



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Jessica R. Rogers

jrogers@postschell.com
202-661-6964 Direct
202-661-6944 Direct Fax
File #: 176896

June 19, 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

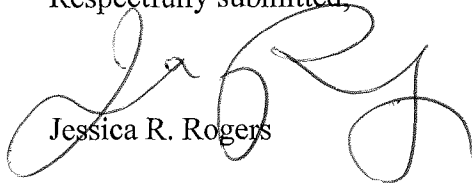
**Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division
Docket No. R-2019-3009647**

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.

Also, in addition to the Prehearing Conference Memorandum, copies of Book 1 and Book 2 of the 2019 Purchased Gas Cost Filing for Docket No. R-2019-3009647 will be provided to Administrative Law Judge Myers via hand delivery.

Respectfully submitted,



Jessica R. Rogers

JRR/jl
Enclosure

cc: Honorable Benjamin J. Myers
Certificate of Service

CERTIFICATE OF SERVICE

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).

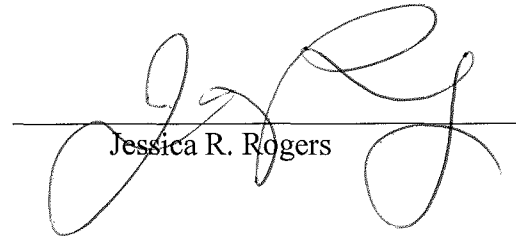
VIA E-MAIL & FIRST CLASS MAIL

Lauren M. Burge, Esquire
J.D. Moore, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Scott B. Granger, Esquire
Bureau of Investigation & Enforcement
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105

Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Date: June 19, 2019


Jessica R. Rogers

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2019-3009647
Office of Consumer Advocate, And	:	C-2019-3009778
Office of Small Business Advocate	:	C-2019-3010038
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

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

TO ADMINISTRATIVE LAW JUDGE BENJAMIN J. MYERS:

Pursuant to 52 Pa. Code § 5.224(c) and the Prehearing Conference Order dated June 10, 2019, UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”), hereby respectfully submits this Prehearing Conference Memorandum in the above-captioned matters and states as follows:

I. BACKGROUND

UGI Gas is a natural gas distribution company with gross intrastate annual operating revenues in excess of \$40 million. Pursuant to the provisions of Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Pennsylvania Public Utility Commission’s (“Commission”) gas cost recovery regulations at 52 Pa. Code §§ 53.61-53.69, the Company initiated this annual proceeding to propose purchase gas cost (“PGC”) rates to become effective on December 1, 2019.

On May 1, 2019, the Company made its 30-day pre-filing (“Book 1”) with the Commission (containing data related to the recovery of purchased gas costs) pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and in accordance with the Commission’s regulations at 52 Pa. Code §§ 53.64 and 53.65.

On May 9, 2019, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Formal Complaint, and Public Statement in the Company’s PGC proceeding.

On May 13, 2019, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance in the proceeding.

On May 20, 2019, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, Formal Complaint, Public Statement, and Verification in this proceeding.

On May 31, 2019, UGI Gas filed its definitive PGC filing (“Book 2”), including supporting information required by the Commission’s regulations, the Company’s direct testimony and exhibits, and the following Pro Forma Tariff Supplements reflecting actual and projected changes in natural gas costs for the North, Central and South Rate Districts.

- Pro Forma Tariff Addendum to Gas – Pa. P.U.C. Nos. 6 and 6-S – South Rate District.
- Pro Forma Tariff Addendum to Gas – Pa. P.U.C. Nos. 9 and 9-S – North Rate District.
- Pro Forma Tariff Addendum to Gas – Pa. P.U.C. Nos. 4 and 4-S – Central Rate District.

In the current PGC filing, and consistent with the Company’s proposal and the settlement in principle in the ongoing base rate proceeding at Docket No. R-2018-3006814 (“2019 Base Rate Proceeding”), UGI Gas proposes to implement a unified PGC rate of \$5.2064 for its entire service territory. If unification of the PGC rates is not approved by the Commission in the 2019

Base Rate Proceeding, then on December 1, 2019, UGI Gas proposes PGC rates for the individual rate districts as follows:

Rate District	June 1, 2019 PGC	Dec 1, 2019 PGC	% Change
South	\$5.6051	\$6.0098	7.2%
North	\$4.5559	\$4.3204	-5.2%
Central	\$4.2508	\$4.5839	7.8%

In advance of filing Book 2, UGI Gas notified its customers of the proposed PGC rates by way of bill insert and newspaper posting.

A Prehearing Conference was scheduled to be held telephonically before Administrative Law Judge Benjamin J. Myers (the "ALJ" or "ALJ Myers") at 10:00 am on June 21, 2019.

On June 10, 2019, a Prehearing Conference Order was issued by ALJ Myers, directing the parties to file Prehearing Memoranda on or before June 19, 2019.

