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June 3, 2016

**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  
Docket No. R-2016-2543309**

**Pennsylvania Public Utility Commission v. UGI Central Penn Gas, Inc.  
Docket No. R-2016-2543311**

**Pennsylvania Public Utility Commission v. UGI Penn Natural Gas, Inc.  
Docket No. R-2016-2543314**

Dear Secretary Chiavetta:

Enclosed for filing, please find the Prehearing Memorandum of UGI Utilities, Inc. – Gas Division, UGI Central Penn Gas, Inc., and UGI Penn Natural Gas, Inc. in this proceeding. Copies of this filing have been served upon the persons indicated on the attached certificate of service.

Very truly yours,

Danielle Jouenne  
Counsel for UGI Utilities, Inc.,  
UGI Central Penn Gas, Inc., and  
UGI Penn Natural Gas, Inc.

Enclosure

cc: Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.</b>	:	<b>Docket Nos. R-2016-2543309</b>
<b>v.</b>	:	<b>C-2016-2544958</b>
<b>UGI UTILITIES, INC. - GAS DIVISION §1307(f)</b>	:	
:		
<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.</b>	:	<b>Docket Nos. R-2016-2543311</b>
<b>v.</b>	:	<b>C-2016-2544964</b>
<b>UGI CENTRAL PENN GAS, INC. §1307(f)</b>	:	
:		
<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.</b>	:	<b>Docket Nos. R-2016-2543314</b>
<b>v.</b>	:	<b>C-2016-2544985</b>
<b>UGI PENN NATURAL GAS, INC. §1307(f)</b>	:	

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**PREHEARING MEMORANDUM OF  
UGI UTILITIES, INC. - GAS DIVISION,  
UGI CENTRAL PENN GAS, INC.,  
AND  
UGI PENN NATURAL GAS, INC.**

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**BEFORE ADMINISTRATIVE LAW JUDGES SUSAN D. COLWELL AND STEVEN K. HAAS:**

**I. BACKGROUND**

UGI Utilities, Inc. – Gas Division (“UGI”), UGI Central Penn Gas, Inc. (“CPG”), and UGI Penn Natural Gas, Inc. (“PNG”) (collectively, the “Companies”), being natural gas distribution companies with gross intrastate annual operating revenues in excess of \$40,000,000.00, 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) and 53.65, and 66 Pa. C.S. 1317(c), the Companies each filed certain supporting information for their annual PGC filings on April 29, 2016 and, in accordance with the schedule for PGC filings established by the Commission, filed their 2016 PGC filings on June 1, 2016.

In its current PGC filing, UGI proposes to implement a PGC(1) rate of \$4.8003/Mcf for Rate Schedules R, N, and GL, effective December 1, 2016, which will result in a \$0.5341/Mcf increase from the \$4.2662/Mcf PGC(1) rate in effect since December 1, 2015. In addition, UGI proposes to implement a PGC(2) rate of \$4.7623/Mcf for Rate Schedules BD and CIAC to become effective December 1, 2016, which will result in an increase of \$0.6696/Mcf from the \$4.0927/Mcf PGC(2) rate in effect since December 1, 2015.

In its current PGC filing, CPG proposes to implement a PGC rate of \$3.2229/Mcf, effective December 1, 2016, which will result in a \$0.1814/Mcf increase from the \$3.0415 PGC rate in effect since December 1, 2016.

In its current PGC filing, PNG proposes to implement a PGC rate of \$3.0248/Mcf, effective December 1, 2016, which will result in no change from the PNG PGC rate that took effect on June 1, 2016.

On or about May 12, 2016 the Office of Consumer Advocate (“OCA”) filed formal complaints, notices of appearance and public statements in the three PGC proceedings. The Companies filed timely letters in lieu of Answers and filed notices of appearance on May 20, 2016.

On or about May 12, 2016 counsel for the Commission’s Bureau of Investigation and Enforcement (“I&E”) entered notices of appearance in all three PGC proceedings.

On or about June 2, 2016 the Office of Small Business Advocate (“OSBA”) filed formal complaints, notices of appearance and public statements in the three PGC proceedings. As of this filing, the Companies have not yet filed a response to OSBA’s complaints.

Through a Prehearing Conference Order issued by Administrative Law Judge (“ALJ”) Susan D. Colwell, dated June 1, 2016, the parties were informed that a Prehearing Conference on the Companies’ PGC filings would be held before ALJ Colwell on June 6, 2016. This Prehearing Memorandum is being submitted in accordance with the directives of the Prehearing Conference Order.

## **II. SERVICE LIST**

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

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## **III. CONSOLIDATION**

The Companies support the consolidation of their PGC proceedings for purposes of discovery, hearing and briefing.

## **IV. DISCOVERY**

The Companies have received interrogatories from the OCA and I&E. Each has responded or is in the process of responding to these discovery requests, and has posted responses on a password-protected website for those parties interested in receiving responses in this manner.

