Stipulation as modified effective on one-day's notice following FERC's issuance of a certificate of public convenience authorizing UGI Storage to acquire the Storage Facilities. On October 21, 2010, FERC issued an Order approving, among other things, UGI Storage's application for approval to acquire the Storage Facilities from CPG.

As a result, the Storage Facilities will be transferred from CPG to UGI Storage, effective April 1, 2011. Schedule D-18 makes an adjustment to remove estimated costs that were budgeted to obtain storage capacity due to the transfer of the Storage Facilities.

Q. Please explain the adjustment for Energy Efficiency and Conservation Programs ("EECP") shown on Schedule D-19.

A. This adjustment is needed to reflect the incremental expense related to the Company's EECP, which is discussed in Mr. Lahoff's, Mr. Raab's and Mr. Fitzpatrick's direct testimony (CPG St. Nos. 5, 9 and 10). The expenses are broken into two categories, including rebate costs and the costs of administering the program. As the Company's EECP program is dependent on receiving authorization from the Commission in this proceeding, it was not included in the test year budget. As shown in Schedule D-19, the total for these two cost categories is $2.816 million. The derivation of this amount is discussed in Mr. Fitzpatrick's and Mr. Lahoff's testimony.

B. DEPRECIATION EXPENSE

Q. How was the level of depreciation expense for the future test year determined?

A. Mr. Wiedmayer's study, which is found in CPG Exhibit C (Future), shows the determination of pro forma depreciation expense. His study uses the future test year ending September 30, 2011 plant in service and the applicable depreciation rates, service lives, and procedures. A summary of the budgeted depreciation

expense and adjustments thereto is found in CPG Exhibit A (Future), Schedule D-21.

Q. Please describe the depreciation expense charged to clearing accounts and amortization of net salvage adjustments shown on Schedule D-21.

A. CPG witness John Wiedmayer presents the depreciation analysis that serves as the foundation of the depreciation adjustment. The adjustment for depreciation of $0.017 million expense set forth on Schedule D-21, page 2, column 3, is designed to annualize budgeted future test year depreciation expense in order to calculate an entire year's worth of depreciation on plant in service as of the end of the future test year, September 30, 2011. This schedule also shows a decrease to the net negative salvage amortization of $0.145 million. The total annualized depreciation expense for the future test year, net of costs charged to clearing accounts and net salvage amortization, is $8.239 million. The total adjustment for depreciation expense, net of the increase to the negative salvage amortization of $0.056 million is shown on Schedule D-3, page 2, column 9, line 62.

C. PAYROLL TAXES

Q. Please describe the payroll related tax adjustments shown on Schedule D-32.

A. Schedule D-32 contains the detail for the payroll related tax adjustments. This adjustment to the FICA expense is calculated by multiplying the ratio of tax expense to payroll expense included in future test year budget by the amount of

the payroll adjustment derived in Schedule D-7 to produce an adjustment to the amount of FICA expense in the amount of $0.020 million

Q. What is the purpose of Schedule D-35?

A. Schedule D-35 shows the calculation of the Gross Revenue Conversion Factor used on Schedule A-1 to calculate the level of revenues required to achieve the net operating income required to generate the rate of return supported by Mr. Paul R. Moul (CPG St. 2). These additional revenues are required to recognize that uncollectible accounts expense vary with the level of revenue, and to recognize the additional state and federal income taxes attributable to the proposed rate increase.

Q. Does this conclude your direct testimony?

A. Yes, it does.

CPG STATEMENT NO. 12 – MATTHEW J. NOLAN

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION,	:	
	:	
v.	:	Docket No. R-2010- 2214415
	:	
UGI CENTRAL PENN GAS, INC.	:	

DIRECT TESTIMONY OF MATTHEW NOLAN

CPG Statement No. 12

Taxes and Tax Adjustments

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your full name and business address.

A. My name is Matthew Nolan. My business address is 2525 North 12th Street, Suite 360, Reading, PA, 19612-2677.

Q. By whom are you employed and in what capacity?

A. I am employed by UGI Utilities, Inc. (“UGI”). My title is Controller.

Q. What are your principal duties and responsibilities as Controller?

A. In that capacity, I have overall responsibility for the accounting functions for Central Penn Gas, Inc. (“CPG”), as well as its affiliated distribution companies, UGI, and UGI Penn Natural Gas, Inc. (“PNG”). My duties include the management of accounting, including Plant, revenue, tax, and general accounting. In all my assignments, I report directly to the Vice President and Chief Financial Officer of UGI. I also am responsible for supervising the preparation and filing of regulatory reports with the Pennsylvania Public Utility Commission ("PUC"), Federal Energy Regulatory Commission ("FERC"), the United States Securities and Exchange Commission ("SEC") and the United States Internal Revenue Service ("IRS").

