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June 14, 2013

VIA ELECTRONIC AND EXPRESS MAIL

The Honorable Elizabeth H. Barnes
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
ebarnes@pa.gov

**Re: Pennsylvania Public Utility Commission et al. v. UGI Penn
Natural Gas, Inc., Docket Nos. R-2013-2361763; C-2013-2364423;
C-2013-2367934**

**Pennsylvania Public Utility Commission et al. v. UGI Central
Penn Gas, Inc., Docket Nos. R-2013-2361764; C-2013-2364425;
C-2013-2367941**

**Pennsylvania Public Utility Commission et al. v. UGI Utilities, Inc. –
Gas Division, Docket Nos. R-2013-2361771; C-2013-2364428;
C-2013-2367950**

Dear Judge Barnes:

Enclosed please find two copies of the Prehearing Memorandum of UGI Penn Natural Gas, Inc., UGI Central Penn Gas, Inc. and UGI Utilities, Inc. – Gas Division. Copies of this document have been served upon the persons indicated in the attached Certificate of Service.

Very truly yours,

Mark C. Morrow

Counsel for:
UGI Penn Natural Gas, Inc.
UGI Central Penn Gas, Inc.
UGI Utilities, Inc. – Gas Division

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket Nos. R-2013-2361763
	:	C-2013-2364423
v.	:	C-2013-2367934
	:	
UGI PENN NATURAL GAS, INC.	:	
	:	
PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket Nos. R-2013-2361764
	:	C-2013-2364425
v.	:	C-2013-2367941
	:	
UGI CENTRAL PENN GAS, INC	:	
	:	
PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket Nos. R-2013-2361771
	:	C-2013-2364428
v.	:	C-2013-2367950
	:	
UGI UTILITIES, INC. - GAS DIVISION	:	
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**PREHEARING MEMORANDUM OF
UGI PENN NATURAL GAS, INC.
UGI CENTRAL PENN GAS, INC.
and
UGI UTILITIES, INC. - GAS DIVISION**

BEFORE ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES:

I. BACKGROUND

UGI Penn Natural Gas, Inc. ("PNG"), UGI Central Penn Gas, Inc. ("CPG") and UGI Utilities, Inc. - Gas Division ("UGI") (collectively, the "Companies"), being natural gas

distribution companies with gross intrastate annual operating revenues in excess of \$40,000,000, are authorized by the provisions of Section 1307(f) of the Public Utility Code, 66 Pa.C.S. §1307(f), and the Pennsylvania Public Utility Commission's ("Commission") gas cost recovery regulations at 52 Pa. Code §§53.61-53.69, to make annual purchase gas cost ("PGC") filings proposing modifications to their gas tariff rates to reflect increases or decreases in their natural gas costs. Consistent with the requirements of 52 Pa. Code §53.64(c), the Companies each filed certain supporting information for their annual PGC filings on May 1, 2013, and, in accordance with the schedule for PGC filings established by the Commission, filed their 2013 PGC filings on May 31, 2013.

In its current PGC filing PNG proposes to implement a PGC rate of \$5.97/Mcf effective December 1, 2013, which will result in a \$0.4299/Mcf rate increase for customers served under Rate Schedules R and GL, and a \$0.4988/Mcf rate increase for customers served under Rate Schedules N and CIAC, from the PNG PGC rates implemented after a quarterly adjustment on June 1, 2013.

In its current PGC filing CPG has proposed to implement a PGC rate of \$6.18/Mcf, effective December 1, 2013, which will result in a \$0.47/Mcf rate increase for customers served under Rate Schedule R, and a \$0.51/Mcf rate increase for customers served under Rate Schedules N, GL and CIAC, from the CPG PGC rates implemented after a quarterly adjustment on June 1, 2013.

In its current PGC filing UGI proposes to implement a PGC(1) rate of \$7.3355 per Mcf, effective December 1, 2013, which will result in a \$0.63/Mcf rate increase for customers served under Rate R, and a \$0.64/Mcf increase for customers served under Rate N, from the UGI PGC rates implemented after a quarterly adjustment on June 1, 2013.

In addition, UGI proposes to implement a PGC(2) rate of \$6.29 per Mcf to become effective December 1, 2013, which will result in an average PGC(2) increase of \$1.39 per Mcf from the average UGI PGC(2) rate that became effective after a quarterly adjustment on June 1, 2013.

On May 21, 2013 the Office of Consumer Advocate (“OCA”) filed formal complaints, notices of appearance and public statements in the three PGC proceedings. The Companies filed answers to these complaints on June 7, 2013.

On or about May 21, 2013 attorneys for the Commission’s Bureau of Investigation and Enforcement (“BIE”) entered notices of appearance in all three PGC proceedings.

On June 6, 2013 CPG filed a missing page from CPG Statement No. 2 that had been inadvertently omitted from its may 31, 2013 filing.

