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File #: 153583

March 31, 2016

***VIA ELECTRONIC FILING***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Petition of UGI Central Penn Gas, Inc. for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Distribution Revenues and Approval to Increase the Maximum Allowable DSIC to 10% of Billed Distribution Revenues  
Docket No. P-2016-**

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Dear Secretary Chiavetta:

Enclosed for filing is the Petition of UGI Central Penn Gas, Inc., in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Jessica R. Rogers

JRR/jl

Enclosures

cc: Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

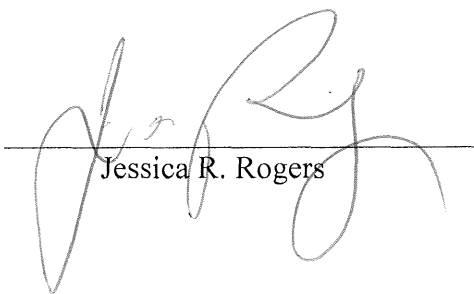
### VIA FIRST CLASS MAIL

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

Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Bureau of Investigation & Enforcement  
PO Box 3265  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
Harrisburg, PA 17105-3265

Date: March 31, 2016



Jessica R. Rogers

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of UGI Central Penn Gas, Inc. for :  
a Waiver of the Distribution System : Docket No. P-2016-\_\_\_\_\_  
Improvement Charge Cap of 5% of Billed :  
Distribution Revenues and Approval to  
Increase the Maximum Allowable DSIC to  
10% of Billed Distribution Revenues

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**Petition of UGI Central Penn Gas, Inc. for a Waiver of the Distribution System  
Improvement Charge Cap of 5% of Billed Distribution Revenues and Approval to Increase  
the Maximum Allowable DSIC to 10% of Billed Distribution Revenues**

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Pursuant to Section 1358(a) of the Public Utility Code, 66 Pa. C.S. § 1358(a), UGI Central Penn Gas, Inc. (“UGI-CPG” or the “Company”) hereby files this Petition requesting (i) waiver of the Distribution System Improvement Charge (“DSIC”) cap of 5% of billed distribution revenues and (ii) approval to increase the maximum allowable DSIC from 5% to 10% of billed distribution revenues. UGI-CPG has undertaken a significant distribution system infrastructure evaluation, repair and replacement program that is focused primarily on those portions of its system that were constructed using cast iron and bare steel pipe.

By this Petition, the Company respectfully requests that the Pennsylvania Public Utility Commission (the “Commission”) approve UGI-CPG’s Petition, and allow UGI-CPG to increase its DSIC cap above 5% of billed distribution revenues, as currently reflected in UGI-CPG’s tariff and approved by the Commission in the Company’s DSIC proceeding at Docket No. P-2013-2398835. UGI-CPG requests that the Commission grant this Petition on or before the June 9, 2016 Public Meeting, subject to refund based on the outcome of any hearing that may be required. Doing so will allow UGI-CPG to reflect the increased cap in its June 20, 2016

quarterly update, which will become effective July 1. UGI-CPG supports its request for expedited consideration below.

## **I. INTRODUCTION**

1. UGI-CPG is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. UGI-CPG is engaged in the business of selling and distributing natural gas to retail customers within the Commonwealth, and is therefore a “public utility” within the meaning of Section 102 of the Public Utility Code, 66 Pa. C.S. § 102, subject to the regulatory jurisdiction of the Commission. UGI-CPG provides natural gas service to approximately 82,000 Pennsylvania customers in 37 counties in Northeastern, Central and Northwestern Pennsylvania. Its distribution system contains 3,717 miles of natural gas mains and 131 miles of natural gas transmission mains.

2. UGI-CPG is a wholly owned subsidiary of UGI Utilities, Inc. (“UGI Utilities”), which, in turn, is a wholly owned subsidiary of UGI Corporation. UGI-CPG began operations as the wholly-owned subsidiary of UGI Utilities on October 1, 2008, via an acquisition of the stock of PPL Gas Utilities Corporation.<sup>1</sup>

3. The names, addresses and telephone numbers of UGI-CPG’s attorneys for purposes of this filing are as follows:

Danielle Jouenne (ID #306839)  
UGI Corporation  
460 North Gulph Road  
King of Prussia, PA 19406  
Phone: 610-992-3750  
Fax: 610-992-3258  
E-mail: JouenneD@ugicorp.com

David B. MacGregor (ID # 28804)  
Jessica R. Rogers (ID # 309842)

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<sup>1</sup> Order entered on August 21, 2008 at Docket Nos. A-2008-2034045, A-2008-2034047, A-2008-2034115 and A-2008-2034132.

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jrogers@postschell.com

UGI-CPG's attorneys are authorized to receive all notices and communications regarding this filing.

4. On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 ("Act 11"), which amends Chapters 3, 13 and 33 of Title 66 of the Public Utility Code ("Code"). Pertinent to this Petition, Act 11 authorizes natural gas distribution companies ("NGDCs") to establish a Distribution System Improvement Charge ("DSIC").

5. Act 11 provides utilities with the ability to implement a DSIC to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility's distribution system. Eligible property for NGDCs is defined in Section 1351 of the statute. *See* 66 Pa. C.S. § 1351(2). As a precondition to the implementation of a DSIC, each utility must file a Long Term Infrastructure Improvement Plan ("LTIIP") with the Commission that is consistent with the provisions of Section 1352 of the statute. *See* 66 Pa. C.S. § 1352(a).

6. On August 2, 2012, the Commission issued the Final Implementation Order establishing procedures and guidelines necessary to implement Act 11. *See Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Pa. Pub. Util. Comm'n Aug. 2, 2012) ("Final Implementation Order"). The Final Implementation Order adopted the requirements established in Section 1353 for the DSIC filing. In addition, the Commission provided a model tariff which the utilities were instructed to use in preparing their DSIC tariff.

7. On December 12, 2013, UGI-CPG filed a *Petition for Approval of a Distribution System Improvement Charge* (“DSIC Petition”), as well as a *Petition for Approval of a Long-Term Infrastructure Improvement Plan*. UGI-CPG’s DSIC Petition included all of the components required by Act 11 and the Commission’s Final Implementation Order. By Order entered September 11, 2014, the Commission approved UGI-CPG’s proposed LTIIIP and DSIC, subject to refund, pending final resolution of four issues that were assigned to the Office of Administrative Law Judge (“OALJ”). *See Petition of UGI Central Penn Gas, Inc. for Approval of its Long-Term Infrastructure Improvement Plan; Petition of UGI Central Penn Gas, Inc. for Approval of a Distribution System Improvement Charge*, Docket No. P-2013-2398835 (Opinion and Order entered September 11, 2014). UGI-CPG was able to reach a settlement with the other parties in the proceeding. By Order entered July 8, 2015, the Commission approved the settlement. *Petition of UGI Central Penn Gas, Inc. for Approval of a Distribution System Improvement Charge*, Docket No. P-2013-2398835 (Opinion and Order entered July 8, 2015).

8. Consistent with the Commission’s September 11, 2014 Order, on September 18, 2014, UGI-CPG filed Supplement No. 21 to UGI Central Penn Gas, Inc. Tariff Gas – Pa. P.U.C. No. 4 implementing the DSIC for bills rendered on or after October 1, 2014. The initial DSIC was set at 0.0% pursuant to the Commission’s Order. UGI-CPG has filed quarterly updates to its DSIC rate, including a filing made on March 21, 2016. In that filing, which UGI-CPG has included with this Petition as Exhibit WJM-1 to the direct testimony of William J. McAllister, UGI Statement No. 1, UGI-CPG has a DSIC rate of 4.65%.

9. A utility with an approved DSIC must file an Annual Asset Optimization Plan (“AAOP”). *See* 66 Pa. Code § 1356. UGI-CPG has filed an AAOP for all years that it has had an approved LTIIIP. Each of the AAOPs identifies the progress UGI-CPG has made with regard to its LTIIIP, as well as identifying the projects that will be accomplished in the next year of the

plan. The most recent of these filings was made on February 29, 2016 at Docket No. M-2016-2531525, and is included with this filing as Exhibit WJM-4.

10. On February 29, 2016, UGI-CPG filed a *Petition for Approval of a Modification to its Long Term Infrastructure Improvement Plan* (“Modified LTIIIP”), which has been docketed at P-2013-2398835. In the Modified LTIIIP, UGI-CPG identified increased DSIC-eligible investment over the remaining period of the original LTIIIP that exceeded 20% of the cost of the plan, triggering the Commission’s requirements at 52 Pa. Code § 121.5(a). The increased investment is driven by three categories of previously identified projects: system reliability improvements, service replacements, and mandated relocations of utility facilities. No action has been taken by the Commission on the Modified LTIIIP at the time this Petition was filed.

11. As explained below, the revenue provided by the DSIC with a 5% cap is not sufficient for UGI-CPG to maintain its level of investment in its DSIC-eligible distribution infrastructure for even a single year, due to the Company’s substantial ongoing investment in DSIC-eligible plant, particularly mains. UGI-CPG is seeking to increase the DSIC surcharge cap to 10% of billed distribution revenues to ensure that customers continue to receive safe and reliable service in the future as required by Section 1501, 66 Pa. C.S. § 1501.

## **II. AN INCREASE IN THE DSIC IS PROPER AND IN THE PUBLIC INTEREST**

12. Section 1358(a)(1) of the Public Utility Code provides that the “[C]ommission may upon petition grant a waiver of the 5% limit under this paragraph for a utility in order to ensure and maintain adequate, efficient, safe, reliable and reasonable service.” 66 Pa. C.S. 1358(a)(1).

13. Included as part of this Petition is the direct testimony of William J. McAllister, UGI Statement No. 1. Mr. McAllister’s testimony in support of the Petition includes the following exhibits: Exhibit WJM-1, which is the quarterly update filed on March 21, 2016;

Exhibit WJM-2, which is a *pro forma* tariff reflecting the revision proposed in the Petition; Exhibit WJM-3, which is a schedule showing the Company's projected DSIC updates from the current quarter – April 1, 2016, through the final quarterly update associated with the current LTIP period, which would become effective January 1, 2019; and Exhibit WJM-4, which is a copy of the Annual Asset Optimization Plan (“AAOP”) filed by UGI-CPG on February 29, 2016.

14. UGI-CPG requests a waiver of the 5% cap on the DSIC rate, and approval to increase the DSIC cap from 5% to 10% of billed distribution revenues. As explained herein, the revenue provided by the DSIC with a 5% cap is not sufficient for UGI-CPG to maintain its level of investment in its DSIC-eligible distribution infrastructure. Under the current projections UGI-CPG will exceed the 5% DSIC cap as of the July 1, 2016 quarterly filing, due to the Company's substantial ongoing investment in DSIC-eligible plant. UGI-CPG is seeking to increase the DSIC surcharge cap to 10% in order to maintain its accelerated replacement program which allows it to ensure that customers receive safe and reliable service as required by Section 1501, 66 Pa. C.S. § 1501. Even with a 10% cap, UGI-CPG will exceed the DSIC cap well before the end of the current LTIP period.

