**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held June 30, 2016

Commissioners Present:

Gladys M. Brown, Chairman

Andrew G. Place, Vice Chairman

John F. Coleman, Jr.

Robert F. Powelson

David W. Sweet

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| Petition of UGI Utilities, Inc. – Gas Division for Approval of their Modified Long-Term Infrastructure Improvement Plan | P-2013-2398833 |
| Petition of UGI Penn Natural Gas, Inc. for Approval  of their Modified Long-Term Infrastructure Improvement Plan | P-2013-2397056 |
| Petition of UGI Central Penn Gas, Inc. for Approval of their Modified Long-Term Infrastructure Improvement Plan | P-2013-2398835 |
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**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Commission for consideration are the Petitions of UGI Utilities, Inc. – Gas Division (UGI-GD), UGI Penn Natural Gas, Inc. (UGI-PNG), and UGI Central Penn Gas, Inc. (UGI-CPG) (collectively, the UGI Companies) for approval of their modified Long-Term Infrastructure Improvement Plans (LTIIPs) The Petitions were filed on February 29, 2016. Copies of the Petitions were served on the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), and the Commission’s Bureau of Investigation & Enforcement (BIE). The OSBA filed a Notice of Appearance on March 24, 2016. The OCA filed a Notice of Intervention on March 30, 2016. No comments were filed.

UGI-GD, UGI-PNG, and UGI-CPG are corporations organized and existing under the laws of the Commonwealth of Pennsylvania and are wholly owned subsidiaries of UGI Utilities, Inc., which is a wholly owned subsidiary of UGI Corporation. The three UGI Companies operate under the shared executive management of UGI-GD.

On February 19, 2013, the Commission entered an Order (February 19 Order) approving and modifying a Joint Settlement Petition (Settlement) that was entered into by BIE and the UGI Companies at Docket No. C-2012-2308997. The Settlement resolved all issues raised in the Formal Complaint, which concerned a fatal natural gas explosion that occurred on February 9, 2011, at 542 and 544 North 13th Street, Allentown, Pennsylvania.

The February 19 Order required the UGI Companies to retire or replace all in-service cast iron mains in its three regulated service territories over the period of 14 years beginning in March 2013. The February 19 Order permitted the UGI Companies to continue the pace of their on-going 30-year bare steel main replacement program. The February 19 Order prohibited the UGI Companies from seeking recovery of any costs that would otherwise be eligible for recovery through a distribution system improvement charge (DSIC) until April 2015.

**BACKGROUND**

On February 14, 2012, Governor Thomas Wingett Corbett signed into law Act 11 of 2012 (Act 11),[[1]](#footnote-1) which amends Chapters 3, 13 and 33 of Title 66. Act 11, inter alia, provides utilities with the ability to implement a Distribution System Improvement Charge (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. The eligible property for the utilities is defined in 66 Pa. C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file an LTIIP with the Commission that is consistent with 66 Pa. C.S. §1352. The Commission’s LTIIP Regulations are codified at 52 Pa. Code Chapter 121.

On April 5, 2012, the Commission held a working group meeting for discussion and feedback from stakeholders regarding its implementation of Act 11. On May 10, 2012, the Commission issued a Tentative Implementation Order addressing and incorporating input from the stakeholder meeting. Stakeholders filed comments to the Tentative Implementation Order on June 6, 2012. On August 2, 2012, the Commission issued the Final Implementation Order, at Docket No. M‑2012‑2293611, establishing procedures and guidelines necessary to implement Act 11.

The Final Implementation Order adopts the requirements established in 66 Pa. C.S. § 1352, provides additional standards that each LTIIP must meet, and gives guidance to utilities for meeting the Commission’s standards. The Final Implementation Order of Act 11 requires the inclusion of eight elements in the LTIIP.

The UGI Companies’ currently approved LTIIPs addressed the required elements of an LTIIP at the time they were approved. Therefore, we will only discuss the proposed changes from the currently approved LTIIPs to the instant modified LTIIPs.

**THE UGI COMPANIES’ MODIFIED LTIIP PETITIONS**

Each of the UGI Companies’ modified LTIIPs are five-year plans, spanning the years 2014-2018. The LTIIPs detail accelerated infrastructure improvements that are intended to enhance system resiliency and reliability on an aging infrastructure. The instant petitions do not propose to change or extend the term of the current LTIIPs. Rather, the instant petitions propose to increase the amount of infrastructure spending over that of the currently effective LTIIPs by more than 20%, which is considered a Major Modification.[[2]](#footnote-2) The UGI Companies as a group propose spending more than 50% additional capital in the final three years of their LTIIPs compared to the original projections. Table 1, below, summarizes the increase in spending.

