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June 30, 2016

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

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

**Office of Consumer Advocate, Office of Small Business Advocate, UGI Industrial
Intervenors, and Joseph P. Sandoski v. UGI Utilities, Inc. – Gas Division;
Docket Nos. C-2016-2527150; C-2016-2528559; C-2016-2529436; and
C-2016-2529638**

Dear Secretary Chiavetta:

Attached please find the Statement in Support of the Joint Petition for Full Settlement of All Issues on behalf of the UGI Industrial Intervenors ("UGIII") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to these proceedings are being duly served with a copy of this document. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Alessandra L. Hylander

Counsel to UGI Industrial Intervenors

/mas

Enclosures

c: Administrative Law Judge Susan D. Colwell (via E-mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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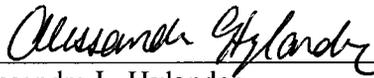
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Dated this 30th day of June, 2016, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2015-2518438
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	
	:	
Office of Consumer Advocate	:	Docket Nos. C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph P. Sandoski	:	C-2016-2529638
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

**STATEMENT IN SUPPORT OF
THE UGI INDUSTRIAL INTERVENORS**

The UGI Industrial Intervenors ("UGIII"), by and through its counsel, submit that the Joint Petition for Full Settlement of All Issues ("Settlement") filed in the above-captioned base rate proceeding is in the public interest and represents a fair, just and reasonable resolution of UGI Utilities, Inc. – Gas Division's ("UGI," "UGI Gas," or "Company") proposed Tariff Gas – Pa. P.U.C. Nos. 6 and 6-S ("Tariff"). As a result of settlement discussions, the Company; UGIII; the Office of Consumer Advocate ("OCA"); the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Bureau of Investigation and Enforcement ("I&E"); Commission for Economic Opportunity ("CEO"); the Office of Small Business Advocate ("OSBA"); the Retail Energy Supply Association ("RESA"); and Dominion Retail, Inc., d/b/a Dominion Energy Solutions, Shipley Choice, LLC d/b/a Shipley Energy, Interstate Gas Supply, Inc. d/b/a IGS Energy, AMERIGreen Energy, and Rhoads Energy (collectively, "NGS Parties"), have agreed upon the terms embodied

in the foregoing Settlement. UGIII offers this Statement in Support ("Statement") to further demonstrate that the Settlement is in the public interest and should be approved.

I. BACKGROUND

1. On January 19, 2016, UGI Utilities, Inc. filed with the PUC the aforementioned Tariff. The Tariff included the Company's proposed terms and conditions of service and sought a general rate increase calculated to produce \$58.6 million (17.5%) in additional annual revenues.

2. On February 16, 2016, UGIII filed a Complaint regarding UGI's Tariff. UGIII is an *ad hoc* association of energy-intensive industrial customers receiving gas service in UGI Gas's service territory. UGIII members purchase service from the Company primarily under Rates LFD, XD, and IS, as well as available riders. UGIII members collectively consume over 1,820,000 MMBTU Mcf of gas annually in manufacturing and other operational processes, and gas costs comprise a significant portion of their production expenditures. As some of UGIII's largest customers whose manufacturing processes require significant amounts of natural gas, any proposed modifications to the Company's Tariff could significantly impact UGIII's production costs.

3. On February 17, 2016, the Parties conducted a Prehearing Conference before presiding Administrative Law Judge ("ALJ") Susan D. Colwell. The Prehearing Conference established a litigation schedule for the proceeding.

4. On February 19, 2016, ALJ Colwell issued a Prehearing Order setting forth some of the requirements for participating in a formal rate proceeding before the Commission.

5. On March 31, 2016, a Public Input Hearing occurred in Harrisburg, Pennsylvania.

6. On April 4, 2016, a Public Input Hearing occurred in Allentown, Pennsylvania.

7. On April 12, 2016, UGIII submitted Direct Testimony in this proceeding. Other parties that submitted Direct Testimony include: I&E, OCA, CEO, the NGS parties, RESA, and CAUSE-PA.

8. On April 15, 2016, OSBA submitted Direct Testimony.

9. On May 10, 2016, UGIII submitted Rebuttal Testimony. Other parties who submitted Rebuttal Testimony include: UGI, I&E, OCA, OSBA, CAUSE-PA, and the NGS parties.

10. On May 25, 2016, UGIII served Surrebuttal Testimony. Other parties who submitted Surrebuttal Testimony include: I&E, OCA, OSBA, CAUSE-PA, NGS parties, and RESA.

