COMMONWEALTH OF PENNSYLVANIA

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March 5, 2020

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
Docket No. R-2019-3015162

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

Phillip D. Demanchick
Assistant Consumer Advocate
PA Attorney I.D. # 324761
E-Mail: PDemanchick@paoca.org

Enclosures:
cc: The Honorable Christopher P. Pell, ALJ
Certificate of Service
*284772

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in response to the Prehearing Conference Order issued by Deputy Chief Administrative Law Judge Christopher P. Pell (Deputy Chief ALJ Pell) in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On January 28, 2020, UGI Utilities, Inc. – Gas Division (UGI or the Company) filed Supplement No. 6 to Tariff Gas – PA. P.U.C. Nos. 7 and 7-S (Supplement No. 6). Through Supplement No. 6, the Company seeks Commission approval to increase rates to produce additional annual operating revenue of $74.6 million, or an increase of 8.5 percent. More specifically, the Company is proposing to allocate $61.2 million, or 82 percent of the proposed $74.6 million increase, to the residential customer class. As part of this proposal, the Company is seeking, *inter alia*, to increase the residential customer charge by $5.35, from $14.60 to $19.95, or a 36.6 percent increase.

The Company is engaged in the business of furnishing natural gas to approximately 650,000 residential, commercial and industrial customers in over 45 counties throughout Pennsylvania.

On January 30, 2020, a Formal Complaint was filed by Micah Cameron. On February 3, 2020, a Notice of Appearance was filed on behalf of the Bureau of Investigation and Enforcement (I&E). On February 12, 2020, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 14, 2020, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer to the Company's proposed rate increase. On February 19, 2020, the Commission on Economic Opportunity (CEO) filed a Petition to Intervene. On February 21, 2020, the Office of Small Business Advocate filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 28, 2020, Direct Energy filed a Petition to Intervene.

On February 27, 2020, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this filing, in addition to the Company's existing rates, rules, and regulations, and suspended the effective date of Supplement No. 6 until October 28, 2020, by operation of law. The case was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Deputy Chief ALJ Pell. A Prehearing Conference is scheduled for Monday, March 9, 2020.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of the Company's filing, the OCA has compiled a list of issues that it anticipates will be included in its investigation of this rate request. It is

anticipated that other issues may arise and may be pursued once the answers to all of the OCA's data requests have been received and analyzed.

The OCA has served three (3) sets of data requests to date. Upon receipt of the answers to all of its data requests, the OCA may then be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will serve direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following sets forth the issues that the OCA anticipates it may raise at this time:

A. Rate of Return

The OCA will examine the rate of return requested by the Company, including the following areas:

- Whether the capital structure claimed by UGI is representative of the period in which rates will be in effect, is comparable to other similarly situated gas utilities, and is otherwise appropriate for ratemaking purposes;
- Whether the cost of debt used by UGI is appropriate; and
- Whether the cost of common equity claimed by UGI, as well as the Company's methodologies and supporting data used to develop its final cost of common equity claim, are appropriate.

B. Rate Base/Measure of Value

The OCA will examine the reasonableness of the Company's filing as it relates to rate base/measures of value, including the following areas:

- The Company's plant in service claims and forecasted plant additions, in order to determine whether the plant claimed is used and useful in providing utility service;

- Phase III of the Company's UNITE initiative;
- The Company's use of Fully Projected Future Test Year year-end rate base;
- The Company's work order management system;
- The Company's stored gas inventory; and
- The Company's claim for Accumulated Deferred Income Taxes.

C. Revenue and Expenses

The OCA will examine the reasonableness of the Company's filing as it relates to revenues and expenses, including the following areas:

- The sales forecast utilized by the Company in order to project future test year and fully forecasted test year sales and revenues, including forecasted reductions to customer usage;
- Excess take revenues;
- Cost changes related to the Company's Management Audit;
- The Company's payroll expense;
- The Company's environmental remediation accrual;
- The Company's rate case expense;
- The Company's pension and post-retirement benefits;
- Any savings or expenses related to the Company's work order management system; and
- Tax issues, including repairs deductions to the Company's income taxes.

D. Depreciation

The OCA will examine the Company's depreciation claim, including the depreciation study submitted with the filing.

E. Rate Structure, Cost of Service, and Rate Design

The OCA will examine the rate structure, cost of service, and rate design issues in the Company's filing, including the following:

- The cost of service study, including the methodology used and the reasonableness of the allocations;
- The Company's proposed customer charge;
- The rate design proposed by the Company and whether it is reasonable and appropriate;
- The Company's proposed allocation of the revenue increase among customer classes;
- The reasonableness and appropriateness of the Company's line extension changes;
- The reasonableness of the proposed balancing charges for Monthly Balancing Service (MBS) and No-Notice Service (NNS); and
- The reasonableness of continuing to assign Columbia Gas Transmission capacity to Extended Large Firm Delivery Service (XD) customers.

