

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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February 12, 2016

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Pa. Public Utility Commission
v.
UGI Utilities, Inc. – Gas Division
Docket No. R-2015-2518438

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Amy E. Hirakis
Amy E. Hirakis
Assistant Consumer Advocate
PA Attorney I.D. #310094

Attachment

cc: Honorable Susan D. Colwell, ALJ
Honorable Steven K. Haas, ALJ
Certificate of Service

217121

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the Prehearing Conference Order issued by Administrative Law Judge Susan D. Colwell (Judge Colwell) and Administrative Law Judge Steven K. Haas (Judge Haas) in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On January 19, 2016, UGI Utilities, Inc. – Gas Division (UGI Gas or the Company) filed Tariff Gas – PA. P.U.C. Nos. 6 and 6-S. In proposed Tariff Gas – PA. P.U.C. Nos. 6 and 6-S, the Company proposes to increase rates to produce additional annual operating revenues of \$58.56 million, or by 17.5%. The proposed rate increase, if not suspended, would become effective on March 19, 2016. The Company provides natural gas to approximately 388,000 residential, commercial and industrial customers in over 16 counties throughout Pennsylvania.

The OCA filed a Formal Complaint and Public Statement against the proposed rate increase on February 2, 2016. On February 11, 2016, the Commission issued an Order initiating and investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this filing, and suspended the effective date of Tariff Gas – PA. P.U.C. Nos. 6 and 6-S until October 19, 2016, by operation of law. The case was assigned to Administrative Law Judge Susan D. Colwell and Administrative Law Judge Steven K. Haas. A Prehearing Conference is scheduled for February 17, 2016.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of the Company’s base rate increase filing, the OCA has compiled a list of issues which it anticipates will be included in its investigation of this rate request. It is anticipated that other issues may arise and may be pursued once the answers to all of the OCA’s interrogatories have been received and analyzed.

The OCA has served three (3) sets of interrogatories to date. Upon receipt of the answers to those interrogatories, the OCA may then be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will file direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following sets forth the issues that the OCA anticipates it may raise at this time:

A. Rate of Return

The OCA will examine the rate of return requested by the Company, including the following areas:

- Whether the capital structure claimed by UGI Gas is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes;

- Whether the cost of debt used by UGI Gas is appropriate; and
- Whether the cost of common equity claimed by UGI Gas, as well as the Company's methodologies and supporting data used to develop its final cost of common equity claim, are appropriate.

B. Rate Base/Measure of Value

The OCA will examine the reasonableness of the Company's filing as it relates to rate base/measures of values, including the following areas:

- The Company's plant in service claims and forecasted plant additions, in order to determine whether the plant claimed is used and useful in providing utility service;
- The Company's year-end versus average rate base;
- The Company's work order management system;
- The Company's stored gas inventory; and
- The Company's claim for Accumulated Deferred Income Taxes.

C. Revenue and Expenses

The OCA will examine the reasonableness of the Company's filing as it relates to revenues and expenses, including the following areas:

- The sales forecast utilized by the Company in order to project future test year sales and revenues, including forecasted reductions to customer usage;
- The Company's payroll expense;
- The Company's environmental remediation accrual;
- The Company's rate case expense;
- The Company's pension and post-retirement benefits;
- Any savings or expenses related to the Company's work order management system; and

- Tax issues, including repairs deductions to the Company's income taxes, and consolidated tax savings.

D. Depreciation

The OCA will examine issues related to depreciation in the Company's filing, including:

- All aspects of the Company's depreciation claim, including any studies and whether the claim was appropriately and accurately calculated.

E. Rate Structure, Cost of Service, and Rate Design

The OCA will examine the rate structure, cost of service, and rate design issues in the Company's filing, including the following:

- The cost of service study, including the methodology used and the reasonableness of the allocations;
- The Company's proposed customer charge;
- The rate design proposed by the Company and whether it is reasonable and appropriate;
- The Company's proposed allocation of the revenue increase among customer classes;
- The Company's GET Gas Program;
- The reasonableness and appropriateness of the Company's proposed tariff changes; and
- The various riders proposed by the Company.