15. As identified in UGI-CPG's Modified LTIP, the Company anticipates spending almost \$67.9 million in DSIC-eligible plant from January 2016 through December 2018. This work is critical to the continued provision of safe and reliable service, as required by 66 Pa. C.S. § 1501. The Company is currently investing more than \$20 million per year in DSIC-eligible projects. This represents a 38.5% increase over the amount of investment in the baseline period of 2009 to 2011. The Company's 2016 AAOP, which is included with Mr. McAllister's testimony as Exhibit No. WJM-4, shows a more detailed accounting of how UGI-CPG has exceeded its anticipated investment in the early years of its LTIP, and also shows how the Company plans on meeting the investment identified in the Modified LTIP for 2016.



16. Based on the projected investment identified in the Modified LTIP, which as the AAOP shows is likely to be met in 2016, UGI-CPG anticipates that it will exceed the DSIC cap in the near future. The calculations in Exhibit No. WJM-3 demonstrate that UGI-CPG will reach the current 5% DSIC cap by July 1, 2016. The Company will also exceed a 10% DSIC cap well before the end of the current LTIP period. Increasing the DSIC cap to 10% would allow UGI-CPG to extend its use of the DSIC to October 1, 2017 before it would be limited in its ability to recover its investment.

17. As of July 1, 2016, UGI-CPG will begin to experience unrecoverable dollars that are associated with revenue that exceeds the 5% DSIC cap. Exhibit WJM-3 reflects these unrecoverable dollars on both a quarterly and an accruing basis. Without an increase, by October 1, 2017, UGI-CPG will have foregone approximately \$3 million worth of revenue associated with DSIC-eligible plant. It is likely that this type of monetary loss would require UGI-CPG to support its infrastructure investments through a base rate proceeding.

18. For each 1% increase to the DSIC cap, the impact on customer bills increases by only \$0.56 per monthly bill. Described differently, if the DSIC is increased to 10% as UGI-CPG requests herein, the difference in the cost to customers between the 5% DSIC cap and the 10% DSIC cap, once the 10% DSIC cap is reached, would be \$2.80 per bill. This incremental cost to customers is small when compared to the noticeable benefits. The value of accelerated infrastructure improvement is substantial, benefiting customers today and well into the future with safe, reliable, and reasonably continuous natural gas service, with the potential for less frequent base rate filings. Further, Act 11 and the Commission have established adequate safeguards in the DSIC process to ensure that the DSIC is appropriately monitored and that ratepayers are adequately protected, which are embodied in UGI-CPG's tariff.

19. The work being done to the system is ensuring that UGI-CPG's customers receive safe and reliable service, both now and into the future. Increasing the DSIC cap will further the work UGI-CPG is doing, without the added expense and administrative burden associated with frequent base rate proceedings. The costs associated with compiling and prosecuting a full rate case – costs which are passed through to customers – can be significant. Because the impact of increasing the DSIC cap on customers' bills is small, the tremendous benefits associated with improved safety and reliability that will be accomplished as a result of the accelerated investment in DSIC-eligible plant is clearly in the public interest.

20. UGI-CPG is requesting that this Petition be granted on an expedited basis and subject to refund, so that the increased DSIC cap can be effective as of July 1, 2016. Without such treatment, UGI-CPG will be unable to recover \$162,677 for the period from July 1 through September 30, 2016, and will be unable to recover an additional \$399,747 for the period from October 1 to December 31, 2016. Implementing this Petition on July 1, 2016, subject to refund, ensures that the Commission and other parties will have a full opportunity to assess the justness and reasonableness of the Company's proposal, while allowing UGI-CPG to recover the full investment associated with DSIC eligible infrastructure replacement.

21. The approach proposed by UGI-CPG is consistent with past Commission action in proceedings that involve charges subject to annual reconciliation. The Commission has allowed many utilities to implement their DSIC mechanisms subject to refund while the case was assigned to the Office of Administrative Law Judge for disposition. Thus, UGI-CPG believes that similar treatment is also appropriate in this context.

22. Consistent with its request, UGI-CPG has included Exhibit WJM-2, which contains *pro forma* tariff pages for the proposed increase in the DSIC cap from 5% to 10% of billed distribution revenues.

## **CUSTOMER NOTICE**

23. UGI-CPG has served copies of the filing on the Pennsylvania Office of Consumer Advocate, Pennsylvania Office of Small Business Advocate, and the Commission's Bureau of Investigation and Enforcement.

24. UGI-CPG will also post this filing at its customer website.

25. In addition, the Company requests that the Commission publish notice of this filing in the Pennsylvania Bulletin with a reasonable deadline for intervention as part of that notice.

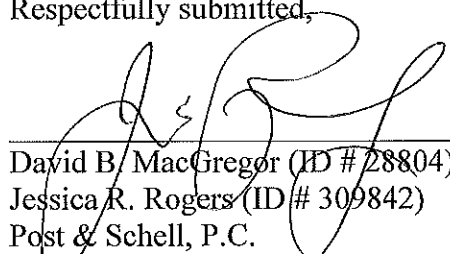
26. UGI-CPG believes that these methods will provide all interested parties with notice of the Company's proposal to increase its maximum DSIC surcharge to 10%, and an opportunity to participate in any Commission proceeding.

### III. CONCLUSION

WHEREFORE, UGI Central Penn Gas, Inc. respectfully requests that the Pennsylvania Public Utility Commission (i) grant a waiver of the current Distribution System Improvement Charge cap of 5% of billed distribution revenues, and (ii) approve an increase in the maximum allowable Distribution System Improvement Charge from 5% to 10% of billed distribution revenues, as set forth in the *pro forma* tariff supplement provided in Appendix B, effective upon approval of this Petition.

Respectfully submitted,

Danielle Jouenne (ID #306839)  
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460 North Gulph Road  
King of Prussia, PA 19406  
Phone: 610-992-3750  
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\_\_\_\_\_  
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E-mail: jrogers@postschell.com

Of Counsel:

Post & Schell, P.C.

Attorneys for UGI Central Penn Gas, Inc.

Date: March 31, 2016

## VERIFICATION

I, Paul J. Szykman, Vice President, Rates & Government Relations, Vice President & General Manager – Electric Utilities, of UGI Utilities, Inc., hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect that UGI Central Penn Gas, Inc. to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

Date: March 31, 2016

  
\_\_\_\_\_  
Paul J. Szykman  
Vice President, Rates & Government Relations  
Vice President & General Manager – Electric Utilities  
UGI Utilities, Inc.  
2525 N. 12th Street  
Reading, PA 19612-2677

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**UGI CENTRAL PENN GAS, INC.  
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)**

**UGI STATEMENT NO. 1**

**DIRECT TESTIMONY OF  
WILLIAM J. McALLISTER**

Dated: March 31, 2016

1 **Q. Please state your name and business address.**

2 A. My name is William J. McAllister, and my business address is 2525 N. 12<sup>th</sup> Street, Suite  
3 360, Reading, Pennsylvania 19612.

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

5 A. I am employed by UGI Utilities, Inc. (“UGI” or the “Company”) as a Principal Analyst.  
6 In my role, I am responsible for numerous rate activities for the UGI distribution  
7 companies: UGI Utilities, Inc. – Gas Division (“UGI-GD”), UGI Utilities, Inc. – Electric  
8 Division (“UGI-ED”), UGI Penn Natural Gas, Inc. (“UGI-PNG”) and UGI Central Penn  
9 Gas, Inc. (“UGI-CPG”).

10 **Q. What is your educational background?**

11 A. I graduated from Villanova University with a Bachelor of Science Degree in  
12 Mathematics. I have received certification in the Principles of Public Utility Operation  
13 and Management from Public Utilities Report, Inc. I have taken graduate level courses at  
14 the Pennsylvania State University at Harrisburg. I have also completed numerous  
15 industry related training programs and seminars, including the American Gas Association  
16 (“AGA”) Rate Course and the AGA Advanced Rate Course.

17 **Q. Please describe your employment since graduating from Villanova University.**

18 A. Upon graduation in 1974, I was employed as a Statistical Analyst with UGI's Gas Utility  
19 Division. This position involved (1) various assignments relating to rate design and  
20 competitive analysis, (2) preparing related rate filings such as the monthly Fuel Cost  
21 Adjustment (FCA), the State Tax Surcharge (STS), and (3) assisting in the preparation of  
22 general rate filings. In 1976, I was promoted to Rate Analyst. In 1980, I was promoted  
23 to the position of Senior Rate Analyst. In 2011, I was promoted to my current position of

1 Principal Analyst. Since 1985, I have been involved to a significant extent in the  
2 preparation of UGI-GD's PGC tariff filings and related PGC computations. More  
3 recently, I prepared UGI-GD's interim and quarterly PGC rate changes. Additionally, I  
4 developed UGI-GD's Section 1307(a) filings to recover Take-or-Pay (TOP) costs,  
5 Transition Costs, and Education Costs. I also assisted in developing UGI-GD's Low  
6 Income Self Help Program (LISHP) Rider that initially became effective December 2,  
7 2005, and assisted in developing UGI's quarterly LISHP adjustments since then,  
8 including the change implemented on June 1, 2010. Similarly, I have coordinated the  
9 development of the USP Rider surcharges for both UGI-PNG and UGI-CPG. Most  
10 recently, I've assisted in Base Rate Case filings for UGI-PNG and UGI-CPG, the  
11 Merchant Function Charge and Purchase of Receivable filings for UGI-GD and the  
12 development of the Energy Efficiency and Conservation Program for UGI-ED.

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

14 A. Yes. I have testified in each of UGI's PGC proceedings since 1988, in UGI's 1307(a)  
15 proceedings at Docket Nos. R-00943259 and R-00943063, and in the UGI Customer  
16 Choice proceeding at Docket No. R-00994786. I presented direct testimony in UGI-  
17 PNG's PGC proceedings at Docket Nos. R-2009-2105909, R-2010-2172922, R-2011-  
18 2238949, R-2012-2302219, and R-2013-2361771. I've presented testimony in the last  
19 five UGI-CPG PGC proceedings, as well as the Energy Efficiency and Conservation Plan  
20 proceedings for UGI-ED at Docket No. M-2010-2210316. I also presented testimony on  
21 behalf of UGI-PNG and UGI-CPG in their DSIC proceedings at Docket Nos. P-2013-  
22 2397056 and P-2013-2398835.

