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File #: 178556

March 5, 2020

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

Dear Secretary Chiavetta:

Enclosed please find the Prehearing Conference Memorandum of UGI Utilities, Inc. – Gas Division for filing in the above-referenced proceeding.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Devin Ryan

DTR/jl  
Enclosures

cc: Honorable Christopher P. Pell  
Certificate of Service

## CERTIFICATE OF SERVICE

(Docket No. R-2019-3015162)

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

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*Direct Energy*

VIA FIRST CLASS MAIL

Micah Cameron  
40 High Street, Apt. #1  
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Date: March 5, 2020

A handwritten signature in blue ink, consisting of several overlapping loops and strokes, positioned above a horizontal line.

Devin Ryan



served upon Kent D. Murphy at [murphyke@ugicorp.com](mailto:murphyke@ugicorp.com), Danielle Jouenne at [jouenned@ugicorp.com](mailto:jouenned@ugicorp.com), Michael S. Swerling at [swerlingm@ugicorp.com](mailto:swerlingm@ugicorp.com), David B. MacGregor at [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com), Michael W. Hassell at [mhassell@postschell.com](mailto:mhassell@postschell.com), Jessica R. Rogers at [jrogers@postschell.com](mailto:jrogers@postschell.com), and Devin T. Ryan at [dryan@postschell.com](mailto:dryan@postschell.com).

## **II. PROCEDURAL HISTORY**

3. This proceeding was initiated on January 28, 2020, when UGI Gas filed Supplement No. 6 to Tariff Gas PA. P.U.C. Nos. 7 and 7S (“Supplement No. 6.”) with the Pennsylvania Public Utility Commission (“Commission”). Supplement No. 6 issued to be effective for service rendered on or after March 29, 2020. It proposed changes to UGI Gas’s base retail distribution rates designed to produce an increase in revenues of approximately \$74.6 million, based upon data for a fully projected future test year ending September 30, 2021 (“2020 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. On February 3, 2020, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed its Notice of Appearance.

5. On February 12, 2020, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2020 Base Rate Case, which was docketed at Docket No. C-2020-318289.

6. On February 14, 2020, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) filed a Petition to Intervene and Answer.

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

8. On February 21, 2020, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2020 Base Rate Case, which was docketed at Docket No. C-2020-3018858.

9. 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 the 2020 Base Rate Case.

10. In addition, a formal Complaint was filed by Micah Cameron, on January 30, 2020 at Docket No. C-2020-3017207.

11. On February 27, 2020, the Commission issued an Order suspending Supplement No. 6 until October 28, 2020, unless permitted by Commission Order to become effective at an earlier date.

12. Also on February 27, 2020, the Commission issued a Hearing Notice scheduling a telephonic Prehearing Conference for March 9, 2020, at 10:00 a.m. and assigning the Administrative Law Judge Christopher P. Pell (the “ALJ”) as the presiding officer.

13. Also on February 27, 2020, the ALJ issued the Prehearing Order that, among other things, directed the parties to submit Prehearing Conference Memoranda on or before 12:00 p.m. March 5, 2020.

14. Pursuant to 52 Pa. Code § 5.224(c) and the February 27, 2020 Prehearing Conference Order, UGI Gas hereby submits this Prehearing Conference Memorandum.

### **III. ISSUES**

15. UGI Gas intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$74.6 million, based on a fully projected future test year ending September 30, 2021, and proposed allowed rate of return on equity of 10.95 percent is just and reasonable and should be approved by the Commission.

16. UGI Gas also intends to demonstrate that one primary contributor to its need for rate relief is its continued significant capital investment in its aging distribution system. In addition to modernizing facilities, UGI Gas is undertaking a Company-wide initiative to improve its technology and employee training. Finally, this case incorporates a number of modest annual wage and salary increases, as well as other general price increases for products and services. The combined impact of these items leaves UGI Gas unable to earn a fair rate of return on its investment, at present rate levels.

17. The principal reasons 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 complete the unification of rates started in UGI Gas's last rate case, 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 simplify and improve line extension rules; and (6) to incorporate new investments related to distribution infrastructure for growth and replacement of essential facilities.

18. UGI Gas intends to demonstrate that its proposed 10.95 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 Gas intends to demonstrate that the proposed return on equity is particularly appropriate in view of the Company's management effectiveness.

19. UGI Gas 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). The Company's proposed revenue allocation will move all rate classes substantially toward the overall system average rate of return. In addition, the Company's proposal completes the unification of rates started in its last base rate case, and moves each rate class an equal percentage towards the system average return.

20. UGI Gas is specifically proposing to complete the process of incorporating Rates N/NT and Rate DS into the uniform rate design applied to all other rate classes. As explained in the Company's direct testimony (UGI Gas St. 1), the Company has taken many steps over the past few years toward unifying its rate structure, tariff, and rate classes. In its last base rate case, the Company was permitted to unify its rates, with the exception of Rates N/NT and Rate DS for the former North Rate District. The Company was permitted to unify these rates according to a two step process. For Step 1, upon the effective date of new rates in the 2019 Base Rate Case (at Docket No. R-2018-3006814), the Commission approved a twelve (12) percent increase to Rates N/NT (in the North Rate District) and a twenty (20) percent increase to Rate DS (in the North Rate District), with Rates N/NT and Rate DS (in the South and Central Rate Districts) set uniformly by class to recover the remaining N/NT and DS revenue requirements, respectively. As part of Step 2, the Company was permitted to propose full uniform rates for these two rate



classes in the Company’s next general rate proceeding, which the Company is proposing herein. The Company’s proposal seeks to complete Step 2 of this process, in compliance with the Settlement and Commission’s Order in the 2019 Base Rate Case.

