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File #: 174578

March 11, 2019

***VIA ELECTRONIC FILING***

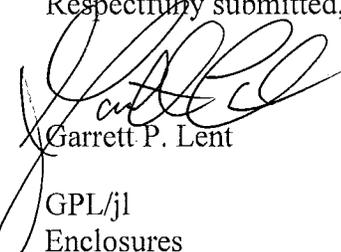
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: PA Public Utility Commission v. UGI Utilities, Inc. - Gas Division**  
**Docket No. R-2018-3006814**

Dear Secretary Chiavetta:

Enclosed for filing is the Prehearing Conference Memorandum of UGI Utilities, Inc. – Gas Division in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

  
Garrett P. Lent

GPL/jl  
Enclosures

cc: Honorable Christopher P. Pell  
Certificate of Service

**CERTIFICATE OF SERVICE**

**(Docket No. R-2018-3006814)**

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

**VIA E-MAIL & FIRST CLASS MAIL**

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Erika L. McLain, Esquire  
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*Commission on Economic Opportunity*

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*NGS/RESA*

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Harrisburg, PA 17101  
*Direct Energy*

Date: March 11, 2019

  
Garrett P. Left

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2018-3006814
	:	
UGI Utilities, Inc. – Gas Division	:	

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**PREHEARING CONFERENCE MEMORANDUM OF  
UGI UTILITIES, INC. – GAS DIVISION**

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

Pursuant to 52 Pa. Code § 5.224(c) and the February 28, 2019 Prehearing Conference Order, UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) hereby submits this Prehearing Conference Memorandum.

**I. SERVICE OF DOCUMENTS**

1. UGI Gas requests that all documents be served on:

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As requested in the February 28, 2019, Prehearing Conference Order, please be advised the Ms. Jessica R. Rogers will speak as the lead attorney for UGI Gas for purposes of the prehearing conference. However, other counsel for UGI Gas will be participating and available during the telephonic prehearing conference as needed.

2. UGI Gas agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Kent Murphy at [murphyke@ugicorp.com](mailto:murphyke@ugicorp.com), Mark C. Morrow at [morrowm@ugicorp.com](mailto:morrowm@ugicorp.com), Danielle Jouenne at [jouenned@ugicorp.com](mailto:jouenned@ugicorp.com), Michael Swerling at [swerlingm@ugicorp.com](mailto:swerlingm@ugicorp.com), David B. MacGregor at [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com), and Jessica R. Rogers at [jrogers@postschell.com](mailto:jrogers@postschell.com).

## **II. PROCEDURAL HISTORY**

3. This proceeding was initiated on January 28, 2019, when UGI Gas filed Tariff Gas PA. P.U.C. Nos. 7 and 7S with the Pennsylvania Public Utility Commission (“Commission”). Tariff Gas – PA. P.U.C. Nos. 7 and 7S, issued to be effective for service rendered on or after March 29, 2019, proposes changes to UGI Gas’s base retail distribution rates designed to produce an increase in revenues of approximately \$71.1 million, based upon data for a fully projected future test year ending September 30, 2020 (“2019 Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

4. On January 31, 2019, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed its Notice of Appearance.

5. On February 7, 2019, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2019 Base Rate Case, which was docketed at Docket No. C-2019-3007753.

6. Also on February 7, 2019, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2019 Base Rate Case, which was docketed at Docket No. C-2019-3007756.

7. 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.

8. 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.

9. 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.

10. In addition, formal Complaints were filed by Keith P. Dolon, on February 15, 2019 at Docket No. C-2019-3007953, and Gail L. Hoffer and Bernadette Margel, on February 21, 2019, at Docket No. C-2019-3008002.

11. On February 28, 2019, the Commission issued an Order suspending Tariff Gas – PA. P.U.C. Nos. 7 and 7S until October 29, 2019, unless permitted by Commission Order to become effective at an earlier date.

12. Also on February 28, 2019, Administrative Law Judge Christopher P. Pell (“ALJ”) issued the Prehearing Order that, among other things, directed the parties to submit Prehearing Conference Memoranda on or before noon on March 11, 2019, and scheduled a Prehearing Conference for March 13, 2019 at 1:30 p.m.

13. On March 7, 2019, a Petition to Intervene was filed by the Laborers District Council of Eastern Pennsylvania (“LDCEPA”).

14. Pursuant to 52 Pa. Code § 5.224(c) and the February 28, 2019 Prehearing Conference Order, UGI Gas hereby submits this Prehearing Conference Memorandum.

### **III. ISSUES**

15. UGI Gas intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$71.1 million, based on a fully projected future test year ending September 30, 2020, and proposed allowed rate of return on equity of 11.25 percent is just and reasonable and should be approved by the Commission.