23



1 **Q. What is the purpose of your testimony?**

2 A. My testimony supports the Company's request that the Commission waive the 5% DSIC  
3 cap provided in 66 Pa. C.S. § 1358(a), and increase the DSIC cap to 10%. In my  
4 testimony, I will describe why this increase is necessary, the financial impact of allowing  
5 an increase in the DSIC cap, and also the impact an increase in the DSIC cap will have on  
6 customer bills.

7 **Q. Please begin by describing the exhibits provided with this testimony.**

8 A. My testimony includes the following exhibits that I am sponsoring:

9 a) Exhibit WJM-1, which is the Company's quarterly DSIC update filed on March  
10 21, 2016;

11 b) Exhibit WJM-2, which is a pro forma tariff reflecting the revision proposed in the  
12 Petition;

13 c) Exhibit WJM-3, which is a schedule showing the Company's projected DSIC  
14 updates from the current quarter – April 1, 2016, through the final quarterly  
15 update associated with the current LTIIP period, which would become effective  
16 January 1, 2019. I will describe WJM-3 in greater detail later in my testimony;  
17 and

18 d) Exhibit WJM-4, which is a copy of the Annual Asset Optimization Plan  
19 ("AAOP") filed by UGI-CPG on February 29, 2016.

20 **Q. What is the scope of UGI-CPG's service?**

21 A. UGI-CPG distributes natural gas to retail customers within the Commonwealth of  
22 Pennsylvania. UGI-CPG provides natural gas service to approximately 82,000  
23 Pennsylvania customers in 37 counties in Northeastern, Central and Northwestern

1 Pennsylvania. Its distribution system contains 3,717 miles of natural gas mains and 131  
2 miles of natural gas transmission mains.

3 **Q. Please describe the history of the Company's DSIC.**

4 A. Act 11 provides utilities with the ability to implement a DSIC to recover reasonable and  
5 prudent costs incurred to repair, improve or replace certain eligible distribution property  
6 that is part of the utility's distribution system. Eligible property for NGDCs is defined in  
7 Section 1351 of the statute. See 66 Pa. C.S. § 1351(2). As a precondition to the  
8 implementation of a DSIC, each utility must file a petition with the Commission, which  
9 includes a Long Term Infrastructure Improvement Plan ("LTIIIP") that is consistent with  
10 the provisions of Section 1352 of the statute. See 66 Pa. C.S. § 1352(a).

11  
12 On December 12, 2013, UGI-CPG filed a *Petition for Approval of a Distribution System*  
13 *Improvement Charge* ("DSIC Petition"), as well as a *Petition for Approval of a Long-*  
14 *Term Infrastructure Improvement Plan*, at Docket No. P-2013-2398835. UGI-CPG's  
15 DSIC Petition included all of the components required by Act 11 and the Commission's  
16 Final Implementation Order. By Order entered September 11, 2014, the Commission  
17 approved UGI-CPG's proposed LTIIIP and DSIC, subject to refund. UGI-CPG was able  
18 to reach a settlement with the other parties in the proceeding, and the Commission  
19 approved the settlement in an Order entered July 8, 2015.

20  
21 In addition, on February 29, 2016, UGI-CPG filed a *Petition for Approval of a*  
22 *Modification to its Long Term Infrastructure Improvement Plan* ("Modified LTIIIP"),  
23 which has been docketed at P-2013-2398835. In the Modified LTIIIP, UGI-CPG

1 identified increased DSIC-eligible investment that triggered the Commission's  
2 requirements at 52 Pa. Code § 121.5(a) because it exceeded 20% of the cost of the  
3 original plan. The increased investment relates to three categories of previously  
4 identified projects: system reliability improvements, service replacements, and mandated  
5 relocations of utility facilities. No action has been taken by the Commission on the  
6 Modified LTIP at the time this Petition was filed.

7 **Q. Please describe Exhibit WJM-1 to the Petition.**

8 A. Exhibit WJM-1 is a copy of the quarterly DSIC update filed by UGI-CPG on March 21,  
9 2016. Pursuant to the Commission's September 11, 2014 Order, on September 18, 2014,  
10 UGI-CPG filed Supplement No. 21 to UGI Central Penn Gas, Inc. Tariff Gas – Pa.  
11 P.U.C. No. 4 implementing the DSIC for bills rendered on or after October 1, 2014.  
12 UGI-CPG has filed quarterly updates to its DSIC rate since September 2014, including a  
13 filing made on March 21, 2016. As reflected in Exhibit WJM-1, the Company's DSIC is  
14 currently at 4.65%.

15 **Q. Is there a statutory limitation on the amount that may be recovered through the**  
16 **DSIC?**

17 A. Yes. Pursuant to 66 Pa. C.S. § 1358(a)(1), the DSIC may not exceed 5% of billed  
18 distribution revenues, and is reset to zero upon the effective date of new base rates which  
19 reflect the investment in DSIC-eligible property or if the Company overearns in any  
20 quarter. However, the Commission may grant a waiver of the 5% DSIC cap in order to  
21 “ensure and maintain adequate, efficient, safe, reliable and reasonable service.” 66 Pa.  
22 C.S. § 1358(a)(1).

1 **Q. Is the 5% DSIC cap reflected in the Company's currently effective tariff?**

2 A. Yes.

3 **Q. What is identified as Exhibit WJM-2?**

4 A. Exhibit WJM-2 to this Petition is UGI-CPG's *pro forma* tariff reflecting the proposed  
5 increase to the DSIC cap. The only modification from the currently effective DSIC tariff  
6 is the increase to the DSIC cap in the customer protections portion of the tariff language.  
7 All other elements of the tariff approved by the Commission in Docket No. P-2013-  
8 2398835 remain unchanged.

9 **Q. How is the increased DSIC cap shown in the Company's tariff?**

10 A. The revision to the *pro forma* tariff proposed in this Petition is reflected in the DSIC rider  
11 (Rider G) on page 43(d).

12 **Q. Why is UGI-CPG seeking an increase to the 5.0% DSIC cap?**

13 A. The Company is seeking to increase the DSIC cap in order to continue providing safe and  
14 reliable service to its customers through its aggressive accelerated repair and replacement  
15 program. This accelerated replacement program will allow UGI-CPG to meet its service  
16 obligations required by 66 Pa. C.S. § 1501. Increasing the DSIC cap is the best way to  
17 ensure the Company's financial stability so that it can continue addressing system repair  
18 and replacement, as opposed to undertaking a full base rate proceeding. As I will describe  
19 in greater detail in my testimony, increasing the DSIC cap will have a minimal impact on  
20 customer bills, will further the legislative and regulatory goals identified in Act 11 and by  
21 the Commission, will reduce administrative costs and burdens, and will continue to allow  
22 UGI-CPG to invest more than \$20 million per year in necessary infrastructure repair and  
23 replacement.

1 **Q. Are there any other utilities in Pennsylvania that have a DSIC cap above the 5% level**  
2 **established in 66 Pa. C.S. § 1358(a)?**

3 A. Many Pennsylvania water utilities have been granted DSICs with caps above 5.0% upon  
4 application to the Commission. In addition, Philadelphia Gas Works recently was allowed  
5 to increase its cap to 7.5% in an Order issued on January 28, 2016, at Docket No. P-2015-  
6 2501500.

7 **Q. Please describe Exhibit WJM-3.**

8 A. Exhibit WJM-3 is a schedule I prepared to show the projected quarterly DSIC filings for  
9 UGI-CPG, and how the granting of this Petition will impact the Company's use of the  
10 DSIC. Based on the Company's projections, UGI-CPG will exceed the current DSIC cap  
11 for the quarter beginning July 1, 2016. Without any increase, the DSIC will fail to  
12 recover more than \$9 million between July 1, 2016 and the end of the current LTIP  
13 period, which will be reflected in the DSIC in the quarter beginning January 1, 2019. In  
14 2016, alone, without an increase in the DSIC cap, UGI-CPG will forego more than  
15 \$500,000 worth of DSIC related revenue.

16 **Q. How did the Company determine the investment to be reflected in WJM-3?**

17 A. For 2016, we included the projects that have been included in this year's AAOP. The  
18 AAOP, which was filed on February 29, 2016, includes a list of projects and anticipated  
19 investment for the next LTIP year. I have included the 2016 AAOP as Exhibit WJM-4  
20 to this testimony. For the remaining two years of quarterly updates that are reflected in  
21 WJM-3, we used the projected investment that was included in the Modified LTIP, and  
22 divided that amount evenly across the calendar year. I would note that using the

1 Company's original LTIP projections for 2017 and 2018 would not alter my conclusion  
2 that an increase in the DSIC cap is necessary.

3 **Q. Could you describe briefly the investment in DSIC-eligible infrastructure that the**  
4 **Company is projecting?**

5 A. As described in the Modified LTIP, UGI-CPG is replacing a wide variety of  
6 infrastructure, including gas and transmission mains, valves, fittings, couplings, service  
7 lines, meter sets, regulator stations, city gates, as well as undertaking comprehensive  
8 reliability projects and addressing mandatory relocations on Pennsylvania Department of  
9 Transportation projects. The accelerated investment over the five year period covered by  
10 the LTIP is as follows:

Year	Investment (in millions)
2014	\$8.4 actual spend
2015	\$18.6 actual spend
2016	\$27.1 projected spend
2017	\$20.4 projected spend
2018	\$20.4 projected spend

11  
12 **Q. How does WJM-3 support your contention that the 5% DSIC cap is insufficient to**  
13 **recover the pre-tax return and depreciation on projected DSIC-eligible plant**  
14 **additions?**

15 A. Exhibit WJM-3 shows a number of different metrics that are important in showing that the  
16 5% DSIC cap is insufficient. First, the exhibit reflects our anticipated DSIC calculation on  
17 a quarterly basis. As you can see, under our current projections UGI-CPG will exceed the

1 5% DSIC cap as of the July 1, 2016 quarterly filing. The Company will also exceed a 10%  
2 DSIC cap well before the end of the current LTIP period. The second important metric  
3 that is displayed in this exhibit is the lost revenue associated with the unrecoverable dollars  
4 above the 5% DSIC cap. This is reflected on both a quarterly and an accruing basis.  
5 Simply stated, increasing the DSIC cap to 10% would allow UGI-CPG to extend its use of  
6 the DSIC to at least October 1, 2017. Without an increase, by October 1, 2017, UGI-CPG  
7 will have foregone approximately \$3 million worth of DSIC revenue. It is likely that this  
8 type of monetary loss would require UGI-CPG to support its infrastructure investments  
9 through a base rate proceeding. Importantly, even with an increase to 10%, UGI-CPG will  
10 only be able to fully utilize a DSIC to recover all eligible DSIC investment for 18 months  
11 before it once again exceeds the DSIC cap.

12 **Q. How would increasing UGI-CPG's DSIC cap to 10% impact the Company's ability**  
13 **to implement a DSIC?**

14 A. Increasing the DSIC cap to 10% would allow recovery of the pretax return and  
15 depreciation on 18 months of DSIC-eligible plant, at current projections of DSIC-eligible  
16 plant additions and the current allowed return on equity. The calculation supporting this  
17 can be seen in Exhibit WJM-3.

