



COMMONWEALTH OF PENNSYLVANIA

August 9, 2017

**E-FILED**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

**Re: UGI Penn Natural Gas, Inc. 2017 Purchased Gas Costs Filing  
Docket No. R-2017-2602633**

Dear Secretary Chiavetta:

I am delivering for filing today the Statement in Support of the Stipulation in Settlement of Section 1307(f) Rate Investigation, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

  
Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538

***Enclosures***

cc: The Honorable Steven K. Haas  
Mr. Robert D. Knecht  
Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY  
COMMISSION**

v.

**UGI PENN NATURAL GAS, INC.**

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**DOCKET NO. R-2017-2602633**

**STATEMENT OF  
THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE  
STIPULATION IN SETTLEMENT OF SECTION 1307(f) RATE INVESTIGATION**

**Introduction**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceeding, which was initiated by UGI Penn Natural Gas, Inc. (“UGI PNG” or the “Company”), on June 1, 2017.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Stipulation in Settlement of Section 1307(f) Rate Investigation (“*Stipulation*”). The OSBA submits this statement in support of the *Stipulation*.

## **The Stipulation**

The *Stipulation* sets forth a comprehensive list of issues that were resolved through the negotiation process. In its prehearing memo, the OSBA identified four issues that it intended to pursue in this proceeding:

- Whether the Company's actual and forecast load and unaccounted-for gas ("UFG") rates are reasonable;
- Whether the Company's capacity release/off-system sales sharing mechanism is being reasonably employed and is properly incenting the Company to maximize the value of assets paid for by its customers;
- Whether the Company's design day demand forecasting and peak day capacity requirements are reasonable;
- Whether the Company's proposal to consolidate its annual GCR filing with its sister companies' GCR filings is just, reasonable and proper.

Regarding the first issue, OSBA did not identify any significant concerns about either the level or trends in UFG rates in this proceeding.

Regarding the second issue, the Company continues to use the standard 75/25 sharing mechanism, and OSBA did not contest continued use of that mechanism in this proceeding.

Regarding the third issue, time and budget constraints precluded OSBA from undertaking an independent detailed evaluation of the Company's design day forecasting method in this proceeding. Nevertheless, OSBA monitored the Office of Consumer Advocate ("OCA") and Company testimony and analysis on this issue. The OSBA shares the OCA's concerns that the Company's "one-day" methodology is problematic, and may be unduly influenced by anomalies on that day. Based upon the OSBA's review, the settlement adjustment agreed to by the parties

represents a reasonable compromise between the views of the Company and the OCA.

The final issue was of particular significance to the OSBA when it concluded that the *Stipulation* was in the best interests of UGI PNG's small business customers.

**PNG's Plan for Consolidation:** The OSBA stated its position, in its prehearing memorandum, that it did not oppose the procedural consolidation of the UGI 2017 Section 1307(f) filings.<sup>1</sup> However, the OSBA unequivocally stated its opposition to the substantive consolidation of those filings. *See Office of Small Business Advocate Prehearing Memorandum*, at 4.

As explained by OSBA witness Robert D. Knecht, the Company proposed the following:

According to Companies' witness Ms. Angelina M. Borelli, the Company is developing a plan to consolidate its purchased gas costs ('PGC') filings and rates among the Companies. In this proceeding, the Companies seek '. . . Commission approval . . . to make a consolidated PGC filing with CPG and [UGI Gas] in 2018.'

OSBA Statement No. 1, at 1 (footnote omitted).

First, the OSBA submits that a Section 1307(f) purchased gas cost proceeding is not the venue where substantive consolidation should be litigated. The subject matter of a Section 1307(f) is to reconcile natural gas costs, not to materially change how corporate subsidiaries function. Furthermore, Section 1307(f) cases are on an accelerated procedural schedule. Investigating a proposed "consolidation" along with reconciling natural gas expenditures in such a shortened timeframe is impossible.

Second, the Company's proposed "consolidation" was not a detailed, fully thought-out proposal. Mr. Knecht explained, as follows:

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<sup>1</sup> Section 1307(f) filings were submitted by PNG, UGI Central Penn Gas, Inc. ("CPG"), and UGI Utilities, Inc. (Gas Division) ("UGI Gas").

While the Companies' plan does not appear to be finalized, it is anticipated that gas costs and over/under-collections will be consolidated, and that consolidated C-Factor and E-Factor PGC rates will apply to all PGC customers across the three Companies. It does not appear that the Companies' have determined as yet how demand charges for transportation service customers will be derived.