16. UGI Gas intends to demonstrate that one primary contributor to its need for rate relief is its continued significant capital investment in its aging distribution system. In addition to modernizing facilities, UGI Gas has also been undertaking a Company-wide initiative to improve its technology and employee training. Finally, this case incorporates a number of modest annual wage and salary increases, as well as other general price increases for products and services. The combined impact of these leaves UGI Gas unable to earn a fair rate of return on its investment, at present rate levels.

17. The principal reasons 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 Growth Extension Tariff ("GET Gas") 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.

18. UGI Gas intends to demonstrate that its proposed 11.25 percent return on equity is the minimum required for the Company to attract the capital needed to make system investments that will enhance the reach and capacity of its distribution system and to replace older, obsolete facilities, each of which is prudent to ensure continued system reliability, safety, and customer service performance. UGI Gas intends to demonstrate that the proposed return on equity is particularly appropriate in view of the Company's management effectiveness.

19. UGI Gas further intends to demonstrate that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent, and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and consistent with principles established by the Commonwealth Court in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006). The Company's approach unifies rates while ensuring that no rate district would receive more than two times the system average increase, and no rate class within a district would receive more than two times the district average increase. The Company's proposal establishes uniform rates and moves each rate class an equal percentage towards the system average return.

20. In this proceeding, UGI Gas is proposing to establish uniform distribution rates and purchased gas cost rates under a unified tariff in lieu of its current three rate district tariffs, including transportation service rates. The proposal to unify the rates, rules, and regulations of the three rate districts will provide numerous prospective benefits to all interested stakeholders, which the Company will demonstrate as part of this proceeding.

21. UGI Gas seeks to renew its GET Gas pilot program for an additional five-year term. The GET Gas pilot programs currently available in each of the rate districts are designed

to expand natural gas service to unserved and underserved areas in and around the Company’s gas distribution service territories. Based on its experience during the first five year pilot program, the Company is proposing certain modifications as part of the five year extension. The modifications are described fully in the Company’s testimony.

22. In addition, the Company is proposing to extend its Technology and Economic Development (“TED”) Rider and its Energy Efficiency and Conservation (“EE&C”) Plan, which currently apply in the North and South Rate Districts, to the Central Rate District. The TED Rider facilitates cost-effective expansions of natural gas service to smaller Commercial and Industrial customers. The EE&C Plan currently is a comprehensive portfolio of energy efficiency and conservation programs.

23. Finally, the Company is also proposing the creation of a new Extension and Expansion Fund (“EEF”) to assist in natural gas expansion to unserved and underserved areas in the Company’s service territory, and is also proposing an incentive sharing mechanism. UGI Gas intends to show that establishing the EEF will bring numerous direct and indirect benefits to customers and the community.

**IV. WITNESSES**

24. UGI Gas presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

Statement No.	Witness	Subjects Addressed
1	Paul J. Szykman Chief Regulatory Officer UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-3470	Need for Rate Relief Merger of Rate Districts into Unified Tariff Improvement Initiatives UGI-1 & UNITE Interruptible Revenue Proposals Management Performance
2	Hans G. Bell	System Operations

	Chief Operating Officer UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-3450	Capital Planning System Reliability and Safety New Safety Initiatives Environmental Program and Remediation Costs
3.	Stephen F. Anzaldo Director, Rates and Regulatory Planning UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-3528	Budget Process Revenue Requirements Operating Revenues and Expenses Compliance with Act 40 of 2016
4.	Megan Mattern Controller and Principal Accounting Officer UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-5154	Accounting for Historic Costs Rate Base Claim Accounting for Information Technology Costs Accounting for HyperCare PGC Revenue Adjustment ACH and Credit Card Fee Waiver Adjustment
5.	Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road, Haddonfield, NJ 08033-3062 Tel: 856-428-7515	Cost of Capital Rate of Return
6.	Paul Herbert President Gannett Fleming Valuation & Rate Consultants, LLC 207 Senate Avenue Camp Hill, PA 17011 Tel: 717-763-7212	Cost of Service Allocation
7.	John F. Wiedmayer C.D.P. Project Manager, Depreciation and Valuation Studies Gannett Fleming Valuation and Rate Consultants, LLC 1010 Adams Avenue Audubon, PA 19403 Tel: 610-650-8101	Depreciation
8.	David E. Lahoff Senior Manager, Tariff & Supplier Administration UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Test Years Sales/Revenues Uniform Rate Structure and Riders Tax Cut and Jobs Act Credit Revenue Allocation and Rate Design GET Gas Tariff Changes