Q. What is your educational background?

A. I have a Bachelors of Science degree in Accounting from St. Joseph’s University.

Q. Please describe your professional experience.

A. I joined UGI in August 2010, as the Controller. Prior to joining UGI, I spent over ten years in various accounting and finance roles at Exelon Corporation. These roles included Manager, Risk Management, Director of Accounting and Reporting for PECO Energy and Manager of Accounting (Exelon Generation). Prior to joining Exelon, I also held internal audit roles at Crown Holdings, Inc. and Aramark Corporation.

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

A. No.

Q. Please describe the purpose of your testimony.

A. I will explain the Company's pro forma tax adjustments to its principal accounting exhibits for the future test year ending September 30, 2011. I will also explain the tax adjustments made to the results of CPG's historic test year ending September 30, 2010.

Q. Mr. Nolan, are you sponsoring any exhibits in this proceeding?

A. Yes. Together with other Company witnesses, I am sponsoring portions of CPG Exhibit A (Future) and CPG Exhibit A (Historic) that pertain to tax-related issues. These exhibits comprise CPG's principal accounting exhibits for the future test year ending September 30, 2011, and the historic year ending September 30,

2010. I am also sponsoring certain responses to the Commission's filing requirements. Each response identifies the witness sponsoring it.

II. TAX ADJUSTMENTS

Q. Please provide an overview of CPG's principal accounting exhibits relative to the proposed tax adjustments.

A. As explained in the direct testimony of Donald Brown (CPG St. No. 2), CPG's principal accounting exhibit is CPG Exhibit A (Future), which includes a presentation for the future test year ending September 30, 2011. Section D of CPG Exhibit A (Future) presents necessary adjustments to budgeted levels of expense items and revenues. The pro forma adjustments related to taxes are summarized in Schedule D-31 through D-34. These tax adjustments are used to derive CPG's pro forma income at present and proposed rates as set forth in Schedule A-1.

CPG Exhibit A (Historic) follows the format of CPG Exhibit A (Future) but reflects data for the historic year ending September 30, 2010. This information is provided in an effort to comply with the Commission's filing requirements. It provides a basis for comparing our future test year claims with actual book results from the historic year. Regarding Section D to CPG Exhibit A (Historic), Schedule D-31 tracks the tax adjustments of Schedule D-31 of CPG Exhibit A (Future).

A. TAXES OTHER THAN INCOME TAXES

Q. How was the provision for taxes-other-than-income taxes ("TOTI") determined for the future test year?

A. TOTI amounts were based on the budget and were adjusted for known and measurable changes to various payroll and other taxes. These adjustments are shown on CPG Exhibit A (Future), Schedule D-32. The net adjustment of $20,000 is brought forward to Schedule D-3, page 2.

B. INCOME TAXES

Q. Please discuss the Company's claim for income taxes?

A. Income tax expense for the future test year at present and proposed rates is set forth in CPG Exhibit A (Future), Schedule D-33. Income taxes are calculated using the procedures normally followed by the Commission, including the use of debt interest synchronization, the normalization method for accelerated depreciation used in the calculation of Federal income taxes, the flow through of accelerated depreciation benefits for state tax purposes, and the imputation of a consolidated income tax adjustment. The claim for future test year income tax expenses is shown on CPG Exhibit A (Future), Schedule D-1.

Q. How was the claim for income taxes shown on Schedule D-1, lines 24 and 25 calculated?

A. The calculation of income taxes can be found on Schedule D-33, Schedule D-33 shows the calculation of pro forma income taxes for the future test year at present and proposed rates. Line 1 shows the revenue at present and proposed

rates, while Line 2 shows the operating expenses at present and proposed rates from Schedule D-1. Line 3 reflects operating income derived by netting line 1 from Line 2. Interest expense is synchronized using the rate base claim from Schedule C-1, and the cost of debt and the debt component of CPG's capital structure recommended by Mr. Moul (CPG St. 3) and shown on Schedule B-7. The resulting interest expense on Line 6 serves to reduce the base taxable income on line 7.

In accordance with established Commission practice, lines 8 through 11 of Schedule D-33 reduce the base taxable income, for state tax purposes, by the total difference between accelerated tax depreciation shown on line 8 and the pro forma book depreciation shown on line 9. We then applied the statutory state income tax rate (9.99%) to determine the pro forma state income tax expenses shown on line 13. Lines 14 through 25 show the federal income tax expense calculation at current and proposed rates, while line 20 sums the state and federal tax expense amounts before application of the deferred Federal income taxes. At lines 21 through 26, Deferred Federal Income Taxes are used to increase the pro forma income tax expense at present and proposed rates with the total calculated amount for income taxes before the application of other adjustments shown on line 27. The amounts of accelerated depreciation, straight line depreciation and book depreciation used in the determination of income taxes used in this calculation are summarized on Schedule D-34.

Q. What is the other tax adjustment reflected on line 27?

A. Line 27 reflects an adjustment to reduce income tax expense using a consolidated tax adjustment that is calculated in the II-A-26 filing requirement.

