

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 22, 2017

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Petition of UGI Utilities, Inc.-Gas Division to Establish a Schedule for the Installation of Daily Metering Facilities on all Rate IS (Interruptible Service) and Rate DS (Delivery Service) Accounts; to thereafter Transfer all Rate IS and DS Customer Accounts from Intra-Month to Calendar Month Billing and Balancing Pools; and to Recover Associated Costs pursuant to 66 Pa. C.S. §2205(c)(7)
Docket No: P-2017-2607269

Dear Secretary Chiavetta:

Attached for electronic filing please find the Answer of the Office of Consumer Advocate to the Amended Petition of UGI Utilities, Inc. – Gas Division in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

/s/ Lauren M. Burge
Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. 311570
E-Mail: LBurge@paoca.org

Enclosures

cc: Certificate of Service

235858

CERTIFICATE OF SERVICE

Petition of UGI Utilities, Inc. – Gas Division to Establish :
a Schedule for the Installation of Daily Metering Facilities on :
all Rate IS (Interruptible Service) and Rate DS (Delivery : Docket No. P-2017-26-07269
Service) Accounts; to thereafter Transfer all Rate IS and DS :
Customer Accounts from Intra-Month to Calendar Month :
Billing and Balancing Pools; and to Recover Associated Costs :
Pursuant to 66 Pa. C.S. §2205(c)(7) :

I hereby certify that I have this day served a true copy of the foregoing document, the Answer of the Office of Consumer Advocate to the Amended Petition of UGI Utilities, Inc. – Gas Division, 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 22nd day of June 2017.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Scott B. Granger, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

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UGI Utilities, Inc. – Gas Division
460 North Gulph Road
King of Prussia, PA 19406

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Commerce Building, Suite 202
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235865

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Gas Division :
To Establish a Schedule for the Installation :
Of Daily Metering Facilities on all Rate IS :
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Intra-Month to Calendar Month Billing and :
Balancing Pools; and to Recover Associated :
Costs pursuant to 66 Pa. C.S. §2205(c)(7) :

ANSWER OF THE OFFICE OF CONSUMER ADVOCATE
TO THE AMENDED PETITION OF
UGI UTILITIES, INC. – GAS DIVISION

I. INTRODUCTION

Pursuant to Section 5.61 of the Pennsylvania Code, 52 Pa. Code § 5.61, the Office of Consumer Advocate (OCA) provides the following Answer to the Amended Petition of UGI Utilities, Inc. – Gas Division (UGI or the Company) to Establish a Schedule for the Installation of Daily Metering Facilities on all Rate IS (Interruptible Service) and Rate DS (Delivery Service) Accounts; to thereafter Transfer all Rate IS and DS Customer Accounts from Intra-Month to Calendar Month Billing and Balancing Pools; and to Recover Associated Costs pursuant to 66 Pa. C.S. § 2205(c)(7) (hereinafter, Amended Petition). UGI proposes to install daily meters for Rate IS and DS customers¹ pursuant to provisions of the Settlement Agreement in UGI’s 2016 base rate proceeding. UGI also proposes to spread the costs of the proposed installations across

¹ Neither Rate IS nor Rate DS include residential customers. Per the UGI Utilities, Inc. – Gas Division Gas Tariff Pa. P.U.C. No. 6, Rate IS “is available to any commercial or industrial customer...” See UGI Gas Tariff at 90. Rate DS is intended for larger customers, and includes a \$290 monthly customer charge and a requirement that the customer enters a Service Agreement for at least one year. See UGI Gas Tariff at 75-76.

all core market firm rate schedules, including Rates R, RT, N, NT, and DS, through a proposed reconcilable Retail Markets Rider.

As discussed below, the OCA is opposed to UGI's proposal insofar as it requires residential customers (Rates R and RT) to pay for the costs associated with this proposal. UGI has not justified its proposal to recover costs in this manner, and it is inappropriate to recover costs to install and operate daily metering facilities for Rate IS and DS customers from the residential classes.