	Tel: 610-796-3520	Purchase of Receivables Program
9.	Shaun M. Hart Senior Manager Major Accounts UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-3521	Technology & Economic Development Rider Energy Efficiency & Conservation Plan Implementation Large Customer Usage & Revenue Projections GET Gas Pilot Phase I Report & Phase II Proposal Daily Metering Expansion Program Excess Requirement Option Continuation
10.	Daniel V. Adamo Director – Customer Services UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-5393	Quality of Service Performance Credit Card & ACH Fee Waiver Universal Service and Energy Conservation Plan
11.	Nicole M. McKinney Principal Tax Analyst UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-3445	Taxes and Tax Adjustments
12.	Angelina M. Borelli Director – Energy Supply and Planning UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517 Tel: 610-796-3431	Merger Settlement Compliance Activities Scheduled Delivery Confirmation Processes and Communication Changes Unified Choice and Non-Choice Transportation Rules Unified Gas Supply Portfolio and Purchased Gas Cost Rate Gas Information System Website Upgrade
13.	Theodore M. Love Senior Analyst Green Energy Economics Group, Inc. 147 South Oxford Street, Brooklyn, New York, 11217 Tel: 718-395-9458	Energy Efficiency & Conservation Plan Total Resource Cost Implementation

UGI Gas previously filed copies of these statements. The testimony and exhibits fully support UGI Gas’s proposed rate increase, allocation of that increase among customer classes, and the design of rates to recover that increase from customers.

25. UGI Gas also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

**V. DISCOVERY**

26. To date, UGI Gas has received hundreds of data requests from numerous parties to this proceeding, and is diligently preparing responses.

27. Based on the litigation schedule to be adopted in this proceeding, UGI Gas proposes the following modifications to the standard timelines for discovery set forth in the Commission's regulations as necessary or appropriate.

- (a) Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.
- (b) Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.
- (c) Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
- (d) Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ in writing within five (5) days of service of the interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.

- (e) Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.
- (f) Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.
- (g) Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.

28. UGI Gas also encourages the use of informal discovery to expedite the discovery process.

29. Finally, UGI Gas proposes the use of electronic service of discovery responses. Specifically, UGI Gas proposes to post all discovery responses to its Data Request Easy Access Management System (“DREAM”) website. UGI Gas will file and serve a letter notifying the parties when the applicable discovery responses have been posted to the DREAM website. Once posted, parties will be able to access, review, download, and/or print the discovery responses as needed.<sup>1</sup>

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<sup>1</sup> This is the same electronic discovery process used in the UGI Utilities, Inc. – Gas Division 2016 base rate case at Docket No. R-2015-2518438 and in the UGI Penn Natural Gas, Inc. 2017 base rate case at Docket No. R-2016-2580030.

**VI. LITIGATION SCHEDULE**

30. UGI Gas has discussed the schedule with the parties that have intervened in the 2018 Base Rate Case as of the time of this writing. Based on these discussions, UGI Gas proposes that the following schedule be adopted for resolution of this matter:

Filing	January 26, 2019
Prehearing Conference	March 13, 2019
Direct of Other Parties	April 30, 2019
Rebuttal	May 30, 2019
Surrebuttal	June 13, 2019 (noon)
Written Rejoinder	June 18, 2019 (2 p.m.)
Evidentiary Hearings	June 19-21, 2019
Main Briefs	July 11, 2019
Reply Briefs	July 22, 2019 by noon

UGI Gas is also willing to work with the parties to accommodate potential scheduling conflicts for the parties' witnesses to attend and testify at the evidentiary hearings. UGI Gas understands that the above schedule is acceptable to I&E, OCA, OSBA, CAUSE-PA and CEO, and notes that no other party has objected to this schedule.

**VII. PUBLIC INPUT HEARINGS**

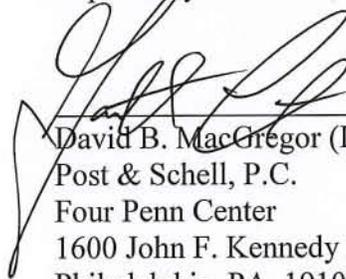
31. UGI Gas proposes that the public input hearings be telephonic and live-streamed from the Commission offices rather than held on multiple dates in multiple locations throughout UGI Gas's service territory.

32. The Commission's use of telephonic and live-streamed public input hearings has been successful in prior cases, and promotes transparency in public proceedings.

## VIII. SETTLEMENT

33. As of this time, no settlement discussions have been held. UGI Gas remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,



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Date: March 11, 2019

Counsel for UGI Utilities, Inc. – Gas Division