



COMMONWEALTH OF PENNSYLVANIA

November 8, 2018

E-FILED

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

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

Dear Secretary Chiavetta:

Enclosed please find the Exceptions to the October 26, 2018, Compliance Filing of UGI Utilities, Inc. – Electric Division, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'Steven C. Gray / scw'.

Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: Robert D. Knecht
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**EXCEPTIONS TO THE OCTOBER 26, 2018, COMPLIANCE FILING
OF UGI UTILITIES, INC. – ELECTRIC DIVISION
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

**Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538**

For:

**John R. Evans
Small Business Advocate**

**Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101**

Date: November 8, 2018

TABLE OF CONTENTS

I. Introduction.....1

II. Exceptions.....3

 A. The Company’s Compliance Filing Proof of Revenues improperly includes more significant digits in certain tariff charges for calculating revenues than those used in the tariff.....3

 B. The Company’s Compliance Filing Proof of Revenues improperly changes certain billing determinants from the Company’s rebuttal Proof of Revenues that was approved by the Commission4

 C. The Company has not correctly applied a proportional scaleback of the approved revenue allocation from the rebuttal filing to its Compliance Filing.....6

 D. The Company unreasonably proposes to allocate the rate credit associated with the Tax Cut and Jobs Act (“TCJA”) on the basis of proposed base rate distribution revenues10

III. Conclusion12

I. Introduction

On January 26, 2018, UGI Utilities, Inc. – Electric Division (“UGI Electric” or the “Company”) filed Tariff Electric – Pa. P.U.C. Nos. 6 and 2S with the Pennsylvania Public Utility Commission (“Commission”). The proposed Tariff, as originally filed, would increase UGI Electric’s annual revenue by \$9.254 million per year. The Company also proposed a new Storm Expense Rider, a Universal Service Program Rider, and a new Rate EV (for Electric Vehicle Services).

On March 12, 2018, UGI Electric submitted Supplemental Direct Testimony and Revised Exhibits.

On February 12, 2018, the Office of Small Business Advocate (“OSBA”) filed a Formal Complaint.

On March 1, 2018, the Commission entered an Order suspending the Tariffs and instituting an investigation before the Office of Administrative Law Judge (“ALJ”).

On March 22, 2018, a Prehearing Conference was held before ALJs Steven K. Haas and Andrew M. Calvelli.

On March 30, 2018, ALJs Haas and Calvelli issued their Scheduling Order.

On April 26, 2018, the OSBA served the Direct Testimony of Robert D. Knecht.

On May 11, 2018, the OSBA served the Supplemental Direct Testimony of Mr. Knecht.

On May 25, 2018, the OSBA served the Rebuttal Testimony of Mr. Knecht.

On June 7, 2018, the OSBA served the Surrebuttal Testimony of Mr. Knecht.

On June 11 & 12, 2018, Evidentiary Hearings were held before ALJs Haas and Calvelli.

On June 20, 2018, the Company filed a Partial Stipulation Resolving Certain Contested Issues (“Partial Stipulation”) with ALJs Haas and Calvelli.

On July 2, 2018, the OSBA submitted its Main Brief.

On July 18, 2018, the OSBA submitted its Reply Brief.

On August 24, 2018, ALJ Haas and ALJ Calvelli issued their Recommended Decision (“RD”).

On September 13, 2018, the OSBA filed an Exception to the RD. The Company, the Office of Consumer Advocate (“OCA”) and the Bureau of Investigation and Enforcement (“BOIE”) also filed Exceptions.

On October 25, 2018, the Commission entered an Opinion and Order (“Order”) that authorized UGI Electric to file tariffs, tariff supplements and/or tariff revisions on at least one day’s notice, designed to produce an annual distribution rate revenue increase of approximately \$3.201 million, to become effective for service rendered on and after October 27, 2018.

On October 26, 2018, the Company filed Supplement No. 2 to Tariff Electric Pa. P.U.C. Nos. 6 and 2S, as well as detailed Proof of Revenue calculations (together, “Compliance Filing”). These materials were delivered to OSBA by electronic mail at 5:07 pm on Friday, October 26, 2018. Consistent with the Commission regulations, OSBA was served with this filing on Monday, October 29, 2018, and has 10 days to timely respond with formal complaints.

The OSBA respectfully submits the following exceptions to the Compliance Filing.

II. Exceptions

A. The Company's Compliance Filing Proof of Revenues improperly includes more significant digits in certain tariff charges for calculating revenues than those used in the tariff.