On June 7, 2013 the Office of Small Business Advocate (“OSBA”) filed formal complaints, notices of appearance and public statements in the three PGC proceedings. The Companies filed answers to these complaints on June 14, 2013.

In a notice dated June 6, 2013 the parties were informed that a Prehearing Conference on the Company’s PGC filings would be held before Administrative Law Judge (“ALJ”) Elizabeth H. Barnes on June 19, 2013.

On June 10, 2013 ALJ Barnes issued a Prehearing Conference Order. This Prehearing Memorandum is being submitted in accordance with the directives of this order.

II. SERVICE LIST

The following persons should be identified on the service list for both the PNG, CPG and UGI PGC proceedings:

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Fax: 717-731-1985
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III. CONSOLIDATION

PNG, CPG and UGI support the consolidation of their PGC proceedings for purposes of discovery, hearing and briefing.

IV. DISCOVERY

PNG, CPG and UGI have received interrogatories from the OCA and BIE. Each has responded or is in the process of responding to these discovery requests. The Companies are willing to meet with any party for the purpose of conducting informal discovery.

PNG, CPG and UGI have entered into Stipulated Protective Agreements with all current participants addressing rules for the provision of confidential information in discovery requests, and will seek a Protective Order to supplement or supplant the protections afforded by the Stipulated Protective Agreements.

V. SCHEDULE

A proposed procedural schedule consistent with the end of July close of record date specified in the Prehearing Conference Order, and acceptable to CPG, PNG and UGI, is set forth in Appendix A. There is not yet agreement among the parties on this procedural schedule.

VI. WITNESSES

PNG

PNG submitted the written testimony of the following witnesses with its May 31, 2013 PGC filing, and reserves the right to call such additional witnesses as may be required to respond to issues raised by other parties:

William J. McAllister, Principal Analyst
(PNG Statement No. 1)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

David C. Beasten – Manager – Supply Planning and Procurement
(PNG Statement No. 2)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

Shaun Hart – Manager - Supply
(PNG Statement No. 3)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

In his testimony, Mr. McAllister addresses (1) the development of PNG's proposed PGC rate for the twelve-month period beginning December 1, 2013, (2) Migration Rider volume projection, (3) the development of PNG's PGC Interest Calculation, (4) PNG's Revenue Sharing Incentive Mechanism, (5) CPG's Retainage Rate, and (6) Tennessee Pipeline Refund Credits.

In his testimony Mr. Beasten addresses (1) peaking contract updates; (2) termination of several upstream pipeline contracts; (3) termination of a Texas Eastern pipeline capacity contract and its replacement; (4) a RFP for supply on the Transco Leidy line; (5) Columbia capacity serving Carlisle and (6) releases across utilities.

In his testimony, Mr. Hart addresses (1) projected peak day demand and (2) Choice program changes.

The PNG witnesses also support the portions of the PNG May 1, 2013, supporting information and May 31, 2013 PGC filing as shown on Schedule PNG-WJM-1 to Mr. McAllister's direct testimony.

CPG

CPG submitted the written testimony of the following witnesses with its May 31, 2013 PGC filing, and reserves the right to call such additional witnesses as may be required to respond to issues raised by other parties:

William J. McAllister, Principal Analyst
(CPG Statement No. 1)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

David C. Beasten – Manager – Supply Planning and Procurement
(CPG Statement No. 2)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

Shaun Hart – Manager - Supply
(CPG Statement No. 3)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

In his testimony, Mr. McAllister addresses (1) the development of CPG's proposed PGC rate for the twelve-month period beginning December 1, 2013; (2) Migration Rider volume projection; (3) the development of CPG's PGC Interest Calculation; (4) CPG's Revenue Sharing Incentive Mechanism; (5) CPG's Retainage Rate and (6) Tennessee Pipeline Refund Credits.

In his testimony Mr. Beasten addresses (1) issues surrounding a Tennessee storage contract; (2) issues surrounding a Transco storage contract; (3) a RFP for supplies delivered into Transco Leidy line capacity held by CPG and (4) releases across companies.

In his testimony Mr. Hart addresses (1) projected peak day demand; (2) Choice program changes and (3) an affiliate transportation service.

CPG witnesses also support the portions of the CPG May 1, 2013 supporting information and May 31, 2013 PGC filing as shown on Schedule CPG-WJM-1 to Mr. McAllister's direct testimony.

UGI

UGI submitted the written testimony of the following witnesses with its May 31, 2013 PGC filing, and reserves the right to call such additional witnesses as may be required to respond to issues raised by other parties:

William J. McAllister, Principal Analyst
(UGI Statement No. 1)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

David C. Beasten – Manager – Supply Planning and Procurement
(UGI Statement No. 2)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

Shaun Hart – Manager - Supply
(UGI Statement No. 3)
UGI Utilities, Inc.
2525 N. 12th St., Suite 360
Reading, Pennsylvania 19605

In his testimony, Mr. McAllister addresses (1) the development of UGI's proposed PGC rates, both PGC(1), PGC(2) for the twelve-month period beginning December 1, 2013; (2) the Migration Rider Volume Projection; (3) the development of UGI's calculation of interest; (4) UGI's Revenue Sharing Incentive Mechanism; (5) UGI's Retainage Rate and (6) Tennessee Pipeline Refund Credits.