**Table 1: Comparison of Spending Levels at UGI-GD, UGI-PNG, and UGI-CPG Current LTIIPs versus the Modified LTIIPs (Dollar Values in $Million)**

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| --- | --- | --- | --- | --- |
| **UGI - GD** |  |  |  |  |
|  | LTIIP Projection | Modified Petition | Increase | Percentage Increase |
| 2016 | $51.2 | $92.9 | $41.7 | 81.4% |
| 2017 | $51.2 | $90.5 | $39.3 | 76.8% |
| 2018 | $51.2 | $66.0 | $14.8 | 28.9% |
| **Total** | **$153.6** | **$249.4** | **$95.8** | **62.4%** |
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|  |  |  |  |  |
| **UGI-PNG** |  |  |  |  |
|  | LTIIP Projection | Modified Petition | Increase | Percentage Increase |
| 2016 | $22.9 | $35.9 | $13.0 | 56.8% |
| 2017 | $22.9 | $24.8 | $1.9 | 8.3% |
| 2018 | $22.9 | $24.8 | $1.9 | 8.3% |
| **Total** | **$68.7** | **$85.5** | **$16.8** | **24.5%** |
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|  |  |  |  |  |
| **UGI-CPG** |  |  |  |  |
|  | LTIIP Projection | Modified Petition | Increase | Percentage Increase |
| 2016 | $14.0 | $27.1 | $13.1 | 93.6% |
| 2017 | $15.0 | $20.4 | $5.4 | 36.0% |
| 2018 | $15.0 | $20.4 | $5.4 | 36.0% |
| **Total** | **$44.0** | **$67.9** | **$23.9** | **54.3%** |
|  |  |  |  |  |
|  |  |  |  |  |
| **All UGI Companies** | |  |  |  |
|  | LTIIP Projection | Modified Petition | Increase | Percentage Increase |
| 2016 | $88.1 | $155.9 | $67.8 | 77.0% |
| 2017 | $89.1 | $135.7 | $46.6 | 52.3% |
| 2018 | $89.1 | $111.2 | $22.1 | 24.8% |
| **Total** | **$266.3** | **$402.8** | **$136.5** | **51.3%** |

The UGI Companies’ current LTIIPs planned to remove all cast iron distribution main from their systems in 14 years (by 2027) and all bare steel distribution mains from their systems in 28 years (by 2041). The UGI Companies are not proposing to change these timelines for the removal of legacy materials. Instead, UGI is proposing to spend additional capital on projects to improve the reliability of its distribution systems. These projects include increasing system pressures to higher volume demand areas, regulator station improvements and installations, corrosion control and weatherization of facilities, and PennDOT mandated facility relocations.

The predominate focus of these reliability projects is installing or upgrading regulator stations and higher pressure pipelines to increase system pressure. These projects will improve system reliability in many areas of UGI’s distribution system, including projects in the Harrisburg/Camp Hill region and the Millersville/Lancaster region.

The Commission recognizes that the UGI Companies have been growing their customer base significantly in recent years. In the 3 years from 2013 through 2015, UGI grew its customer base 4% across all three companies.[[3]](#footnote-3) It is reasonable that UGI would require improvements to its infrastructure beyond simply replacing legacy materials (cast iron and bare steel pipelines) in order to maintain system reliability and safety while serving these additional customers. As we have noted, an effective LTIIP is designed is to ensure that utilities are planning and executing capital expenditures that will maintain and improve the efficiency, safety, adequacy and reliability of existing distribution infrastructure. [[4]](#footnote-4) It is preferable that utilities improve their system to maintain reliability in a proactive manner, rather than waiting for disruptions of service and hazardous leaks to force the improvement of distribution infrastructure.

The Commission reviewed the changes in UGI’s Petition for Approval for a Modification of their LTIIPs. The UGI Companies’ proposed modified LTIIPs appear to demonstrate that their associated expenditures are reasonable, cost effective, and designed to ensure and maintain efficient, safe, adequate, reliable, and reasonable service to their customers.

**CONCLUSION**

Upon review, the Commission finds that the modified Long-Term Infrastructure Improvement Plans of the UGI Companies substantially conform to the requirements of Act 11 and our Final Implementation Order and the Petitions should be granted. **THEREFORE,**

**IT IS ORDERED:**

1. That the Petition for Approval of a Modification to its Long Term Infrastructure Improvement Plan (LTIIP) filed by UGI Utilities, Inc. – Gas Division is approved, consistent with this Order.

2. That the Petition for Approval of a Modification to its Long Term Infrastructure Improvement Plan (LTIIP) filed by UGI Penn Natural Gas, Inc. is approved, consistent with this Order.

3. That the Petition for Approval of a Modification to its Long Term Infrastructure Improvement Plan (LTIIP) filed by UGI Central Penn Gas, Inc. is approved, consistent with this Order.

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**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: June 30, 2016

ORDER ENTERED: June 30, 2016

1. <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0011..HTM> [↑](#footnote-ref-1)
2. *See* 52 PA Code § 121.2, Major Modification definition. [↑](#footnote-ref-2)
3. *See* the 2015 Annual Resource Planning Reports for all three UGI Companies, Form-IRP-Gas-3, at Docket No. M‑2015-2460711. [↑](#footnote-ref-3)
4. *See* “Final Rulemaking Order,” entered May 23, 2014 at Docket No. L-2012-2317274. [↑](#footnote-ref-4)