18 **Q. What impact, if any, will this have on customers' bills?**

19 A. As shown in Exhibit WJM-3, the increase in the DSIC cap will have a small impact on  
20 individual customers compared to what the Company would be allowed to charge under  
21 its current tariff with a 5% cap. For each 1% increase in the DSIC cap, customers will see  
22 a \$0.56 increase in their monthly bill.

1 **Q. What is the difference in customer bills for a 5% DSIC cap versus a 10% DSIC cap?**

2 A. Once UGI-CPG reaches the full 10% DSIC cap, which our projections show is likely by  
3 October 1, 2017, the difference between a customer's monthly bill at the 5% cap and a  
4 monthly bill at the 10% cap is \$2.80 per month.

5 **Q. Do you believe that the proposed increase to the DSIC cap is in the best interest of**  
6 **UGI-CPG's customers?**

7 A. Yes. As explained in the Modified LTIP, UGI-CPG is undertaking substantial  
8 replacement of its pipeline system, as well as other significant investment in system  
9 reliability. This replacement is critical to the continued provision of safe and reliable  
10 service, as required by 66 Pa. C.S. § 1501. The DSIC is vital to support the Company's  
11 efforts to undertake this replacement program. The Company has been able to accelerate  
12 investment so dramatically because it is able to receive a return on the capital it is  
13 investing without regulatory lag. UGI-CPG has also been able to address other  
14 operational needs that ensure reliable service. The Company is currently investing more  
15 than \$20 million per year in DSIC-eligible projects. This represents a 38.5% increase over  
16 the amount of investment in the baseline period of 2009 to 2011. The work being done to  
17 the system is ensuring that our customers receive safe and reliable service, both now and  
18 into the future, without the added expense and administrative burden associated with  
19 frequent base rate proceedings. The costs associated with compiling and prosecuting a  
20 full rate case – costs which are passed through to customers – can be significant. Because  
21 the impact on customers' bills is small, as I explained previously, the tremendous benefits  
22 associated with improved safety and reliability that will be accomplished as a result of the  
23 accelerated investment in DSIC-eligible plant is clearly in the public interest.



1 **Q. Does the proposed increase in the cap impact consumer protections?**

2 A. No. The DSIC tariff continues to provide sufficient customer safeguards in its structure.  
3 In addition to still having a ceiling on recovery of capital, which must be approved as just  
4 and reasonable by the Commission as part of this Petition, the tariff also continues to  
5 include the following safeguards: (1) annual reconciliations performed by the Company  
6 and reviewed by the Commission, (2) audits conducted by the Commission, (3) customer  
7 notice of any changes in the DSIC, and (4) a reset of the DSIC to zero if the Company's  
8 return in any quarter exceeds the return used to calculate the DSIC. The DSIC continues  
9 to balance consumer protections with the need to ensure that those same consumers  
10 receive safe and reliable service.

11 **Q. Why have you requested that the increased DSIC cap become effective July 1, 2016,**  
12 **subject to refund?**

13 A. The Company has requested that the Commission allow it to increase its DSIC cap  
14 immediately, subject to refund, because UGI-CPG's DSIC will exceed 5% of billed  
15 distribution revenues as of the next quarterly update, which will become effective on July  
16 1, 2016. Making the increase subject to refund ensures that the Commission and other  
17 parties will have a full opportunity to assess the justness and reasonableness of the  
18 Company's proposal, while allowing UGI-CPG to recover the full investment associated  
19 with DSIC eligible infrastructure replacement. The approach proposed by UGI-CPG is  
20 consistent with past Commission action in proceedings that involve charges subject to  
21 annual reconciliation. For instance, the Commission allowed many utilities to implement  
22 their DSIC mechanisms subject to refund while the case was assigned to the Office of

1 Administrative Law Judge for disposition. UGI-CPG believes that similar treatment is  
2 also appropriate in this context.

3 **Q. What impact will an effective date of July 1, 2016 have on customers' bills during the**  
4 **quarter from July 1 through August 31?**

5 A. The DSIC charge would be approximately \$0.43 higher per month per customer if UGI-  
6 CPG were allowed to exceed the 5% DSIC cap as of July 1. Therefore, the total  
7 difference for that quarter, on a per customer basis, is likely to be less than \$1.50 total.

8 **Q. Does that conclude your direct testimony?**

9 A. Yes it does.

**WJM-1**



UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> Street  
Suite 360  
PO Box 12677  
Reading, PA 19612-2677

610-796-3400

Paul J. Szykman  
Vice President - Rates & Government Relations  
Vice President & General Manager - Electric Utilities

March 21, 2016

**VIA FEDERAL EXPRESS**

Ms. Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: UGI Central Penn Gas, Inc.; Supplement No. 36 to CPG Gas – Pa. P.U.C. No. 4;  
Docket No. M-2016-\_\_\_\_\_;**

**April 1, 2016 Quarterly DSIC Filing**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of UGI Central Penn Gas, Inc. (the “Company”) is its April 1, 2016, quarterly Distribution System Improvement Charge (“DSIC”) rate filing, consisting of the enclosed tariff Supplement No. 36 and supporting schedules. Supplement No. 36 provides for a quarterly DSIC rate of 4.65% effective for customer bills rendered on and after April 1, 2016.

Copies of this filing have been provided per the attached Certificate of Service. Should you have any questions related to this filing, please contact Stephen Anzaldo, Director, Rates & Regulatory Planning, via e-mail at [sanzaldo@ugi.com](mailto:sanzaldo@ugi.com) or via phone at (610) 796-3528.

Respectfully yours,

  
Paul J. Szykman

Enclosures: Supplement No. 36 to CPG Gas – Pa. P.U.C. No. 4  
Supporting Schedules

cc: Certificate of Service

**CERTIFICATE OF SERVICE**

**UGI Central Penn Gas, Inc.**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

**VIA FIRST-CLASS MAIL**

Tanya J. McCloskey, Acting Consumer Advocate  
Erin L. Gannon  
Brandon J. Pierce  
Office of Consumer Advocate  
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Dennis Hosler, Director  
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Brian Shuey, Supervisor Harrisburg  
Bureau of Audits  
Commonwealth Keystone Building  
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P. O. Box 3265  
Harrisburg, PA 17105-3265

Date: March 21, 2016

  
\_\_\_\_\_  
Paul J. Szykman

**UGI CENTRAL PENN GAS, INC.**

**GAS TARIFF**

**INCLUDING THE GAS SERVICE TARIFF**

**AND**

**THE CHOICE SUPPLIER TARIFF**

Rates and Rules Governing the Furnishing of  
Natural Gas Service  
In  
The Territory Described Herein

Issued: March 21, 2016

Effective for bills rendered on and  
after April 1, 2016, in accordance  
with the Pennsylvania Public  
Utility Commission's Order entered  
September 11, 2014, at Docket No.  
P-2013-2398835.

Issued By:

Paul J. Szykman  
Vice President - Rates and Government Relations  
Vice President and General Manager - Electric Utilities  
2525 N. 12<sup>th</sup> Street, Suite 360  
Post Office Box 12677  
Reading, PA 19612-2677

<http://www.ugi.com/CPG/>

**NOTICE**

This tariff makes increases to existing rates. (See Page 2.)

LIST OF CHANGES MADE BY THIS SUPPLEMENT  
(Page Numbers Refer to Official Tariff)

Rider G, Distribution System Improvement Charge, Page 43(b)

- The System Improvement Charge is increased.

RULES AND REGULATIONS

14.C Rider G - DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to the net charges provided for in this Tariff, a charge of 4.65% will apply consistent with the Commission Order entered September 11, 2014, at Docket No. P-2013-2398835, approving the DSIC. (I)

14.C.1 Purpose. To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

14.C.2 Eligible Property.

The DSIC-eligible property will consist of the following:

- Piping, Couplings, Valves, Excess Flow Valves, Risers - Distribution & Transmission. (374, 376, 365, 367)
- Measuring & Regulator Stations - Distribution & Transmission (375, 378, 379, 366, 369, 370)
- Gas Service Lines and Insulated and Non-Insulated Fittings (378, 380)
- Meters, Meter Bars, Meter Installations (381, 382)
- House Regulators & Installations (383, 384)
- Industrial & Farm Tap Measuring & Regulator Station Equipment (385, 386)
- Miscellaneous Equipment and Material- Distribution & Transmission (387, 371)
- Equipment - Electronic Systems & Software (391)
- Vehicles, Power Equipment, Tools, Shop & Garage Equipment (392, 394, 396)
- Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities.
- Gathering lines (332)
- Storage lines (353)
- Other related capitalized costs.

14.C.3 Effective Date. The DSIC will become effective for bills rendered on and after October 1, 2014.

14.C.4 Computation of the DSIC. The initial DSIC, effective for bills rendered on and after October 1, 2014, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the rates or rate base and will have been placed in service between June 1, 2014 and August 31, 2014. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update.

(I) Indicates Increase



UGI Central Penn Gas, Inc.  
DSIC Computation  
DSIC Quarterly Update  
Effective April 1, 2016

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTRR}) + \text{Dep} + e}{\text{PQR}}$$

<u>Line</u>		<u>Annual</u>	<u>Quarterly</u>	<u>Source</u>
1	Distribution System Improvement Costs		\$ 28,406,527	Page 2
2	Less Accumulated Depreciation		\$ (415,911)	Page 2
3	DSI		\$ 27,990,616	Ln 1 + Ln 2
4	PTRR	Annual Pretax Rate of Return 11.97%		Page 3
5		Quarterly Pretax Rate of Return	2.99%	Ln 4 / 4
6	DSI x PTRR	Quarterly Capital Cost Recovery	\$ 837,940	Ln 3 * Ln 5
7		Annual Depreciation Expense \$ 580,985		Page 2
8	Dep	Quarterly Depreciation Expense	\$ 145,246	Ln 7 / 4
9	(DSI x PTRR) + Dep	Current Period Recoverable Cost Amount	\$ 983,186	Ln 6 + Ln 8
10		Over/(Under) Collection	\$ -	
11		Audit Adjustment	\$ -	
12		Interest Refundable	\$ -	
13		Prior Period "E" Factor Residual	\$ -	
14		Misc. Adjustments Refund/(Recoup)	\$ -	
15		Net "E" Factor Amount	\$ -	
16	e	Quarterly "E" Factor Amount	\$ -	Sum Lines 10 - 15
17	(DSI x PTRR)+Dep+e	Total DSIC Revenue Requirement	\$ 983,186	Ln 9 + Ln 16
18	PQR	Projected Quarterly Revenue	\$ 21,151,576	
19	DSIC	Distribution System Improvement Charge (DSIC)	4.65%	Ln 17 / Ln 18
20		<b>DSIC Effective April 1, 2016</b>	<b>4.65%</b>	