In his testimony Mr. Beasten addresses (1) peaking contract updates; (2) termination of several upstream pipeline contracts; (3) termination of a Texas Eastern pipeline capacity contract and its replacement; (4) a RFP for supply on the Transco Leidy line; (5) Columbia capacity serving Carlisle and (6) releases across utilities.

In his testimony Mr. Hart addresses (1) projected peak day demand; (2) Choice program changes and (3) the results of the Request for Proposal ("RFP") for Storage Contract Administration.

UGI witnesses also supported the portions of the UGI May 1, 2013 supporting information and May 31, 2013 PGC filing as shown on Schedule UGI-WJM-1 to Mr. McAllister's direct testimony.

VII. ISSUES

Under Section 1307(f), the Commission must determine that portion of a natural gas distribution company's actual gas costs incurred during a 12-month historical period that meets the standards set forth in Section 1318 of the Public Utility Code, 66 Pa.C.S. §1318. Section 1318, in turn, requires the Commission to determine whether:

1. The utility has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission.
2. The utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the utility's ratepayers.
3. The utility has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies.
4. The utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

Where applicable, the Commission must also make certain findings concerning gas purchases from affiliates, and determine whether a natural gas distribution company has "shut-in" gas that could have been brought to market during the relevant period.

Once such findings are made for the historical period, the Commission must determine the reasonableness of the rates proposed for the projected PGC period. Such rates are comprised primarily of two elements, the so-called "C-Factor" and "E-Factor." The "C-Factor" is a projection of the gas costs the natural gas distribution company will incur during the future period. The "E-Factor" is the reconciliation of: (a) the natural gas distribution company's gas costs that meet the standards of Section 1318 during the historic period; and (b) the PGC revenues collected by the natural gas distribution company during such historic period, plus projections of over and under collections for the interim period (April through November, 2013).

VIII. EVIDENCE

PNG intends to offer into evidence (1) its May 1, 2013 supporting information, (2) its May 31, 2013 PGC filing, with supporting schedules and the written direct testimony of its

witnesses, and (3) any other PNG written testimony or exhibits submitted in the course of the proceeding.

CPG intends to offer into evidence (1) its May 1, 2013 supporting information, (2) its May 31, 2013 PGC filing, with supporting schedules and the written direct testimony of its witnesses, (3) its June 6, 2013 submission and (4) any other CPG written testimony or exhibits submitted in the course of the proceeding.

UGI intends to offer into evidence (1) its May 1, 2013 supporting information, (2) its May 31, 2013 PGC filing, with supporting schedules and the written direct testimony of its witnesses, and (3) any other UGI written testimony or exhibits submitted in the course of the proceeding.

IX. SETTLEMENT

There have been no settlement discussions to date. The Companies stand ready, however, to engage in such settlement discussions if the parties to this proceeding so desire.

Respectfully submitted,



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Counsel for:

UGI Penn Natural Gas, Inc.
UGI Central Penn Gas, Inc.
UGI Utilities, Inc. - Gas Division

Dated: June 14, 2013

APPENDIX A

Proposed Schedule

Prehearing Conference	Wednesday June 19, 2013
Other Party Testimony	Monday July 8, 2013
Rebuttal Testimony (all parties)	Friday July 19, 2013
Surrebuttal Testimony (all parties)	Thursday July 25, 2013
Hearing Dates	Tuesday July 30, 2013 – Wednesday July 31, 2013 (start 10:00 a.m. both days)
Evidentiary Record Closes	Wednesday July 31, 2013
Main Briefs	Monday August 12, 2013 (in hand to ALJ)
Reply Briefs	Monday August 19, 2013 (in hand to ALJ)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket Nos. R-2013-2361763
	:	C-2013-2364423
v.	:	C-2013-2367934
	:	
UGI PENN NATURAL GAS, INC.	:	
	:	
PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket Nos. R-2013-2361764
	:	C-2013-2364425
v.	:	C-2013-2367941
	:	
UGI CENTRAL PENN GAS, INC	:	
	:	
PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket Nos. R-2013-2361771
	:	C-2013-2364428
v.	:	C-2013-2367950
	:	
UGI UTILITIES, INC. - GAS DIVISION	:	
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CERTIFICATE OF SERVICE

I hereby certify that I have, on this 14th day of June, 2013 served a true and correct copy of the foregoing document in the manner and upon the persons listed below in accordance with requirements of 52 Pa. Code §1.54 (relating to service by a participant):

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