

Short Form Instructions

Below you will find instructions to complete the forms for filing a streamlined gas distribution base rate case which may be used by small gas utilities in order to request additional revenues. The forms required to complete the rate filing request are enclosed and are referred to as "Short Form" schedules. We have also provided an explanation of some of the other items necessary to make a complete rate filing. Examples of operating revenue and expense adjustments and the minimum customer notice form have also been included.

A complete rate filing consists of:

- a. Cover letter to the Commission Secretary. (See Attachment A)
- b. One original new tariff or tariff supplement containing the proposed rates and any changed rules and regulations. All pages should be properly numbered. All changes, increases and decreases should be noted and set forth in the list of changes. All rates, rules and regulations should be changed in conformance to the applicable law or Commission practice.
- c. A copy of the customer notice which was sent to ratepayers regarding the proposed rate change. This notice must be mailed at least 61 days prior to the proposed effective date. The notice must contain the minimum information required by the Commission, as shown later. This includes the proper supplement and tariff numbers, effective date, amount of increase, percent of increase and the average annual cost of service to a residential customer under present and proposed rates. (See Attachment B)
- d. All information requested on the forms should be provided unless it is not applicable to the utility. In that case, please indicate N/A.
- e. Customer Notice and Verification of Fact Affidavits. One original paper version of each of the above must be submitted to the Secretary of the Commission at least 60 days prior to the effective date of the proposed rates. (See Attachments C and D) You may also file these documents electronically with the PUC. For instruction on how to file electronically please go to the PUC website at: <http://www.puc.pa.gov/efiling/default.aspx>.

Tariffs:

If you do not know or do not understand how to properly submit a new tariff or tariff supplement, the Commission staff will assist you. Commission staff will be able to assist you with how to make changes; for example: supplement, tariff and page numbers; recognition of changes, increases or decreases; applicable law or Commission policy concerning rates, rules and regulations.

Customer Notice Form:

The Attachments include an example of the minimum information you must provide to your customers. You are also required to compute the effect of the proposed rates for any individual customer who requests such information, as noted in the sample

form. You must mail the notice at least sixty-one (61) days or hand deliver it at least sixty (60) days, prior to the proposed effective date of the tariff or supplement, unless otherwise authorized by the Commission. (See Attachment A)

Also included in the Attachments is a sample notarized affidavit swearing as to when the customer notice was sent. Such an affidavit is required with every filing. (See Attachment C).

SHORT FORM SCHEDULES

The "Short Form" contains several schedules which request information "for the 12-mo. Period Ending." This period, which is referred to as the "Test Year," will be used in support of your requested rates. The "Test Year" is a period of twelve consecutive months which end no more than one hundred and twenty (120) days prior to the date your rate filing is received by the Secretary of the Commission. For example, if you were to use the twelve month period from January 1 to December 31 as your test year, you would have to file your rate request with the Secretary of the Commission by the following April 30th. You may choose any "Test Year" period you wish, so long as it ends no more than one hundred and twenty (120) days before the complete filing is received by the Secretary.

Several schedules request comparative data. Ideally you would provide data for two consecutive twelve month periods. That is, if your "Test Year" ended on December 31, 2013, you would compare it to the twelve month period ended December 31, 2012. However, if you should use a "Test Year" which ended June 30, 2013 and you are unable to provide the comparable figures for the twelve months ended June 30, 2012, you should use the twelve month period ended December 31, 2011 for comparison to your "Test Year." It is not proper to compare two twelve month periods which overlap.

One purpose of the comparative statements is to demonstrate that the "Test Year" level is a normal level. The staff will ask for additional supporting information concerning material differences between the two twelve month periods. In order to process the rate request in a timely manner, it would be to your advantage to provide additional information concerning material year to year differences in revenue, expense or rate base amounts with your rate filing.

Annualization, Normalization and Amortization:

In order to adjust the "Test Year" level of revenues and expenses to a normal level which would also reflect known and measurable changes over the "Test Year," annualization and/or normalization adjustments must be made.

