**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held August 2, 2018

Commissioners Present:

Gladys M. Brown, Chairman, Statement

Andrew G. Place, Vice Chairman

David W. Sweet

John F. Coleman, Jr.

Norman J. Kennard

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| Petition of UGI Utilities, Inc. – Gas Division for Approval of an Extension to its Long-Term Infrastructure Improvement Plan  |  P-2013-2398833 |
| Petition of UGI Penn Natural Gas, Inc. for Approval of an Extension to its Long-Term Infrastructure Improvement Plan  |  P-2013-2397056 |
| Petition of UGI Central Penn Gas, Inc. for Approval of an Extension to its Long-Term Infrastructure Improvement Plan |  P-2013-2398835 |
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**OPINION AND ORDER**

**BY THE COMMISSION:**

 Before the Commission for consideration are the Petitions of UGI Utilities, Inc. – Gas Division (UGI-GD), UGI Penn Natural Gas, Inc. (PNG), and UGI Central Penn Gas, Inc. (CPG) (collectively, the UGI Companies) for approval of an extension to their Long-Term Infrastructure Improvement Plans (LTIIPs). The Commission believes the requests for extension propose a substantial change to the current approved LTIIPs and are thus major modifications as defined in 52 Pa. Code § 121.2. Therefore, we will process the requests for extension as petitions for modification as required by 52 Pa. Code § 121.5(a). The Petitions were filed on June 15, 2018. Copies of the Petitions were served on the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), and the Commission’s Bureau of Investigation & Enforcement (BIE). No comments were filed.

 UGI-GD, PNG, and CPG are corporations organized and existing under the laws of the Commonwealth of Pennsylvania and are wholly owned subsidiaries of UGI Utilities, Inc., which is a wholly owned subsidiary of UGI Corporation. The three UGI Companies operate under the shared executive management of UGI-GD.

**BACKGROUND**

On February 14, 2012,Governor Corbett signed into lawAct 11 of 2012, (Act 11),[[1]](#footnote-1) which amends Chapters 3, 13 and 33 of Title 66. Act 11, *inter alia*, provides jurisdictional water and wastewater utilities, electric distribution companies (EDCs), and NGDCs or a city natural gas distribution operation with the ability to implement a distribution system improvement charge (DSIC) to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility’s distribution system. The eligible property for the utilities is defined in 66 Pa. C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file a LTIIP with the Commission that is consistent with 66 Pa. C.S. §1352.

The Commission promulgated regulations relating to LTIIPs at 52 Pa. Code §§ 121.1 – 121.8 that became effective December 20, 2014. In accordance with the regulations, an NGDC must include the following elements in its LTIIP:[[2]](#footnote-2)

1. Types and age of eligible property;
2. Schedule for its planned repair and replacement;
3. Location of the eligible property;
4. Reasonable estimates of the quantity of property to be improved;
5. Projected annual expenditures and measures to ensure that the plan is cost effective;
6. Manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service;
7. A workforce management and training program; and
8. A description of a utility’s outreach and coordination activities with other utilities, PennDOT and local governments on planned maintenance/construction projects.

The UGI Companies’ currently approved LTIIPs addressed the required elements of an LTIIP at the time they were approved. Therefore, we will only discuss the proposed changes from the currently approved LTIIPs to the instant modified LTIIPs.

**THE UGI COMPANIES’ PETITIONS**

Each of the UGI Companies’ Petitions included proposed modified LTIIPs that are six-year plans, spanning the years 2014-2019. The currently approved LTIIPs would have expired at the end of 2018. The modified LTIIPs detail accelerated infrastructure improvements that are intended to enhance system resiliency and reliability on an aging infrastructure.

The UGI Companies’ current LTIIPs planned to remove all cast iron distribution main from their systems by 2027, and all bare steel distribution mains from their systems by 2041. The UGI Companies are not proposing to change these timelines for the removal of legacy materials. The instant Petitions are proposing 1-year extensions to the UGI Companies’ currently approved LTIIPs to allow time for the Commission to consider its Merger Application to consolidate UGI – GD, PNG, and CPG.[[3]](#footnote-3) Table 1, below, summarizes the spending levels proposed in 2019 as compared to the proposed spending levels in 2018. Table 2 shows the mileage projections for the amount of main to be replaced for 2018-2019, showing the UGI intends to maintain its level of main replacement. No other substantial changes are proposed in the modified LTIIPs.

**Table 1: Comparison of Spending Levels at UGI-GD, PNG, and CPG Year over Year, 2018-2019 (Dollar Values in Millions)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | UGI - GD | PNG | CPG | Total |
| 2018 | $105.2 | $38.4 | $25.9 | $169.5 |
| 2019 | $113.0 | $41.2 | $30.8 | $185.0 |
| Increase over 2018 ($) | $7.8 | $2.8 | $4.9 | $15.5 |
| Increase over 2018 (%) | *7.4%* | *7.3%* | *18.9%* | *9.1%* |

**Table 2: Mileage of Main Projected to be Replaced at UGI-GD, PNG, and CPG, 2018-2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | UGI - GD | PNG | CPG | Total |
| 2018 | 33 | 14 | 17 | 64 |
| 2019 | 33 | 14 | 17 | 64 |

**THE UGI COMPANIES’ DSICs**

All three UGI Companies currently have an approved DSIC. PNG and CPG have received waivers from the Commission that permitted raising their DSIC caps to 7.5% from 5.0%.[[4]](#footnote-4) [[5]](#footnote-5) UGI-GD’s DSIC remains at 5%. In the Orders approving CPG’s and PNG’s DSIC cap waivers, the 7.5% DSIC was permitted until the companies’ next LTIIP filings. As we noted in our Orders, the 7.5% DSIC was not a permanent rate change and the question of whether the waiver permitting 7.5% recovery will continue would be an issue when the companies filed new LTIIPs at the end of 2018. As the instant petitions extend the current LTIIP terms by one year, the waiver permitting 7.5% recovery shall extend until the companies file new LTIIPs, or through December 31, 2019, whichever comes first. UGI-GD’s DSIC shall also continue at its 5% cap until UGI-GD files a new LTIIP, or through December 31, 2019, whichever comes first.

