



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

February 16, 2017

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.
UGI Penn Natural Gas, Inc.
Docket No. R-2016-2580030

Dear Secretary Chiavetta:

Enclosed please find an original copy of the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceeding.

Copies are being served on all active parties of record. If you have any questions, please contact me at (717) 425-7593.

Sincerely,

Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

Phillip C. Kirchner
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 313870

SBG/PCK/snc
Enclosure

cc: Certificate of Service
ALJ Mary D. Long

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

UGI Penn Natural Gas, Inc.

:
:
:
:
:

R-2016-2580030

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated February 16, 2017, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served Via Electronic and First Class Mail

Mark C. Morrow, Esquire
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406

Harrison W. Breitman, Esquire
Candis A. Tunilo, Esquire
David T. Evrard, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, PA 17101-1923

Paul J Szykman, VP
UGI Utilities Inc.
2525 North 12th Street
Suite 360
Reading, PA 19612-2677

David MacGregor, Esquire
Christopher T. Wright, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street
Suite 202
Harrisburg, PA 17101

Elizabeth R. Marx, Esquire
Patrick M. Cicero, Esquire
Joline Price, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101


Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

Phillip C. Kirchner
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 313870

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : R-2016-2580030
 :
 UGI Penn Natural Gas, Inc. :
 Base Rates :

PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

TO: ADMINISTRATIVE LAW JUDGE MARY D. LONG:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

The I&E Prosecutors in this proceeding will be Scott B. Granger and Phillip C. Kirchner. Contact information is as follows:

By mail: Scott B. Granger (Lead Attorney)
Phillip C. Kirchner
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: sgranger@pa.gov, phikirchne@pa.gov
By telephone: (717) 425-7593 , (717) 783-6151
By fax: (717) 772-2677

I. INTRODUCTION

On January 19, 2017, UGI Penn Natural Gas, Inc. (“UGI PNG” or the “Company”) filed Tariff Gas – PA. P.U.C. Nos. 9 and 9-S, with a proposed effective date of March 20, 2017, and also proposed to cancel Proctor and Gamble Tariff No. 1. The rates set forth in Tariff Nos. 9 and 9-S, if approved by the Pennsylvania Public Utility Commission (“PUC” or the “Commission”), would increase UGI PNG’s annual jurisdictional revenues by \$21.7 million, or by 10.4 percent (10.4%). Tariff Nos. 9 and 9-S propose changes to a variety of general tariff rules and regulations. UGI PNG also proposed a new Energy Efficiency and Conservation Program (“EE&C Plan”) for residential and commercial customers to afford customers more options and incentives to manage their energy use, and a new Technology and Economic Development (“TED”) Rider for commercial customers, which, if approved, will provide the Company and customers with more rate flexibility to expand the availability of gas service in a cost-effective manner. Finally, UGI PNG proposed to continue its recently expanded existing universal service programs, as approved by the Commission in an Opinion and Order entered on June 11, 2015 at Docket No. M-2013-2371824.

The Office of Consumer Advocate (“OCA”) filed a Formal Complaint and its Notice of Appearance on January 24, 2017.

I&E filed its Notice of Appearance on January 31, 2017.

The Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (“CAUSE – PA”) filed its Petition to Intervene on February 6, 2017.

On February 9, 2017, pursuant to 66 Pa. C.S. §1308, the Commission entered an Order suspending the implementation of proposed Tariffs 9 and 9-S by operation of law until October 20, 2017, unless permitted by Commission Order to become effective at an earlier date. The Order also opened an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariffs 9 and 9-S.

A Prehearing Conference is scheduled for February, 17, 2017, at 10:00 am with Administrative Law Judge Long.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in this proceeding. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues, including but not limited to, are as follows:

- Overall Rate of Return
- Cost of Short Term Debt
- Cost of Long Term Debt
- Cost of Common Equity
- Capital Structure
- Use of Fully Projected Future Test Year
- Usage Decline
- Weather Normalization
- Number of Customers
- Cost of Service
- Customer Charge
- Usage Charges
- Other Tariff Charges
- Depreciation Expense
- Gas Storage Inventory

- UGI PNG Interconnections with Gas Supplies
- Materials and Supplies
- Plant Additions/Retirements
- Accumulated Depreciation
- Federal Income Tax
- State Income Tax
- PA and Local Use Tax
- Taxes Other Than Income Taxes
- Public Utility Realty Tax Act (“PURTA”) Tax
- Application of the 50% Differentials Regarding Act 40
- Rate Case Expense
- Employees’ Salaries, Benefits Expenses and Payroll Taxes
- Cash Working Capital
- Allocation of Charges/Expenses from Affiliated Entities
- Administrative & General Expenses
- Customer Accounts Expenses/Un-collectibles
- Universal Service Program Expenses
- Energy Efficiency & Conservation Program and Costs
- Gas Production Expense (Environmental Remediation Expenditure)
- Employees Activity Cost
- Insurance Premium Expense
- Advertisement Expenses
- Outside Services Expense
- Miscellaneous Expense
- Gas Safety Generally
- Leak Repairs
- Main Replacement
- Restoration Costs
- Permitting Fees

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Rachel A. Maurer, Fixed Utility Financial Analyst
 Ethan Cline, Fixed Utility Valuation Engineer
 Dusyant (D.C.) Patel, Fixed Utility Financial Analyst
 Brenton Grab, Fixed Utility Financial Analyst

Jessalynn Heydenreich, Gas Safety Engineer
Michael Chilek, Gas Safety Engineer
Joseph Kubas, Fixed Utility Engineer Supervisor
Christine Wilson, Fixed Utility Financial Analyst
Paul Metro, Gas Safety Manager

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger or Kirchner. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in this proceeding will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding. As of this date, I&E understands that the parties have agreed to the following schedule.

Filing	January 19, 2017
Public Input Hearings (if any)	Week of March 27, 2017
Other Parties Direct	April 13, 2017
First Settlement Conference	By April 17, 2017
Rebuttal Testimony	May 12, 2017 (Noon)
Second Settlement Conference	By May 15, 2017
Surrebuttal Testimony	May 26, 2017
Hearings (including Oral Rejoinder)	June 6-8, 2017
Main Brief	June 23, 2017
Reply Brief	July 3, 2017

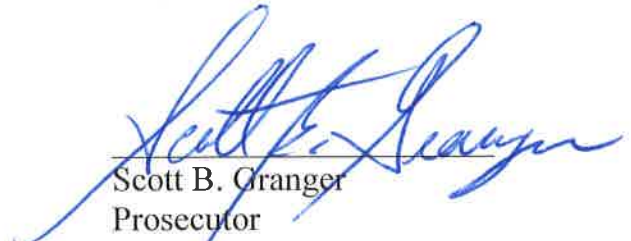
VII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VIII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. I&E will agree to participate in proposed settlement conferences. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. # 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-4887

Dated: February 16, 2017