Some things which would cause an annualization or normalization adjustment to be made to operating revenues are stated below:

- a) Rate changes that occurred during the test year and thus result in a mix of tariff rates for recorded revenues, which must be adjusted using the latest (present) rates. (Annualization adjustment)
- b) Changes in the number of customers or in the amount of gas sold during or subsequent to the "Test Year." (Annualization adjustment)

- c) Nonrecurring items. (Normalization adjustment)
- d) Anticipation of gaining or losing a material number of customers in the near future. (Annualization adjustment)

In addition to these examples, test year operating expenses may also require adjustments in order to reflect a normal level. Changes in price or cost levels that can lead to adjustments must be measurable and permanent. Changes in the operation of the utility would also require that adjustments be made to the "Test Year." If abnormal items which do not occur annually or which are not expected to recur are included in the "Test Year," they will distort the normal level of operating expenses. Such items should be isolated and either amortized, normalized or eliminated. Amortizations spread out the expensing impact of these items for rate purposes over a reasonable number of years.

Short Form Schedule A: General Information

The first page of the "Short Form" requests basic information about your gas utility, its ownership and point of contact.

Short Form Schedule B: Comparative Balance Sheet

This schedule notes the accounts which are generally used by small corporations. It is not all encompassing. You may make additions to the information requested to fit the appropriate reporting of your financial position. Most of the account titles on this schedule are generally used in many types of business. However, the accounts titled "Customers' Advances for Construction" and "Contributions in Aid of Construction" are usually found on public utilities' books of account. "Customers' Advances" are recorded to recognize all amounts from customers or potential customers for construction of utility plant in service. Such "Advances" may be refunded, or they may be retained permanently by the utility. "Contributions in Aid of Construction" are the recorded amounts of any donations or contributions in cash, services, or property from states, municipalities, or other governmental agencies and individuals for construction purposes. "Contributions" are made with the full knowledge and intention of being outright contributions to the utility. No future refund is anticipated.

This schedule also contains "Preferred Stock," "Bonds," and "Notes Payable" accounts. Your supporting information should contain certain details about these accounts. The holder, principal amount issued, current balance, term and interest rate of each stock, bond or note should be provided as applicable. Any special requirements involved with any of the above items should also be provided e.g. amortization schedules and sinking fund requirements.

Short Form Schedule C: Statement of Revenues

Historic Data

On this schedule, in columns one through four, you are to supply the number of customers and revenues for the "Test Year" and the prior twelve month period broken down by the customer classifications shown.

Annualization of Revenues

Revenue annualizations presented in column five, are necessary if the rates changed or there was a change in the number of customers during the "Test Year". It may also be necessary to make an adjustment to reflect additional or lowered revenues due to a material number of customers to be added or lost within the coming year.

The method of making revenue annualizations differs depending on the type of rates charged (usage based/volumetric rates or flat/fixed rates such as a customer charge) and the customer class to be adjusted.

Residential Customers

1. Usage Based/Volumetric Rates

- a) Compute the average number of customers during the "Test Year"
- b) Compute the average usage per customer
- c) Multiply the average usage per customer by the number of customers served at the end of the "Test Year," and then multiply by the usage price:

Example: No. of customers at beginning of "Test Year"	200
No. of customers at end of "Test Year"	220
"Test Year" usage (MCF)	10,500
"Test Year" price per MCF	\$10
"Test Year" Revenue	\$105,000

- a) $200 + 220 = 420$; $420 / 2 = 210$ avg. no. of customers
- b) $10,500 \text{ MCF} / 210 = 50 \text{ MCF}$ per customer (average)
- c) $50 \times 220 \times \$10 = \$110,000$
 $\$110,000 - \$105,000 = \$5,000$ adjustment to revenues [this amount would appear in column 5 of Schedule C on the Residential customer line]

2. Flat/Fixed Rates

- a) Multiply the number of customers served at the end of the "Test Year" by the flat rate to get the going forward level of annual revenues;
- b) Subtract the "Test Year" revenues from the resulting going forward level of annual revenues.

