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August 11, 2017

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**VIA ELECTRONIC FILING**

**RE: Pennsylvania Public Utility Commission, Office of Consumer Advocate, and Office of Small Business Advocate v. UGI Utilities, Inc. – Gas Division 1307(f);  
Docket No. R-2017-2602638, et al.**

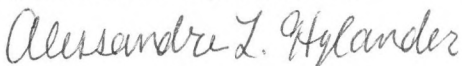
Dear Secretary Chiavetta:

Attached please find for filing the UGI Industrial Intervenors' ("UGIII") Statement in Support of the Stipulation in Settlement of Section 1307(f) Rate Investigation in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By   
Alessandra L. Hylander

Counsel to the UGI Industrial Intervenors

Enclosures

c: Administrative Law Judge Steven K. Haas (via E-mail and First-Class Mail)  
Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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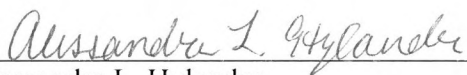
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Dated this 11<sup>th</sup> day of August, 2017, at Harrisburg, Pennsylvania.

**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)	:	

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**STATEMENT IN SUPPORT OF  
THE UGI INDUSTRIAL INTERVENORS**

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The UGI Industrial Intervenors ("UGIII") by and through its counsel, submit this Statement in Support ("Statement") of the Stipulation in Settlement of Section 1307(f) Rate Investigation ("Settlement"), filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") with respect to UGI Utilities, Inc. – Gas Division's ("UGI") 2017 Purchased Gas Cost ("PGC") filing.

As a result of settlement discussions, UGI, UGIII, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), and the Bureau of Investigation and Enforcement ("I&E") (collectively, "Settling Parties") have agreed upon the terms embodied in the foregoing Settlement. UGIII offers this Statement to further demonstrate that the Settlement is in the public interest and should be approved without modification.

**I. BACKGROUND**

1. On May 1, 2017, UGI submitted its preliminary PGC filing with the Commission pursuant to Section 1307(f) of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1307(f). On June 1, 2017, UGI submitted its definitive PGC filing, which contained supporting information

and prepared Direct Testimony. In its filing, UGI set forth proposed PGC rates effective for service rendered on or after December 1, 2017, and proposed consolidation of future PGC rates and filings with UGI's affiliates, UGI Penn Natural Gas, Inc. ("PNG"), and UGI Central Penn Gas, Inc. ("CPG").

2. On June 12, 2017, UGIII filed a Petition to Intervene and Answer in response to UGI's PGC filing.<sup>1</sup>

3. Also on June 12, 2017, UGIII filed with the PUC a Prehearing Conference Memorandum.

4. The PUC assigned this proceeding to Administrative Law Judge ("ALJ") Steven K. Haas, and ALJ Haas scheduled a Prehearing Conference for June 13, 2017.

5. Through a Scheduling Order dated June 13, 2017, the ALJ: (1) granted UGIII's Petition to Intervene; (2) consolidated UGI's PGC proceeding with the PGC proceedings of its affiliate companies, PNG and CPG, for the purposes of discovery, hearing and briefing, but not for decision; (3) adopted a procedural schedule; (4) adopted standard modifications to the Commission's rules for discovery; and (5) established rules for service of the documents on the parties and the ALJ.

6. In accordance with the litigation schedule, OCA, I&E, and OSBA served Direct Testimony on June 29, 2017.

7. On July 13, 2017, UGI, UGIII, and OSBA served Rebuttal Testimony.

8. On July 19, 2017, UGI, OCA, and I&E served Surrebuttal Testimony.

9. The parties proceeded to conduct settlement discussions, and on July 21, 2017, the Settling Parties informed the ALJ that a settlement in principle had been reached.

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<sup>1</sup> UGIII consists of customers in the UGI service territory and intervened with respect to UGI's PGC filing only. This Statement in Support only addresses UGI's Settlement.

## **II. STATEMENT IN SUPPORT**

10. The Commission has a strong policy favoring settlements. As set forth in the PUC's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391(a); *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Settling Parties engaged in negotiations to resolve the issues raised in this proceeding. These ongoing discussions produced the foregoing Settlement.

11. The Settling Parties agree that approval of the proposed Settlement is in the best interests of the parties involved.

12. The Settlement is in the public interest for the following reasons:

- a. As a result of the Settlement, expenses incurred by the Settling Parties and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated;
- b. Uncertainties regarding further expenses associated with possible appeals from a final order of the Commission regarding the issues in this Settlement are avoided as a result of this Settlement; and
- c. The Settlement reflects compromises on all sides presented without prejudice to any position any Settling Party may have advanced so far in this proceeding. Similarly, the Settlement is presented without prejudice to any position any party may advance in future proceedings involving UGI.

13. In addition, the Settlement specifically satisfies the concerns of UGIII in the following ways:

- a. For the Carlisle/Mechanicsburg liquefied natural gas ("LNG") facilities in use for the Winter of 2016-2017, the Settlement provides that UGI will recover through its PGC rates: (1) 58% of its facility costs; (2) 58% of the LNG commodity costs, for which the 58% is equal to the percentage share of peak day supply used by PGC customers in Carlisle/Mechanicsburg; and (3) the remaining 42% of LNG

commodity volumes multiplied by the monthly published Platts Inside FERC Index for Texas Eastern Zone M-3 that UGI would have incurred during the previously-mentioned time period.<sup>2</sup> The Settlement also provides that UGI may recover from non-competitive transportation customers costs not recovered through the PGC rate in the Gas Delivery Enhancement Rider, pending PUC approval at Docket Number R-2017-2601900, and the Settling Parties agree not to oppose such recovery from non-competitive transportation customers.<sup>3</sup>

- b. The Settlement provides that the Company may retain its current method of pricing capacity for large transportation customers in its capacity release program.<sup>4</sup> This provision appropriately continues UGI's PUC-approved capacity release practices.
- c. The Settlement provides that UGI will not propose a consolidated PGC rate with its affiliated utilities, PNG and CPG, in its 2018 PGC proceeding.<sup>5</sup> Furthermore, the Settling Parties agree to hold an in-person collaborative meeting at least 90 days prior to UGI's pre-filing date to discuss methods for streamlining UGI's future PGC proceedings.<sup>6</sup> This provision ensures that customers will receive more information about the effects of consolidation not only upon PGC rates, but also upon other terms of service under UGI's Tariff.

14. UGIII supports the Settlement because it is in the public interest; however, in the event the Settlement is rejected by the ALJ or the Commission, UGIII will resume its litigation position.

15. As set forth above, UGIII submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after several settlement discussions. Although the Settling Parties have invested time and resources in the negotiation of the Settlement, this process has allowed the parties, and the Commission, to avoid expending the substantial resources that would have been required to fully litigate the current issues in this proceeding while still reaching a just, reasonable and non-discriminatory result. The Settling Parties have thus reached an amicable solution to this dispute

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<sup>2</sup> Settlement at ¶ 21.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at ¶ 22.

<sup>5</sup> *Id.* at ¶ 23.

<sup>6</sup> *Id.*

as embodied in the Settlement. Approval of the Settlement will permit the Commission and the Settling Parties to avoid incurring the additional time, expense and uncertainty of further litigation of the issues in this proceeding. *See* 52 Pa. Code § 69.391.

### III. CONCLUSION

**WHEREFORE**, the UGI Industrial Intervenors respectfully request that the Administrative Law Judge and the Commission approve the Stipulation in Settlement of Section 1307(f) Rate Investigation without modification.

Respectfully submitted,

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Dated: August 11, 2017