A utility's proof of revenue analysis demonstrates that the utility's proposed tariff charges correctly produce the revenue requirement approved by the regulator. Revenues are derived by applying the proposed tariff charges to billing determinants approved by the Commission. However, in the Company's Compliance Filing in this proceeding, the Company includes more significant digits in certain compliance tariff charges than are reported in the Compliance Filing tariff. For example, the Compliance Filing Proof of Revenue uses a Residential class distribution energy charge of 2.8124 cents per kWh compared to a Compliance tariff charge of 2.812 cents per kWh in Rate R. (From the Compliance Filing Proof of Revenues, total distribution charge energy revenue of \$14,990,528 applied to consumption of 533,015,514 kWh produces an implied tariff charge of 2.182400 cents per kWh.) Similar rounding differences exist for all three distribution energy charges for Rate GS-4, the energy charge for Rate GS-5, and the first block energy charge for Rate LP. In effect, the revenues that would be produced by the actual tariff charges shown in the Compliance Filing rate schedules will be different than those shown in the Company's Compliance Filing Proof of Revenues.

The OSBA acknowledges that the quantitative impact of these differences is small in magnitude in this particular case. Nevertheless, the OSBA is concerned that allowing for rounding differences between the proof of revenue and the tariff charges would set an inappropriate precedent for future proceedings, wherein the differences may be more significant.

The OSBA respectfully requests that the Commission require UGI Electric to resubmit its Compliance Filing Proof of Revenues using distribution energy tariff charges that are consistent with the Compliance Filing rate schedules.

B. The Company's Compliance Filing Proof of Revenues improperly changes certain billing determinants from the Company's rebuttal Proof of Revenues that was approved by the Commission.

The billing determinants for the Company's fully projected future test year ("FPFTY") proof of revenue analysis were reported in Exhibit E and revised in Exhibit E (Rebuttal). In its Order, the Commission made no modifications to the billing determinants in Exhibit E (Rebuttal). Therefore, to be consistent with the Commission's Order, the Compliance Filing Proof of Revenue must use the same billing determinants as those presented in the proof of revenue in Exhibit E (Rebuttal).

However, in its Compliance filing, some small changes in billing determinants have arisen. In particular, the blocked energy billing determinants for certain customers who will transition from Rates IH, GLP and TE are different in the Compliance Filing Proof of Revenues than they are in Exhibit E (Rebuttal). The specific differences are shown in the table below:

Selected Rate GS-4 Energy Billing Determinants (kWh)		
	Exhibit E (Rebuttal)	Compliance Filing
Rate IH – Rate GS-4		
First 200 hours of demand	94,936	90,936
Next 300 hours of demand	37,152	30,152
Sub-Total	132,088	121,088*
Rate GLP – Rate GS-4		
First 200 hours of demand	232,161	201,161
Next 300 hours of demand	90,854	80,854
Sub-Total	323,015	282,015*
Rate IH – Rate GS-4*		
First 200 hours of demand	691,021	613,321
Next 300 hours of demand	270,425	270,425
Sub-Total	961,446	883,746*
* The Company's Compliance Filing Proof of Revenue does not report the correct sub-total for this group of customers. These values represent the sum of the billing determinants used to derive revenues in the Compliance Filing.		

In effect, if the billing determinants for Exhibit E (Rebuttal) has been properly used in the Compliance Filing, the revenues from Rate GS-4 would be higher than those reported by the Company. The OSBA acknowledges that the impact of correcting these inconsistencies is relatively small in magnitude in this particular case. Nevertheless, the OSBA is concerned that allowing a utility to change its billing determinants relative to an approved proof of revenue would set a dangerous precedent for other cases before the Commission.

The OSBA therefore respectfully requests that the Commission require UGI Electric to resubmit its Compliance Filing Proof of Revenue with Rate GS-4 billing determinants that are consistent with those approved by the Commission.

C. The Company has not correctly applied a proportional scaleback of the approved revenue allocation from the rebuttal filing to its Compliance Filing.

When the Commission evaluates revenue allocation in a base rates proceeding, it evaluates each class' share of the revenue increase at the full claimed revenue requirement. In this case, the Commission approved the Company's revenue allocation as presented in its rebuttal testimony, at the Company's proposed increase of \$8,092,360. Order at 165-166, Exhibit E (Rebuttal) at page 1 of 19. To develop final rates, the approved class-specific revenue allocation must be scaled back to be consistent with the lower approved revenue requirement. One method commonly used by the Commission for doing so is the proportional scaleback method, in which the full revenue allocation assigned to each class is scaled back in proportion to the overall reduction in the rate increase. And, in fact, the Commission approved a proportional scaleback approach in this proceeding. RD at 122, 131, Order at 182. Thus, the revenue allocation in the Compliance Filing for each class should be the approved revenue allocation multiplied by the ratio of the approved revenue requirement, \$3,201,000 to the filed revenue requirement, \$8,092,360, a ratio of 39.56 percent.

