

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 1, 2022

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission  
v.  
UGI Utilities, Inc. – Gas Division  
Docket No. R-2021-3030218

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Darryl A. Lawrence  
Darryl A. Lawrence  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 93682  
E-Mail: [DLawrence@paoca.org](mailto:DLawrence@paoca.org)

Enclosures:

cc: The Honorable Joel H. Cheskis (**email only**)  
The Honorable Gail M. Chiodo (**email only**)  
Certificate of Service

\*324834

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :  
 :  
 v. : Docket No. R-2021-3030218  
 :  
 UGI Utilities, Inc. – Gas Division :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 1<sup>st</sup> day of March 2022.

**SERVICE BY E-MAIL ONLY**

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**SERVICE BY E-MAIL ONLY (continued)**

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Phone: (717) 783-5048  
Fax: (717) 783-7152  
Dated: March 1, 2022  
\*324593

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

|  |   |                           |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : |                           |
|  | : |                           |
| v.                                     | : | Docket No. R-2021-3030218 |
|  | : |                           |
| UGI Utilities, Inc. – Gas Division     | : |                           |

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the Prehearing Conference Order issued by Deputy Chief Administrative Law Judge Joel H. Cheskis (Deputy Chief ALJ Cheskis) and Administrative Law Judge Gail M. Chiodo (ALJ Chiodo) in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

**I. INTRODUCTION**

On January 28, 2022, UGI Utilities, Inc. - Gas Division (UGI or Company) filed Supplement No. 32 to UGI Tariff Gas - Pa. P.U.C. Nos. 7 and 7S to become effective March 29, 2022, which proposed changes in rates, rules, and regulations calculated to produce \$82.7 million, an increase of 7.8%, in additional annual revenues. More specifically, the Company is proposing to allocate \$68.1 million, or 82.3% of the proposed increase, to the residential customer class. The Company produces this result, in part, by increasing the average residential monthly customer charge by \$5.35, from \$14.60 to \$19.95, or by 36.6%.<sup>1</sup>

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<sup>1</sup> The OCA calculated the increase in the average residential monthly customer charge using the rate that will be in effect starting on October 1, 2022. The current average residential monthly charge is slightly higher than that at

The Company is engaged in the business of furnishing natural gas to approximately 672,000 residential, commercial, and industrial customers in over 45 counties throughout Pennsylvania.

On February 3, 2022, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. Also on February 3, 2022, the Commission's Bureau of Investigation and Enforcement (I&E) filed a notice of appearance. On February 7, 2022, a UGI Utilities gas customer, Paul Mercuri, filed a formal complaint at docket number C-2022-3030898. On February 15, 2022, a petition to intervene and answer was filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA). On February 23, 2022, a petition to intervene was filed by the Commission on Economic Opportunity.

On February 24, 2022, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this filing, in addition to the Company's existing rates, rules, and regulations, and suspended the effective date of Supplement No. 32 until October 29, 2022, by operation of law. The case was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Deputy Chief ALJ Cheskis and ALJ Chiodo. A Prehearing Conference is scheduled for Tuesday, March 2, 2022.

## **II. ISSUES AND SUB-ISSUES**

Based upon a preliminary analysis of the Company's filing, the OCA has compiled a list of issues that it anticipates will be included in its investigation of this rate request. It is anticipated that other issues may arise and may be pursued once the answers to all of the OCA's data requests have been received and analyzed.

The OCA has served six (6) sets of data requests to date. Upon receipt of the answers to all of its data requests, the OCA may then be able to narrow the scope of additional information

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\$15.31/month due to a temporary year-long increase that was granted in the 2020 UGI - Gas Division settlement (Docket No. R-2019-3015162) from October 1, 2021 until September 30, 2022 to recover deferred revenue.

requests. Once the discovery process has been completed, the OCA will serve direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following sets forth the issues that the OCA anticipates it may raise at this time:

A. Rate of Return

The OCA will examine the rate of return requested by the Company, including the following areas:

- Whether the capital structure claimed by UGI is representative of the period in which rates will be in effect, is comparable to other similarly situated gas utilities, and is otherwise appropriate for ratemaking purposes;
- Whether the cost of debt used by UGI is appropriate; and
- Whether the cost of common equity claimed by UGI, as well as the Company's methodologies and supporting data used to develop its final cost of common equity claim, are appropriate.

B. Rate Base/Measure of Value

The OCA will examine the reasonableness of the Company's filing as it relates to rate base/measures of value, including the following areas:

- The Company's plant in service claims and forecasted plant additions, in order to determine whether the plant claimed is used and useful in providing utility service;
- The Company's use of Fully Projected Future Test Year year-end rate base;
- The Company's work order management system;
- The Company's stored gas inventory; and
- The Company's claim for Accumulated Deferred Income Taxes.

C. Revenue and Expenses

The OCA will examine the reasonableness of the Company's filing as it relates to revenues and expenses, including the following areas:

- The sales forecast utilized by the Company in order to project future test year and fully forecasted test year sales and revenues, including forecasted reductions to customer usage;
- Excess take revenues;
- Cost changes related to the Company's Management Audit;
- The Company's payroll expense;
- The Company's environmental remediation accrual;
- The Company's rate case expense;
- The Company's pension and post-retirement benefits;
- Any savings or expenses related to the Company's work order management system; and
- Tax issues, including repairs deductions to the Company's income taxes.