This annualization adjustment reflects the new level of annualized revenues that can be expected from the level of customers at year-end.

Example:

No. of customers at beginning of "Test Year"	200
No. of customers at end of "Test Year"	220
"Test Year" rate	\$10
"Test Year" Revenue	\$25,800

$\$10 \times 220 \times 12 = \$26,400$
 $\$26,400 - \$25,800 = \$1,400$ adjustment to revenues

Commercial Customers

In situations in which the commercial customers are relatively smaller volume users and all maintain about the same level of purchases, you may use the method shown above for residential customers. In other cases, it may be necessary to make an adjustment on an individual customer basis. That is, if you lose a large customer, isolate the revenues lost for that customer. If you add a large commercial customer during the "Test Year" or subsequent to the "Test Year," you should reflect the effect on operating revenues on an annual basis. You could use the volume of purchases made by the customer during the "Test Year" or make an estimate of the customer's use. You would then compute the revenue effect of these estimated sales through your present tariff rates.

Industrial Customers/Other Gas Utilities

Changes in the number of customers or material changes in the volumes purchased by these customers should be done on an individual customer basis as described above.

3. Proposed Increases

The method of computing the effects of the proposed rates vary according to the differences between your present and your proposed rate structures.

a. Across the Board Increase

The computation of the proposed increase is most easily done when you propose an across the board increase by customer class. After you have properly annualized/normalized the "Test Year" level of revenues, you simply increase this level by the same percentage increase of the proposed tariff rates over the present tariff rates applicable to each customer class.

b. Rate Structure Changes

In cases in which you change the present rate structure or vary the percentage increase among the rates, you must provide the full computation of the revenues produced by your proposed rates. In order to do this, you must provide a calculation (bill analysis) which shows the annual increase or decrease in total revenue by customer class for each rate element (customer charge, commodity charge, etc.).

Short Form Schedule D: Statement of Operating Expenses and Proposed Rate Increase

The first two columns on this schedule contain the Operating Revenue Deductions for the "Test Year" and another comparable twelve month period (as on the Statement of Revenue schedule). The operating expenses to be provided are classified by major expense categories. You should also provide a breakdown of the items contained in "Other Miscellaneous Expenses" and "All Other Taxes" on separate schedules.

Annualizations/Normalizations/Amortizations of Expenses

As stated previously, the test year level of operating expenses may require adjustments to reflect normal operations and also to allow the amortization of certain expenditures. Some of the expense items that may require annualization include labor, rent, taxes, postage and insurance costs. Also, certain expenses that vary according to weather conditions may need to be weather-normalized. Annualization and normalization adjustments attempt to estimate what the cost of an item would be given the current unit cost and the normal level of usage. In some cases, you must make annualization adjustments to reflect changes in the utility's operations (e.g., when you add or lose employees, add equipment, change employee benefits, etc.).

You may annualize costs for items which are measurable by taking the "Test Year" level of purchases for that item, normalized for changes in operations and normal weather conditions, and using that normalized level of purchases to calculate the total cost at the current price you must pay for these items.

In order to annualize the cost of labor, you should determine the normal number of straight-time and overtime hours worked before you apply the proper wage rate.

During the "Test Year" or in some prior years, you may have incurred certain types of operating expenses which should be amortized to spread such expenses over an appropriate number of years. Items that should be amortized include large one-time expenses or other extraordinary items. You should provide supporting documentation for these types of expenditures. An estimate should be made of the frequency of recurrence of such expenditures, if possible. These expenditures would be amortized over the years of their expected frequency of occurrence.

Short Form Schedule E: Plant in Service Details

The schedule requests that you provide a basic description of the property added and retired by year and the original cost of the items.

Short Form Schedule F: Capital Structure

At the lower section of this Schedule list each long-term and short-term loan, the amount outstanding at the end of the test year and the applicable interest rate.

Additional Supporting Information to be supplied

Required by Commission Regulations:

- 1) Reasons for the proposed rate increase.
- 2) The total number of customers served by the utility.
- 3) The number of customers by tariff subdivision whose bills will be increased and/or decreased.

