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File #: 192362

March 1, 2022

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 Nos. R-2021-3030218, et al.**

Dear Secretary Chiavetta:

Enclosed for filing in the above-referenced proceeding is the Prehearing Conference Memorandum of UGI Utilities, Inc. – Gas Division.

Copies will be provided per the Certificate of Service.

Respectfully submitted,



Devin Ryan
Principal

DR/kl
Enclosures

cc: Honorable Joel H. Cheskis (*via email; w/att.*)
Honorable Gail M. Chiodo (*via email; w/att.*)
Certificate of Service

CERTIFICATE OF SERVICE

(Docket Nos. R-2021-3030218, et al.)

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

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Devin T. Ryan

Date: March 1, 2022

upon Kent D. Murphy, Esquire at murphyke@ugicorp.com, Michael S. Swerling, Esquire at swerlingm@ugicorp.com, Timothy K. McHugh, Esquire at mchught@ugicorp.com, David B. MacGregor at dmacgregor@postschell.com, Garrett P. Lent, Esquire at glent@postschell.com, and Lindsay A. Berkstresser, Esquire at lberkstresser@postschell.com.

II. PROCEDURAL HISTORY

3. This proceeding was initiated on January 28, 2022, when UGI Gas filed Supplement No. 32 to Gas Tariff PA. P.U.C. Nos. 7 and 7S (“Supplement No. 32”) with the Pennsylvania Public Utility Commission (“Commission”). Supplement No. 32 was issued to be effective for service rendered on or after March 29, 2022. It proposed changes to UGI Gas’s base retail distribution rates designed to produce an increase in revenues of approximately \$82.7 million, based upon data for a fully projected future test year ending September 30, 2023 (“2022 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 February 3, 2022, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Public Statement, and Formal Complaint in the 2022 Base Rate Case, which was docketed at Docket No. C-2022-3030735. Also on February 23, 2022, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed its Notice of Appearance in the 2022 Base Rate Case.

5. On February 15, 2022, UGI Gas was served with a Formal Complaint filed by Paula Mercuri, which was docketed at Docket No. C-2022-3030898.

6. On February 16, 2022, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) filed a Petition to Intervene and Answer.

7. On February 17, 2022, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, Public Statement, Verification, and Formal Complaint in the 2022 Base Rate Case, which was docketed at Docket No. C-2022-3030983.

8. On February 23, 2022, the Commission on Economic Opportunity (“CEO”) filed a Petition to Intervene in this proceeding.

9. On February 24, 2022, the Commission issued a Prehearing Conference Notice and a Prehearing Conference Order, which: (1) scheduled a telephonic prehearing conference for March 2, 2022, at 10:00 AM before Deputy Chief Administrative Law Judge Joel H. Cheskis (“ALJ Cheskis”) and Administrative Law Judge Gail M. Chiodo (“ALJ Chiodo”) (collectively, “ALJs”); and (2) directed the parties to file Prehearing Conference Memoranda on or before March 1, 2022.

10. Pursuant to 52 Pa. Code § 5.224(c) and the February 24, 2022 Prehearing Conference Order, UGI Gas hereby submits this Prehearing Conference Memorandum.

III. ISSUES

11. UGI Gas intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$82.7 million, based on a fully projected future test year ending September 30, 2023, and proposed allowed rate of return on equity of 11.20 percent is just and reasonable and should be approved by the Commission.

12. UGI Gas also 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 is undertaking a Company-wide initiative to improve its technology and employee training. Furthermore, this case incorporates a number of necessary annual wage and salary increases, as well as forecasted cost increases and changes in per customer

usage. The combined impact of these items leaves UGI Gas unable to earn a fair rate of return on its investments at present rates.

13. The principal reasons for UGI Gas's request for rate relief are: (1) to allow it to earn a fair return on investments used and useful to serve the public safely and reliably; (2) to support ongoing Commission-approved infrastructure replacement programs designed to enhance safety and reliability; (3) to enhance information technology ("IT") systems; (4) to implement a Weather Normalization Adjustment ("WNA") tariff rider, which limits the variability of over- or under-collections of non-gas margin revenues due to weather; and (4) to recover higher levels of certain operating expenses necessary for the provision of safe and reliable gas distribution service.