However, the Company's Compliance Filing Revenue Requirement does not strictly apply a proportional scaleback. The table below shows the class rate increase in the Company's Exhibit E (Rebuttal) and in the Compliance Filing Proof of Revenues, and the ratio. The first table shows the values for each rate class, and the second table shows the values for the rate classes as combined in the Company's allocated cost of service study.

UGI Electric Compliance Filing Revenue Allocation Scaleback All Classes			
Rate Class	Rebuttal Increase	Compliance Increase	Percent
R	7,986,676	3,156,475	39.52%
GS-1	606,680	252,011	41.54%
GS-4	-520,672	-216,697	41.62%
GS-5	14,127	7,089	50.18%
FCP	5,550	2,340	42.15%
LP	--	--	--
OL-R	227	227	100.00%
OL-CI	116	116	100.00%
SL	516	516	100.00%
SOL-R	88	88	100.00%
SOL-CI	452	452	100.00%
SSL	592	592	100.00%
MHOL-R	124	124	100.00%
MHOL-CI	1,767	1,767	100.00%
MHSL	199	199	100.00%
LED-R	104	104	100.00%
LED-CI	287	287	100.00%
LED-SL	-4,472	-4,472	100.00%
Total	8,092,360	3,201,218	39.56%
UGI Electric Exhibit E (Rebuttal), UGI Electric Compliance Filing			

UGI Electric Compliance Filing Revenue Allocation Scaleback Cost Allocation Rate Class Groups			
Rate Class	Rebuttal Increase	Compliance Increase	Percent
Residential	7,986,676	3,156,475	39.52%
GS-1/GS-5	620,807	259,100	41.74%
GS-4/FCP	-515,122	-214,357	41.61%
LP	--	--	--
Lighting	--	--	--
Total	8,092,360	3,201,218	39.56%
UGI Electric Exhibit E (Rebuttal), UGI Electric Compliance Filing			

As shown in the tables, the Company has disproportionately assigned the rate reduction to the Residential class.

Before submitting these exceptions, the OSBA consulted with the Company regarding this departure from a proportional scaleback. As part of an effort to resolve this issue, the Company indicated informally that its scaleback calculations were made relative to the revenue requirement as adjusted for the partial stipulation entered in this proceeding. That stipulation reduced the Company's claimed revenue requirement from \$8.092 million to \$7.705 million, a reduction of \$387,000. UGI Electric Main Brief at 1 (footnote 1), RD at 1 (footnote 1). Based on the Company's informal representations to OSBA, the Company first assigned that \$387,000 reduction entirely to the revenue allocation for the Residential class, and then applied the proportional scaleback to the remaining balance. However, the Partial Stipulation contains no reference to revenue allocation. The Company's Main Brief contains no reference to how the values in the Partial Stipulation should be reflected in revenue allocation. The only references in the Company's Main Brief and in the RD are shown in the same table, which is based on the full

\$8.092 million increase. UGI Electric Main Brief at 148, RD at 122. Similarly, the Commission's evaluation of revenue allocation is also based on the rebuttal revenue requirement of \$8.092 million, and the Commission acknowledges the Company's position that any scaleback to the reduced revenue requirement related to the Partial Stipulation should "be allocated according to the same principles and in the same manner set forth in the above table." Order at 162. The OSBA therefore respectfully submits that the Company inadvertently, but nevertheless improperly, has arbitrarily assigned the revenue reduction impact of the Partial Stipulation entirely to the Residential class.

The OSBA acknowledges that the magnitude of the impact appears to be relatively small. Nevertheless, the OSBA is concerned that allowing utilities to modify the scaleback method approved by the Commission in compliance filings would set an unfortunate precedent for future proceedings.

The OSBA also observes that the scaleback methodology proposed by the Company and approved by the Commission results in a rate *increase* for GS-4 customers relative to the rates proposed by the Company in its rebuttal filing. For reasons that are specific to this proceeding, the OSBA has not taken exception to this proposal, although it may be difficult to explain to a GS-4 customer why it must pay higher rates as a result of the Commission lowering the allowed revenue requirement. The OSBA requests that the Commission recognize that there were unusual circumstances in this proceeding and that its decision in approving this approach in the Compliance Filing does not constitute adopting a policy of allowing utilities to increase rates as part of a "scaleback."

Thus, the OSBA respectfully requests that the Commission direct UGI Electric to develop a revised revenue allocation and rate design compliance filing based on the proportional scaleback method approved in the Order.

D. The Company unreasonably proposes to allocate the rate credit associated with the Tax Cut and Jobs Act (“TCJA”) on the basis of proposed base rate distribution revenues.

