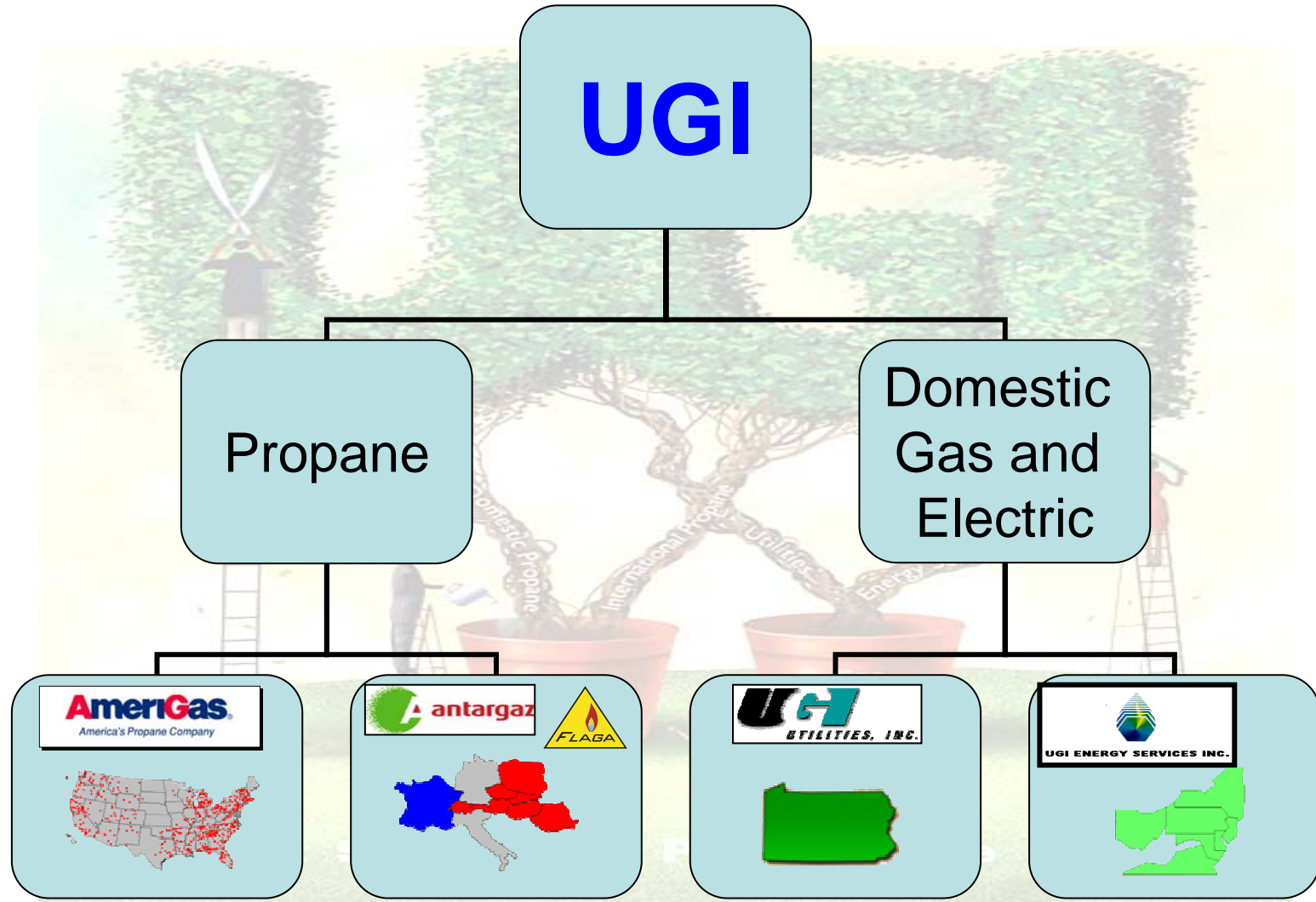


# **Pricing Methodologies and Tariff Systems - Utility Perspective**