D. Depreciation

The OCA will examine the Company's depreciation claim, including the depreciation study submitted with the filing.

E. Rate Structure, Cost of Service, and Rate Design

The OCA will examine the rate structure, cost of service, and rate design issues in the Company's filing, including the following:

- The cost of service study, including the methodology used and the reasonableness of the allocations;
- The Company's proposed residential customer charge;
- The rate design proposed by the Company and whether it is reasonable and appropriate;
- The Company's proposed allocation of the revenue increase among customer classes;
- The Company's proposed Weather Normalization Adjustment mechanism;

- The reasonableness of the proposed balancing charges for Monthly Balancing Service (MBS) and No-Notice Service (NNS); and
- The reasonableness of continuing to assign Columbia Gas Transmission capacity to Extended Large Firm Delivery Service (XD) customers.

F. Universal Service Programs

The OCA will review issues related to low-income customers and universal service programs, including:

- The Company's Customer Assistance Program (CAP) to ensure that the budget amount is reasonable and that the program appropriately serves low-income customers;
- The effect of the proposed customer charge on low-income customers;
- The quality of customer service provided by the Company;
- Whether the Company has proposed an appropriate offset in its Universal Service Rider for uncollectibles and working capital expenses, as well as whether the trigger for these offsets is set at an appropriate level; and
- Whether the Company's costs are recovered appropriately through the Universal Service Rider.

**III. WITNESSES**

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. The witnesses will present testimony in written form and will also attach various exhibits, documents, and explanatory information, which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be emailed directly to the OCA's expert witnesses responsible for the area of the case, as well as mailing a copy to counsel for the OCA.

A. Rate Base, Revenues, Expenses, and General Accounting

Dante Mugrace  
PCMG & Associates  
90 Moonlight Court  
Toms River, NJ 08753  
E-Mail: [OCAUGIGAS2022@paoca.org](mailto:OCAUGIGAS2022@paoca.org)

B. Rate Structure/Cost Allocation and Energy Efficiency and Conservation

Jerome Mierzwa  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, Maryland 21044  
E-Mail: [OCAUGIGAS2022@paoca.org](mailto:OCAUGIGAS2022@paoca.org)

C. Rate of Return

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101 Park Avenue  
Suite 1125  
Oklahoma City, OK 73102  
E-Mail: [OCAUGIGAS2022@paoca.org](mailto:OCAUGIGAS2022@paoca.org)

D. Universal Service and Impacts on Low-Income Customers

Roger Colton  
Fisher, Sheehan and Colton  
34 Warwick Road  
Belmont, MA 02478  
E-Mail: [OCAUGIGAS2022@paoca.org](mailto:OCAUGIGAS2022@paoca.org)

The OCA specifically reserves the right to call additional witnesses as may be necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will promptly notify Deputy Chief ALJ Cheskis and ALJ Chiodo and all parties of record.

#### **IV. SERVICE ON THE OCA**

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl A. Lawrence and Assistant Consumer Advocates Laura J. Antinucci, Mackenzie C. Battle, and Christy M. Appleby. Mr. Lawrence will be speaking as the lead attorney for the purposes of the prehearing conference.

The OCA has created a group email address provided below. This is the only email address that is required for service on the OCA; it will provide the emailed materials to all members of the OCA team including the witnesses listed above. Two hard copies of all documents should be served on the OCA as follows:

Laura J. Antinucci  
Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Fax: (717) 783-7152  
E-mail: [OCAUGIGAS2022@paoca.org](mailto:OCAUGIGAS2022@paoca.org)

#### **V. DISCOVERY**

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the Commission's procedural rules regarding discovery that will apply to all discovery requests issued in the proceeding, including those served prior to the entry of the procedural Order governing this proceeding.

A. Answers to interrogatories and responses 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 interrogatories or requests for production.

B. Objections to interrogatories and/or requests for production shall be communicated orally within three (3) calendar days of service; unresolved objections shall be served in writing within five (5) calendar days of service of the interrogatories and/or requests for production.

C. Motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of written objections.

D. Answers to motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of such motions.

E. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service.

F. Discovery requests and discovery related pleadings (such as objections, motions, and answers to same) served after 4:30 p.m. Monday through Thursday or after 12:00 p.m. on a Friday or the day preceding a holiday shall be deemed to have been served on the next business day.

G. On the Record Data requests will be provided within five (5) calendar days.

## **VI. PUBLIC INPUT HEARINGS**

To date, the OCA is aware of one customer Formal Complaint and nine Opposition to Rate Case forms that have been submitted to the Public Document Folder for this matter. The OCA has also received two legislative requests for at least two virtual public input hearings. Given the magnitude of the requested rate increase, the OCA requests that public input hearings be held in the Company's service territory in either telephonic or smart hearing formats. Should the OCA receive any additional requests for public input hearings, the Presiding Officers and the other Parties will be notified.

## VII. PROPOSED SCHEDULE

The OCA supports the procedural schedule as set out in the Company's Prehearing Memo.

## VIII. SETTLEMENT

The OCA is willing to participate in settlement discussions at the appropriate time in this proceeding.

Respectfully Submitted,

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DATED: March 1, 2022  
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