



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

March 11, 2019

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.
UGI Utilities, Inc. – Gas Division
Base Rate
Docket No. R-2018-3006814

Dear Secretary Chiavetta:

Enclosed for filing please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** for the above-captioned proceeding.

Copies are being served on all active parties of record. If you have any questions, please contact me at (717) 425-7593.

Sincerely,

Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/jfm
Enclosure

cc: Hon. Christopher P. Pell (PUC ALJ, Philadelphia)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

UGI Utilities, Inc. – Gas Division
Base Rates

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Docket No. R-2018-3006814

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

**TO: DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE
CHRISTOPHER P. PELL:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Scott B. Granger. Contact information is as follows:

By mail: Scott B. Granger
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: sgranger@pa.gov
By telephone: (717) 425-7593
By fax: (717) 772-2677

I. INTRODUCTION

On January 28, 2019, UGI Utilities, Inc. - Gas Division (“UGI Gas” or “Company”) filed its proposed Tariff Gas - Pa. P.U.C. Nos. 7 and 7S, with a proposed effective date of March 29, 2019. The rates set forth in Tariff Nos. 7 and 7S, if approved by the Commission, would increase UGI Gas’s annual jurisdictional revenues by \$71.1 million, or by 8.9%. The Company has also proposed to create uniform rates by rate class, including base rates, purchased gas cost (“PGC”) charges, and other rider charges, for the UGI Gas South, North and Central Rate Districts, and establish uniform choice and non-choice transportation programs applicable to all customers and natural gas suppliers. Tariff Nos. 7 and 7S also propose changes to a variety of general tariff rules and regulations as well as certain provisions of gas transportation and Gas Choice services.

In addition to the proposed changes to the distribution rates and the purchased gas cost rates, the Company is proposing to extend the existing temporary federal tax credit for a 12-month period following the effective date of new rates. As proposed, this credit would reduce the distribution rate portion of customer bills from those proposed in the filing by 4.50% over the course of the 12-month period. The principal reasons proffered for UGI Gas’s request for rate relief are: (1) to establish rates which provide the Company a reasonable opportunity to earn a fair return on its investment used to serve the public; (2) to establish uniform rates, rules and regulations for UGI’s three current rate districts, which will reduce costs, improve administrative efficiency and promote

retail competition; (3) to support a continuation of accelerated capital investment in key technology system replacements and to maintain and improve system safety and reliability by replacing aging infrastructure; (4) to update certain terms and conditions of service and address program commitments established in other Commission proceedings; (5) to report on the Company's GET Gas pilot main extension program and extend the pilot for another five years; and (6) to incorporate new investments related to distribution infrastructure for growth and replacement of essential facilities.

I&E filed its Notice of Appearance regarding this proceeding on January 31, 2019.

The Office of Consumer Advocate ("OCA") filed a Public Statement and Notice of Appearance in this proceeding on February 7, 2019.

The Office of Small Business Advocate ("OSBA") filed its Notice of Appearance and Public Statement also on February 7, 2019.

On February 14, 2019, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE PA") and the Commission on Economic Opportunity ("CEO") each separately filed Petitions to Intervene in this proceeding.

On February 21, 2019, the Natural Gas Supplier Parties ("NGS") and the Retail Energy Supply Association ("RESA") filed a Petition to Intervene in this proceeding.

On February 28, 2019, Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC ("Direct Energy") filed a Petition to Intervene in this proceeding.

Additionally, several ratepayers have filed formal complaints.

On February 28, 2019, the Commission entered an Order suspending the implementation of proposed Tariffs 7 and 7S by operation of law until October 29, 2019, and opening an investigation into the lawfulness, justness, and reasonableness of the proposed rates, rules, and regulations contained in proposed Tariffs 7 and 7S.

A dual-location telephonic Prehearing Conference is scheduled for March 13, 2019, at 1:30 pm before Deputy Chief Administrative Law Judge Christopher S. Pell presiding in Philadelphia.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Overall Rate of Return
- Cost of Debt
- Cost of Equity
- Management Performance
- Capital Structure
- Effects of Tax Cut and Jobs Act
- Use of Fully Projected Future Test Year
- Cash Working Capital
- Tax Credit Refund – Tax Cut and Jobs Act
- Rate Case Expense
- Energy Efficiency & Conservation Plan (“EE&C”)
- UGI's Next Information Technology Enterprise (“UNITE”) initiative
- Technology and Economic Development (“TED”) Rider
- Employee Payroll Expense
- Employee Benefits
- Charge/expense allocation from parent/affiliated companies