UGI Central Penn Gas, Inc.  
Depreciation on DSIC Eligible Property  
DSIC Quarterly Update  
Effective April 1, 2016

**Annual Depreciation**

Description	Depreciation Rate 1/	Beginning Balance 2/			Additions			Annual Depreciation
		Nov-15	Dec-15	Jan-16	Actual Dec-15	Actual Jan-16	Actual Feb-16	
Maints - Transmission	1.4%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Measuring & Regulating Equipment - Transmission	2.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mains - Distribution	1.8%	\$ 12,881,641	\$ 4,005,632	\$ 779,839	\$ 1,735,468	\$ 19,403,580	\$ 349,246	\$ -
Measuring & Regulating Equipment - General	2.8%	\$ 2,156,100	\$ 15,553	\$ 6,576	\$ 560	\$ 2,178,789	\$ 61,878	\$ -
Measuring & Regulating Equipment - City Gate Services	1.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Meters	2.3%	\$ 3,877,780	\$ 638,185	\$ 83,585	\$ 167,100	\$ 4,766,650	\$ 110,110	\$ -
Meter Installations	2.6%	\$ 423,017	\$ -	\$ 20,773	\$ 62,447	\$ 506,237	\$ 13,162	\$ -
House Regulators	2.0%	\$ 816,949	\$ 72,061	\$ 22,458	\$ 64,237	\$ 975,705	\$ 19,221	\$ -
House Regulator Installations	2.6%	\$ 19,512	\$ -	\$ -	\$ -	\$ 19,512	\$ 503	\$ -
Industrial Measuring & Regulating Equipment	2.6%	\$ 2,084	\$ -	\$ -	\$ -	\$ 2,084	\$ 53	\$ -
Tools, Shop & Garage Equipment	2.9%	\$ 109,531	\$ 12,411	\$ 89	\$ -	\$ 122,031	\$ 3,527	\$ -
System Development Costs	4.4%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storage & Gathering Lines	6.7%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communication Equipment	0.0%	\$ 226,535	\$ 192,343	\$ 13,112	\$ -	\$ -	\$ -	\$ -
Land	5.4%	\$ -	\$ -	\$ -	\$ -	\$ 431,990	\$ 23,284	\$ -
Other	0.0%	\$ 949	\$ -	\$ -	\$ -	\$ 949	\$ -	\$ -
	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	0.0%	\$ 20,514,098	\$ 4,936,185	\$ 926,432	\$ 2,029,812	\$ 28,406,527	\$ 580,985	\$ -

**Accumulated Depreciation 3/**

Description	Depreciation Rate 1/	Beginning Balance 2/			Additions			Total
		Nov-15	Dec-15	Jan-16	Actual Dec-15	Actual Jan-16	Actual Feb-16	
Maints - Transmission	1.4%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Measuring & Regulating Equipment - Transmission	2.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mains	1.8%	\$ 57,967	\$ 18,025	\$ 2,340	\$ 2,603	\$ 80,935	\$ 15,450	\$ -
Measuring & Regulating Equipment - General	2.8%	\$ 15,308	\$ 110	\$ 31	\$ 1	\$ -	\$ -	\$ -
Measuring & Regulating Equipment - City Gate Services	1.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Meters	2.3%	\$ 22,394	\$ 3,686	\$ 322	\$ 322	\$ 26,724	\$ 2,975	\$ -
Meter Installations	2.6%	\$ 2,750	\$ -	\$ 90	\$ 135	\$ 126	\$ 4,557	\$ -
House Regulators	2.0%	\$ 4,023	\$ 355	\$ 74	\$ 105	\$ 126	\$ 881	\$ -
House Regulator Installations	2.6%	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -
Industrial Measuring & Regulating Equipment	2.9%	\$ 791	\$ 90	\$ -	\$ -	\$ -	\$ -	\$ -
Tools, Shop & Garage Equipment	4.4%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System Development Costs	6.7%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storage & Gathering Lines	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communication Equipment	5.4%	\$ 3,053	\$ 2,592	\$ 118	\$ -	\$ 5,763	\$ -	\$ -
Land	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation		\$ 106,426	\$ 24,858	\$ 2,975	\$ 3,166	\$ 137,425	\$ 278,486	\$ 415,911

January 1, 2016 Quarterly DSIC Filing Accumulated Depreciation \$ 278,486 4/

Total Accumulated Depreciation \$ 415,911

1/ See Docket No. R-2010-2214415

2/ Reflects eligible plant placed into service between June 1, 2014 through November 30, 2015

3/ The current quarter's calculated accumulated depreciation is equal to 3 months of depreciation of the beginning balance property, 3 months of depreciation of property placed into service in December, 2 months of depreciation of property placed into service in January and 1 month of depreciation of property placed into service in February. Consistent with the Commission's September 11, 2014 Order at Docket No. P-2013-2398835, the current quarter's calculated accumulated depreciation is added to the prior quarters' calculated accumulated depreciation to determine the total accumulated depreciation amount.

4/ Reflects removal of \$83,443 of costs associated with the Smallworld Geographic Information System ("GIS") software included in the DSIC in September 2014, consistent with the Joint Petition for Settlement of All Issues approved by the Commission at Docket No. P-2013-2398835.

UGI Central Penn Gas, Inc.  
Weighted Cost of Capital  
DSIC Quarterly Update  
Effective April 1, 2016

	Capital Structure	Cost Rate	Weighted Average Cost Rates	Tax Multiplier	Pre-Tax Rate of Return
Long Term Debt 1/	42.18%	4.96%	2.09%	-	2.09%
Common Equity	57.82%	10.00%	5.78%	1.7092	9.88%
	100.00%				11.97%

Note: In compliance with the Commission's September 11, 2014 Order, at Docket No. P-2013-2398835, the cost rate of debt reflects the Company's actual cost of long term debt as of March 1, 2016. The equity cost rate is from the Bureau of Technical Utility Services' Report on the Quarterly Earnings of Jurisdictional Utilities for the period ended September 30, 2015 (3rd Quarter Report), at Docket No. M-2016-2522717. The tax multiplier is calculated as follows:  $1 / ((1 - \text{PA Tax Rate}) \times (1 - \text{Fed. Tax Rate}))$  where the PA Tax Rate is 9.99% and the Fed. Tax Rate is 35.00%.

1/ Refer to page 4 of 4 for detail.

UGI Central Penn Gas, Inc.  
Capital Structure and Debt Components  
DSIC Quarterly Update  
Effective April 1, 2016

	Balance as of 3/01/16	% of Total Capitalization	Cost Rate	Weighted Average Cost Rates	Tax Multiplier	Pre-tax Return
Debt	688,372,000	42.18%	4.96%	2.09%		2.09%
Common Equity	943,613,043	57.82%	10.00%	5.78%	1.7092	9.88%
Total Capitalization	\$ 1,631,985,043	100.00%		7.87%		11.97%

	Effective Cost Rate	Balance as of 3/01/16	Cost of Debt as of 3/01/16
Long Term Note, Tranche 1	5.36%	-	-
Long Term Note, Tranche 2	7.43%	-	-
Long Term Note, Tranche 3	6.19%	-	-
Long Term Note, Tranche 4	5.89%	20,000,000	1,178,000
Long Term Note, Tranche 5	7.30%	20,000,000	1,460,000
Long Term Note, Tranche 6	5.73%	20,000,000	1,146,000
Long Term Note, Tranche 7	6.54%	20,000,000	1,308,000
Long Term Note, Tranche 8	6.18%	20,000,000	1,236,000
Long Term Note, Tranche 9	6.22%	175,000,000	10,885,000
Long Term Note, Tranche 10	6.26%	100,000,000	6,260,000
Long Term Note, Tranche 11	5.06%	175,000,000	8,855,000
Revolver Facility*	1.31%	138,372,000	1,813,019
		\$ 688,372,000	\$ 34,141,019

Weighted Cost of L/T Debt

4.96%

**WJM-2**

**UGI CENTRAL PENN GAS, INC.**

**GAS TARIFF**

**INCLUDING THE GAS SERVICE TARIFF**

**AND**

**THE CHOICE SUPPLIER TARIFF**

Rates and Rules Governing the Furnishing of  
Natural Gas Service  
In  
The Territory Described Herein

Issued:

Issued By:

Paul J. Szykman  
Vice President - Rates and Government Relations  
Vice President and General Manager - Electric Utilities  
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Post Office Box 12677  
Reading, PA 19612-2677

<http://www.ugi.com/CPG/>

**NOTICE**

This tariff makes changes to existing rates. (See Page 2.)

**LIST OF CHANGES MADE BY THIS SUPPLEMENT**  
(Page Numbers Refer to Official Tariff)

Rider G, Distribution System Improvement Charge, Page 43(d)

- The DSIC CAP is changed to 10%.

RULES AND REGULATIONS

**14.C Rider G - DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (cont'd) (C)**

Dep = Depreciation expenses related to DSIC-eligible property.

e = Amount calculated under the annual reconciliation feature or Commission audit, as described below.

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period.

Revenues will be determined as one-fourth (1/4) of projected annual revenues as determined in accordance with 14.C.8.5.

14.C.7 Quarterly Updates. Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Audits, Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

14.C.8 Customer Safeguards.

1. Cap: The DSIC is capped at 10.0% of the amount billed to customers for (C) distribution service (including all applicable clauses and riders) as determined on an annualized basis.
2. Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. § 1350, et seq., shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. § 101, et seq.) and will be refunded in the same manner as an over-collection.
3. New Base Rates: The DSIC will be reset to zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
4. Customer Notice: An explanatory bill insert shall be included with the first billing following the effective date of the initial Distribution System Improvement Charge. Customers shall be notified of subsequent changes in the DSIC by including appropriate information on the first bill they receive following any change.

