

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 19, 2016

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 171020

RE: Petition of UGI Utilities, Inc. – Gas Division
for Approval of a Distribution System
Improvement Charge
Docket No. P-2013-2398833

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Answer, Notice of Intervention, and Public Statement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Erin L. Gannon
Erin L. Gannon
Assistant Consumer Advocate
PA Attorney I.D. #83487

Attachment
cc: Office of Administrative Law Judge
Certificate of Service
219710

CERTIFICATE OF SERVICE

Petition of UGI Utilities, Inc. – Gas Division :
for Approval of a Modification to its Long : Docket No. P-2013-2398833
Term Infrastructure Improvement Plan :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Answer, Notice of Intervention and Public Statement, 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 19th day of April 2016.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. - Gas Division :
for Approval of a Distribution System : Docket No. P-2013-2398833
Improvement Charge :

ANSWER OF THE OFFICE OF CONSUMER ADVOCATE
TO THE
PETITION OF UGI UTILITIES, INC. – GAS DIVISION

I. INTRODUCTION

Pursuant to Section 5.61 of the Pennsylvania Code, 52 Pa. Code § 5.61, the Office of Consumer Advocate (OCA) provides the following Answer to the Petition of UGI Utilities, Inc. – Gas Division (UGI-GD or Company) for Approval of a Distribution System Improvement Charge (DSIC) for its gas operations. Through its Petition, UGI-GD seeks permission to implement a surcharge of up to 5% on all customers under Section 1353 of the Public Utility Code, 66 Pa. C.S. § 1353. This surcharge would recover return and depreciation on certain plant placed in service between base rate filings. As set forth more fully below, the Company's proposed DSIC computation and tariff are or may be contrary to Pennsylvania statute, case law, and established Public Utility Commission policy. The Commission should deny UGI-GD's Petition as filed. The OCA requests that the Commission suspend the Company's proposed Pro Forma Tariff Addendum to Gas – Pa. P.U.C. No. 5 and order a full hearing and investigation pursuant to the OCA complaint filed at this docket against the Petition and Tariff Addendum.

II. THE OCA'S ANSWER

This is a request by a utility to implement a DSIC under a recent statute and the Commission's Final Implementation Order.¹ UGI-GD's proposed DSIC allows the utility to increase rates for service and presents several important issues. For the reasons discussed below, the Petition should be denied and proposed DSIC tariff should be rejected as filed. This matter should be referred to the Office of Administrative Law Judge for development of an evidentiary record.

While the OCA continues to review UGI-GD's filing, the OCA has identified the following preliminary concerns with the proposed surcharge:

1. UGI-GD's proposal to treat gathering lines and storage lines as "distribution system" property for purposes of DSIC recovery requires further consideration.
2. The costs proposed for recovery under the category "other capitalized costs" should be reviewed to determine that the projects are consistent with Act 11 and the Commission's Final Implementation Order.

The OCA's first concern is the Company's proposal to include gathering lines and storage lines as DSIC eligible property. UGI-GD Exh. 1, Pro Forma Tariff Addendum at 38(b) (Tariff). Section 1351 limits DSIC recovery to property that "is part of the utility's distribution system." 66 Pa. C.S. § 1351. It is not clear from the Petition that the gathering lines and storage lines serve a distribution function and, if so, whether the DSIC will be applied to all customers who make use of and benefit from the replacement of such gathering and storage lines.² The OCA submits that a record should be developed to determine if those conditions are present.

¹ Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Order (Aug. 2, 2012) (Final Implementation Order).

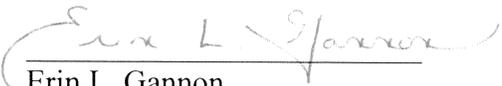
² Excluding customers that qualify for an exemption under 13.D.8(5) of the proposed tariff.

Second, the OCA is reviewing the costs proposed for DSIC recovery under the category “other related capitalized costs” to ensure that costs incurred in the normal course of business, independent of DSIC-eligible projects, are not recovered through the DSIC. For example, the Company includes Equipment - Electronic Systems & Software (Account 391) in the list of DSIC-eligible property in its proposed DSIC tariff. Tariff at 38(b). UGI-GD witness Bell states that, at some point in the future, electronic systems and software may be included in the Company’s DSIC rate, although they are not included in the current period LTIP. UGI-GD St. 2 at 7. The OCA submits that the eligibility of electronic systems and software for DSIC recovery will require case-by-case review at the time those costs are included in the DSIC and should not be approved for recovery in this proceeding.

III. CONCLUSION

The DSIC proposed by UGI-GD is or may be contrary to Pennsylvania case law, as well as several well-established principles of sound ratemaking. The OCA respectfully requests that the Commission deny the Company's Petition as filed, suspend the proposed tariff and order a full hearing and investigation pursuant to the OCA complaint filed at this docket.

Respectfully submitted,


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Dated: April 19, 2016