



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Garrett P. Lent

glent@postschell.com
717-612-6032 Direct
717-731-1985 Direct Fax
File #: 171080

March 20, 2018

VIA ELECTRONIC FILING

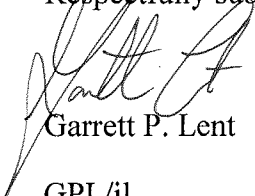
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058

Dear Secretary Chiavetta:

Enclosed for filing is the Prehearing Conference Memorandum of UGI Utilities, Inc. – Electric Division in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Garrett P. Lent

GPL/jl
Enclosures

cc: Honorable Steven K. Haas
Honorable Andrew M. Calvelli
Certificate of Service

CERTIFICATE OF SERVICE

R-2017-2640058

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 E-MAIL & FIRST CLASS MAIL

Scott B. Granger, Esquire
Allison Kaster, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Aron Beatty, Esquire
Hayley Dunn, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

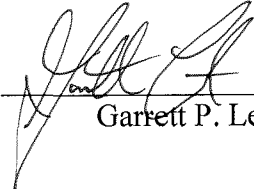
Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
OCA Consultant

Lafayette Morgan
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
OCA Consultant

Roger D. Colton
Fisher, Sheehan & Colton
34 Warwick Road
Belmont, MA 02478
OCA Consultant

Date: March 20, 2018



Garrett P. Lent

**THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2017-2640058
	:	
UGI Utilities, Inc. – Electric Division	:	

**PREHEARING CONFERENCE MEMORANDUM OF
UGI UTILITIES, INC. – ELECTRIC DIVISION**

TO ADMINISTRATIVE LAW JUDGES STEVEN K. HASS AND ANDREW M. CALVELLI:

Pursuant to 52 Pa. Code § 5.224(c) and the March 9, 2018 Prehearing Conference Order, UGI Utilities, Inc. – Electric Division (“UGI Electric” or the “Company”) hereby submits this Prehearing Conference Memorandum.

I. SERVICE OF DOCUMENTS

1. UGI Electric requests that all documents be served on:

Garrett P. Lent
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: glent@postschell.com

As requested in the March 9, 2018 Prehearing Conference Order, please be advised the Ms. Jessica R. Rogers will speak as the lead attorney for UGI Electric for purposes of the prehearing conference. However, other counsel for UGI Electric will be participating and available during the telephonic prehearing conference as needed.

2. UGI Electric agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Mark C. Morrow at morrowm@ugicorp.com, Danielle Jouenne at jouenned@ugicorp.com, David B. MacGregor at dmacgregor@postschell.com, and Jessica R. Rogers at jrogers@postschell.com.

II. PROCEDURAL HISTORY

3. This proceeding was initiated on January 26, 2018, when UGI Electric filed Tariff Electric PA. P.U.C. Nos. 6 and 2-S with the Pennsylvania Public Utility Commission (“Commission”). Tariff Electric – PA. P.U.C. Nos. 6 and 2-S, issued to be effective for service rendered on or after March 27, 2018, proposes changes to UGI Electric’s base retail distribution rates designed to produce an increase in revenues of approximately \$9.254 million, based upon data for a fully projected future test year ending September 30, 2019 (“2018 Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

4. The Direct Testimony of UGI Electric witness Paul J. Szykman noted, however, that the Company intended to submit Supplemental Direct Testimony to address the impact of the recently enacted federal Tax Cuts and Jobs Acts (“TCJA”) on the Company’s claim. *See* UGI Electric Stmt. No. 1, p. 12.

5. On January 31, 2018, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed its first set of discovery requests. On February 5, 2018, I&E filed a Notice of Appearance.

6. On February 6, 2018, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2018 Base Rate Case, which was docketed at Docket No. C-2018-25646178.

7. On February 12, 2018, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2018 Base Rate Case, which was docketed at Docket No. C-2018-2647268.

8. On March 1, 2018, the Commission issued an Order suspending Tariff Electric – PA. P.U.C. Nos. 6 and 2-S until October 27, 2018, unless permitted by Commission Order to become effective at an earlier date.

9. On March 8, 2018, the Commission issued a Notice scheduling a Telephonic Prehearing Conference in the 2018 Base Rate Case at 10:00 a.m. on March 22, 2018.

10. On March 9, 2018, Administrative Law Judges Steven K. Hass and Andrew M. Calvelli (“ALJs”) issued the Prehearing Order that, among other things, directed the parties to submit Prehearing Conference Memoranda on or before noon on March 20, 2018.

