

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Petition of UGI Central Penn Gas, Inc. for a Waiver of the Distribution System Improvement Charge Cap

Public Meeting April 20, 2017
2537609-OSA
Docket No. P-2016-2537609

Petition of UGI Penn Natural Gas, Inc. for a Waiver of the Distribution System Improvement Charge Cap

2537594-OSA
Docket No. P-2016-2537594

MOTION OF COMMISSIONER ROBERT F. POWELSON

Before the Pennsylvania Public Utility Commission (PUC or Commission) are the Exceptions to the Recommended Decisions (RD) of Administrative Law Judge Angela T. Jones (ALJ) in the above-captioned proceedings, which involve the Petitions of UGI Central Penn Gas, Inc. (UGI-CPG) and UGI Penn Natural Gas, Inc. (UGI-PNG) (collectively UGI) for a Waiver of the Distribution System Improvement Charge (DSIC) cap from 5% to 10%.

While not cases of first impression, the Commission has had only two other opportunities to consider whether the DSIC should be raised above the 5% cap for gas distribution companies. In the *Columbia Order*¹ we denied any increase above 5%. On the other hand, in the *PGW Order*² we granted an increase to 7.5%. Today's case is not entirely analogous to either of these previous DSIC waiver petitions. There are clear differences between these companies at issue in terms of the justifications for the requested waiver, as well as in the companies' ratemaking methodologies, capital formation, and status of plant in service to mention a few.³

However, when applying the statutory standard to the facts before us today, I agree with the staff that UGI has made a compelling argument that these two companies should be granted a waiver of the DSIC cap to permit an increase in recovery to 7.5% for both.

¹ *Petition of Columbia Gas of Pennsylvania, Inc. for a Waiver of the Distribution System Improvement Charge (DSIC) Cap of 5% of Billed Distribution Revenues and Approval to Increase the Maximum Allowable DSIC to 10% of Billed Distribution Revenues*, Docket No. P-2016-2521993 (Opinion and Order entered December 22, 2016) (*Columbia Order*).

² *Petition of Philadelphia Gas Works for Waiver of Provisions of Act 11 to Increase the Distribution System Improvement Charge CAP and to Permit Levelization of DSIC Charges*, Docket No. P-2015-2501500 (Order entered January 28, 2016) (*PGW Order*).

³ PGW, a municipally-owned utility with limited access to capital (funded by City bonds) and entirely without equity capital, is regulated on a cash flow (not rate base) basis and, therefore, is not comparable to UGI or any of the private companies that serve Pennsylvania.

I would additionally highlight several reasons to support this incremental 2.5% increase in DSIC recovery and suggest a safeguard.

UGI has met the standard required by statute. The Public Utility Code, provides that “[t]he commission 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.*”⁴ In UGI’s case, the “predominate focus” of the spending increase in its modified LTIIIP is “installing or upgrading regulator stations and higher pressure pipelines to increase system pressure.”⁵ According to UGI, “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.”⁶ Problems with low pressure qualify as a reliability issue within the meaning of the statute, and are of a safety concern as well. Although UGI did not commit to increasing its pipeline replacement schedule, DSIC recovery should not be strictly limited to pipeline replacement.

UGI raised its capital spending at the same time it requested an increase in the DSIC. UGI filed modified Long-Term Infrastructure Improvement Plan Petitions on February 29, 2016, which increased the amount that UGI intends to spend on infrastructure during the 2016-2018 time period by 24% for UGI-PNG and 54% for UGI-CPG, to well above the 20% level, which is considered a major modification and requires a filing with the Commission.⁷ We adopted the modified LTIIIPs to become effective on July 1, 2016. One month later, on March 31, 2016, Petitioners filed for a waiver to increase their DSIC from 5% to 10%. The effective date that UGI requested (July 1, 2016) was the same as the requested effective date for UGI’s modified LTIIIPs. Thus, UGI’s increase in infrastructure spending was contemporaneous with its Petition to waive the DSIC cap.

For these reasons, I support waiving the DSIC cap to permit UGI to increase its DSIC recovery from 5% to 7.5%. However, the 7.5% is not a permanent rate change. Determining the appropriate DSIC rate, and in particular whether the waiver permitting 7.5% recovery will continue, should be an issue when UGI files new LTIIIPs at the end of 2018.

⁴ 66 Pa. C.S. §1358(a)(1)(emphasis added).

⁵ *Petition of UGI Penn Natural Gas, Inc. for Approval of their Modified Long-Term Infrastructure Improvement Plan*, Docket No. P-2013-2397056 and *Petition of UGI Central Penn Gas, Inc. for Approval of their Modified Long-Term Infrastructure Improvement Plan*, Docket No. P-2013-2398835, Opinion and Order entered June 30, 2016 at 6.

⁶ *Id.*

⁷ See 52 PA Code § 121.2, Major Modification definition.

THEREFORE, I MOVE:

1. That we approve a waiver and a 7.5% DSIC rate until UGI's next LTIP filing(s), absent a statutory reason to reduce or suspend the DSIC.
2. That UGI and the parties address UGI's post-2018 DSIC level at time of the next LTIP filing(s).
3. That the Office of Special Assistants prepare an Opinion and Order consistent with this Motion.

Date: April 20, 2017


ROBERT F. POWELSON
COMMISSIONER