The Companies are willing to respond to informal discovery requests and strongly encourage the parties and their expert witnesses to consider this option to facilitate the preparation of their testimonies within the compressed procedural schedules necessitated by the Section 1307(f) process.

The Companies have entered into Stipulated Protective Agreements with all current participants addressing rules for the provision of confidential information in discovery requests. The Companies intend to file a Petition for a Protective Order later in this proceeding to supplement or supplant the protections afforded by the Stipulated Protective Agreements. The Companies will work with all parties to obtain agreement on the Protective Order prior to filing.

Traditionally, certain public parties, such as OCA, have sought to shorten discovery response time in Company Section 1307(f) proceedings, and the Companies have supported these requests with modifications to reflect the additional time that is required to respond to discovery requests served immediately before weekends or holidays. To the extent such modifications are sought in the current proceedings, the Companies would support the discovery response modifications set forth below, which has been agreed to by OCA:

- (1) *Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service of the interrogatories, provided that, if receipt of the interrogatories occurs after 12:00 noon on either a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day;*
- (2) *Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories, provided that, if receipt of the interrogatories occurs after 12:00 noon on a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day. Unresolved objections to written interrogatories shall be served in writing on the propounding party within five (5) calendar days of service of the interrogatories, as defined above;*

- (3) *Motions to compel answers to written interrogatories that have been objected to in writing and answers to such motions to compel shall be filed and served within three (3) calendar days of service of the written objections or motions to compel, provided that, if receipt of the objections or motion to compel occurs after 12:00 noon on a Friday or the day preceding a holiday, service of these documents shall be deemed to have occurred on the next business day.*
- (4) *Rulings over motions shall be issued, if possible, within seven (7) calendar days of filing of the motion, consistent with the above-mentioned rule changes;*
- (5) *Responses or objections to requests for document production, entry for inspection, or other purposes shall be served in hand within ten (10) calendar days of service of the request, provided that, if receipt of the request occurs after 12:00 noon on a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day; and,*
- (6) *Requests for admission shall be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service of the requests, provided that, if receipt of the request occurs after 12:00 noon on a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day.*

#### **V. SCHEDULE**

The Companies agree to the prehearing schedule proposed in the Prehearing Conference Order without modification, which the Companies understand is agreed to by all parties and which is set forth below:

Prehearing conference	Monday, June 6, 2016
Other Parties Direct Testimony	Tuesday, June 28, 2016
Rebuttal Testimony	Tuesday, July 12, 2016
Surrebuttal Testimony	Wednesday, July 20, 2016
Evidentiary Hearings	Monday, July 25, & Tuesday, July 26, 2016
Close of Evidentiary Record	Friday, July 29, 2016
Main Briefs	Tuesday, August 9, 2016
Reply briefs	Tuesday, August 16, 2016
Recommended decision	Tuesday, September 13, 2016
Public meeting	Wednesday, November 9, 2016

## **VI. WITNESSES**

### **UGI**

UGI has submitted the written direct testimony of the following witnesses, 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 - Rates  
(UGI Statement No. 1)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St., Suite 360  
Reading, Pennsylvania 19612

Angelina M. Borelli, Director – Gas and Electric Supply  
(UGI Statement No. 2)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St., Suite 360  
Reading, Pennsylvania 19612

David C. Beasten, Manager –Electric Supply and Contracts for UGI Utilities, Inc.  
(UGI Statement No. 3)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St.  
Reading, Pennsylvania 19612

In his testimony, Mr. McAllister addresses (1) certain components of UGI's 2016 PGC 1307(f) filing and the development and computation of UGI's PGC rates proposed to be effective on December 1, 2016; (2) UGI's Gas Beyond the Mains ("GBM") Program PGC rate; (3) UGI's Revenue Sharing Incentive Mechanism; (4) retainage rates; (5) quarterly adjustments; and (6) UGI's current Base Rate proceeding at Docket No. R-2015-2518438.

In her testimony, Ms. Borelli addresses (1) a review of the Winter 2015-2016 (2) the calculation of projected peak day demand for Winter 2016-2017, (3) and a Pilot Program introduced to large customers as an option for peak day balancing.

In his testimony, Mr. Beasten addresses (1) upcoming contract renewals; (2) receipt point changes on Columbia Contracts; (3) an RFP for Storage Contract Administration; (4) Intercompany Releases; (5) a Peaking RFP; and (6) a comparison of UGI's peaking services with pipeline expansion projects.

UGI witnesses also supported the portions of the UGI April 29, 2016 supporting information and June 1, 2016, PGC filing as shown in the Contents of Filing and Witness Index List filed on June 1, 2016.