11. On March 12, 2018, UGI Electric filed the Supplemental Direct Testimony of five (5) witnesses, as well as Revised Exhibit A – Fully Projected, Revised Exhibit A – Future, Revised Exhibit D – Cost of Service Study, and Revised Exhibit E – Proof of Revenues. The Supplemental Direct Testimony and revised exhibits reflected the Company’s adjustments accounting for the effect of the TCJA on the 2018 Base Rate Case, as noted above. The adjustments required by the TCJA reduced the Company’s Revenue Requirement for the fully projected future test year ending September 30, 2019, from the as filed amount of \$9.254 million to \$8.491 million.

12. Pursuant to 52 Pa. Code § 5.224(c) and the March 9, 2017 Prehearing Conference Order, UGI Electric hereby submits this Prehearing Conference Memorandum.

III. ISSUES

13. UGI Electric intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$8.491 million, based on a fully projected future test year ending September 30, 2019, and proposed allowed rate of return on equity of 11.25 percent is just and reasonable and should be approved by the Commission.

14. UGI Electric intends to demonstrate that, although UGI Electric has implemented cost containment measures and efficiency enhancements, and has seen stable customer growth over time, the growth in operating and capital costs, along with experienced and anticipated declines in per customer usage, have caused UGI Electric to be unable to earn a fair rate of return on its investment, at present rate levels.

15. The principal reasons for UGI Electric's request for rate relief are: (1) current rates do not provide a reasonable opportunity for the Company to earn a fair rate of return on its investment made to serve the public; (2) accelerated capital investment to maintain and improve system reliability by replacing aging infrastructure and to reduce service outages; (3) to set rates based on cost of service; (4) update certain terms and conditions of service, eliminate outdated provisions and rate schedules, consolidate certain rate schedules, and simplify rate design; (5) implement a new rate applicable to electric vehicle charging stations; and (6) new investments related to distribution infrastructure for growth and operation facilities replacements.

16. UGI PNG intends to demonstrate that its proposed 11.25 percent return on equity is the minimum required for the Company to attract the capital needed to make system investments that will enhance the reach and capacity of its distribution system and to replace older, obsolete facilities, each of which is prudent to ensure continued system reliability, safety, and customer service performance. UGI Electric intends to demonstrate that the proposed return on equity is particularly appropriate in view of the Company's management effectiveness.

17. UGI Electric further intends to demonstrate that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent, and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and consistent with principles established by the Commonwealth Court in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006). UGI Electric intends to demonstrate that the Residential Class's relative rate of return will be moved closer toward the system average, and that the relative rates of return for the remaining classes should be maintained.

18. The Company also intends to show that its proposed Storm Expense Rider ("SER") will, among other things, provide for timely tracking of significant storm expenses which could vary in relation to weather events beyond the Company's control. UGI Electric's SER is modeled off of similar Commission-approved riders.

19. The Company further intends to demonstrate that its proposed replacement of the current Customer Assistance Plan ("CAP") Rider with a new Universal Service Plan ("USP") Rider is just and reasonable. The Company is proposing to modify its recovery mechanism to mirror the recovery method established for all three of its affiliated natural gas distribution companies.

20. Finally, the Company intends to demonstrate that its newly proposed Rate EV (Electric Vehicle Services) for non-residential customers is just, reasonable and non-discriminatory. Moreover, UGI Electric plans to show that the new Rate EV should promote and facilitate the adoption and utilization of EVs within its service territory.

IV. WITNESSES

21. UGI Electric presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

Statement No.	Witness	Subjects Addressed
1.	Paul J. Szykman Vice President – Rates & Government Relations UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3470	Need for Rate Relief and Tariff Updates Overview of Witnesses and Testimony Management Performance UGI-1 Initiative and UNITE Systems Modernization
2	Stephen F. Anzaldo Director, Rates and Regulatory Planning UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3528	Budget Process Revenue Requirements Operating Revenues and Expenses Compliance with Act 40 of 2016
3.	Eric W. Sorber Director, Engineering and Operations UGI Utilities, Inc. One UGI Center Wilkes Barre, PA 18711 Tel: 570-830-1286	System Operations System Reliability and Safety Capital Planning Certain Budget Adjustments
4.	Megan Mattern Controller and Principal Accounting Officer UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-5154	Accounting Historic Costs Rate Base Accounting for Data Preparation Costs for Cloud Based Services Accounting for UNITE Phase 2 Costs
5.	Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road, Haddonfield, NJ 08033-3062 Tel: 856-428-7515	Cost of Common Equity Rate of Return
6.	John D. Taylor Principal Consultant Black and Veatch 14401 Lamar Avenue, Overland Park, KS 66211 Tel: 314-307-5237	Cost of Service

Statement No.	Witness	Subjects Addressed
7.	John F. Wiedmayer C.D.P. Project Manager, Depreciation and Valuation Studies Gannett Fleming Valuation and Rate Consultants, LLC 1010 Adams Avenue Audubon, PA 19403 Tel: 610-650-8101	Depreciation
8.	David E. Lahoff Senior Manager, Tariff & Supplier Administration UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3520	Sales and Revenues Rate Structure and New Riders Revenue Allocation and Rate Design Tariff Changes
9.	Nicole M. McKinney Principal Tax Analyst UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3445	Taxes and Tax Adjustments

UGI Electric previously filed copies of these statements. The testimony and exhibits fully support UGI Electric's proposed rate increase, allocation of that increase among customer classes, and the design of rates to recover that increase from customers.