- 4) All annualizations, adjustments, allocations between companies, and amortizations should be fully explained in detail. You should provide the full computation of the adjustment and explain why and how it was made.
- 5) Construction Work in Progress: Supply the cost to date, the estimated cost to complete, the percent completed, the estimated in-service date, the impact on revenues and expenses expected and any other information applicable to the project.

Depreciation

Provide a copy of the IRS depreciation schedule. Provide the method used to compute the accrued and the annual depreciation.

Provide details of wages, salaries and other benefits paid as well as a summary of work performed

- a. Describe the duties of each employee.
- b. List any certified operators employed by the company.
- c. c. For each employee list:
 - (1) Annual salary or hourly rate paid during the test year,
 - (2) Regular and overtime hours worked during the test year for hourly workers.
- d. Explain any allocation of wages and salaries between different companies
- e. What other benefits are paid to employees by the company.

Scope of Operations

Briefly describe the physical plant, as well as the history of the company.

Copies of latest corporate State and Federal Income Tax Returns

If the utility is a corporation, IRS Form 1120 or Form 1120S and PA Form RCT 101 must be submitted for the most recent filing year.

Compliance Issues to be Addressed

Please note that compliance issues related to unpaid fines or assessments as well as overdue filing of annual reports and Security Preparedness Reports will be addressed in the analysis of this rate filing. It would be to the advantage of the company to address the correction of these issues at the time of the filing of this rate request.

That pursuant to 52 Pa. Code §1.96, this informal opinion is provided solely as an aid to you. It is not binding upon the Commonwealth or the Commission. Informal opinions are subject to withdrawal or change at any time to conform to new or different interpretations the law.

ATTACHMENTS

Attachment A: Sample cover letter to Commission Secretary

Attachment B: Sample Customer Notice (two pages)

Attachment C: Sample Affidavit affirming that Customer Notice was mailed / delivered on a certain date. (This form must be notarized).

Attachment D: Sample Affidavit affirming factual nature of all data submitted. (This form must be notarized).

ABC Small Natural Gas Company
Street Address
City, State, Zip
Phone Number / FAX Number

Date

Secretary's Bureau
Commonwealth of Pennsylvania
Public Utility Commission
Commonwealth Keystone Building
Second Floor
400 North Street
Harrisburg, PA 17105-3265

Re: ABC Small Natural Gas Company Base Rate Filing
Docket Number R-20XX-XXXXXXX

Dear Secretary:

On behalf of the ABC Small Natural Gas Company please accept the following documents and data in connection with proposed Tariff (or Tariff Supplement) No. XX to Tariff – Gas Pa. P.U.C. No. XX requesting an increase in base rates for all customer classes served by ABC Small Natural Gas Company.

As required by 52 Pa. Code § 53.51(b) *et seq* the ABC Small Natural Gas Company submits one original copy of the following documents and information:

1. Tariff or Tariff Supplement No. XX to Tariff – Gas Pa. P.U.C. No. XX.
2. Supporting data and calculations in support of Tariff or Tariff Supplement No. XX to Tariff – Gas Pa. P.U.C. No. XX.
3. Notice to customers of the proposed increase and an affidavit verifying posting of the notice in the company's office and also the mailing of individual notices to all customers.
4. The news release and an affidavit of its distribution to the local news media on **Month / Day / Year** for publication.
5. An affidavit of the factual nature of all information presented in this filing.

Respectfully submitted,

Officer name / Title
ABC Small Natural Gas Company

Cc: Office of Consumer Advocate (w/enclosures)
Office of Small Business Advocate (w/enclosures)
Bureau of Investigation & Enforcement (w/encl.)

NOTICE OF PROPOSED RATE CHANGES

To Our Customer:

(Company) is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your (type of service) rates as of (date). This notice describes the company's rate request, the PUC's role, and what actions you can take.

