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File #: 163462

February 15, 2016

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-2015-2518438

Dear Secretary Chiavetta:

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

Respectfully submitted,

Christopher T. Wright

CTW/jl
Enclosures

cc: Certificate of Service
Honorable Susan D. Colwell
Honorable Steven K. Haas

CERTIFICATE OF SERVICE
Docket No. R-2015-2518438

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons 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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Darryl Lawrence, Esquire
Lauren Burge, Esquire
Amy Hirakis, Esquire
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Date: February 15, 2016



Christopher T. Wright

**THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	

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

**TO ADMINISTRATIVE LAW JUDGES
SUSAN D. COLWELL AND STEVEN HAAS:**

Pursuant to 52 Pa. Code § 5.224(c) and the Prehearing Conference Order dated February 4, 2016, 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:

Christopher T. Wright
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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, Mark C. Morrow at morrowm@ugicorp.com, Danielle Jouenne at jouenned@ugicorp.com, David B. MacGregor at dmacgregor@postschell.com, and Garrett P. Lent at glent@postschell.com.

II. PROCEDURAL HISTORY

2. This proceeding was initiated on January 19, 2016, when UGI Gas filed Tariff Gas – PA. P.U.C. Nos. 6 and 6-S with the Pennsylvania Public Utility Commission (“Commission”). Tariff Gas – PA. P.U.C. Nos. 6 and 6-S, issued to be effective for service rendered on or after March 19, 2016, proposes changes to UGI Gas’s base retail distribution rates designed to produce an increase in revenues of approximately \$58.6 million, based upon data for a fully projected future test year ending September 30, 2017 (“2016 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.

3. On February 1, 2016, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

4. On February 2, 2016, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2016 Base Rate Case, which was docketed at Docket No. C-2016-2527150.

5. On February 4, 2016, the Commission issued a Notice scheduling a Prehearing Conference in the 2016 Base Rate Case on Wednesday, February 17, 2016, in Hearing Room 3, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA.

6. On February 4, 2016, Administrative Law Judges Susan D. Colwell and Steven Haas (“ALJs”) issued the Prehearing Order that, among other things, directed the parties to submit Prehearing Conference Memoranda on or before 12:00 p.m. on February 15, 2016.

7. On February 9, 2016, the Commission on Economic Opportunity (“CEO”) filed a Petition to Intervene at Docket No. R-2015-2518438.

8. On February 11, 2016, the Commission issued an Order suspending Tariff Gas – PA. P.U.C. Nos. 6 and 6-S until October 19, 2016, unless permitted by Commission Order to become effective at an earlier date.

9. On February 11, 2016, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, a Public Statement and a Formal Complaint in the 2016 Base Rate Case, which was docketed at Docket No. C-2016-2528559.

10. On February, 12, 2016, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) filed a Petition to Intervene and Answer in the 2016 Base Rate Case at Docket No. R-2015-2518438.

11. On February 12, 2016, Dominion Retail, Inc. d/b/a/ Dominion Energy Solutions (“DES”), Shipley Choice, LLC d/b/a Shipley Energy (“Shipley”), Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”), AMERIGreen Energy, and Rhoads Energy (“Rhoads”) (collectively, “NGS Parties”), filed a Petition to Intervene in the 2016 Base Rate Case at Docket No. R-2015-2518438.

12. On February 12, 2016, I&E, OCA, CAUSE-PA, and NGS Parties each filed a Prehearing Conference Memorandum.

III. ISSUES

13. UGI Gas intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$58.6 million, based on a fully projected future test year ending September 30, 2017, and proposed allowed rate of return on equity of 11.00 percent is just and reasonable and should be approved by the Commission.

14. UGI Gas intends to demonstrate that, although UGI Gas has implemented significant cost containment measures, implemented efficiency enhancements including major strides toward integrating its operations with those of UGI Penn Natural Gas, Inc. (“PNG”) and

UGI Central Penn Gas, Inc. (“CPG”), and has seen substantial customer growth over time, the growth in operating and capital costs, along with experienced and anticipated declines in per customer usage, have caused UGI Gas to be unable to earn a fair rate of return on its investment, at present rate levels.

15. The requested rate increase reflects the business environment the Company currently faces, particularly: (1) significant investment since its last rate case in 1995, increasing the Company’s rate base by over 120 percent; (2) substantial increases to the Company’s capital replacement and betterment program, including accelerated replacement of aging infrastructure; (3) implementation of the Company’s new information technology system initiative (UGI’s Next Information Technology Enterprise, or “UNITE”); (4) substantial investment in growth capital and other system infrastructure, including investments to expand gas service into unserved and underserved areas of the Commonwealth; (5) increased costs on the pricing of materials, supplies and services; (6) wage and salary increases, along with an increased numbers of employees to continue providing safe and reliable service to customers; and (7) a substantial reduction in average customer usage since the Company’s most recent rate case in 1995.

16. UGI Gas intends to demonstrate that its proposed 11.00 percent return on equity is the minimum required for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers, and fully fund its critical capital investment program. UGI Gas intends to demonstrate that the proposed return on equity is particularly appropriate in view of the Company’s management effectiveness.