21. Finally, the Company is seeking to amend its current Line Extension Regulation in order reduce or eliminate the up-front extension contribution. This change will make line extensions more affordable for customers who wish to convert to natural gas. The Company proposes to eliminate or reduce the contribution amount required by applicants if the following conditions are met: (1) the service location is directly accessible by an existing or proposed UGI Gas main (non-high pressure), which would be extended by no more than 150 feet; (2) the service line required to serve the applicant is no more than 150 feet; (3) the customer will utilize natural gas as their primary heating source and be served under Rates R, RT, N, or NT; (4) construction for the new main and service line does not require the crossing of private property or right of way or pose a complex construction condition or require unusual permitting requirements. The proposed change is fully set forth in Section 5.1(b)(1)-(4) of UGI Gas Exhibit F – Proposed Tariff and explained in the direct testimony of Christopher R. Brown (UGI Gas St. 1).

**IV. WITNESSES**

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

Statement No.	Witness	Subjects Addressed
1.	Christopher R. Brown Vice President and General Manager of Rates of Supply UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Purpose of Testimony and Rate Filing Overview Need for Rate Relief Unification of Rates and Reporting UGI-1 Initiative and UNITE Tariff Changes Salaries and Wages Adjustments

		Test Year Sales and Revenues Revenue Allocation and Rate Design Interruptible Customer Competitive Analysis Management Performance
2.	Stephen F. Anzaldo Director, Rates and Regulatory Planning UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Uniform Rate Structure and Riders Budget Process Revenue Requirement Operating Revenues and Expenses Compliance with Act 40 of 2016
3.	Vivian K. Ressler Manager of Technical Accounting and Controls UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Accounting for Historic Costs Rate Base Claim Accounting for Information Technology Costs Adjustments for Management Efficiency Audit
4.	Timothy Angstadt <sup>1</sup> Vice President Operations UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	System Operations System Reliability and Safety
5.	Joseph R. Kopalek Vice President of Environmental Health and Safety UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	New Safety Initiatives Environmental Program, Remediation Costs, and Sustainability Initiatives
6.	Vicky A. Schappell Principal Analyst, Capital Planning UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Capital Planning
7.	Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road,	Cost of Capital Rate of Return

<sup>1</sup> In its initial filing, UGI Gas Statement No. 4 was sponsored by Kelly A. Beaver. However, the Company intends to file a revised Statement No. 4. The revisions will be limited to replacing Ms. Beaver with Mr. Angstadt as the sponsor of this piece of testimony; no other changes will be made.

	Haddonfield, NJ 08033-3062	
8.	Paul Herbert President Gannett Fleming Valuation & Rate Consultants, LLC 207 Senate Avenue Camp Hill, PA 17011	Cost of Service Allocation
9.	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	Depreciation
10.	Nicole M. McKinney Manager of Tax and Regulatory Accounting UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Taxes and Tax Adjustments

UGI Gas previously filed copies of the witness testimony statements listed in the table above. The testimony and exhibits fully support UGI Gas's proposed rate increase, allocation of that increase among customer classes, and the design of rates to recover that increase from customers.

23. UGI Gas 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**

24. To date, UGI Gas has received hundreds of data requests from numerous parties to this proceeding, and is diligently preparing responses.

25. Based on the litigation schedule to be adopted in this proceeding, UGI Gas proposes the following modifications to the standard timelines for discovery set forth in the Commission's regulations as 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 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 ALJ 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.

26. UGI Gas also encourages the use of informal discovery to expedite the discovery process.

27. Finally, UGI Gas proposes the use of electronic service of discovery responses. Specifically, UGI Gas proposes to post all discovery responses to its Data Request Easy Access Management System (“DREAM”) website. UGI Gas 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.<sup>2</sup>

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<sup>2</sup> 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, the UGI Penn Natural Gas, Inc. 2017 Base Rate Case at Docket No. R-2016-2580030, and the UGI Utilities, Inc. 2019 Base Rate Case at Docket No. R-2018-3006814.

**VI. LITIGATION SCHEDULE**

28. UGI Gas has discussed the schedule with the parties that have intervened in the 2020 Base Rate Case as of the time of this writing. Based on these discussions, UGI Gas proposes that the following schedule be adopted for resolution of this matter:

Filing	January 28, 2020
Prehearing Conference	March 9, 2020
Direct of Other Parties	April 22, 2020
Rebuttal	May 19, 2020
Surrebuttal	May 29, 2020
Written Rejoinder or Outlines	June 2, 2020
Evidentiary Hearings	June 3-5, 2020
Main Briefs	June 25, 2020
Reply Briefs	July 6, 2020 (2:00 p.m.)

UGI Gas is also willing to work with the parties to accommodate potential scheduling conflicts for the parties' witnesses to attend and testify at the evidentiary hearings.

**VII. PUBLIC INPUT HEARINGS**

29. UGI Gas 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 Gas's service territory.

30. 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**

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

Respectfully submitted,



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Dated: March 5, 2020

Counsel for UGI Utilities, Inc. – Gas Division