(Company) has requested an overall rate increase of \$_____per year. If the company's entire request is approved, the total bill for a residential customer using (state typical usage level) would increase from \$_____to \$_____per month or by _____%.

The total bill for a commercial customer using (state typical usage level) would increase from \$_____to \$_____per month or by _____%.

Rates for an industrial customer using (state typical usage level) would increase from \$_____to \$_____per month or by _____%.

To find out your customer class or how the requested increase may affect your (type of service) bill, contact (Company) at (toll-free phone number). The rates requested by the company may be found in (tariff number). You may examine the material filed with the PUC which explains the requested increase and the reasons for it. A copy of this material is kept at (Company)'s office.

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

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

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

1) You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in any hearings convened concerning the rate increase request. All complaints should be filed with the PUC before (proposed effective date of the rate increase). If no formal complaints are filed, the Commission may grant all, some or none of the request without holding a hearing before a judge.

2) You can send the PUC a letter stating your objections to the requested rate increase. Sometimes there is information in these letters that makes us aware of problems with the company's service or management. This information can be helpful when we investigate the rate request.

Send your letter or request for a formal complaint form to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg PA 17105-3265.

3) You can be a witness at a public input hearing. Public input hearings are held if the Commission opens an investigation of the company's rate request and if there is a large number of customers interested in the case. At these hearings you have the opportunity to present your views in person to the PUC judge hearing the case and the company representatives. All testimony given under oath becomes part of the official rate case record. These hearings are held in the service area of the company.

Company

AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA

..... County } ss:

...(Officer Name)....., being duly sworn (affirmed) according to law,
deposes and says that he/she is(Officer Title)..... of
.....(Company Name).....; that he/she is authorized to and does make
this affidavit for it; and that the customer notice was mailed this day of
.....(Date)..... in the month of ...(Month)..... in the year of20XX.....

.....
(Officer Name and Title)
.....
Signature of Affiant(s)

Sworn and subscribed before me this
..... day of 20XX.....
My Commission Expires

.....
Signature of Official Administering Oath

AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA

} ss:

..... County

.....(Officer Name)....., being duly sworn (affirmed) according to law, deposes

and says that he/she is ...(Officer Title)..... of ...(Company Name.....);

that he/she is authorized to and does make this affidavit for it; and that the facts set forth are true

and correct; or are true and correct to the best of his/her knowledge, information and belief and

he/she expects the said to be able to prove the same at

the hearing hereof.

.....

(Officer Name and Title)

.....

Signature of Affiant(s)

Sworn and subscribed before me this

..... day of 20XX.....

My Commission Expires

.....

Signature of Official Administering Oath

Schedule A

This schedule is a cover sheet that provides contact information and brief background information for the utility filing for a rate increase.

Schedule B

This schedule is a comparative balance sheet that presents the company's financial position as of a specified date. A company using a calendar year would have a beginning date of January 1, xxxx and an ending date of December 31, xxxx. The accounting equation for the balance sheet is:

$$\text{Total Assets} = \text{Total Liabilities} + \text{Stockholders' Equity}.$$

The balance sheet is useful because it indicates what the company has in resources and what it owes. The small gas utility's Annual Report to the PUC may be helpful in completing Schedule B.

Definitions of items on the Balance Sheet

Assets: resources controlled by the company that provide economic benefit to the company. Assets are usually listed on the balance sheet by their liquidity.

Current Assets: assets that have a life of less than one year.

Cash: "Ready money." This includes all currency or coin on hand and any bank deposits.

Accounts Receivable: Amounts due on account from customers for gas billed or from affiliated companies. Accounts receivable are typically shown net of an allowance for uncollectible accounts (liability).

Material and Supplies: Amounts representing the cost of items held in inventory prior to being capitalized or expensed. These inventories are current assets that are included in rate base. An example would be office supplies such as paper to be used for preparing customer bills.

Other Current Assets: Amounts for current assets that do not fit under any classification shown.

Prepayments: Amounts paid in advance for a future business expense. An example would be insurance.