11. During the evidentiary hearing on June 2, 2016, the Parties informed ALJ Colwell that they had reached a settlement in principle on all but one issue. Subsequently, parties to this proceeding settled all issues. Therefore, UGIII submits this Statement in Support of the Settlement.

II. STATEMENT IN SUPPORT

12. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation."¹ Consistent with the Commission's policy, the Parties engaged in several negotiations to resolve the issues raised by the various parties. These ongoing discussions produced a Settlement in these proceedings.

¹ 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231.

13. The Parties agree that approval of the proposed Settlement is in the best interest of everyone involved in UGI's base rate proceeding.

14. The Settlement serves the public interest for the following reasons:

- a. Resolving claims against UGI's Tariff through settlement is more cost effective than pursuing these issues further through litigation.
- b. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Settlement.
- c. The Settlement results in terms and provisions that present a just and reasonable resolution of UGI's proposed Tariff, including an ongoing process to collaboratively work on communications and transportation rule improvements that will enhance the functioning of a reliable and strong competitive gas supply market.
- d. The Settlement reflects compromises on all sides presented without prejudice to any position any Party may have advanced so far in these proceedings. Similarly, the Settlement is presented without prejudice to any position any party may advance in future proceedings involving UGI.

15. Furthermore, the Settlement satisfies the specific concerns of UGIII:

- a. Rate Schedule LFD customers will be responsible for no more than \$1.1 million in costs stemming from UGI's Energy Efficiency & Conservation Plan ("EE&C Plan");²
- b. UGI will revise Proposed Tariff Rule 1.4 (on Combined Billing) to indicate (i) that combined billing will be considered in instances where a customer owns contiguous properties so long as such an arrangement provides a sufficient revenue stream that justifies the arrangement and (ii) that UGI will provide customers with a written explanation regarding the analysis of the economics of this arrangement;³
- c. UGI will revise Rule 2.3 (on Facilities and System Access) as follows:
 - (i) insert language indicating that customers with Daily Firm Requirement ("DFR") or peak usage capability of 1000 Mcf per day or more shall provide UGI with the chance to review plans for gas

² Settlement, p. 11, ¶ 37.

³ *Id.*, p. 20, ¶ 69.

facility development on the customer's premises to ensure safety and reliability;

- (ii) revise Rule 2.3(a) to reflect a 30-day notice period;
 - (iii) revise Rule 2.3(b) to shorten UGI's review and approval period to 45 days, and to indicate that if UGI fails to respond in writing within the 45-day period then the customer may proceed with its plans; and
 - (iv) modify Rule 2.3(c) to indicate that if a customer does not provide UGI with 30 days' notice of a proposed facility project, then the customer has granted UGI full access to discontinue service upon discovery of safety or reliability concerns (however UGI is still bound to provide 24 hours' notice of discontinuance unless there are immediate reliability/safety issues that must be addressed). UGI also agrees to provide all customers with a DFR or peak usage of 1,000 Mcf per day or greater written notice of this tariff rule change within 30 days of PUC approval;⁴
- d. UGI will revise Proposed Tariff Rule 2.6 by adding language that confirms it will: (i) serve customers returning from a total bypass on the same basis as a new customer; (ii) continue to serve the un-bypassed portion of a bypassing customer's load consistent with the terms of any existing service agreement; (iii) negotiate new service agreements to continue service so long as the anticipated revenues justify any costs of providing the service; and (iv) calculate a customer's negotiated standby charge in a manner that reflects the costs of the customer's alternatives;⁵
- e. UGI will modify Proposed Tariff Rule 4.1 to indicate that the Company will work with impacted UGIII members to confirm ownership status of any facilities in question before UGI claims ownership of those assets. UGI will also modify Rule 4.1 to indicate it applies unless the customer and UGI agree in writing that the customer owns the particular facilities;⁶
- f. UGI will delete Proposed Tariff Rule 5.7 so long as the economic test is preserved for all non-residential line extensions;⁷

⁴ *Id.* at p. 20, ¶ 70(a)-(d).

⁵ *Id.* at pp. 20-21, ¶ 71.

⁶ *Id.* at p. 21, ¶ 72.

⁷ *Id.* at p. 21, ¶ 73.