F. Universal Service Programs

The OCA will review issues related to low-income customers and universal service programs, including:

- The Company's Customer Assistance Program (CAP) to ensure that the budget amount is reasonable and that the program appropriately serves low-income customers;
- The effect of the proposed customer charge on low-income customers;
- The quality of customer service provided by the Company;
- Whether the Company has proposed an appropriate offset in its Universal Service Rider for uncollectibles and working capital expenses, as well as whether the trigger for these offsets is set at an appropriate level; and

- Whether the Company's costs are recovered appropriately through the Universal Service Rider.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. The witnesses will present testimony in written form and will also attach various exhibits, documents, and explanatory information, which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the expert witnesses responsible for the area of the case, as well as mailing a copy to counsel for the OCA.

A. Rate Base, Revenues, Expenses, and General Accounting

Lafayette Morgan
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044

Telephone: (410) 992-7500
E-mail: lmorgan@exeterassociates.com

B. Rate Structure/Cost Allocation and Energy Efficiency and Conservation

Jerome Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044

Telephone: (410) 992-7500
E-mail: jmierzwa@exeterassociates.com

C. Rate of Return

Kevin O'Donnell
Nova Energy Consultants, Inc.
1350 SE Maynard Road
Suite 101
Cary, NC 27511

Telephone: (919) 461-0270
E-mail: kodonnell@novaenergyconsultants.com

D. Universal Service and Impacts on Low-Income Customers

Roger Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478
Telephone: (617) 484-0597
E-mail: roger@fsconline.com

The OCA specifically reserves the right to call additional witnesses as may be necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will promptly notify Deputy Chief ALJ Pell and all parties of record.

IV. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl A. Lawrence and Assistant Consumer Advocates Phillip D. Demanchick and Barrett C. Sheridan. Mr. Demanchick will be speaking as the lead attorney for the purposes of the prehearing conference.

The OCA has created a group email address provided below. This is the only email address that is required for service on the OCA; it will provide the emailed materials to all members of the OCA team including the witnesses listed above. Two hard copies of all documents should be served on the OCA as follows:

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V. DISCOVERY

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the discovery regulations:

a. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service. 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.

b. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the Deputy Chief ALJ 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 Deputy Chief ALJ in writing within six (6) days of service of the interrogatories.

c. 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.

d. 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.

e. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.

f. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

The OCA notes that these are the same discovery modifications that were adopted in the Company's most recent rate proceeding. See UGI Utilities, Inc. – Gas Division v. Pa. PUC, Docket No. R-2018-3006814, Prehearing Order #1 at 6-7 (Mar. 14, 2019).

VI. PUBLIC INPUT HEARINGS

To date, the OCA is aware of one customer Formal Complaint and approximately 15 informal complaints that have been filed regarding the Company's proposed rate increase. Additionally, two consumers have informally requested a Public Input Hearing, one of which requested that it be held in Pottsville, Pennsylvania. Given the magnitude of the requested rate increase and the current interest in holding a public input hearing, the OCA requests that public input hearings be held in the Company's service territory, including two smart hearings at the Commission.

VII. PROPOSED SCHEDULE

The OCA supports the schedule set forth in the Company's Prehearing Memorandum. The dates are as follows:

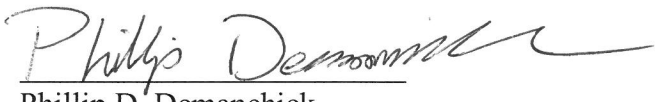
Other Parties' Direct Testimony	Wednesday, April 22, 2020
Rebuttal Testimony	Tuesday, May 19, 2020
Surrebuttal Testimony	Friday, May 29, 2020
Rejoinder Outline	Tuesday, June 2, 2020
Evidentiary Hearings	Wednesday, June 3, 2020 – Friday, June 5, 2020
Main Brief	Thursday, June 25, 2020
Reply Brief	Tuesday, July 7, 2020

Additionally, as indicated above, the OCA respectfully requests that the deadline for Reply Briefs be extended to Tuesday, July 7, 2020. This will greatly facilitate the OCA's ability to prepare and finalize its Reply Brief, in addition to preparing the materials for service and distribution.

VIII. SETTLEMENT

The OCA is willing to participate in settlement discussions at the appropriate time in this proceeding.

Respectfully Submitted,



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DATED: March 5, 2020
284287

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 5th day of March 2020.

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Dated: March 5, 2020
*284358