F. Universal Service Programs

The OCA will review issues related to low-income customers and universal service programs, including:

- The Company's Customer Assistance Program (CAP) to ensure that the budget amount is reasonable and that the program appropriately serves low-income customers;
- The effect of the proposed customer charge on low-income customers;

- The effect of the proposed single block rate tariff on CAP and other low-income customers;
- Whether the Company has proposed an appropriate offset in its Universal Service Rider for uncollectibles and working capital expenses, as well as whether the trigger for these offsets is set at an appropriate level.
- The quality of customer service provided by the Company; and
- Whether the Company's costs are recovered appropriately through the Universal Service Rider.

G. Energy Efficiency and Conservation

Regarding the Company's proposed Energy Efficiency and Conservation Plan, the OCA will review the following:

- Whether the design of the program measures is reasonable and appropriate;
- Whether the proposed cost recovery mechanisms, including the proposed budgets, are reasonable;
- Whether the proposed program measures, including the cost-effectiveness of the Plan, are reasonable as measured by the Total Resource Cost (TRC) test;
- Whether low-income and multifamily customers are appropriately included in the Plan; and
- Whether the proposed measurement and verification and evaluation plan is appropriate and reasonable.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. The witnesses will present testimony in

written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the expert witnesses responsible for the area of the case, as well as mailing a copy to counsel for the OCA.

A. Rate Base, Revenues, Expenses, and General Accounting

David J. Effron
Berkshire Consulting Services
12 Pond Path
North Hampton, NH 03862

Telephone: (603) 964-6526
E-mail: djeffron@aol.com

B. Rate Structure/Cost Allocation and Energy Efficiency and Conservation

Glenn Watkins
Technical Associates, Inc.
1503 Santa Rosa Road
Suite 130
Richmond, VA 23229

Telephone: (804) 272-5363
E-mail: watkinsg@tai-econ.com

C. Rate of Return

David C. Parcell
Technical Associates, Inc.
1503 Santa Rosa Road
Suite 130
Richmond, VA 23229

Telephone: (804) 272-5363
E-mail: david.parcell@tai-econ.com

D. Universal Service

Roger Colton
Fisher, Sheehan and Colton

34 Warwick Road
Belmont, MA 02478

Telephone: (617) 484-0597
E-mail: roger@fsconline.com

E. Depreciation

Michael J. Majoros, Jr.
James Garren
Snavelly King Majoros & Associates
P.O. Box 727
Millersville, MD 21108

Telephone: (410) 227-1271
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The OCA specifically reserves the right to call additional witnesses as may be necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will promptly notify Judge Colwell, Judge Haas, and all parties of record.

IV. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl A. Lawrence, and Assistant Consumer Advocates Lauren M. Burge and Amy E. Hirakis. Two copies of all documents should be served on the OCA as follows:

Darryl A. Lawrence
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152
E-mail: UGIGASBASERATEEXTERNAL@paoca.org

V. DISCOVERY

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the discovery regulations:

a. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service. Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.

b. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ in writing within five (5) days of service of the interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.

c. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.

d. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.

e. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.

f. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

In addition to the preceding modifications to the Commission's Discovery Regulations, the OCA has one further request as to the exchange of information for this proceeding. The OCA requests that parties providing Direct and Rebuttal testimony, either include with such testimony electronic workpapers, cited studies and other documents relied on, or, provide same

in workable electronic format within two (2) business days of the testimony submission date to all parties. In the OCA's experience, following the submission of these rounds of testimony parties routinely request the information just described through the normal discovery channels. The OCA submits that much time and effort could be saved by agreeing to streamline the process through an informal discovery modification as the OCA proposes here.

VI. PUBLIC INPUT HEARINGS

Given the magnitude of the requested rate increase, the OCA requests that public input hearings be held in the Company's service territory.

VII. PROPOSED SCHEDULE

The OCA and all current parties have agreed to the proposed schedule as set forth in the Company's Prehearing Memorandum.

VIII. SETTLEMENT

The OCA is willing to participate in settlement discussions at the appropriate time in this proceeding.

Respectfully Submitted,

/s/ Amy E. Hirakis

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PA Attorney I.D. # 311570
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Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

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Telephone: 717-783-5048
Fax: 717-783-7152

DATED: February 12, 2016

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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2015-2518438
 :
 UGI Utilities, Inc. – Gas Division :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate’s Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 12th day of February 2016.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Scott B. Granger, Prosecutor
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

Kent Murphy, Esquire
Danielle Jouenne, Esquire
Mark Morrow, Esquire
UGI Corporation
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UGI Utilities Inc.
2525 North 12th Street
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