As a result of the TCJA, the Company achieved tax savings in 2018. Savings beginning with the FPFTY which begins October 1, 2018 were reflected in the Company’s revised filing on March 12, 2018. However, the Commission also considered the issue of the tax savings achieved by UGI Electric prior to that time. In particular, the Commission concluded that returning the tax savings in 2018 related to TCJA did not constitute impermissible single issue or retroactive ratemaking. Order at 131-133. The Commission directed that these savings should be refunded to customers with interest. Specifically, the Commission ordered:

Therefore, we shall direct UGI to refund its ratepayers a one-time credit per customer the 2018 tax savings of \$212,677 resulting from the TCJA plus interest at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law, 41. P.S. §§ 101, et seq.

Order at 133.

In its Compliance Filing, the Company develops a one-time per-customer bill credit for each rate class. It does so by allocating the total credit (\$212,677 plus interest of \$10,722 = \$223,399) to each of the rate classes in proportion to FPFTY proposed rate revenues. UGI Electric Compliance Filing, unnumbered last page. The allocated credit is then applied on a per-customer basis, and on a per-fixture basis for the lighting classes.

The OSBA agrees that a per-customer credit appears to be consistent with the

Commission's Order. However, the Order did not specify an allocation method for distributing the credit among the rate classes. In that respect, the OSBA disagrees that *proposed* base rate revenues represent a reasonable approach to allocating this credit. This credit is clearly associated with rates paid in 2018 prior to the beginning of the future test year. Thus, if a base rate revenue allocation method is used, the OSBA respectfully submits that *current rates* revenue would be more reasonable, as that is more indicative of each class' contribution to the taxes before the start of the FPFTY. It is not reasonable to increase the TCJA credit to the Residential and GS-1 classes to reflect a rate increase that was not in place when the tax costs were charged to ratepayers.


The OSBA therefore respectfully requests that the Commission direct that UGI Electric recalculate the one-time per-customer TCJA tax credit based on an allocation of the credit using current base rate revenues.

III. Conclusion

For the reasons set forth herein, the OSBA respectfully requests that the Commission require the Company to:

- Resubmit its Compliance Filing Proof of Revenues with the specific proposed tariff charges;
- Resubmit its Compliance Filing Proof of Revenues with the billing determinants used in the Company's rebuttal Proof of Revenues;
- Recalculate the revenue allocation to apply a strict proportional scaleback method from the Company's rebuttal claimed revenue requirement of \$8,092,360 to the Commission approved revenue requirement of \$3,201,000, and to adjust tariff charges accordingly;
- Recalculate the credits related to TCJA based on current rate base rate revenues rather than proposed rate base rate revenues.

Respectfully submitted,



Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

For:
John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Dated: November 8, 2018

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : **Docket No. R-2017-2640058**
 : **Docket No. C-2018-2647268**
UGI Utilities, Inc. – Electric Division :

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Scott B. Granger, Esquire
Bureau of Investigation & Enforcement
400 North Street
Commonwealth Keystone Building
Harrisburg, PA 17120
sgranger@pa.gov
(Counsel for BIE)
(Email and Hand Delivery)

Hayley E. Dunn, Esquire
Darryl A. Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101
HDunn@paoca.org
DLawrence@paoca.org
(Counsel for OCA)
(Email and Hand Delivery)

Jerome D. Mierzwa
Lafayette K. Morgan
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
jmierzwa@exeterassociates.com
lmorgan@exeterassociates.com
(Expert Witnesses for OCA)

Michael J. Majoros, Jr.
James Garren
Snively King Majoros & Associates, Inc.
PO Box 727
Millersville, MD 21108
mmajoros@snively-king.com
jgarren@snively-king.com
(Expert Witnesses for OCA)

Aaron L. Rothschild
Rothschild Financial Consulting
15 Lake Road
Ridgefield, CT 06877
aaron@rothschildfinancial.com
(Expert Witness for OCA)

Roger D. Colton
Fisher, Sheehan & Colton
34 Warwick Road
Belmont, MA 02478
roger@fsconline.com
(Expert Witness for OCA)

Mark C. Morrow, Esquire
Danielle Jouenne, Esquire
UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406
morrowm@ugicorp.com
jouenned@ugicorp.com
(Counsel for UGI)

David B. MacGregor, Esquire
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103
dmacgregor@postschell.com
(Counsel for UGI)


Garret P. Lent, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
glent@postschell.com
(Counsel for UGI)

Jessica R. Rogers, Esquire
Post & Schell, P.C.
607 14th Street NW, Suite 600
Washington, DC 20005
jrogers@postschell.com
(Counsel for UGI)

Commission's Office of Special Assistants
ra-OSA@pa.gov
(Via Email Only)

Marissa Boyle
Bureau of Technical Utility Services
maboyle@pa.gov
(Via Email Only)

DATE: November 8, 2018



Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538