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File #: 169472

June 12, 2017

***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: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division  
Docket Nos. R-2017-2602638, et al.**

**Pennsylvania Public Utility Commission v. UGI Central Penn Gas, Inc.  
Docket Nos. R-2017-2602627, et al.**

**Pennsylvania Public Utility Commission v. UGI Penn Natural Gas, Inc.  
Docket Nos. R-2017-2602633, et al.**

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Dear Secretary Chiavetta:

Enclosed for filing on behalf of UGI Utilities, Inc. – Gas Division, UGI Central Penn Gas, Inc. and UGI Penn Natural Gas, Inc. is the Prehearing Conference Memorandum for the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Devin Ryan

DTR/skr  
Enclosures

cc: Certificate of Service  
Honorable Steven K. Haas

## CERTIFICATE OF SERVICE

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

Lauren M. Burge, Esquire  
Aron J. Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923

Scott B. Granger, Esquire  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
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100 Pine Street  
PO Box 1166  
Harrisburg, PA 17108-1166

Steven C. Gray, Esquire  
Small Business Advocate  
Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

Date: June 12, 2017



Devin T. Ryan

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission : Docket Nos. R-2017-2602638  
Office of Consumer Advocate : C-2017-2603457  
Office of Small Business Advocate : C-2017-2604098  
v. :  
UGI Utilities, Inc. – Gas Division § 1307(f) :

Pennsylvania Public Utility Commission : Docket Nos. R-2017-2602627  
Office of Consumer Advocate : C-2017-2603574  
Office of Small Business Advocate : C-2017-2604117  
v. :  
UGI Central Penn Gas, Inc. § 1307(f) :

Pennsylvania Public Utility Commission : Docket Nos. R-2017-2602633  
Office of Consumer Advocate : C-2017-2603489  
Office of Small Business Advocate : C-2017-2604132  
v. :  
UGI Penn Natural Gas, Inc. § 1307(f) :

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

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**TO ADMINISTRATIVE LAW JUDGE STEVEN K. HAAS:**

Pursuant to 52 Pa. Code § 5.224(c) and the Prehearing Conference Order served on June 6, 2017, UGI Utilities, Inc. – Gas Division (“UGI”), UGI Central Penn Gas, Inc. (“CPG”), and UGI Penn Natural Gas, Inc. (“PNG”) (collectively, the “Companies”), hereby submit this Prehearing Conference Memorandum in the above-captioned matters and state as follows:

**I. BACKGROUND**

The Companies, being natural gas distribution companies with gross intrastate annual operating revenues in excess of \$40 million, 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.

On May 1, 2017, the Companies made their PGC 30-day pre-filings with the Commission in compliance with Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code §§ 53.64, 53.65.

On May 10, 2017, the Office of Consumer Advocate filed Notices of Appearance, Formal Complaints, and Public Statements in the Companies' PGC proceedings.

On May 12, 2017, the Office of Small Business Advocate filed Notices of Appearance, Formal Complaints, Public Statements, and Verifications in the Companies' PGC proceedings.

On May 16, 2017, the Commission's Bureau of Investigation and Enforcement ("I&E") filed Notices of Appearance in the Companies' PGC proceedings.

On May 17, 2017, UGI, CPG, and PNG filed letters advising that they would not be filing Answers to the OCA's and OSBA's Formal Complaints, in accordance with the provisions of 52 Pa. Code § 5.61(d).

On June 1, 2017, the Companies filed with the Commission their definitive PGC filings, including supporting information required by the Commission's regulations, the Companies' direct testimony and exhibits, and the Companies' Pro Forma Tariff Supplements reflecting actual and projected changes in natural gas costs.

In UGI's current PGC filing, UGI proposes to implement a PGC rate of \$6.5015/Mcf for Rate Schedules R, N, and GL, effective December 1, 2017, which results in no change from the PGC rate effective June 1, 2017.

In CPG's current PGC filing, CPG proposes to implement a PGC rate of \$4.9531/Mcf, effective December 1, 2017, which results in no change from the PGC rate effective June 1, 2017.

In PNG's current PGC filing, PNG proposes to implement a PGC rate of \$4.2459/Mcf, effective December 1, 2017, which results in no change from the PGC rate effective June 1, 2017.