(C) Indicates Change



**WJM-3**

**UGI CENTAL PENN GAS, INC.**  
**Current /Projected DSIC Surcharges & Related Impacts**  
**April 1, 2016 -- January 1, 2019**

EXHIBIT WJM-3

	Effective Apr-16	Effective Jul-16	Effective Oct-16	Effective Jan-17	Effective Apr-17	Effective Jul-17	Effective Oct-17	Effective Jan-18	Effective Apr-18	Effective Jul-18	Effective Oct-18	Effective Jan-19
Annual Budget	28,406,527	27,093,693	27,093,693	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000
Quarterly Budget	7,101,632	6,773,423	6,773,423	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Quarterly Revenue Requirement	278,418	237,070	237,070	178,500	178,500	178,500	178,500	178,500	178,500	178,500	178,500	178,500
DSIC Revenue Requirement	<u>983,186</u>	<u>1,220,256</u>	<u>1,457,326</u>	<u>1,635,826</u>	<u>1,814,326</u>	<u>1,992,826</u>	<u>2,171,326</u>	<u>2,349,826</u>	<u>2,528,326</u>	<u>2,706,826</u>	<u>2,885,326</u>	<u>3,063,826</u>
Quarterly Revenue	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576	21,151,576
DSIC % (Cap Proposed at 10%)	4.65%	5.77%	6.89%	7.73%	8.58%	9.42%	10.27%	11.11%	11.95%	12.80%	13.64%	14.49%
Average RH Non-PGC Monthly Bill	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08	\$ 56.08
Average DSIC Impact per Monthly RH Bill Based on 10% Cap	\$ 2.61	\$ 3.24	\$ 3.86	\$ 4.34	\$ 4.81	\$ 5.28	\$ 5.61	\$ 5.61	\$ 5.61	\$ 5.61	\$ 5.61	\$ 5.61
Foregone DSIC Recovery (Quarter) 1/,2/	\$ -	\$ 162,677	\$ 399,747	\$ 578,247	\$ 756,747	\$ 935,247	\$ 1,057,579	\$ 1,057,579	\$ 1,057,579	\$ 1,057,579	\$ 1,057,579	\$ 1,057,579
Foregone DSIC Recovery (Cumulative) 1/,2/	\$ -	\$ 162,677	\$ 562,424	\$ 1,140,671	\$ 1,897,418	\$ 2,832,664	\$ 3,890,243	\$ 4,947,822	\$ 6,005,401	\$ 7,062,980	\$ 8,120,558	\$ 9,178,137
Percent Over 5% Cap		0.77%	1.89%	2.73%	3.58%	4.42%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
RH Non-PGC Bill impact for > 5% Cap	\$	\$ 0.43	\$ 1.06	\$ 1.53	\$ 2.01	\$ 2.48	\$ 2.80	\$ 2.80	\$ 2.80	\$ 2.80	\$ 2.80	\$ 2.80

1/ Foregone DSIC Revenue reflects DSIC eligible spend above the 5% DSIC cap which will not be recovered through the DSIC unless this Petition is approved.

2/ Foregone Revenue is capped at 10% of billed distribution revenues, consistent with the Company's Proposal. The highlighted cells reflect those quarters that are limited by the 10% DSIC Cap.

**WJM-4**



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Jessica R. Rogers

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File #: 153583

February 29, 2016

***VIA ELECTRONIC FILING***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

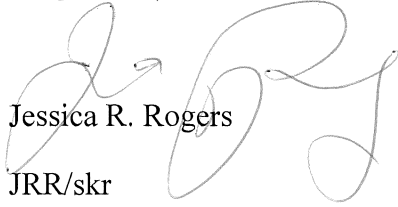
**Re: UGI Central Penn Gas, Inc.  
Annual Asset Optimization Plan  
Docket No. M-2016-**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of UGI Central Penn Gas, Inc. is the Annual Asset Optimization Plan.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

  
Jessica R. Rogers

JRR/skr  
Enclosures

cc: Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

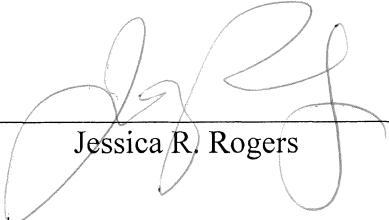
**VIA FIRST CLASS MAIL**

Erin L. Gannon  
Brandon J. Pierce  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Richard A. Kanaskie  
Bureau of Investigation & Enforcement  
PO Box 3265  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
Harrisburg, PA 17105-3265

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

Date: February 29, 2016



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Jessica R. Rogers

UGI CENTRAL PENN GAS, INC.

2015-2016  
Annual Asset Optimization Plan

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Docket No. M-2016-

**2/29/2016**

**UGI Central Penn Gas, Inc.**  
**2015-2016 Annual Asset Optimization Plan**

UGI Central Penn Gas, Inc. (“UGI-CPG” or the “Company”) hereby submits to the Pennsylvania Public Utility Commission (“Commission”) its 2015-2016 Annual Asset Optimization Plan (“2015-2016 AAOP”) in connection with the Company’s 2014-2018 Long-Term Infrastructure Improvement Plan approved by the Commission in its Order entered September 11, 2014, at Docket No. P-2013-2398835 (“LTIP” or “Plan”). This 2015-2016 AAOP provides a description of: (1) the eligible property repaired, improved and replaced in the Plan’s 12-month period, January 1, 2015 through December 31, 2015; and (2) the eligible property to be repaired, improved and replaced in the Plan’s upcoming 12-month period, January 1, 2016 through December 31, 2016. As discussed in more detail below, this 2015-2016 AAOP demonstrates that over the above-referenced timeframes, UGI-CPG and its affiliates UGI Utilities, Inc. – Gas Division (“UGI-GD”)<sup>1</sup> and UGI Penn Natural Gas, Inc. (“UGI-PNG”)<sup>2</sup> (collectively, the “UGI Distribution Companies” or “Companies”) have exceeded their combined mileage replacement goals and have exceeded their Plans’ anticipated capital expenditures due to an emphasis on system reliability improvements and increased expenditures related to service replacements and mandated relocations of utility facilities.

Concurrent with this 2015-2016 AAOP, UGI-CPG is filing a petition for approval of a major modification to its LTIP pursuant to 66 Pa.C.S. § 1352 and 52 Pa. Code § 121.5(a).

**I. Background**

Act 11 of 2012 (“Act 11”) became effective on February 14, 2012 and, among other things, authorized the Commission to approve a distribution system improvement charge (“DSIC”) upon petition by a public utility to recover the utility’s reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility’s distribution system. As a precondition to implementing a DSIC under Act 11, a utility is required to receive Commission approval of a LTIP that is consistent with the provisions of Section 1352 and the Commission’s implementing orders.

On August 2, 2012, the Commission entered its Final Implementation Order at Docket No. M-2012-2293611 (“Final Implementation Order”), which established procedures and guidelines implementing Act 11. The Final Implementation Order adopted the requirements established in Section 1352 of the Public Utility Code while providing additional standards that LTIPs must meet and guidance to utilities for meeting the Commission’s standards. In the Final Implementation Order, the Commission noted that a utility’s AAOP is intended to provide the Commission and the public an overall status report regarding a utility’s compliance and progress

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<sup>1</sup> UGI-GD’s LTIP was approved in an Opinion and Order entered on July 31, 2014 at Docket No. P-2013-2398833

<sup>2</sup> UGI-PNG’s LTIP was approved in an Opinion and Order entered on September 11, 2014 at Docket No. P-2013-2397056.

in making infrastructure improvements pursuant to its Commission-approved LTIP. The Commission further stated in the Final Implementation Order that it expects a utility's AAOP to identify a utility's near-term construction projects that will be funded by the DSIC, consistent with the LTIP.

On May 22, 2014, the Commission entered its Final Rulemaking Order at Docket No. L-2012-2317274 ("Final Rulemaking Order"), establishing procedures and criteria for the filing and subsequent periodic review of LTIPs. Section 121.6 of the Final Rulemaking Order included required elements of and procedures for filing AAOPs, providing, in pertinent part:

- A utility with an approved DSIC must file an AAOP with the Commission, for informational purposes, on an annual basis within 60 days of the end of each 12-month period of the utility's LTIP;
- A utility's AAOP must include: (1) a description that specifies all the eligible property repaired, improved and replaced in the prior 12-month period under the utility's LTIP and prior year's AAOP, and (2) a description of the eligible property to be repaired, improved and replaced in the upcoming 12-month period;
- An AAOP will be reviewed by the Commission only to determine whether the utility is in substantial compliance with the repairs, improvements and/or replacements of the specific eligible property in its approved LTIP, for the corresponding 12-month timeframes; and
- An AAOP will be deemed approved within 60 days of its submission to the Commission, absent any major modifications to the utility's LTIP, Commission rejection of the AAOP or Commission extension of the consideration period.

Pursuant to the provisions of Act 11 and the Final Implementation Order, UGI-CPG filed a Petition for approval of its LTIP and DSIC on December 12, 2013, which was approved by the Commission on September 11, 2014. UGI-CPG's initial DSIC subsequently took effect on October 1, 2014.

This 2015-2016 AAOP is the second annual update under UGI-CPG's LTIP, which addresses the required elements for the Plan's 12-month period from January 1, 2015 through December 31, 2015, and the Plan's upcoming 12-month period from January 1, 2016 through December 31, 2016. This second AAOP demonstrates, in accordance with the Final Rulemaking Order, that the Company's performance meets or exceeds the overall schedule of repairs, improvements or replacements of the specific eligible property in its approved Plan for the corresponding 12-month timeframes. UGI-CPG is also providing the Company's capital placed in service and mileage replaced during the first two years of its LTIP.



## **II. Description of Eligible Property Repaired, Improved and Replaced in the 12-Month Period: January 1, 2015 through December 31, 2015**

As described in the Companies' LTIPs, the UGI Distribution Companies estimated the replacement of approximately 62 miles of cast iron and bare steel mains across the UGI Distribution Companies' service territories in 2015. As stated in each of the Companies' 2014-2015 AAOPs, the 2015 replacement plan for UGI-CPG included replacement of approximately 15<sup>3</sup> miles of combined cast iron and bare steel mains; for UGI-GD, the 2015 replacement plan included approximately 33 miles of combined cast iron and bare steel mains; and for UGI-PNG the 2015 replacement plan included approximately 14 miles of combined cast iron and bare steel mains. A specific list of planned DSIC-eligible main replacement projects was included as Appendix A to the UGI-CPG AAOP filed on February 27, 2015.

As stated in the LTIP, the amount of the annual UGI Distribution Companies' 62 mile main replacement plan allocated to each UGI Distribution Company will vary as risks are annually re-evaluated and re-prioritized across all UGI Distribution Companies. An annual review is performed to identify the highest risk pipe segments and prioritize those replacements each year. Risks are also re-evaluated over the course of the year as new information becomes available. This approach is consistent with the UGI Distribution Companies' Transmission Integrity Management Program ("TIMP") and Distribution Integrity Management Program ("DIMP") filed in accordance with Subpart P of 49 CFR Part 192.

In total, the UGI Distribution Companies exceeded LTIP plans by replacing 67 miles of cast iron, bare steel and wrought iron mains in the calendar year ended December 31, 2015. UGI-CPG exceeded its individual main replacement goals by replacing 20.6 miles of cast iron, bare steel and wrought iron mains to comply with the Companies' re-evaluation and reprioritization of risk across all UGI Distribution Companies.

The tables below provide a summary of the mains replaced by all UGI Distribution Companies and the detail of mileage replaced at UGI-CPG.

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<sup>3</sup> UGI-CPG's 2015 replacement plan specifically included replacement of approximately 15 miles of cast iron and bare steel mains with anticipation that UGI-CPG will replace an average of 17 miles per year of combined cast iron and bare steel mains over the span of the LTIP.