22. UGI Electric also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

V. DISCOVERY

23. To date, I&E and OCA have served interrogatories on UGI Electric and the Company has been diligently preparing timely response. The Company has responded to all discovery due as of the date of the prehearing conference, including supplementing responses

impacted by the Company's supplemental direct testimony that were served prior to the filing of the supplemental direct testimony.

24. Based on the litigation schedule to be adopted in this proceeding, UGI Electric proposes the following modifications to the standard timelines for discovery set forth in the Commission's regulations is necessary or appropriate.

- (a) Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.
- (b) Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.
- (c) Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
- (d) Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJs in writing within five (5) days of service of the interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJs in writing within six (6) days of service of the interrogatories.
- (e) Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.

- (f) Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.
- (g) Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.

25. UGI Electric also encourages the use of informal discovery to expedite the discovery process.

26. Finally, UGI Electric proposes the use of electronic service of discovery responses. Specifically, UGI Electric proposes to post all discovery responses to its Data Request Easy Access Management System (“DREAM”) website. UGI Electric will file and serve a letter notifying the parties when the applicable discovery responses have been posted to the DREAM website. Once posted, parties will be able to access, review, download, and/or print the discovery responses as needed.¹

VI. LITIGATION SCHEDULE

27. UGI Electric has discussed the schedule with the parties that have intervened in the 2018 Base Rate Case as of the time of this writing. Based on these discussions, UGI Electric proposes that the following schedule be adopted for resolution of this matter:

Filing	January 26, 2018
Prehearing Conference	March 22, 2018
Direct of Other Parties	April 26, 2018

¹ This is the same electronic discovery process used in the UGI Utilities, Inc. – Gas Division 2016 base rate case at Docket No. R-2015-2518438 and in the UGI Penn Natural Gas, Inc. 2017 base rate case at Docket No. R-2016-2580030.

Rebuttal	May 25, 2018
Surrebuttal	June 7, 2018 ²
Evidentiary Hearings and Oral Rejoinder	June 8, ³ 11-12, 2018
Main Briefs	July 2, 2018
Reply Briefs	July 18, 2018

UGI Electric understands that the above schedule is acceptable to both OCA and OSBA. UGI Electric also understands that I&E is submitting its prehearing memorandum without a proposed schedule, while discussions with the Company continue. UGI Electric will continue to negotiate a schedule with I&E that maintains the July 18, 2018 Reply Brief date set forth in an email correspondence from ALJ Haas dated March 7, 2018.

VII. PUBLIC INPUT HEARINGS

28. UGI Electric proposes that the public input hearings be telephonic and live-streamed from the Commission offices rather than held on multiple dates in multiple locations throughout UGI Electric's service territory.

29. The Commission's use of telephonic and live-streamed public input hearings has been successful in prior cases, and promotes transparency in public proceedings.

VIII. SETTLEMENT

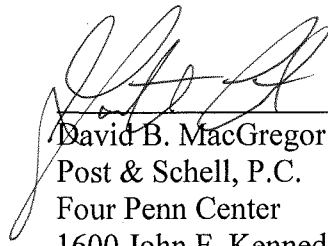
30. As of this time, no settlement discussions have been held. UGI Electric remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

² Surrebuttal testimony for witnesses testifying on return of equity issues will be due at noon on June 7, 2018. Surrebuttal testimony for all other witnesses will be due in-hand by 4:30 p.m. on June 7, 2018.

³ Return on equity witnesses will provide testimony at hearings on June 8, 2018. All other witnesses will provide testimony on June 11 and 12.

Mark C. Morrow (ID # 33590)
Danielle Jouenne (ID #306839)
UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406
Phone: 610-768-3628
Phone: 610-992-3203
E-mail: morrowm@ugicorp.com
E-mail: jouenned@ugicorp.com

Respectfully submitted,



David B. MacGregor (ID # 28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Phone: 215-587-1197
Fax: 215-320-4879
E-mail: dmacgregor@postschell.com

Jessica R. Rogers (ID # 309842)
Garrett P. Lent (ID # 321566)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: jrogers@postschell.com
E-mail: glent@postschell.com

Date: March 20, 2018

Counsel for UGI Utilities, Inc. – Electric Division