Q. Please explain the consolidated tax adjustment.

A. The consolidated tax adjustment is being included in this filing in accordance with Commission practice, although CPG does not agree that the practice is appropriate. In brief, CPG's ratepayers do not bear the federal income tax expense of CPG's non-regulated affiliated companies that have taxable income so they should not benefit when those non-regulated affiliates experience tax losses that are deductible for federal income tax purposes, as neither the income nor the costs of those non-regulated affiliates are included in the computation of the rates CPG charges for regulated service. However, I am advised by counsel that Pennsylvania appellate precedent and longstanding Commission practice requires a consolidated tax adjustment. I have therefore included such an adjustment in our filing.

Q. Please describe the calculation of the consolidated tax adjustment shown in the response to the II-A-26 filing requirement.

A. CPG's consolidated tax adjustment is derived using the modified effective tax rate method. Under this method, tax losses for existing non-regulated companies in the consolidated group are aggregated with and allocated to the companies (both regulated and non-regulated) with taxable income in proportion

to their taxable income. Specifically, CPG calculated the adjustment using a three-year average of CPG's income and consolidated taxable income that encompasses the years 2007 to 2009. Companies that are no longer part of the consolidated group, that are not expected to have recurring loss income, or that will exit the consolidated group during the test year were eliminated from this calculation. For each of the three years, the adjusted tax losses of non-regulated corporations in the UGI consolidated group were summed, and a portion allocated to CPG's operations based on the proportion of the CPG's taxable income to all corporations (regulated and non-regulated) with taxable income. Once the allocation percentage was determined, it was applied to the losses of the consolidated loss companies and from that figure CPG's percentage of the consolidated taxable income was used to derive the loss allocable to CPG for each of the three years in the analysis. The average of these allocated losses was then calculated and the statutory tax rate was applied to determine the level of the adjustment. This amount, $86,000, is then set forth in Schedule D-33, line 27.

Q. What is the total future test year income tax expense for CPG?

A. As shown on Schedule D-33 at line 28, the pro forma tax expense at present rates is $2.846 million and the pro forma tax expense at proposed rates is $9.585 million before application of the gross revenue conversion factor discussed below.

C. **Accumulated Deferred Income Taxes (ADIT)**

Q. How are Accumulated Deferred Income Taxes Calculated?

A. Schedule C-6 shows the future test year ending balance for ADIT at September 30, 2011. This amount is deducted from rate base. The total shown on line 11 reflects the difference in income tax expense for book and tax purposes attributable to the difference between the accelerated tax depreciation, which includes 100% bonus depreciation which was part of the "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010" (Tax Relief Act of 2010) signed it into law 12/17/2010, and straight line book depreciation on test year plant balances, net of offsets associated with contributions in aid of construction and the repair method.

Q. What is the amount of the ADIT offset to rate base?

A. As shown on line 11 to Schedule C-6 and on line 6 of Schedule A-1, the ADIT offset is $18.2 million.

D. REPAIR TAX METHOD

Q What is the Repair Tax Method?

A. In its tax return for the year ended September 30, 2009, CPG adopted a tax accounting method to expense as repairs certain items capitalized for book purposes. Recent Internal Revenue Service (IRS) policy changes permit a utility to adopt such a method. As a result of adopting this method, CPG's tax expense for the year ended September 30, 2009, was reduced by $406,395. This amount represents the benefit of such method applied to 2009 activity.

The Company's determination of what constitutes a capital cost versus an ordinary repair expense is subject to subsequent adjustment through audits by the IRS. While the CPG believes that its positions related to the repair deduction are sustainable, it is possible that the Company's positions will be challenged by the IRS. Accordingly, the status of this tax return position is uncertain at this time. However, since this tax matter relates only to the timing of tax deductibility, any subsequent change will only impact the timing of tax payments.

Q. Please explain CPG's proposed accounting treatment of the Repair Tax Method.

A. CPG proposes to account for the Repair Tax Method consistent with the requirements for federal tax normalization and state tax flow through. For federal purposes, the Repair Tax Method will create a deferred tax balance that will reduce rate base. For state purposes, the Repair Tax Method will create a regulatory liability. Both the deferred taxes and the regulatory liability will unwind over the tax lives applicable to the assets on which the repair deduction was taken. By accounting for the Repair Tax Method in this way, the benefit of accelerated depreciation will flow through to ratepayers in the same year that the related assets would have been capitalized consistent with book treatment.

Q. Why did CPG only obtain a tax benefit beginning with the 2009 activity?

A. UGI acquired PPL Gas Utilities Corporation on October 1, 2008, and subsequently renamed it UGI Central Penn Gas, Inc. For tax purposes, this

transaction was treated as an asset purchase under Section 338(h) (10) of the Internal Revenue Code. As such, all assets purchased were placed in service for CPG during the 2009 fiscal year. Stated otherwise, CPG had no assets in service prior to the acquisition of the PPL Gas assets and, therefore, CPG cannot obtain a tax benefit for any prior vintage.

Q. Does this conclude your direct testimony?

A. Yes, it does.