II. ANSWER

In its Amended Petition, UGI proposes to install daily metering facilities on all Rate IS and Rate DS customers in accordance with the Settlement Agreement in UGI's most recent base rate proceeding.² Amended Petition at ¶¶ 11-13. While the OCA was a party to the Settlement in which UGI agreed to take this action, the Settlement did not discuss how costs associated with daily metering facilities would be recovered. Rather, the Settlement required UGI to include "a proposed means of recovering the costs of such installation" in its subsequent filing.³ Additionally, the Settlement provided that "[a]ll Parties reserve the right to participate in and challenge the filing [to install daily metering facilities]."⁴

UGI estimates that installation costs will be approximately \$2.65 million, with ongoing operating costs of approximately \$0.52 million per year. Amended Petition at ¶ 14. Through its Amended Petition, UGI proposes "to recover costs of installation, associated expenses, and return on and of its capital investment through a proposed reconcilable Retail Markets Rider, subject to adjustment on a quarterly basis, that would be applied to all core market firm rate

² See Pa. P.U.C. v. UGI Utilities, Inc. – Gas Division, *Opinion and Order*, at 22-23, Docket No. R-2015-2518438 (Order entered October 14, 2016).

³ Id.

⁴ Id.

schedules (Rate R, RT, N, NT, and DS).” Amended Petition at ¶ 16. UGI only justifies spreading costs across these rate classes, including residential and residential transportation customers, by stating that “the purpose of the proposed installations is to facilitate retail choice by making it easier for NGSs to manage customer pools on UGI’s system,” and by noting that Rate IS and DS customers may not have considered these installation costs in their planning. Amended Petition at ¶ 16. The Amended Petition states elsewhere, however, that the primary purpose of installing daily metering facilities for Rate IS and DS customers is to reduce “the number of customer billing pools NGSs have to manage on UGI’s system.” Amended Petition at ¶ 11. The OCA submits that this proposal primarily benefits NGSs by reducing the number of billing pools to be managed for Rate IS and DS customers, and any benefit to residential customers or to retail markets is indirect at best and has not been quantified in UGI’s Amended Petition. As such, it is inappropriate to spread these costs to residential customers as UGI has proposed.

Furthermore, UGI also cites 66 Pa. C.S. § 2205(c)(7) as a basis for recovering costs associated with installing and operating daily metering facilities. Section 2205(c)(7) states as follows:

Natural gas distribution companies shall have the right to recover on a full and current basis all prudent and reasonable costs incurred to implement customer choice from retail natural gas customer or other entities as determined by the commission. Recovery from retail natural gas customers shall be made pursuant to a reconcilable automatic adjustment clause under Section 1307 (relating to sliding scale of rates; adjustments).

66 Pa. C.S. § 2205(c)(7). The installation and operation of daily metering facilities, however, is not a cost “incurred to implement customer choice” but rather is a capital improvement as UGI is installing physical metering facilities. Under Pennsylvania law, capital improvements cannot be recovered through a surcharge unless specifically permitted by statute. In Popowsky v. Pa.

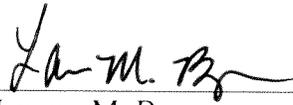
P.U.C., the Commonwealth Court stated that “[b]ecause a Section 1307(a) surcharge provides no opportunity for a utility to demonstrate that its system improvements are both used and useful prior to recovering these capital costs, this surcharge cannot be used to fund capital improvements.” 869 A.2d 1144, 1157-58 (2005); see also Pa. Industrial Energy Coalition v. Pa. P.U.C., 653 A.2d 1336 (disallowing the recovery of costs for physical facilities through a surcharge). Instead, these capital costs are appropriately recovered through a base rate case, not a surcharge mechanism.

UGI has not justified its proposal to charge these costs to residential customers through a Retail Markets Rider, and has not shown that residential customers will receive any direct benefit from the installation of daily metering facilities for Rate IS and DS customers. Additionally, UGI is not permitted under Pennsylvania law to recover these capital costs through a surcharge mechanism. Therefore, the OCA submits that UGI’s Amended Petition should be rejected insofar as it seeks to recover costs of installing and operating these daily metering facilities from Rate R and Rate RT customers.

III. CONCLUSION

The OCA respectfully requests that the Commission reject UGI's proposal insofar as it seeks to recover costs from the residential customer classes through a Retail Markets Rider.

Respectfully Submitted,



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June 22, 2017

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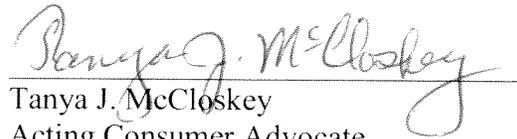
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Costs pursuant to 66 Pa. C.S. §2205(c)(7) :

VERIFICATION

I, Tanya J. McCloskey, hereby state hereby state that the facts above set forth in the OCA's Answer are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:


Tanya J. McCloskey
Acting Consumer Advocate

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DATED: June 22, 2017