**Table 1.**

<b>UGI Distribution Companies Main Replacement Quantities</b>			
	LTIP 2015 Planned Cast Iron, Bare Steel & Wrought Iron Pipe Replacement Quantity (Miles)	Calendar Year 2015 Planned Cast Iron, Bare Steel & Wrought Iron Pipe Replacement Quantity (Miles)	Calendar Year 2015 Actual Cast Iron, Bare Steel & Wrought Iron Pipe Replacement Quantity (Miles)
UGI-CPG	17.0 <sup>4</sup>	15.0	19.4
UGI-GD	33.0	33.0	30.4
UGI-PNG	12.0	14.0	17.6
<u>Total UGI Companies</u>	<u>62.0</u> <sup>5</sup>	<u>62.0</u>	<u>67.4</u>

**Table 2.**

<b>UGI-CPG Pipe Replacement Detail</b>	
Material	Mileage Replaced
Bare Steel & Wrought Iron	16.4
Cast Iron	3.0
<u>Total</u>	<u>19.4</u>

Attached hereto as **Appendix A** is a list of DSIC-eligible main replacement projects that were completed during 2015 at UGI-CPG.

DSIC-eligible capital placed into service at UGI-CPG in calendar year 2015 was \$18.6 million. The investment placed into service is reflected in Table 3, below. Table 4 below enumerates the capital spend by asset type. It should be noted that total LTIP expenditures exceeded the amounts reported below, however only those projects closed and placed into service for DSIC calculation purposes are shown.

**Table 3.**

<b>UGI Companies DSIC-Eligible Capital Placed in Service Calendar 2015</b>			
	LTIP 2015 Planned Capital <sup>6</sup> (\$Millions)	Calendar Year 2015 Planned Capital (\$Millions)	Calendar Year 2015 Capital Placed in Service (\$Millions) <sup>7</sup>
UGI-CPG	\$13.5	\$20.4	\$18.6
UGI-GD	\$51.2	\$52.1	\$62.5
UGI-PNG	\$22.9	\$24.8	\$27.1
<u>Total UGI Companies</u>	<u>\$87.6</u>	<u>\$97.3</u>	<u>\$108.20</u>

<sup>4</sup> See note 3 above.

<sup>5</sup> The total 62 miles takes into account UGI-CPG's replacement plan of an average of 17 miles per year of cast iron and bare steel over the span of the LTTIP.

<sup>6</sup> At the time of submitting its LTIP Petition in December 2013, projected LTIP annual expenditures and related project lists were provided based on the Company's fiscal year, October 1st through September 30th, due to the Company's use of its fiscal year for capital budgeting purposes.

<sup>7</sup> Actual LTIP expenditures are shown based on the calendar year ended December 31, 2015 to be consistent with the Company's 2015 mileage replacement commitments as expressed on a calendar year basis.

**Table 4.**

<b>UGI-CPG DSIC-Eligible Capital Placed into Service Detail Calendar 2015</b>		
Budget Group	Budget Group Description	Calendar Year 2015 Capital Placed in Service
58M	Replacement-Services	3,415,323
45M	Replacement-Cast Iron	1,748,642
41M	Replacement-Leaks	5,395,309
43M	Replacement-Ahead of Paving	983,340
44M	Replacement-Other	1,848,578
51M	Maintenance-Meters	290,486
09O	M & R Station Equipment	986,742
12O	System Reliability Improvements	2,073,518
52M	Replacement-Meter Installation	410,236
11O	Corrosion Control	315,363
01O	Misc-Plant Equipment	1,180,411
<u>Total</u>		<u>18,647,948</u>

**III. Description of Capital Placed in Service and Pipe Replacement Quantities in the Initial 2 Year Period of the 5 Year LTIP: January 1, 2014 – December 31, 2015**

Though not required to be provided in the AAOP, the Companies are providing the information in Table 5 to demonstrate cumulative capital placed in service and pipe replacement mileage for the first two years of the Plan.

**Table 5.**

<b>UGI Companies Cumulative Replacements Under LTIP</b>		
	Cumulative 2014 and 2015 Capital Placed in Service (\$Millions) <sup>8</sup>	Cumulative 2014 and 2015 Actual Cast Iron, Bare Steel & Wrought Iron Pipe Replacement Quantity (Miles)
UGI-CPG	\$27.0	32.4
UGI-GD	\$121.5	70.8
UGI-PNG	\$53.2	26.8
<u>Total UGI Companies</u>	<u>\$201.7</u>	<u>130.0</u>

<sup>8</sup> The totals reflected in this table include all LTIP projects completed and placed in service between January 1, 2014 and December 31, 2015.

**IV. Description of Eligible Property To Be Repaired, Improved and Replaced in the Upcoming 12-Month Period: January 1, 2016 – December 31, 2016**

In calendar year ending December 31, 2016, approximately 64 miles or more of cast iron, bare steel and wrought iron main are estimated to be replaced across all UGI Distribution Companies. For UGI-CPG, the 2016 replacement plan will include approximately 17 miles of cast iron, bare steel and wrought iron mains. These estimates are subject to change based on the UGI Distribution Companies’ process for the annual re-evaluation and re-prioritization of projects across all UGI Distribution Companies. The estimated DSIC-eligible capital spend at UGI-CPG in 2016 is \$27.1 million.

**Table 6.**

<b>UGI Companies Main Replacement Quantities</b>		
	<u>LTIP Plan Cast Iron, Bare Steel &amp; Wrought Iron Pipe Replacement Quantity (Miles)</u>	<u>Calendar Year 2016 Cast Iron, Bare Steel &amp; Wrought Iron Pipe Replacement Plan (Miles)</u>
UGI-CPG	17	17
UGI-GD	33	33
UGI-PNG	12	14
<u>Total UGI Companies</u>	<u>62</u>	<u>64</u>

Attached hereto in **Appendix B** is a list of DSIC-eligible main replacement projects that are planned during 2016 at UGI-CPG.

**Table 7.**

<b>UGI Companies DSIC Eligible Capital Planned Calendar 2016</b>		
	<u>LTIP 2016 Plan Capital (\$Millions)</u>	<u>Calendar Year 2016 Plan Capital (\$Millions)<sup>9</sup></u>
UGI-CPG	\$14.0	\$27.1
UGI-GD	\$51.2	\$92.9
UGI-PNG	\$22.9	\$35.9
<u>Total UGI Companies</u>	<u>\$88.1</u>	<u>\$155.9</u>

**V. Major Modification**

As reported in the UGI-CPG 2015-2016 AAOP, UGI-CPG has exceeded the DSIC-eligible capital placed in service that was originally projected for the first two years of its LTIP. UGI-CPG initially anticipated annual DSIC-eligible capital spending of \$11 million and \$13.5

<sup>9</sup> The UGI Distribution Companies budget for capital expenditures on a fiscal year basis. The Companies’ 2016 fiscal year ends September 30, 2016. However, planned future capital expenditures are expected to keep pace with fiscal year 2016 budgeted expenditures, so the calendar year 2016 Plan capital is expected to match fiscal year capital planning.

million per year for the first two years of the LTIP, which would have equated to \$24.5 million in actual capital spend for the first two years of the LTIP. However, as indicated in Table 5, UGI-CPG has placed in service \$27.1 million of DSIC-eligible capital from January 1, 2014 to December 31, 2015. In addition, as shown in Table 7, UGI-CPG projects a significant increase above the \$14.0 million identified in the LTIP for 2016.

UGI-CPG's actual and projected DSIC-eligible capital investment for 2014 through 2018 will increase the total estimated cost of the LTIP by more than 20%. Therefore, pursuant to 66 Pa.C.S. § 1352 and 52 Pa. Code § 121.5(a), UGI-CPG is concurrently filing a *Petition of UGI Central Penn Gas Inc. – Gas Division for Approval of a Modification to its Long Term Infrastructure Improvement Plan* (“Petition”).

As more fully described in the Petition, the projects driving UGI-CPG to exceed its LTIP investment projections are in three primary categories: (1) system reliability improvements; (2) service replacements; and (3) mandated relocations of utility facilities. A list of these projects is attached hereto as **Appendix C**. These project categories have little to no impact on the Company's achievement of its LTIP cast iron and bare steel mileage replacement commitments. However, as described more fully in the Petition, increased spending on these categories of projects is required to ensure system reliability for UGI-CPG's customers, to meet operational needs, and to comply with legislative and regulatory mandates.

Appendix A  
Cast Iron, Bare Steel, Wrought Iron  
Replacement Projects Placed in Service  
Calendar Year Ended December 31, 2015

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT	TOTAL PIPE (BS, CI, WI)	RETIRED PIPE SIZE	INSTALLED PIPE SIZE
Honeysuckle Lane, 000	0	5,017	5,017	2&4	2
Route 249, 0	0	4,690	4,690	2	2
N 9th Street, 1000-1200	0	4,618	4,618	4	4
Mainesburg Road, 0	0	4,500	4,500	2	2
Blairs Corner Road, 000	0	4,485	4,485	2&4	4
King Street, 000	0	4,267	4,267	4	1.25&2
Butler Street, 000	2,284	1,692	3,976	3&4	2&4
S Courtland Street, 100	2,539	1,389	3,928	4	2
Balsam Road, 000	0	3,548	3,548	4	4
Warner Road, 0	0	3,500	3,500	4	4
Pigeon Hill Road, 0	0	3,034	3,034	2	2
State Route 549, 000	0	2,909	2,909	3&4	4
Vine Street, 000	2,051	677	2,728	1.25	2
Route 249, 0	0	2,708	2,708	2	4
Cartee Street, 000	0	2,515	2,515	2&3	4
W Main Street, 000	0	2,436	2,436	2&4	2

Appendix A  
Cast Iron, Bare Steel, Wrought Iron  
Replacement Projects Placed in Service  
Calendar Year Ended December 31, 2015

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT	TOTAL PIPE (BS, CI, WI)	RETIRED PIPE SIZE	INSTALLED PIPE SIZE
Digel Hollow Road, 0	0	2,391	2,391	2	2
State Route 3001, 000	0	2,387	2,387	2	2
5th Avenue, 0	0	2,360	2,360	4	N/A
Lancaster Pike, 300	0	1,873	1,873	4	6
William Street, 0	0	1,707	1,707	2	4
Lancaster Ave At Route 1, 100	0	1,613	1,613	4	8
Tennessee Road, 0	0	1,596	1,596	2	4
Main Street, 000	0	1,460	1,460	2	2
Hilbolt Road, 0	0	1,378	1,378	2	2
E Dewert Street, 300-600	1,284	0	1,284	4	4
Mac Road, 0	0	1,215	1,215	2	2
Clayton Avenue, 100-200	1,173	0	1,173	3&4	2
Blanket Project	0	1,170	1,170	Various	Various
Market Street, 1600	1,087	0	1,087	8	2
Lackawanna Avenue, 100-300	1,081	0	1,081	4	2
North Road, 0	0	1,044	1,044	2	2