A Prehearing Conference was scheduled to be held before Administrative Law Judge Steven K. Haas (the "ALJ") at 10:00 AM on Tuesday, June 13, 2017, at Commonwealth Keystone Building, Hearing Room 5, 400 North Street, Harrisburg, Pennsylvania 17120.

On June 6, 2017, a Prehearing Conference Order was issued by the ALJ, directing the parties to file Prehearing Memoranda on or before 12:00 PM on June 12, 2017.

The Companies hereby file this Prehearing Memorandum pursuant to the Prehearing Conference Order.

## **II. SERVICE OF DOCUMENTS**

The Companies request that Anthony D. Kanagy, Devin T. Ryan, and Danielle Jouenne be listed on the service list on behalf of the Companies. Their contact information is provided below:

Danielle Jouenne (ID # 306839)  
UGI Corporation  
460 North Gulph Road  
King of Prussia, PA 19406-2807  
Phone: 610-992-3203  
Fax: 610-992-3258  
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Anthony D. Kanagy (ID # 85522)  
Devin T. Ryan (ID # 316602)  
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17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6034  
717-612-6052  
Fax: 717-731-1985  
Email: akanagy@postschell.com  
dryan@postschell.com

The Companies agree to receive service of documents electronically in this proceeding.

**III. CONSOLIDATION**

The Companies respectfully request that their PGC proceedings at Docket Nos. R-2017-2602638, R-2017-2602627, and R-2017-2602633 be consolidated for purposes of discovery, hearing, and briefing.

**IV. WITNESSES**

**A. 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 19605

Angelina M. Borelli, Director – Energy Supply and Planning  
(UGI Statement No. 2)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St., Suite 360  
Reading, Pennsylvania 19605

In his testimony, Mr. McAllister addresses: (1) certain components of UGI's 2017 PGC 1307(f) filing and the development and computation of UGI's PGC rates proposed to be effective on December 1, 2017; (2) UGI's Gas Beyond the Mains ("GBM") Program PGC rate; (3) UGI's Revenue Sharing Incentive Mechanism; (4) UGI's Retainage Rate; (5) UGI's September 1 Quarterly PGC Rate Filings; and (6) UGI's proposal to consolidate the PGC filings of UGI, CPG, and PNG in 2018.

In her testimony, Ms. Borelli addresses: (1) a review of the Winter 2016-2017; (2) the calculation of projected peak day demand for Winter 2017-2018; (3) the peaking service request for proposal (“RFP”); (4) capacity reserves UGI proposes to maintain in light of recent interstate pipeline restrictions; (5) UGI’s recovery of natural gas costs such as gas industry subscriptions; (6) an update on the Choice Program; (7) liquefied natural gas (“LNG”) and the Gas Delivery Enhancement (“GDE”) Rider; (8) upcoming contract renewals; (9) an update on the Marcellus to Market expansion project; (10) Intercompany Capacity Releases; and (11) consolidation of the UGI, CPG, and PNG PGC filings.

UGI witnesses also are supporting portions of the UGI May 1, 2017 supporting information and the June 1, 2017 PGC filing as shown in the Table of Contents & Witness Index filed on June 1, 2017.

## **B. 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:

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

Angelina M. Borelli, Director – Energy Supply and Planning  
(UGI Statement No. 2)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St., Suite 360  
Reading, Pennsylvania 19605

In his testimony, Mr. McAllister addresses: (1) certain components of CPG’s 2017 PGC 1307(f) filing and the development and computation of CPG’s PGC rates proposed to be

effective on December 1, 2017; (2) CPG's Revenue Sharing Incentive Mechanism; (3) CPG's Retainage Rate; (4) CPG's September 1 Quarterly PGC Rate Filings; and (5) CPG's proposal to consolidate the PGC filings of UGI, CPG, and PNG in 2018.

In her testimony, Ms. Borelli addresses: (1) a review of the Winter 2016-2017; (2) the calculation of projected peak day demand for Winter 2017-2018; (3) capacity reserves CPG proposes to maintain in light of a recent Texas Eastern Transmission, L.P. ("Texas Eastern") pipeline incident; (4) CPG's recovery of natural gas costs such as gas industry subscriptions; (5) an update on the Choice Program; (6) temporary LNG applications and the GDE Rider; (7) upcoming contract renewals; (8) a storage contract administration RFP; (9) replacement of the TL-96 capacity lease; (10) Intercompany Capacity Releases; and (11) consolidation of the UGI, CPG, and PNG PGC filings.