- Environmental remediation expense
- Other Advertising expense
- Administrative & General Expenses
- Plant in Service
- Depreciation Reserve
- Annual Depreciation Expense
- Accumulated Depreciation Expense
- Materials and Supplies
- Rate Base
- Plant Retirements and Net Salvage
- Miscellaneous and Other Revenue
- Present Rate Revenue
- Usage Per Customer
- Number of Customers
- Uniform Purchased Gas Costs (“PGC”) rates
- Interruptible Sharing Mechanism
- Extension and Expansion Fund
- Granting of IS rates and IS Tariff Requirements
- Cost of Service
- Rate Structure
- Rate Design
- Customer Charges
- Gradualism
- Rate Shock
- Forfeited Discounts
- Miscellaneous Service Revenue
- Compliance Issues
- Scale-back of Rates
- FTY and FPFTY Plant Reports
- Growth Extension Tariff (“GET Gas”) pilot program extension
- UGI Long Term Infrastructure Improvement Plan (“LTIIP”)
- Distribution Integrity Management Plan (“DIMP”), DIMP scores
- Reportable incidents and non-incident occurrences (or near misses)
- Odor complaints
- PA One Call
- Service line hits
- All classes of leaks, leak statistics and leak repairs
- Cast iron mains, bare steel mains and UGI’s Risk-Based Prioritization model based on pipeline material

- New business projects, supply projects, versus replacement and betterment projects
- Pipeline replacement costs
- Farm taps and 49 CFR Part 192.740
- 2018 US DOT reports

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Duysant (D.C.) Patel, Fixed Utility Financial Analyst
Anthony Spadaccio, Fixed Utility Financial Analyst
Joseph Kubas, Fixed Utility Valuation Engineer Supervisor
Chris Henkel, Fixed Utility Financial Analyst
Elena Bozhko, Pipeline Safety Engineer
Jim Harchar, Pipeline Safety Engineer
Christine Wilson, Fixed Utility Financial Supervisor

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, supplemental testimony, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will give due consideration to any discovery modifications proposed by any other party. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding. As of this date, the parties have not yet agreed on a schedule. I&E tentatively proposes the following:

Filing w/ Company Direct	January 28, 2019
Other Parties Direct	April 30, 2019
Rebuttal Testimony	May 30, 2019
Surrebuttal Testimony	June 13, 2019
Oral Rejoinder Outlines	June 18, 2019 by 2:00
Hearings (including Oral Rejoinder)	June 19-21, 2019
Main Brief	July 11, 2019
Reply Brief	July 22, 2019 by 12:00 Noon

VII. PUBLIC INPUT HEARINGS

I&E is not aware of any requests at this time with respect to public input hearings. I&E does not propose that any public input hearings be held absent substantial public

interest in the Company filing. However, I&E notes that several ratepayers have filed formal complaints. Should public input hearings be deemed necessary, I&E recommends the Commission consider the use of “smart hearings” to encourage increased participation by the ratepayers.

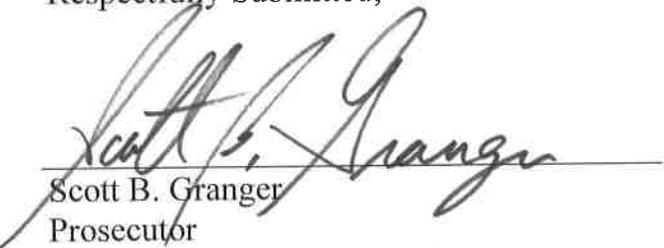
VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first-class mail.

IX. SETTLEMENT

I&E will maintain an open dialogue and is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: March 11, 2019

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

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v.

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Base Rate

Docket No. R-2018-3006814

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated March 11, 2019, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via First Class and Electronic Mail

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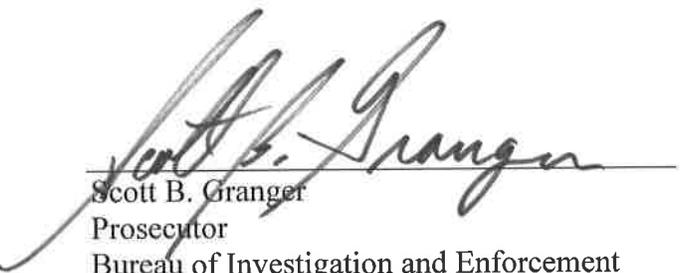
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