Appendix A  
Cast Iron, Bare Steel, Wrought Iron  
Replacement Projects Placed in Service  
Calendar Year Ended December 31, 2015

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT	TOTAL PIPE (BS, CI, WI)	RETIRED PIPE SIZE	INSTALLED PIPE SIZE
Port Clinton Avenue, 000	700	270	970	4	4
Roseto Avenue, 500-600	0	954	954	2, 3 & 4	1.25 & 2
Pine City Road, 0	0	948	948	2	N/A
Washington Street, 300-400	933	0	933	6	4
W Arch St And 100blk N 8th Street, 000-100	920	0	920	10	8
State Route 549-015, 0	0	864	864	4	4
State Route 0006, 000	0	775	775	3&6	4&6
Owens Road, 0	0	737	737	1.25	2
E Washington Street, 000	0	699	699	4	4
Maple Drive, 0	0	676	676	2	N/A
W Cherry Street, 400	0	644	644	2&4	6
State Route 0058, 0	0	630	630	4	4
Granger Street, 0	0	600	600	4	4
Chestnut Street, 100	591	0	591	4	4
Route 6, 0	0	560	560	4	4
Route 6, 0	0	522	522	2	2



Appendix A  
Cast Iron, Bare Steel, Wrought Iron  
Replacement Projects Placed in Service  
Calendar Year Ended December 31, 2015

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT	TOTAL PIPE (BS, CI, WI)	RETIRED PIPE SIZE	INSTALLED PIPE SIZE
Webster Street, 000	0	425	425	3	4
N 8th St Arch To Chestnut Street, 000	390	0	390	6	4
Follette Drive, 0	0	380	380	2	N/A
Route 62, 0	0	350	350	1.25&2	2
Beech Street, 0	0	340	340	4	4
Bear Creek Road	0	300	300	2	N/A
13th Street Mifflin To Moore Street, 400	0	275	275	4	6
S Washington St At Academia Street, 000	0	268	268	4	2
N Maple Street 2nd To 3rd Street, 100	265	0	265	4	6
Beech Street, 100	0	232	232	3	2
Bodine Street, 0	0	220	220	3	2
W Laurel Street, 100	220	0	220	3-Jan	4
Promise Lane, 0	0	220	220	4	4

Appendix A  
Cast Iron, Bare Steel, Wrought Iron  
Replacement Projects Placed in Service  
Calendar Year Ended December 31, 2015

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT	TOTAL PIPE (BS, CI, WI)	RETIRED PIPE SIZE	INSTALLED PIPE SIZE
W Gowen Street 1st To 2nd Street, 700	0	208	208	2	N/A
Fellows Avenue, 0	0	200	200	3	4
State Route 46, 0	0	200	200	2-Jan	2
W 6th Street Vine To Banana Street, 200	185	10	195	4	4
Route 249, 0	0	188	188	2	4
Elk Run Road, 0	0	186	186	2	2
Rianaman Road, 0	0	185	185	2	N/A
Thompson Hill Road, 0	0	175	175	2	2
E Main Street, 0	0	160	160	1.25	4
McCracken Road, 0	0	160	160	2	2
Route 349, 0	0	160	160	4	4
Roberts Road, 0	0	150	150	2	2
Plaza Lane, 100	0	147	147	2-Jan	2
Chestnut Street, 100	128	0	128	4	6

Appendix A  
 Cast Iron, Bare Steel, Wrought Iron  
 Replacement Projects Placed in Service  
 Calendar Year Ended December 31, 2015

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT	TOTAL PIPE (BS, CI, WI)	RETIRED PIPE SIZE	INSTALLED PIPE SIZE
Iron Street, 500-900	0	110	110	3	4
Ritts Farm Road, 0	0	85	85	3	3
Railroad Street, 0	0	80	80	3	4
4th Street, 0	0	55	55	4&6	4
State Route 660, 0	0	50	50	2	2
7th Street, 0	0	27	27	4	4

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT IRON (FT)	TOTAL PIPE (BS, CI, WI) ABANDONED (FT.)	RETIRED PIPE SIZE (IN)	INSTALLED PIPE SIZE (IN)
State Route 49, 000	0	4,856	4,856	2	2
Pine Terrace Trailer Court, 000	0	3,935	3,935	3	2
White Street, 900	0	3,455	3,455	3&4	2
Mealy Road, 000	0	3,376	3,376	3	4
McWharton Road, 000	0	3,124	3,124	2	2
Gulick Street, 000	0	3,054	3,054	2&4	2
State Route 15, 000	0	2,700	2,700	14	12
Race Street, 300	0	2,343	2,343	1.25, 2& 3	2
Saint Clair Street, 0	0	2,207	2,207	2.5	1.25&2
Mauch Chunk Street, 00	0	2,101	2,101	3.5	6
Pearl Street, 000	0	2,017	2,017	3	2
Coons Crossing, 000	0	1,891	1,891	2	2
N Maple Avenue, 000	0	1,887	1,887	8	8

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT IRON (FT)	TOTAL PIPE (BS, CI, WI) ABANDONED (FT.)	RETIRED PIPE SIZE (IN)	INSTALLED PIPE SIZE (IN)
Water St From 8th To Franklin Street, 000-400	1,814	0	1,814	12	8
S 1st Street, 100-300	0	1,800	1,800	4	6
1st Street, 500-600	0	1,656	1,656	4	2&6
Bridge Street, 700-800	0	1,600	1,600	4	4
N Prince Street, 100-200	0	1,580	1,580	3&4	2
S Wayne Street, 700-800	1,493	0	1,493	8&10	4
Mifflin St 2nd To 5th Streets, 200-400	1,469	0	1,469	6&10	4
S Grand Street, 500-700	1,416	0	1,416	12	4
N 1st Street, 300-400	0	1,400	1,400	4	4
W Market Street, 1600-1800	0	1,350	1,350	Various	Various
E Market Street, 400-500	0	1,331	1,331	4	6
Broad Street, 000	0	1,266	1,266	2&4	1.25&2
5th Street, 000-100	0	1,170	1,170	4	N/A

PROJECT DESCRIPTION	CAST IRON (FT)	BARE STEEL / WROUGHT IRON (FT)	TOTAL PIPE (BS, CI, WI) ABANDONED (FT.)	RETIRED PIPE SIZE (IN)	INSTALLED PIPE SIZE (IN)
Dreher Avenue, 1200	0	1,121	1,121	2&3	2
W Arch St And 000blk N 3rd Street, 300-500	1,035	0	1,035	10	8
Blue Valley Drive, 1200	0	1,000	1,000	4	8
N 5th Street, 000	0	911	911	4	2
Sherwood Street, 000	0	900	900	4	4
Burson Street, 0	0	768	768	4	2
E Independence And 500blk N Franklin Street, 600	750	0	750	12	12
N Franklin Street Webster To Water Street, 200-400	680	0	680	10&12	8
Garibaldi Avenue, 400-800	0	586	586	3	2
State Route 4014, 000	0	550	550	1	2
Blanket Project	0	500	500	Various	2,3,4
Blanket Project	0	500	500	Various	Various
Mammies Avenue, 000	0	450	450	4	4

<b>PROJECT DESCRIPTION</b>	<b>CAST IRON (FT)</b>	<b>BARE STEEL / WROUGHT IRON (FT)</b>	<b>TOTAL PIPE (BS, CI, WI) ABANDONED (FT.)</b>	<b>RETIRED PIPE SIZE (IN)</b>	<b>INSTALLED PIPE SIZE (IN)</b>
Route 14, 0	0	400	400	4	4
N Vine St West Ave To Railroad Avenue, 200-300	380	0	380	8	8
N 8th St Commerce To Water Street, 500-600	327	0	327	6&8	2
Coal Street, 000	267	0	267	12	N/A
N 8th Street, 200	0	185	185	2.5	N/A
Buchanan Trail East, 1400-1600	0	50	50	0.75	2
Buchanan Trail East, 11000	0	50	50	3	6
State Route 15, 0	0	25	25	14	N/A

<b>PROJECT DESCRIPTION</b>	<b>Estimated Spend</b>
White Oak Lane, 000	\$1,500,000
Long Run Road, 0	\$1,200,000
Hazard Road, 000	\$1,000,000
Miller Street Bridge, 000	\$300,000
Blanket Project	\$200,000
Odorizer Buildings	\$180,000
Penn Street 6th To 7th Street, 600	\$173,000
Schwaben Creek Road, 1500	\$150,000
State Route 61, 000	\$150,000
Coal Street, 000	\$140,000
Blanket Project	\$125,000
William Penn Drive, 0	\$110,000
Replace large meter set reliefs and replace meter sets	\$100,000
16th Battery Street, 000	\$100,000
South CPG Capital Corrosion Control Projects	\$100,000
North CPG Capital Corrosion Control Projects	\$100,000
Buchanan Trail At Antietam Creek Road, 6500	\$100,000
LEHIGHTON - Factory Railroad Regulator Station, Slatington	\$90,000
W Front Street, 0	\$79,517
Old Forge Road, 10500	\$75,000
Coal Street, 000	\$75,000
Coal Street, 000	\$75,000
Various Streets, 000	\$75,000



<b>PROJECT DESCRIPTION</b>	<b>Estimated Spend</b>
W Arch St At 5th Street, 400	\$65,625
S 4th St At Oxford Service Center, 300	\$57,336
Fryburg Road, 0	\$50,000
Regulator station equipment	\$50,000
Replacement of filters and meters at CPG check meter sites	\$50,000
W 2nd Street, 500	\$50,000
Means Hollow Road, 200	\$45,000
Susquehanna Avenue, 0	\$45,000
Penn Street East Of 2nd Street, 100	\$40,000
Buchanan Trail East, 1400-1600	\$33,000
Route 14, 0	\$32,000
State Route 4014, 000	\$32,000
Market Street, 1000	\$30,000
Regulator replacement	\$30,000
Jefferson Lane, 000	\$30,000
Mt Hope Street, 1200	\$30,000
Chalybeate Rd At Zimmerman Lane, 500	\$29,000
1st Street, 0	\$26,000
State Route 1001	\$25,000
Blanket Project	\$25,000
Susquehanna Avenue, 0	\$15,000
South Street, 400	\$12,000
Crance Book Road, 0	\$10,000

<b>PROJECT DESCRIPTION</b>	<b>Estimated Spend</b>
Route 6, 0	\$10,000
Brooklyn Side Road, 0	\$10,000
Route 6, 0	\$10,000
Bear Creek Road, 0	\$10,000
Route 6, 0	\$10,000
Oakland Avenue, 000	\$5,500
Salladasburg Station, 0	\$5,000