- g. UGI will revise Proposed Tariff Rule 5.1 to include language indicating UGI will, upon request, provide customers with a written, detailed explanation of the cost-benefit analysis used to determine if UGI's investment in facilities is warranted. The Company will also modify Proposed Tariff Rule 5.1 to indicate that UGI must provide customers with a written timetable of the anticipated construction of the upgrade and written notice of completion;⁸
- h. The Company agrees to revise Proposed Tariff Rule 7.3 so that it notes the method for determining the cost of pressure correction devices shall be estimated costs, inclusive of overhead amounts, unless UGI and the customer negotiate and mutually agree upon an alternative cost responsibility for installation of pressure mechanisms;⁹
- i. UGI agrees to deliver Daily Flow Directive ("DFD") and Operational Flow Order ("OFO") notices via e-mail to customer-supplied e-mail addresses and to prominently post such notices on UGI Gas's website. It shall be the customer's responsibility to provide notice to UGI Gas of any e-mail address changes or updates. OFO and DFD notices will include an explanation of the cause of the OFO and DFD;¹⁰
- j. The Company will remove the following language from the definitions of OFO and DFD appearing on pages 8 and 9 of its Proposed Tariff: "including UGI Gas's obligations pursuant to 1307(f) gas procurement activities, but not solely for other economic reasons;"¹¹
- k. UGI will revise language in Proposed Tariff Rule 20.4 to indicate that the penalty structure that applies on Non-Critical Days will be a maximum of five times the Gas Daily Index for intentional imbalances;¹²
- l. The Company will withdraw planned changes for Proposed Tariff Rules 6.5 and 1.5 regarding continuity of service and limits on liability;¹³
- m. UGI will host annual winter planning meetings with large transportation customers on or before October 1 of each year, provide those customers with

⁸ *Id.* at p. 21, ¶ 74.

⁹ *Id.* at p. 21, ¶ 75.

¹⁰ *Id.* at pp. 21-22, ¶ 76.

¹¹ *Id.* at p. 22, ¶ 77.

¹² *Id.* at p. 22, ¶ 78.

¹³ *Id.* at p. 22, ¶ 79.

suitable advance written notice of the annual winter planning meetings, and enable those customers to provide input on the meeting agendas. At the 2016 winter planning meeting, UGI will host a special training session to address comments and questions on the Company's new tariff provisions, including: Operational Flow Directive, Daily Flow Directive, Balancing and No-Notice Service tariff provisions;¹⁴

- n. With respect to the concerns regarding the interrelationship among the Operational Flow Directive, Daily Flow Directive, Balancing and No-Notice Service provisions in the proposed UGI Tariff, the Company will expand its existing operational and capacity council to address these issues pursuant to 52 Pa. Code § 69.19. The operational and capacity council will convene at least 2 meetings per year until UGI Gas's next base rate proceeding. UGIII members will be invited participants and may be joined by their consultant or legal counsel if they choose to do so. The next meeting of the operational and capacity council will occur by October 31, 2016;¹⁵ and
- o. UGI Gas will continue to fully support its proposal in the DSIC filing that the DSIC shall be applied equally to all customer classes, except that UGI Gas may reduce or eliminate the Rider DSIC to any customer with competitive alternatives who are paying flexed or discounted rates and customers having negotiated contracts with UGI Gas, if it is reasonably necessary to do so.¹⁶

16. UGIII supports the Settlement because it is in the public interest; however, in the event the ALJ or the Commission rejects the Settlement, UGIII will resume its litigation position.

17. As noted above, UGIII submits that the proposed Settlement serves the public interest and adheres to the Commission's policies favoring negotiated settlements. This Settlement was achieved after settlement discussions. While the Parties have invested time and resources in the negotiation of the Settlement, this process has allowed the Parties and the Commission to avoid expending the substantial resources that would have been required to fully litigate these proceedings while still reaching a just, reasonable and non-discriminatory result. The Parties have

¹⁴ *Id.* at p. 22, ¶ 80.

¹⁵ *Id.* at pp. 22-23, ¶ 81.

¹⁶ *Id.* at p. 23, ¶ 82.

thus reached an amicable resolution to this dispute as embodied in the proposed Settlement. Approval of the Settlement will permit the Commission and the Parties to avoid incurring the additional time, expense and uncertainty of further litigation of issues in these proceedings.¹⁷

III. CONCLUSION

WHEREFORE, the UGI Industrial Intervenors request that the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement submitted in these proceedings.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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Dated: June 30, 2016

¹⁷ See 52 Pa. Code § 69.391.