



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

March 5, 2020

Via Electronic Filing

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

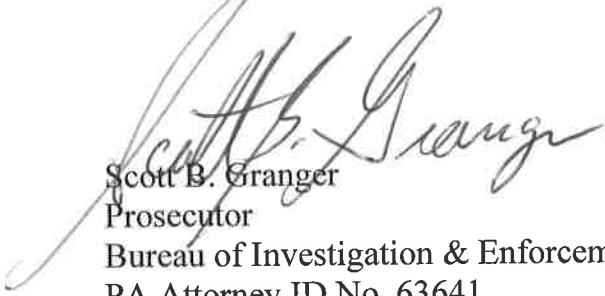
Re: Pennsylvania Public Utility Commission v.
UGI Utilities, Inc. – Gas Division
Supplement No. 6 to UGI Gas Tariff – Pa. P.U.C. Nos. 7 and 7S
Docket No. R-2019-3015162
I&E Prehearing Conference Memorandum

Dear Secretary Chiavetta:

Enclosed for electronic filing is the Bureau of Investigation and Enforcement's ("I&E") **Prehearing Conference Memorandum** in the above-referenced matter.

Copies have been served on the parties of record in accordance with the Certificate of Service. If you have any questions, please do not hesitate to contact me.

Sincerely,



Scott B. Granger
Prosecutor

Bureau of Investigation & Enforcement
PA Attorney ID No. 63641
(717) 425-7593
sgranger@pa.gov

SBG/ac
Enclosure

cc: Honorable Christopher P. Pell (*ALJ – PUC Philadelphia*)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2019-3015162
	:	
UGI Utilities, Inc. - Gas Division	:	
Base Rates	:	

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

TO: ADMINISTRATIVE LAW JUDGE CHRISTOPHER PELL:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Scott B. Granger. Contact information is as follows:

By mail: Scott B. Granger
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: sgranger@pa.gov
By telephone: (717) 425-7593
By fax: (717) 772-2677

I. INTRODUCTION

On January 28, 2020, UGI Utilities, Inc. - Gas Division (“UGI Gas” or “Company”) filed its proposed Tariff Gas - Pa. P.U.C. Nos. 7 and 7S Supplement No. 6, with a proposed effective date of March 28, 2020. The rates set forth in Supplement No. 6 to Tariff Nos. 7 and 7S, if approved by the Commission, would increase UGI Gas’s annual jurisdictional revenues by \$74.6 million, or by 8.5%. The Company has also proposed to complete its transition to uniform rates, which began in the last base rate case at Docket No. R-2018-3006814 for Rates N/NT and Rate DS. Supplement No. 6 also proposes additional changes to tariff rates, riders, and tariff terms and conditions as described in the filing.

In addition to the proposed changes to the distribution rates and the purchased gas cost rates, the Company is proposing to extend the existing temporary federal tax credit for a 12-month period following the effective date of new rates. As proposed, this credit would reduce the distribution rate portion of customer bills from those proposed in the filing by 4.50% over the course of the 12-month period. The principal reasons proffered for UGI Gas’s request for rate relief are: (1) to establish rates which provide the Company a reasonable opportunity to earn a fair return on its investment used to serve the public; (2) to establish uniform rates, rules and regulations for UGI’s three current rate districts, which will reduce costs, improve administrative efficiency and promote retail competition; (3) to support a continuation of accelerated capital investment in key technology system replacements and to maintain and improve system safety and reliability by replacing aging infrastructure; (4) to update certain terms and conditions of

service and address program commitments established in other Commission proceedings; (5) to report on the Company's GET Gas pilot main extension program and extend the pilot for another five years; and (6) to incorporate new investments related to distribution infrastructure for growth and replacement of essential facilities.

I&E filed its Notice of Appearance regarding this proceeding on February 3, 2020.

The Office of Consumer Advocate ("OCA") filed a Formal Complaint and Notice of Appearance in this proceeding on February 12, 2020.

On February 14, 2020, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE PA") filed a Petition to Intervene in this proceeding.

On February 19, 2020, the Commission on Economic Opportunity ("CEO") filed a Petition to Intervene in this proceeding.

The Office of Small Business Advocate ("OSBA") filed its Notice of Appearance and Public Statement also on February 21, 2020.

On February 28, 2020, Direct Energy Business, LLC; Direct Energy Services, LLC and Direct Energy Business Marketing, LLC ("Direct Energy") filed a Petition to Intervene in this proceeding.

Additionally, at least one ratepayer has filed a formal complaint.