Accordingly, UGI Gas hereby files this Prehearing Memorandum pursuant to the ALJ's Prehearing Conference Order.

II. SERVICE OF DOCUMENTS

The Company requests that Jessica R. Rogers and Michael S. Swerling be listed on the service list on behalf of UGI Gas. Their contact information is provided below:

Michael S. Swerling (ID # 94748)
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
Phone: 610-992-3763
Fax: 610-992-3258
E-mail: SwerlingM@ugicorp.com

Jessica R. Rogers (ID # 309842)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 202-661-6964
Fax: 717-731-1985
E-mail: jrogers@postschell.com

The Company agrees to receive service of documents electronically in this proceeding.

III. WITNESS AND SUBJECT MATTERS OF TESTIMONY

UGI Gas has submitted the written direct testimony of the following witnesses, and reserves the right to call additional witnesses as may be required to respond to issues raised by other parties:

UGI Gas Statement No. 1:

Tracy A. Hazenstab, Senior Analyst – Rates
UGI Utilities, Inc.
1 UGI Drive
Denver, Pennsylvania 17517
(814) 574-4168

UGI Gas Statement No. 2:

Angelina M. Borelli, Director – Energy Supply and Planning
UGI Utilities, Inc.
1 UGI Drive
Denver, Pennsylvania 17517
(610) 796-3431

UGI Gas Statement No. 3:

William J. McAllister, Principal Analyst – Rates
UGI Utilities, Inc.
1 UGI Drive
Denver, Pennsylvania 17517
(610) 796-3471

UGI Gas Statement No. 4-S:

Megan Mattern, Controller and Principal Accounting Officer
UGI Utilities, Inc.
1 UGI Drive
Denver, Pennsylvania 17517
(610) 796-5154

In her testimony, Ms. Hazenstab addresses: (1) the impact of the 2018 corporate merger and the proposal to unify the PGC rates across the three rate districts; (2) certain components of UGI Gas’s 2019 PGC filing and the development and computation of UGI Gas’s PGC rates proposed to be effective on December 1, 2019; (3) UGI Gas’s Gas Beyond the Mains (“GBM”) Program PGC rate; (4) UGI Gas’s Revenue Sharing Incentive Mechanism; (5) UGI Gas’s

Retainage Rate; (6) UGI Gas's September 1 Quarterly PGC Rate Filings; and (7) the impacts of certain issues raised in the 2019 Base Rate Proceeding.

In her testimony, Ms. Borelli addresses: (1) historic and projected gas costs; (2) the Company's gas purchase policy; (3) system reliability; (4) calculation of projected peak day demand for Winter 2019-2020; (5) supply requests for proposals ("RFP"); (6) an RFP for storage contract administration; (7) the Company's participation in interstate pipeline expansion projects; (8) an update on the Choice program; (9) recent contract changes; (10) the Company's participation in FERC proceedings, specifically the Section 4 rate proceedings for two of the major interstate pipelines that supply the Company's service territory; and (11) settlement commitments from last year's PGC case.

In his testimony, Mr. McAllister addresses: (1) a comparison of different methods for computing quarterly PGC rate adjustments as required by the terms of the 2018 PGC settlement; and (2) certain points made by Vice Chairman Andrew G. Place in his Statement in the Company's 2018 PGC proceeding.

Finally, as a result of the settlement in principle reached in the 2019 Base Rate Proceeding, the Company will be filing supplemental direct testimony in order to address an issue that the parties to the 2019 Base Rate Proceeding agreed should be moved to this PGC proceeding for resolution. In her testimony, Ms. Mattern will address a one-time error in the calculation of the PGC that has resulted in a net overcollection that the Company proposes be returned to customers as part of this PGC proceeding.

Company witnesses also are supporting portions of the UGI Gas May 1, 2019 supporting information and the June 1, 2019 PGC filing as shown in the Table of Contents and Witness Index filed on May 31, 2019.

IV. ISSUES

The main issue in this Section 1307(f) proceeding is whether the information supplied in Books 1 and 2 (as specified in 66 Pa. C.S. § 1317(a)) demonstrates that UGI Gas is pursuing a least cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers, and thereby permits the Commission to determine that the Company's rates are just and reasonable (pursuant to 66 Pa. C.S. § 1318). Section 1318, in turn, requires the Commission to determine whether:

1. The utility has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission.
2. The utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the utility's ratepayers.
3. The utility has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies.
4. The utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

Once such findings are made for the historical period (April 1, 2018 – March 31, 2019), the Commission must determine the reasonableness of the rates proposed for the projected PGC

period (December 1, 2019 – November 30, 2020). Such rates primarily consist of two elements—the so-called “C-Factor” and “E-Factor.” The “C-Factor” is a projection of the gas costs the natural gas distribution company will incur during the future period. The “E-Factor” is the reconciliation of: (a) the natural gas distribution company’s gas costs that meet the standards of Section 1318 during the historic period; and (b) the PGC revenues collected by the natural gas distribution company during such historic period, plus projections of over and under collections for the interim period (April 1, 2019 – November 30, 2019). The information provided in Books 1 and 2 (and supporting data) supports a determination by the Commission that the Company’s rates are just and reasonable.