**SUMMARY**

 The Commission’s review of an LTIIP must determine if the LTIIP:[[6]](#footnote-6)

* Contains measures to ensure that the projected annual expenditures are cost‑effective.
* Specifies the manner in which it accelerates or maintains an accelerated rate of infrastructure repair, improvement or replacement.
* Is sufficient to ensure and maintain adequate, efficient, safe, reliable and reasonable service.
* Meets the requirements of 52 Pa. Code § 121.3(a).

 The utility has the burden of proof to demonstrate that its proposed LTIIP and associated expenditures are reasonable, cost effective and designed to ensure and maintain sufficient, safe, adequate, reliable and reasonable service to consumers.[[7]](#footnote-7)

The Commission has reviewed the UGI Companies’ modified LTIIPs. The Commission finds that the UGI Companies have meet their burden of proof by demonstrating that their modified LTIIPs contain measures to ensure that the projected annual expenditures are cost-effective, specify the manner in which they accelerate or maintain an accelerated rate of infrastructure repair, improvement, or replacement, are sufficient to ensure and maintain adequate, safe, reliable, and reasonable service, and meet the requirements of 52 Pa. Code § 121.3(a). Accordingly, the UGI Companies’ modified LTIIPs are approved.

**CONCLUSION**

The Commission finds the UGI Companies’ modified Long-Term Infrastructure Improvement Plans and manner in which they were filed conform to the requirements of Act 11 and our Regulations. The plans, as approved herein, are designed to maintain safe, adequate and reliable service and, as such, the UGI Companies shall be required to comply with the infrastructure replacement schedule and elements of these plans**; THEREFORE,**

**IT IS ORDERED:**

1. That the Petition for Approval of an Extension to its Long-Term Infrastructure Improvement Plan (LTIIP) filed by UGI Utilities, Inc. – Gas Division is approved, consistent with this Order.

2. That the Petition for Approval of an Extension to its Long-Term Infrastructure Improvement Plan (LTIIP) filed by UGI Penn Natural Gas, Inc. is approved, consistent with this Order.

3. That the Petition for Approval of an Extension to its Long-Term Infrastructure Improvement Plan (LTIIP) filed by UGI Central Penn Gas, Inc. is approved, consistent with this Order.

4. That the proceedings at Docket Nos. P-2013-2398833, P-2013-2397056, and P-2013-2398835 be closed.

**BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: August 2, 2018

ORDER ENTERED: August 2, 2018

1. <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0011..HTM>. [↑](#footnote-ref-1)
2. *See* 52 Pa. Code § 121.3. [↑](#footnote-ref-2)
3. *See Joint Application of UGI Utilities, Inc., UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc. for All of the Necessary Authority, Approvals, and Certificates of Public Convenience for (1) an Agreement and Plan of Merger; (2) the Merger of UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. into UGI Utilities, Inc.; (3) the initiation by UGI Utilities, Inc. of natural gas service in all territory in this Commonwealth where UGI Penn Natural Gas, Inc. and UGI Central Penn Gas do or may provide natural gas service; (4) the abandonment by UGI Penn Natural Gas, Inc. of all natural gas service in this Commonwealth; (5) the abandonment by UGI Central Penn Gas, Inc. of all natural gas service in this Commonwealth; (6) the adoption by UGI Utilities, Inc. of UGI Penn Natural Gas, Inc.’s and UGI Central Penn Gas, Inc.’s Existing Tariffs and their Application within New Service and Rate Districts of UGI Utilities, Inc. Corresponding to their Existing Service Territories as UGI North and UGI Central, Respectively; (7) the adoption by UGI Utilities of its Existing Tariff to be applied to a new UGI South*

*Service and Rate District; (8) Where Necessary, Associated Affiliated Interest Agreements; and (9) any Other Approvals Necessary to Complete the Contemplated Transaction,* at Docket No. A-2018-3000381. [↑](#footnote-ref-3)
4. *See* *Petition of UGI Penn Natural Gas, Inc. for a Waiver of the Distribution System Improvement Charge (DSIC) Cap of 5% of Billed Distribution Revenues and Approval to Increase the Maximum Allowable DSIC to 10% of Billed Distribution Revenues*, Order entered May 10, 2017, at Docket No. P-2016-2537594. [↑](#footnote-ref-4)
5. *See Petition of UGI Central Penn Gas, Inc. for a Waiver of the Distribution System Improvement Charge (DSIC) Cap of 5% of Billed Distribution Revenues and Approval to Increase the Maximum Allowable DSIC to 10% of Billed Distribution Revenues*, Order entered May 10, 2017, at Docket No. P-2016-2537609. [↑](#footnote-ref-5)
6. *See* 52 Pa. Code § 121.4(e). [↑](#footnote-ref-6)
7. *See* 52 Pa. Code § 121.4(d). [↑](#footnote-ref-7)