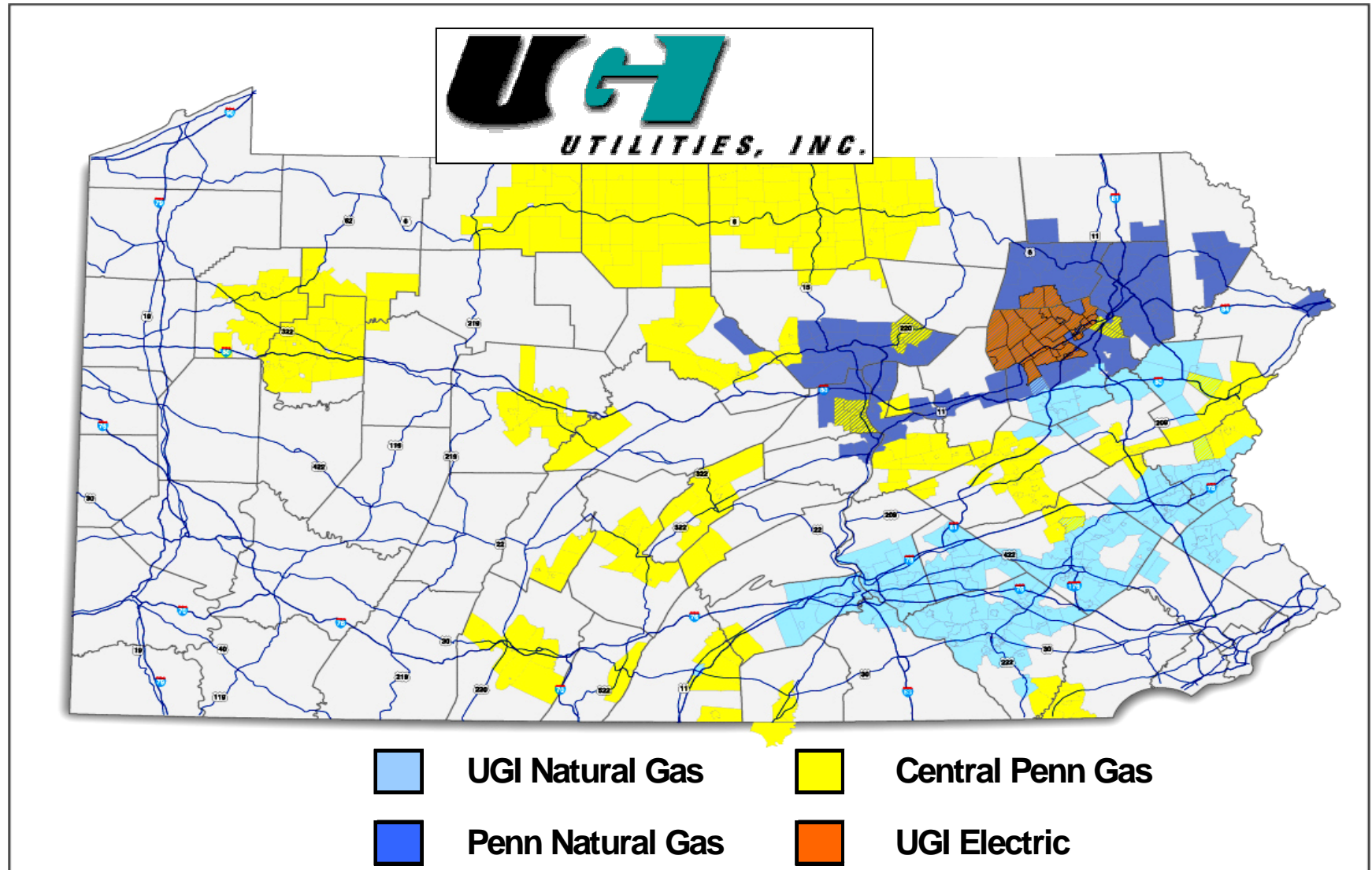
Paul J. Szykman  
Vice President, Rates  
UGI Utilities, Inc.