17. 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). UGI Gas intends to demonstrate that, except for competitive rate classes, each major rate class's relative rate of return will be moved approximately halfway towards the system average rate of return, with no class receiving an average rate increase that exceeds 1.5 times the system average rate increase.

18. The Company also plans to demonstrate that its proposal to modify its existing tariff to both harmonize the UGI Gas tariff with those previously approved by the Commission for PNG and CPG and to implement best practices and procedures is just, reasonable, and should be approved by the Commission. UGI Gas also intends to demonstrate that its proposal to update its tariff rules to clarify the Company's business relationship with its customers in a variety of areas, and to modify its transportation service offerings to ensure that rates for service are more aligned with the cost of serving the customers served under the rate is appropriate, just and reasonable, and should be approved by the Commission. UGI Gas also intends to demonstrate that its proposal to increase the level of its customer charges to more accurately reflect the customer component of cost of service is just, reasonable, and should be approved by the Commission.

19. The Company also intends to demonstrate that its proposed new five-year energy conservation program, the Energy Efficiency and Conservation ("EE&C") Plan, designed to promote efficient use of natural gas, is just, reasonable, and should be approved.

20. Finally, the Company intends to show that its proposed Technology and Economic Development ("TED") Rider will, among other things, provide rate flexibility needed to encourage developing technologies, and address competitive conditions and customer preferences in seeking to expand the availability and use of the Commonwealth's abundant natural gas supplies.

IV. WITNESSES

21. 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 Vice President – Rates & Government Relations UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3470	Rate Filing Overview Need for Rate Relief UGI-1 Initiative UNITE Systems Improvement Initiative Interruptible Revenues Management Performance
2	Ann P. Kelly Controller UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-5154	Rate Base Operating Revenues and Expenses
3	Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road, Haddonfield, NJ 08033-3062 Tel: 856-428-7515	Cost of Common Equity Rate of Return
4	Paul R. Herbert President Gannett Fleming Valuation and Rate Consultants, LLC 207 Senate Avenue Camp Hill, PA 17011 Tel: 717-763-7211	Cost of Service Allocation

Statement No.	Witness	Subjects Addressed
5	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
6	David E. Lahoff Manager, Tariff & Supplier Administration UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3520	Test Years Sales/Revenues Rate Structure EE&C Rider USP Rider Revenue Allocation and Rate Design GET Gas Reporting Tariff Changes
7	Robert R. Stoyko Vice President – Marketing and Customer Relations UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3499	Technology & Economic Development Rider Large Customer Usage Projections Bypass Risk Universal Service Customer Service Energy Efficiency & Conservation Plan
8	Thomas N. Lord Vice President and Chief Information Officer UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-736-5405	UGI's Next Information Technology Enterprise (UNITE Program)
9	Hans G. Bell Vice President of Engineering and Operations Support UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3450	System Operations Capital Planning System Reliability and Safety Environmental Program and Remediation Costs

Statement No.	Witness	Subjects Addressed
10	Nicole M. McKinney Principal Tax Analyst UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3445	Taxes and Tax Adjustments
11	Theodore M. Love Senior Analyst and Data Scientist Green Energy Economics Group, Inc. 147 South Oxford Street, Brooklyn, NY 11217 Tel: 718-395-9458	Energy Efficiency & Conservation Plan and 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.

22. 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

23. To date, I&E and OCA have served interrogatories on UGI Gas and the Company has been diligently preparing timely response. UGI Gas is not aware of any need to enter any special order regarding discovery. Based on the nature and scope of these interrogatories, UGI Gas does not believe that any change or modification in the standard timelines for discovery set forth in the Commission's regulations is necessary or appropriate.

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

25. Finally, UGI Gas proposes the use of electronic service of discovery responses.

VI. LITIGATION SCHEDULE

26. UGI Gas has discussed the schedule with the majority of the parties that have intervened in the 2016 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 19, 2016
Prehearing Conference	February 17, 2016
Public Input Hearings	March 22, 2016
Direct of Other Parties	April 12, 2016
Direct of OSBA ¹	April 15, 2016
First Settlement Conference	April 18, 2016
Rebuttal	May 10, 2016 (noon)
Second Settlement Conference	May 13, 2016
Surrebuttal	May 25, 2016 (noon)
Evidentiary Hearings and Oral Rejoinder	June 1-3, 2016
Close of Record	June 3, 2016
Main Briefs	June 21, 2016
Reply Briefs	July 1, 2016
Public Meeting	October 6, 2016

UGI Gas understands that the above-described schedule is acceptable to I&E, OCA, OSBA and CAUSE-PA.

¹ OSBA requested that it be allowed to file Direct Testimony on April 15, 2016, due to scheduling conflicts. UGI Gas, OCA, I&E and CAUSE-PA have found this request to be acceptable.

VII. SETTLEMENT

27. 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,

Kent Murphy (ID # 44793)
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Date: February 15, 2016

Attorneys for UGI Utilities, Inc. – Gas Division