OSBA Statement No. 1, at 1 (footnote omitted).

Ultimately, Mr. Knecht summarized the OSBA's position, as follows:

It is unclear exactly what approvals the Companies are requesting in this proceeding, nor is it clear what the implications of such approvals would be for subsequent evaluation of the specifics of a potential PGC consolidation.

The OSBA is concerned that Commission approval of the Companies' request in the current proceedings will implicitly support the Companies' eventual request for consolidation, despite the fact that there is little or no information offered in this proceeding as to the specifics of the consolidation being contemplated.

The OSBA concludes that it is not at all clear whether affiliated interest agreements or other administrative or legal matters need to be addressed as part of the contemplated consolidation of the PGC.

The OSBA retains its position that it is legally inappropriate for this issue to be addressed in annual PGC proceedings.

OSBA Statement No. 2, at 1-2.

The *Stipulation* proposes to adopt the OSBA position on this issue and eliminate the Company's consolidation proposal from this proceeding. The OSBA fully supports this result.<sup>2</sup>

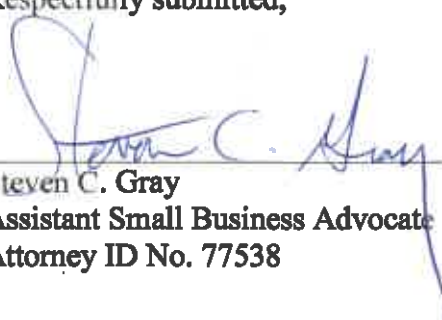
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<sup>2</sup> The OSBA supports the *Stipulation's* proposal to hold collaborative discussions on how to "streamline" future UGI Section 1307(f) cases. Judicial economy is a goal always worthy of pursuit.

**Conclusion**

For the reasons set forth in the *Stipulation*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Stipulation* and respectfully requests that the ALJ and the Commission approve the *Stipulation* in its entirety.

Respectfully submitted,



Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538

Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

Dated: August 9, 2017

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Pennsylvania Public Utility Commission** :

v. :

**UGI Penn Natural Gas, Inc.** :  
**2017 Purchased Gas Cost Recovery** :

**Docket No. R-2017-2602633**  
**C-2017-2604132**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, via email and US Mail (*unless otherwise indicated*), in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Steven K. Haas  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
2<sup>nd</sup> Floor West, Keystone Bldg.  
Harrisburg, PA 17120  
[sthaas@pa.gov](mailto:sthaas@pa.gov)  
**(Email and Hand Delivery)**

Anthony D. Kanagy, Esquire  
Devin T. Ryan, Esquire  
Post & Schell, P.C.  
17 North Second Street, 12th Floor  
Harrisburg, PA 17101-1601  
[akanagy@postschell.com](mailto:akanagy@postschell.com)  
[dryan@postschell.com](mailto:dryan@postschell.com)

Scott Granger, Esquire  
Bureau of Investigation & Enforcement  
400 North Street, 2<sup>nd</sup> Floor West  
Harrisburg, PA 17120  
[RKANASKIE@pa.gov](mailto:RKANASKIE@pa.gov)  
**(Email and Hand Delivery)**

Commission's Office of Special  
Assistants (OSA)  
[ra-OSA@pa.gov](mailto:ra-OSA@pa.gov)  
**(E-mail ONLY)**


Danielle Jouenne, Esquire  
UGI Corporation  
460 North Gulph Road  
King of Prussia, PA 19406  
[JouenneD@ugicorp.com](mailto:JouenneD@ugicorp.com)

Paul J. Szykman  
Vice President, UGI Utilities Inc.  
2525 North 12th Street, Suite 360  
Reading, PA 19612-2677  
[pszykman@ugi.com](mailto:pszykman@ugi.com)

Aron J. Beatty, Esquire  
Lauren M. Burge, Esquire  
Office of Consumer Advocate  
555 Walnut Street, Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101  
[abeatty@paoca.org](mailto:abeatty@paoca.org)  
[lburge@paoca.org](mailto:lburge@paoca.org)  
**(Email and Hand Delivery)**

Pamela C. Polacek, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street, PO Box 1166  
Harrisburg, PA 17108-1166  
[ppolacek@mcneeslaw.com](mailto:ppolacek@mcneeslaw.com)

Date: August 9, 2017

  
Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538