**Who Is UGI?**

# UGI is a distributor and marketer of energy products and services.



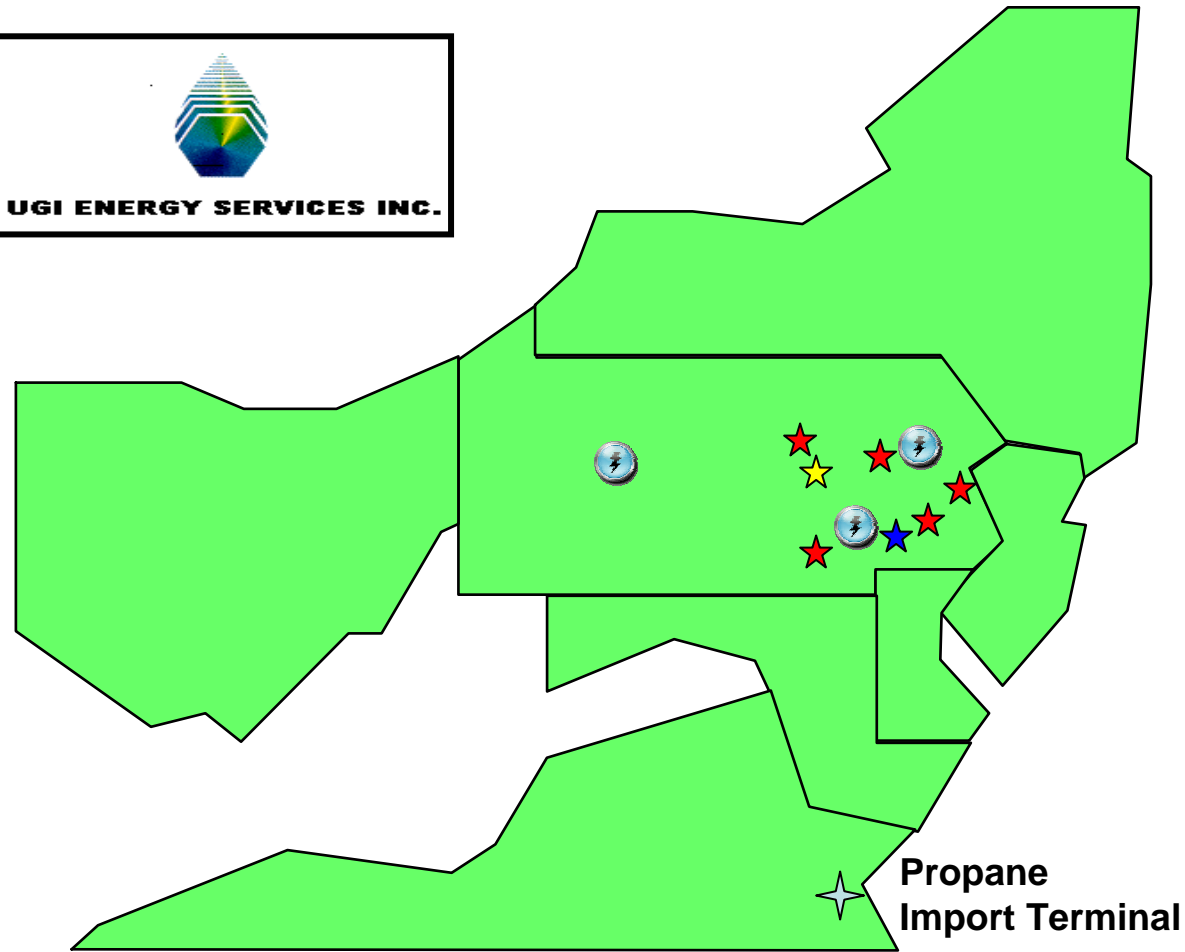
# Regulated Gas and Electric



# Gas Utility Operations

- 550,000 customers
- Annual throughput of 150 Bcf
- Peak day throughput of 1.1 Bcf
- 60% of throughput is transportation service