Deferred Charges: An amount for a cost (expense) already incurred but deferred until the expense matches the future revenue. Typically, for a small gas company, this would be amounts over or under collected through the GCR (if the company uses a GCR).

Short Form Tables - Definitions

Plant in Service: the cost of fixed assets used in the business. For a small gas company, this would include the lines, meters, buildings, etc. Plant in Service is depreciated or amortized. Plant in service must be “used and useful” to the utility’s operation otherwise it should be classified as non-utility. For example if the small gas company owns a building but it also uses the building for operating another company, then only the portion used for the utility is “used and useful”.

Construction Work in Progress: amounts for fixed assets not yet classified as plant in service but are in the installation process. An example would be lines installed for a new housing development.

Accumulated depreciation/amortization: the systematic write-off of a fixed asset’s cost. This account represents the amount of a fixed asset’s cost that has been allocated to depreciation expense since the time that the asset was acquired. There are several methods of depreciation or amortization, but for rate purposes, straight-line is preferred. Straight-line depreciation is calculated by taking the original cost of an asset less its net salvage value and dividing by the number of years of expected use.

Investments: amounts on deposit and not expected to be converted to cash within one year.

Liabilities: amounts payable sometime in the future. Current liabilities are amounts payable in less than one year.

Accounts Payable: amounts owed for purchases used in utility operations.

Contributions in Aid of Construction: amounts collected from customers typically for construction of a line that will be returned them if additional customers come on.

Customer deposits: amounts paid by customers, usually for a security deposit.

Other Current liabilities: amounts for current liabilities not classified elsewhere such as allowance for doubtful accounts.

Equity: amounts contributed by the owners of the company. Equity equals the assets of the company less the liabilities of the company and represents the net worth of the company.

Common stock: the par or stated value of common stock issued by the company.

Paid-in Capital: amount paid in excess or discount of the par or stated value of the common stock.

Retained Earnings: the accumulated net income, after deducting dividends and other distributions paid to stockholders, including amounts transferred to paid-in capital accounts.

Schedule C

Schedule C is a statement of revenues and proposed base rate increases. Data for this schedule should be taken from the company’s customer records or ledger. The small gas utility’s Annual Report to the PUC may be helpful in completing Schedule C.

Annualization: to extend or eliminate an item to an annual basis. A customer who uses 10 Mcf per month would have an annualized usage of 120 Mcf (10x12). Also, if a new customer receives service for three months of the year and used 40 Mcf, that customer's annualized usage would be 160 Mcf.

Normalization: to adjust an unusual level of annual revenue or expense to a more 'normal' or historical annual level. Some expenses, such as rate case expenses, may be written off, or amortized, over several years.

Pro-Forma: a financial statement with amounts that are fully or partially based on various future assumptions. Financial statements are prepared based on the company's records. A pro-forma statement is prepared based on a "what if" scenario. What would annual revenues be if customers who received service for less than 12 months had been receiving service for the entire year?

Proposed Increase in Base Rates: the incremental amount of revenue needed to recover the utility's total cost incurred to provide utility service to its customers.

Schedule D

Schedule D is a statement of test year and adjusted test year 1) operating expenses, 2) annualized revenues from Schedule C, and, 3) the proposed base rate increase. Most expenses will be supported by invoices or check payment. (It is important for small gas company owners to recognize their salary for services rendered on this schedule. In addition, the salaries and benefits for general office work and other workers should be provided in detail.) The small gas utility's Annual Report to the PUC may be helpful in completing Schedule D.

Schedule E

Schedule E is used to detail the company's plant in service. The total plant must agree with Plant in service balance at year end on Schedule B.

Schedule F

Schedule F is the development of capital structure and embedded cost of debt. The lower section of this Schedule is completed first with the current balances and interest rate for each short term and long term loan.

Schedule G

Schedule G is the development of cost of capital and rate of return. The only entry needed on this Schedule is the Cost Rate for Common Equity. All of the other numbers on this Schedule are self-computing. The total weighted cost of capital is applied to total plant in service and becomes part of the requested increase in base rates.