V. EVIDENCE

UGI Gas intends to offer into evidence: (1) its May 1, 2019 supporting information (Book 1); (2) its May 31, 2019 PGC filing (Book 2); and (3) any other UGI Gas written testimony or exhibits submitted in the course of the proceeding.

VI. DISCOVERY

The Company has received interrogatories from the OCA and I&E in this proceeding. It has responded to or is in the process of responding to these discovery requests, with responses posted on a password-protected website for those parties interested in receiving responses in this manner. UGI Gas is willing to respond to informal discovery requests and strongly encourages the parties and their expert witnesses to consider this option to facilitate the preparation of their testimonies within the compressed procedural schedule necessitated by the Section 1307(f) process.

Traditionally, the parties have agreed to shorten the discovery response period in the annual Section 1307(f) proceedings, and the Company has developed modifications to reflect the

additional time that is required to respond to discovery requests served immediately before weekends or holidays. To the extent such modifications are sought in the current proceeding, the

Company proposes and supports the following discovery response modifications:

(1) Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service of the interrogatories, provided that, if receipt of the interrogatories occurs after 12:00 noon on either a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day;

(2) Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories, provided that, if receipt of the interrogatories occurs after 12:00 noon on either a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day. Unresolved objections to written interrogatories shall be served in writing on the propounding party within five (5) calendar days of service of the interrogatories, as defined above;

(3) Motions to compel answers to written interrogatories that have been objected to in writing and answers to such motions to compel shall be filed and served within three (3) calendar days of service of the written objections or motions to compel, provided that, if receipt of the objections or motion to compel occurs after 12:00 noon on either a Friday or the day preceding a holiday, service of these documents shall be deemed to have occurred on the next business day.

(4) Rulings over motions shall be issued, if possible, within seven (7) calendar days of filing of the motion, consistent with the above-mentioned rule changes;

(5) Responses or objections to requests for document production, entry for inspection, or other purposes shall be served in hand within ten (10) calendar days of service of the request, provided that, if receipt of the request occurs after 12:00 noon on either a Friday or the day preceding a holiday, service shall be deemed to have occurred on the next business day; and

(6) Requests for admission shall be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service of the requests, provided that, if receipt of the request occurs after 12:00 noon on either a Friday or

the day preceding a holiday, service shall be deemed to have occurred on the next business day.

VII. PROCEDURAL SCHEDULE

The Company has consulted with counsel for the other parties to develop an acceptable procedural schedule for this proceeding. The Company understands that the following schedule has been agreed to by the parties:

Prehearing conference	June 21, 2019
Other parties' direct testimony	July 1, 2019
Rebuttal testimony	July 19, 2019
Surrebuttal testimony	July 29, 2019 (by 12:00 PM)
Evidentiary Hearings	July 31-August 1, 2019
Main Brief	August 9, 2019
Reply Brief	August 16, 2019

All dates are for service via e-mail of searchable PDFs, with follow-up via first class mail. Further, all parties have agreed that within three calendar days of the service date of testimony, all workpapers used by any witness in the preparation of the testimony will be provided, including live excel files.

VIII. PUBLIC INPUT HEARINGS

The Company is not aware of any substantial consumer interest with respect to the PGC filing. Therefore, the Company does not propose that any public input hearings be held absent substantial public interest in the filings.

IX. PROTECTION OF CONFIDENTIAL INFORMATION

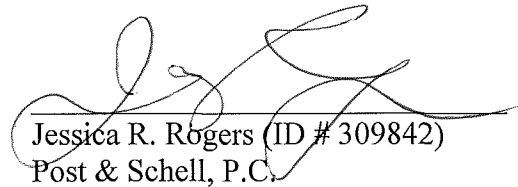
The Company has entered into Stipulated Protective Agreements with the current participants addressing rules for the provision of confidential information in discovery requests.

The Company intends to file a Motion for a Protective Order later in this proceeding to supplement or supplant the protections afforded by the Stipulated Protective Agreements. The Company will work with all parties to obtain agreement on the Protective Order prior to filing.

X. SETTLEMENT DISCUSSIONS

To date, no settlement discussions have been held. However, the Company is willing to work with the parties in an effort to resolve these proceedings through settlement.

Respectfully submitted,



Jessica R. Rogers (ID # 309842)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 202-661-6964
Fax: 717-731-1985
E-mail: jrogers@postschell.com

Michael S. Swerling (ID # 94748)
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
Phone: 610-992-3750
Fax: 610-992-3258
E-mail: SwerlingM@ugicorp.com

Of Counsel:

Post & Schell, P.C.

Attorneys for UGI Utilities, Inc. – Gas Division

Date: June 19, 2019