# Unregulated Gas and Electric



 Energy Marketing Area

 Gas Peaking Plants

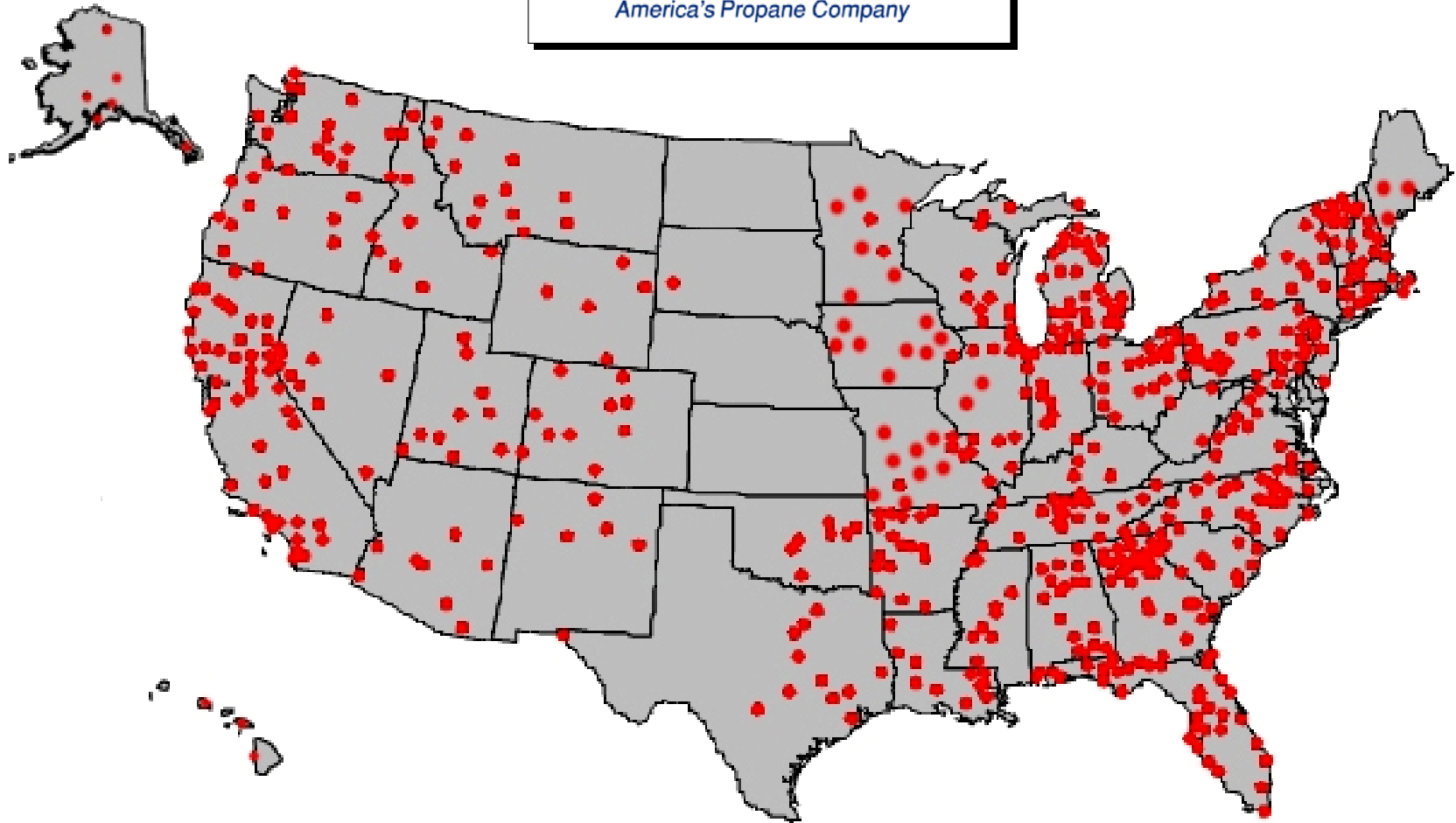
 Electric Generation

 LNG Plant Expansion

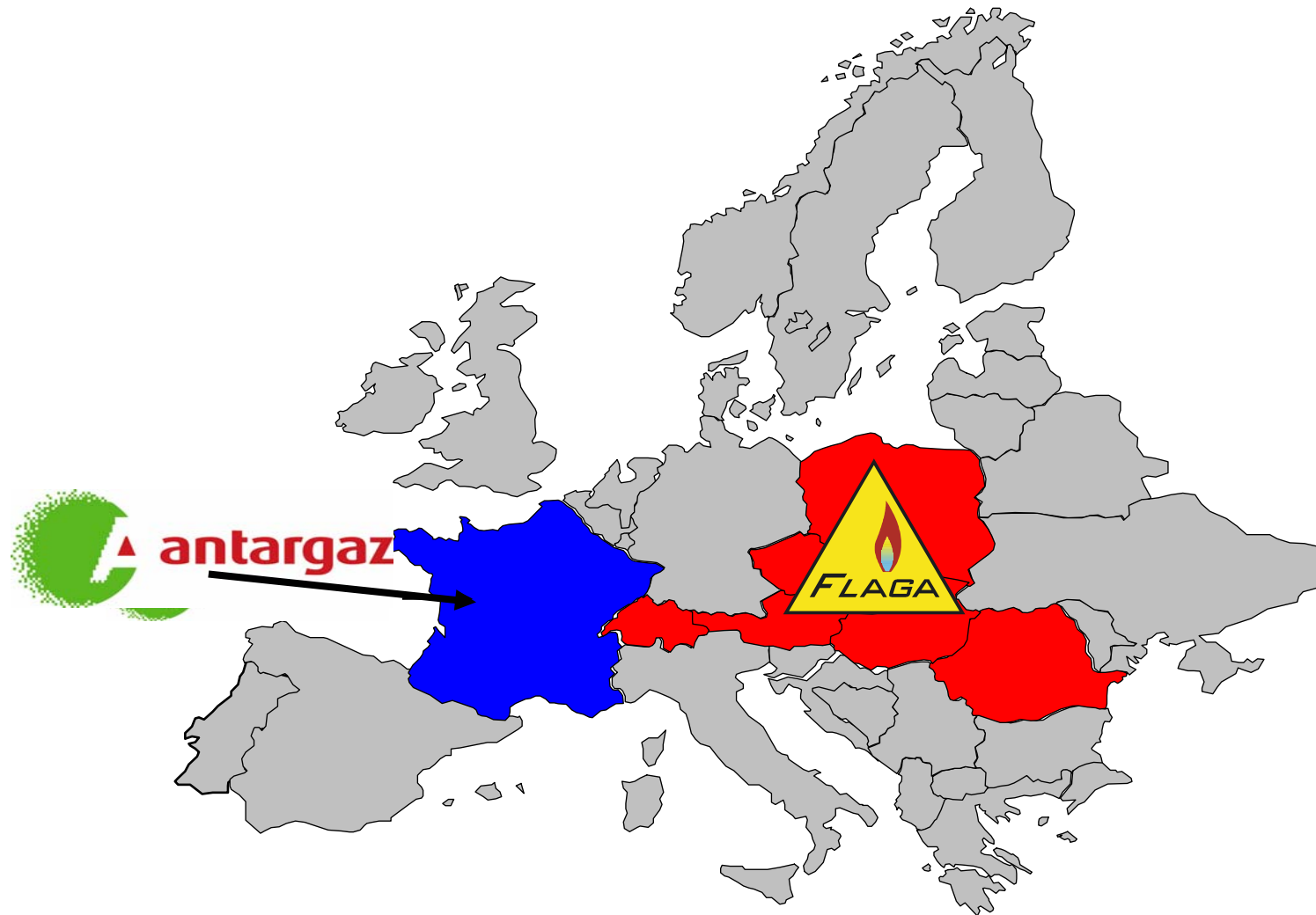
 Propane Air Plant in development

# Domestic Propane

**AmeriGas**<sup>®</sup>  
America's Propane Company



# International Propane



# **Pricing Methodologies and Tariff Systems - Utility Perspective**

Specific AERS Concerns/Issues

# Specific Concerns/Issues

- Definition of customer groups
- Definition of the capacity charge; cost allocation (relation between capacity and commodity charges)
- Treatment of interruptible services
- Existence and duration of the regulatory period (currently one year)
- Treatment of investments (regulatory role in approving investments in new or existing infrastructure)

# Definition of customer groups

- Characteristics for group definition
  - Type of Use (Firm Essential Needs, Firm, Interruptible)
    - Annual
    - Daily
  - Quantity of Service (Small, Medium, Large, Very Large)
  - Load Factor Utilization (Heating, Non-Heating, Process, On-Demand, On-Peak, Off-Peak)
  - Sales Service vs Transportation Service
  - Other (High Pressure, Seasonal)
- Residential (Firm, Small Quantity, Largely Heating)
- Commercial & Industrial (Firm or Interruptible, Small to Very Large, Various Uses/Load Factor)
- Resale/Electric Generation/Storage/Customer Assistance (Specialty Service)

# Definition of the capacity charge; cost allocation (relation between capacity and commodity charges)

- Capacity: related to maximum demand, required for infrastructure planning
  - Allocation alternatives
    - Customer
    - Use
    - Peak Use
- Rate Design Considerations (Customer Charge, Demand Charge, Commodity Charge)

# Treatment of interruptible services

- Interruptible service: used to maximize utilization of infrastructure
  - Availability generally related to temperature
  - Off peak uses
  - Opportunistic
  - Substitutable/Competitive (other energy forms)
  - Emergency Planning
- Interruptible pricing:
  - Cost of service
  - Value of service
  - Other

# Existence and duration of the regulatory period (currently one year)

- Impacts/Risks for Customers
- Financial Operating Impacts
- Risks of Changing Elements (regulation, price, competitive impacts)
- Timeline/Costs
  - Effective Dates / Reconciliation Mechanisms
  - Supportive System Changes
  - Development / Implementation / Monitoring

# Treatment of investments

(regulatory role in approving investments in new or existing infrastructure)

- Maintaining the Market
  - Generally high/volatile risk requires high return
  - Low/Stable risk accepting of moderate market return