CPG witnesses also are supporting portions of the CPG May 1, 2017 supporting information and the June 1, 2017 PGC filing as shown in the Table of Contents & Witness Index filed on June 1, 2017.

### **C. 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:

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

Angelina M. Borelli, Director – Energy Supply and Planning  
(UGI Statement No. 2)  
UGI Utilities, Inc.  
2525 N. 12<sup>th</sup> St., Suite 360  
Reading, Pennsylvania 19605

In his testimony, Mr. McAllister addresses: (1) certain components of PNG's 2017 PGC 1307(f) filing and the development and computation of PNG's PGC rates proposed to be effective on December 1, 2017; (2) PNG's Revenue Sharing Incentive Mechanism; (3) PNG's Retainage Rate; (4) PNG's September 1 Quarterly PGC Rate Filings; and (5) PNG's proposal to consolidate the PGC filings of UGI, CPG, and PNG in 2018.

In her testimony, Ms. Borelli addresses: (1) a review of the Winter 2016-2017; (2) the calculation of projected peak day demand for Winter 2017-2018; (3) a supply RFP; (4) capacity reserves PNG proposes to maintain in light of recent interstate pipeline restrictions; (5) PNG's recovery of natural gas costs such as gas industry subscriptions; (6) an update on the Choice Program; (7) LNG and the GDE Rider; (8) a storage contract administration RFP; (9) Intercompany Capacity Releases; and (10) consolidation of the UGI, CPG, and PNG PGC filings.

PNG witnesses also are supporting portions of the PNG May 1, 2017 supporting information and the June 1, 2017 PGC filing as shown in the Table of Contents & Witness Index filed on June 1, 2017.

## V. 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 primarily consist 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, 2017).

**VI. EVIDENCE**

UGI intends to offer into evidence: (1) its May 1, 2017 supporting information; (2) its June 1, 2017 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) its May 1, 2017 supporting information; (2) its June 1, 2017 PGC filing; and (3) any other CPG written testimony or exhibits submitted in the course of the proceeding.

PNG intends to offer into evidence: (1) its May 1, 2017 supporting information; (2) its June 1, 2017 PGC filing; and (3) any other PNG written testimony or exhibits submitted in the course of the proceeding.

**VII. 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.

Traditionally, certain public parties, such as OCA, have sought to shorten discovery response time in the Companies' 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 either 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 either 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 either 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 either a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day.

#### **VIII. PROCEDURAL SCHEDULE**

The Companies consulted with counsel for the other parties to develop an acceptable procedural scheduling for these proceedings. The Companies' understanding is that the following schedule has been agreed to by the parties:

Prehearing conference	June 13, 2017
Other parties' direct testimony	June 29, 2017
Rebuttal testimony	July 13, 2017
Surrebuttal testimony	July 19, 2017
Evidentiary Hearings	July 24-25, 2017
Main Brief	August 4, 2017
Reply Brief	August 11, 2017

The parties agreed to this schedule with the understanding that OCA's witness would be cross-examined in the morning of July 24, 2017, due to conflicts with hearings in another proceeding on July 25, 2017.

#### **IX. PUBLIC INPUT HEARINGS**

The Companies are not aware of any substantial consumer interest with respect to the PGC filings. The Companies do not propose that any public input hearings be held absent substantial public interest in the filings.

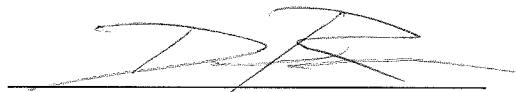
**X. PROTECTION OF CONFIDENTIAL INFORMATION**

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.

**XI. SETTLEMENT DISCUSSIONS**

To date, no settlement discussions have been held. However, the Companies are willing to work with the parties in an effort to resolve these proceedings through settlement.

Respectfully submitted,



Danielle Jouenne (ID # 306839)  
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Date: June 12, 2017

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