14. UGI Gas intends to demonstrate that its proposed 11.20 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.

15. 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. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006). The Company's proposed revenue allocation will move all rate classes toward the overall system average rate of return, while also completing the unification of the Rate DS and N/NT classes.

IV. WITNESSES

16. 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.	Christopher R. Brown Vice President and General Manager of Rates of Supply UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Purpose of Testimony and Rate Filing Overview Need for Rate Relief COVID-19 Relief Efforts Unification of Rates UGI-1 Initiative and UNITE Auburn Capacity Release Salaries and Wages Adjustments Management Performance
2.	Tracy A. Hazenstab Principal Analyst, Rates UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Uniform Rate Structure and Riders Budget Process Revenue Requirement Operating Revenues and Expenses Compliance with Act 40 of 2016
3.	Vivian K. Ressler Senior Manager Plant and Regulatory Accounting UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Accounting Process and Historic Costs Rate Base Claim Operating Expense Adjustments Capital Treatment of Certain Information Technology Costs COVID-19 Pandemic Costs Costs for Federal Mandates Regarding COVID- 19 Vaccination & Testing
4.	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	Depreciation and Net Salvage
5.	Vicky A. Schappell Principal Analyst, Capital Planning UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Capital Planning

6.	Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road, Haddonfield, NJ 08033	Capital Structure Rate of Return
7.	Nicole M. McKinney Director of Financial Planning and Analysis UGI Corporation 1 UGI Drive Denver, PA 17517	Tax and Tax Adjustments Employee Retention Credit (“ERC”)
8.	Sherry A. Epler Senior Manager, Tariff & Supplier Administration UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	Test Year Sales and Revenues Revenue Allocation and Rate Design Tariff Changes
9.	Timothy J. Angstadt Vice President of Operations UGI Utilities, Inc. 1 UGI Drive Denver, PA 17517	System Operations Operational Response to COVID-19 System Reliability Leak Reductions & Emergency Response Employee Additions Safety Initiatives Environmental Remediation & Programs
10.	Constance E. Heppenstall Senior Project Manager, Rate Studies Gannett Fleming Valuation and Rate Consultants, LLC 1010 Adams Avenue Audubon, PA 19403	Cost of Service Allocation
11.	John D. Taylor Managing Partner Atrium Economics, LLC 10 Hospital Center Commons, Suite 400 Hilton Head Island, SC 29926	Weather Normalization Rider

As part of its 2022 Base Rate Case filing, UGI Gas previously filed copies of the written direct testimony listed in the table above. The Company’s testimony and exhibits fully support UGI

Gas's proposed rate increase, allocation of that increase among the customer classes, and design of rates to recover that increase from customers.

17. 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

18. To date, UGI Gas has received a number of discovery requests from other parties in this proceeding and has been diligently preparing and serving responses.

19. 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. After the service of written rebuttal testimony, answers to written interrogatories shall be served in-hand within seven (7) 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 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 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.

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

21. Finally, UGI Gas proposes the use of electronic service of discovery responses. Specifically, UGI Gas proposes to post all discovery responses to a Microsoft OneDrive site operated by Post & Schell, P.C. UGI Gas will file and serve a letter notifying the parties when the applicable discovery responses have been posted to the OneDrive site. Once posted, parties will be able to access, review, download, and/or print the discovery responses as needed.

VI. LITIGATION SCHEDULE

22. UGI Gas has discussed the schedule with the parties that have intervened in the 2022 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 28, 2022
Prehearing Conference	March 2, 2022
Direct of Other Parties	April 20, 2022

Rebuttal	May 17, 2022
Surrebuttal	May 27, 2022
Written Rejoinder or Outlines	June 1, 2022
Evidentiary Hearings	June 2-3, 2022
Main Briefs	June 24, 2022
Reply Briefs	July 5, 2022

UGI Gas’s understanding is that this proposed schedule is acceptable to I&E, OCA, and CAUSE-PA. Further, UGI Gas is willing to work with the parties to accommodate potential scheduling conflicts for the parties’ witnesses to attend and testify at the evidentiary hearings.

VII. PUBLIC INPUT HEARINGS

23. 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.

24. 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

25. 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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Dated: March 1, 2022

Counsel for UGI Utilities, Inc. – Gas Division