On February 27, 2020, the Commission entered an Order suspending the implementation of proposed Supplement No. 6 to Tariffs 7 and 7S by operation of law until October 28, 2020, and opening an investigation into the lawfulness, justness, and

reasonableness of the proposed rates, rules, and regulations contained in proposed Supplement No. 6 to Tariffs 7 and 7S.

A dual-location telephonic Prehearing Conference is scheduled for March 9, 2020, at 10:00 am before Administrative Law Judge Christopher Pell presiding in Philadelphia.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Overall Rate of Return
- Cost of Debt
- Cost of Equity
- Management Performance
- Capital Structure
- Fully Projected Future Test Year
- Gas Production Expense
- Gas Supply Production Expense
- Transmission Expense
- Distribution Expense
- Customer Accounts Expense
- Uncollectible Expense
- Customer Information & Services Expense
- Sales Expense
- Administrative & General Expenses
- Amortization Expense
- Taxes Other than Income taxes
- Income Taxes
- Cash Working Capital (CWC)
- Employee Payroll Expense
- Employee Benefits
- Rate Case Expense
- Review of GET Gas main extension program

- Review of main extension policies separate from Get Gas territories
- Cross subsidization
- Plant In-Service
- Budgeted Plant Additions and Retirements
- Service Lives
- Accrued Deprecation
- Gas Inventory
- Materials and Supplies
- Customer Deposits
- Annual Depreciation Expense
- Test Year
- Rate Base
- Present Rate Revenue
- Interruptible Service Revenue
- Number of R/RT Heating Customers
- Number of N/NT Customers
- Present Rate Revenue Summary
- Proposed Rate Revenue-R/RT Class (Customer Charges)
- Proposed Rate Revenue-DS Class (No Scale Back)
- Scale Back of Rates
- Cost of Service
- Revenue - Average Use Per Customer - Usage Decline
- Energy Efficiency and Conservation Plan (EE&C)
- Cost of Service
- Rate Structure
- Rate Design
- Customer Charges
- Gradualism
- Rate Shock
- UGI Long Term Infrastructure Improvement Plan
- DIMP risk rankings and risk reduction
- Classes of leaks, leak statistics and leaks per mile
- Pipeline replacement costs including restoration costs

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

John Zalesky, Fixed Utility Financial Analyst
Chris Keller, Fixed Utility Financial Analyst
Joseph Kubas, Fixed Utility Valuation Engineer Supervisor
Holly Gilliland, Fixed Utility Valuation Engineer
Esyon Sakaya, Fixed Utility Valuation Engineer
Chris Henkel, Fixed Utility Financial Analyst
Jim Harchar, Pipeline Safety Engineer
Christine Wilson, Fixed Utility Financial Supervisor

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, supplemental testimony, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will give due consideration to any discovery modifications proposed by any other party. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding. As of this date, the parties have not yet agreed on a schedule. I&E tentatively proposes the following:

Filing w/ Company Direct	January 28, 2020
Other Parties Direct	April 22, 2020
Rebuttal Testimony	May 19, 2020
Surrebuttal Testimony	May 29, 2020
Oral Rejoinder Outlines	June 2, 2020
Hearings (including Oral Rejoinder)	June 3-5, 2020
Main Brief	June 25, 2020
Reply Brief	July 7, 2020

VII. PUBLIC INPUT HEARINGS

I&E is not aware of any requests at this time with respect to public input hearings. However, I&E notes that at least one ratepayer has filed formal complaints. Should

public input hearings be deemed necessary, I&E recommends the Commission consider the use of “smart hearings” to encourage increased participation by the ratepayers.


VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first-class mail.

IX. SETTLEMENT

I&E will maintain an open dialogue and is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: March 5, 2020

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Supplement No. 6 to UGI Gas Tariff –	:	
Pa. P.U.C. Nos. 7 and 7S	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Conference Memorandum** dated March 5, 2020, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via First Class and Electronic Mail

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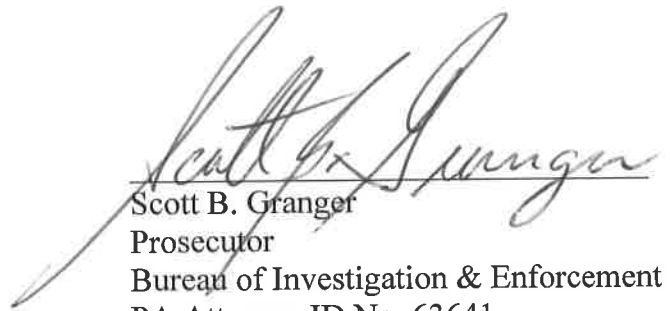
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