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File #: 206600

June 13, 2024

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, *et al.* v. UGI Utilities, Inc. – Gas Division
1307(f) Proceeding
Docket Nos. R-2024-3048828, *et al.*

Dear Secretary Chiavetta:

Attached 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,



Devin Ryan

DR/dmc
Attachments

cc: The Honorable Dennis J. Buckley (*via email; w/attachments*)
The Honorable Alphonso Arnold III (*via email; w/attachments*)
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

Scott Granger, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
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sgranger@pa.gov

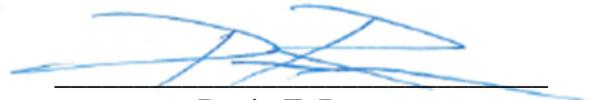
Steven Gray, Esquire
Office of Small Business Advocate
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Forum Place
Harrisburg, PA 17101
sgray@pa.gov

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Date: June 13, 2024



Devin T. Ryan

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2024-3048828, <i>et al.</i>
	:	
UGI Utilities, Inc. – Gas Division	:	
1307(f) Proceeding	:	

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

TO ADMINISTRATIVE LAW JUDGES DENNIS J. BUCKLEY AND ALPHONSO ARNOLD III:

Pursuant to 52 Pa. Code § 5.224(c) and the Initial Prehearing Order dated June 12, 2024, 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, 2024.

On May 1, 2024, 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 17, 2024, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Formal Complaint, and Public Statement.

On May 20, 2024, UGI Gas was served with the Formal Complaint filed by Brian Dugas at Docket No. C-2024-3049100 concerning the PGC case.

On May 22, 2024, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance.

On May 24, 2024, UGI Gas was served with the Formal Complaint filed by Jean Switch at Docket No. C-2024-3049239 concerning the PGC case.

On June 4, 2024, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

On May 31, 2024, 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 Pro Forma Tariff Supplement reflecting actual and projected changes in natural gas costs. UGI Gas is proposing a PGC rate of \$5.4483 per Mcf, effective December 1, 2024.

UGI Gas is providing customer notice of the proposed PGC rates by way of bill insert, which is expected to be completed by June 17, 2024

A Prehearing Conference is scheduled to be held telephonically before Administrative Law Judges Dennis J. Buckley and Alphonso Arnold III (the “ALJs”) at 11:00 am on June 14, 2024.

On June 12, 2024, an Initial Prehearing Order was issued by the ALJs, directing the parties to file Prehearing Memoranda on or before June 13, 2024.

Accordingly, UGI Gas hereby files this Prehearing Memorandum pursuant to the ALJs' Initial Prehearing Order.

II. SERVICE OF DOCUMENTS

UGI Gas's counsel in this proceeding are Michael S. Swerling, Esquire and Devin T. Ryan, Esquire. The Company requests that Mr. Ryan be listed as the recipient for service. Mr. Ryan's contact information is provided below:

Devin T. Ryan (ID # 316602)
Pittsburgh, PA 15219
Post & Schell, P.C.
One Oxford Centre
301 Grant Street, Suite 3010
Phone: 717-612-6052
Fax: 717-731-1985
E-mail: dryan@postschell.com

UGI Gas also requests that Mr. Swerling be added to any electronic distribution lists in this proceeding. Mr. Swerling's email address is swerlingm@ugicorp.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:
Kimberly M. Bassininsky, Principal Analyst – Rates
UGI Utilities, Inc.
1 UGI Drive
Denver, Pennsylvania 17517

UGI Gas Statement No. 2:
Jesse R. Tyahla, Director – Energy Supply and Planning
UGI Utilities, Inc.
1 UGI Drive
Denver, Pennsylvania 17517

In her testimony, Ms. Bassininsky addresses: (1) certain components of UGI Gas’s 2024 PGC filing and the development and computation of UGI Gas’s PGC rates proposed to be effective on December 1, 2024; (2) UGI Gas’s Revenue Sharing Incentive Mechanism; and (3) UGI Gas’s Retainage Rate.

In his testimony, Mr. Tyahla addresses: (1) historic and projected gas purchases; (2) the Company’s gas procurement policy and peak day demand; (3) supply requests for proposals (“RFPs”); (4) Choice program update; (5) recent contract renewals; (6) Renewable Natural Gas (“RNG”) pilot program update; (7) the Company’s participation in the Federal Energy Regulatory Commission (“FERC”) proceedings; and (8) hedging policy review.

Company witnesses also are supporting portions of UGI Gas’s Book 1 and Book 2 filings as shown in the Table of Contents and Witness Index filed on May 31, 2024.

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 FERC.

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 that 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 historic period (April 1, 2023 – March 31, 2024), the Commission must determine the reasonableness of the rates proposed for the projected PGC period (December 1, 2024 – November 30, 2025). 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, 2024 – November 30, 2024). 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, 2024 supporting information (Book 1); (2) its May 31, 2024 PGC filing (Book 2); and (3) any other UGI Gas testimony or exhibits submitted during the course of the proceeding.

VI. DISCOVERY

Thus far, 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. UGI Gas is willing to engage in informal discovery with the parties to facilitate the preparation of testimony 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 motions 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 on motions to compel 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.

(7) All service in this proceeding will be by electronic mail. No hard copy follow-up will be required.

(8) Parties providing testimony must either include with such testimony electronic workpapers, cited studies and other documents relied on, or provide such documents in workable electronic format within two (2) business days of the testimony submission date to all parties.

VII. PROCEDURAL SCHEDULE

The Company continues to work with the other parties in developing a mutually-acceptable litigation schedule.

VIII. PROTECTION OF CONFIDENTIAL INFORMATION

The Company has entered into or is in the process of entering 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.

IX. 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,



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Dated: June 13, 2024

Counsel for UGI Utilities, Inc. – Gas Division