### CPG

CPG has submitted the written direct testimony of the following witnesses, and reserves the right to call such additional witnesses as may be required to respond to issues raised by other parties:

Tracy A. Hazenstab, Senior Analyst – Rates  
(CPG Statement No. 1)  
UGI Central Penn Gas, Inc.  
2525 N. 12<sup>th</sup> St.  
Reading, Pennsylvania 19612

Angelina M. Borelli, Director – Gas and Electric Supply  
(UGI Statement No. 2)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St., Suite 360  
Reading, Pennsylvania 19612

David C. Beasten, Manager –Electric Supply and Contracts for UGI Utilities, Inc.  
(UGI Statement No. 3)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St.  
Reading, Pennsylvania 19612

In her testimony, Ms. Hazenstab addresses (1) the development of CPG's proposed PGC rate for the twelve-month period beginning December 1, 2016, (2) CPG's revenue sharing incentive mechanism; and (3) CPG's Retainage Rate.

In her testimony, Ms. Borelli addresses: (1) a review of Winter 2015-2016 and (2) the calculation of projected peak day demand for Winter 2016-2017.

In his testimony, Mr. Beasten addresses (1) upcoming peaking contract renewals, (2) pipeline contract changes, and (3) intercompany capacity releases.

CPG witnesses also support the portions of the CPG April 29, 2016 supporting information and June 1, 2016, PGC filing as shown in the Contents of Filing and Witness Index List filed on June 1, 2016.

### **PNG**

PNG has submitted the written direct testimony of the following witnesses, and reserves the right to call such additional witnesses as may be required to respond to issues raised by other parties:

Tracy A. Hazenstab, Senior Analyst – Rates  
(CPG Statement No. 1)  
UGI Central Penn Gas, Inc.  
2525 N. 12<sup>th</sup> St.  
Reading, Pennsylvania 19612

Angelina M. Borelli, Director – Gas and Electric Supply  
(UGI Statement No. 2)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St., Suite 360  
Reading, Pennsylvania 19612

David C. Beasten, Manager –Electric Supply and Contracts for UGI Utilities, Inc.  
(UGI Statement No. 3)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St.  
Reading, Pennsylvania 19612

In her testimony, Ms. Hazenstab addresses (1) the development of PNG's proposed PGC rate for the twelve-month period beginning December 1, 2016, (2) PNG's revenue sharing incentive mechanism, (3) PNG's Retainage Rate.

In her testimony, Ms. Borelli addresses: (1) a review of Winter 2015-2016: (2) the calculation of projected peak day demand for Winter 2016-2017: and (3) an LNG supply for Forest City.

In his testimony, Mr. Beasten addresses: (1) Upcoming Contract Renewals; (2) Intercompany Releases; and (3) An Update on a Tennessee Open Season.

The PNG witnesses also support the portions of the PNG April 29, 2016, supporting information and June 1, 2016, PGC filing as shown in the Contents of Filing and Witness Index List filed on June 1, 2016.

## **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 1 through November 30, 2016).

### **VIII. EVIDENCE**

UGI intends to offer into evidence (1) April 29, 2016, supporting information, (2) June 1, 2016, PGC filing, and (3) any other UGI written testimony or exhibits submitted in the course of the proceeding.

CPG intends to offer into evidence (1) April 29, 2016, supporting information, (2) June 1, 2016, PGC filing, and (3) any other CPG written testimony or exhibits submitted in the course of the proceeding.

PNG intends to offer into evidence its (1) April 29, 2016, supporting information, (2) June 1, 2016, PGC filing, and (3) any other PNG written testimony or exhibits submitted in the course of the proceeding.

### **IX. SETTLEMENT**

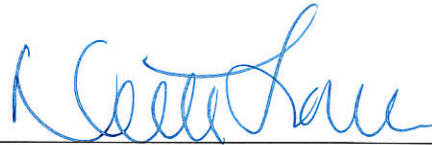
The Companies stand ready to engage in such settlement discussions and plan to propose an initial settlement meeting shortly after the date established for submission of other party direct testimony unless there is interest among the parties for an even earlier commencement of settlement discussion.

Respectfully submitted,

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Counsel for UGI Penn Natural Gas, Inc.  
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Dated: June 3, 2016



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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.</b>	:	<b>Docket Nos. R-2016-2543309</b>
<b>v.</b>	:	<b>C-2016-2544958</b>
<b>UGI UTILITIES, INC. - GAS DIVISION §1307(f)</b>	:	
<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.</b>	:	<b>Docket Nos. R-2016-2543311</b>
<b>v.</b>	:	<b>C-2016-2544964</b>
<b>UGI CENTRAL PENN GAS, INC. §1307(f)</b>	:	
<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.</b>	:	<b>Docket Nos. R-2016-2543314</b>
<b>v.</b>	:	<b>C-2016-2544985</b>
<b>UGI PENN NATURAL GAS, INC. §1307(f)</b>	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I have, this 3rd day of June, 2016, 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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The Honorable Susan D. Colwell  
The Honorable Steven K. Haas  
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