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June 30, 2016

VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

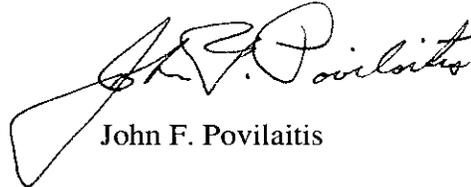
Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division
Docket No. R-2015-2518438

Dear Secretary Chiavetta:

On behalf of Retail Energy Supply Association (“RESA”) enclosed for electronic filing is the Statement of Retail Energy Supply Association in Support of Joint Petition for Approval of Settlement of All Issues, in the above-captioned matter.

Copies have been served on all parties as indicated in the attached Certificate of Service.

Very truly yours,


John F. Povilaitis

JFP/bb
Enclosures
cc: Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	
	:	
Office of Consumer Advocate	:	C-2016-2527150
Office of Small Business Advocate	:	C-2016-2528559
UGI Industrial Intervenors	:	C-2016-2529436
Joseph Sandoski	:	C-2016-2529638
Vicki L. East	:	C-2016-2534010
Tom Harrison	:	C-2016-2518438
	:	
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

**STATEMENT OF RETAIL ENERGY SUPPLY ASSOCIATION
IN SUPPORT OF JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

Pursuant to 52 Pa. Code §§ 5.231 and 5.232, the Retail Energy Supply Association¹ (“RESA”), by and through its counsel, John F. Povilaitis, Karen O. Moury and Buchanan Ingersoll & Rooney PC, files this Statement in Support of Joint Petition for Approval of Settlement of All Issues (“Settlement”) filed in the above-captioned matter on June 30, 2016.

The Settlement comprehensively addresses and resolves all issues raised by Tariff Gas – PA.

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

P.U.C. Nos. 6 and 6-S (“UGI Proposed Tariffs”) filed by UGI Utilities, Inc. – Gas Division (“UGI”) on January 19, 2016. As a signatory to the Settlement, RESA respectfully submits that the terms and conditions of the Settlement are in the public interest and should be approved by the Pennsylvania Public Utility Commission (“Commission”) without modification. In support hereof, RESA states as follows:

I. INTRODUCTION

1. RESA is a trade association whose members include natural gas suppliers (“NGSs”) licensed by the Commission to provide natural gas supply services to retail customers in the service territory of UGI. Through its intervention in this proceeding, RESA sought to address issues that may have an adverse impact on the competitive natural gas retail market or the business operations of NGSs serving or desiring to serve retail customers.

2. The Settlement contains numerous measures that are designed to improve the functioning of the competitive retail market in the UGI service area. These provisions, which are set forth in Paragraphs 83 through 89 of the Settlement under Section J entitled “Competitive Supplier Issues,” include terms addressing Financial Security; Merchant Function Charge; Gas Procurement Charge; Customer Choice Switching Fee; Monthly Balancing; Balancing Charges and Compliance with Standards of Conduct.

3. Although RESA’s litigation positions have not been fully adopted, the Settlement improves the UGI Proposed Tariffs and adequately addresses issues of primary concern to RESA. If approved without modification, the Settlement will avoid significant costs that would be incurred to fully litigate this proceeding and provides certainty that the issues of utmost importance to RESA are fairly resolved.

II. BACKGROUND

4. RESA adopts the background as set forth in Paragraphs 1 through 14 of the Settlement.

III. SETTLEMENT

5. The Settlement provides for the transfer of all customers on Rate Schedules XD, LFD and IL to calendar month billing and balancing by November 1, 2016. This provision allows an NGS to have one or more pools in the calendar month bill cycle based on “like services” of its customer contracts. Settlement ¶ 87(a). Rather than balancing twenty pools each month, Paragraph 87(a) of the Settlement permits an NGS to balance pools of customers that receive “like services” one time per month. For these pools, there will be four possible “like services” combinations: (i) No Notice Service; (ii) No Notice Service with Monthly Balancing Service; (iii) Basic Balancing; and (iv) Basic Balancing with Monthly Balancing Service.

6. Paragraph 87(a) of the Settlement is supported by the Direct Testimony of RESA witness Orlando Magnani, who explained the difficulties with UGI’s present requirement for NGSs to balance customers in rate schedules by meter reading date or billing cycle. As described by Mr. Magnani, balancing is the task of equalizing gas deliveries with anticipated customer load within a given pool, which is a group of customers lumped together by some characteristic – usually rate schedule. Under UGI’s current rules, Mr. Magnani noted that it is unnecessarily difficult for NGSs to manage customer pools. Instead of balancing load for one pool, NGSs are required to balance approximately twenty pools each month for customers on various rate schedules. Mr. Magnani explained that this process increases the costs of NGSs and customers, when compared to having larger consolidated pools in place, and inhibits the effective functioning of the competitive retail market. RESA St. No. 1 at 4-5.

7. Also under the Settlement, UGI commits to making a filing with the Commission by June 1, 2017 that proposes a requirement for all transportation customers under Rate Schedules DS and IS to have installed operable AMR/Metretek equipment by a date certain. As part of that filing, UGI will include an estimate of the cost of such installed equipment and a cost recovery proposal and will propose to transfer all customers on Rate Schedules DS and IS to calendar month billing and balancing pools once they all have installed operable AMR/Metretek equipment. Settlement ¶ 87(b). RESA will have an opportunity to participate in any litigation on this filing and provide its perspective on the issues. This provision is supported by the Direct Testimony of Mr. Magnani, who described how the lack of AMR/Metretek equipment further complicates the challenges faced by NGSs in balancing customers in various pools. RESA St. No. 1 at 4-5. Also, Mr. Magnani's Surrebuttal Testimony stressed the importance of having AMR/Metretek equipment installed for all customers on Rates DS and IS so as to ease the balancing process, thereby reducing costs for NGSs and customers. RESA St. No. 1-SR at 3.

8. In addition, the Settlement contains provisions that reduce balancing charges and waives fees for certain imbalance trades and pool-to-pool transfers. Specifically, UGI agrees to reduce the Daily Excess Balancing Charge on Non-Critical Days from ten times the Gas Daily Index to five times the GDI, as set forth in Rule 20.4 (Gas – PA. P.U.C. No. 6, Original Page 63), and to reduce the \$50 per Mcf charge in Rule 20.5 (Gas – PA. P.U.C. No. 6, Original Page 63) to \$25 per Mcf for imbalances that occur on Operational Flow Order days. In addition, for transactions larger than 750 Mcf, UGI is willing to waive the \$125 fee per imbalance trade that is currently imposed when one pool is out of balance and NGSs arrange a trade with another NGS, as well as the pool-to-pool transfer fees that are imposed when an NGS is transferring between its own customer pools, pursuant to Rule 20.2(e) (Gas – PA. P.U.C. No. 6, Original Page 61).

Settlement ¶ 88. These provisions are supported by the Direct Testimony of Mr. Magnani, who explained that excessive imbalance charges unnecessarily increase the overall costs to serve customers. RESA St. 1 at 4, 7-8.

9. The Settlement further obligates UGI to comply with the Commission's Standards of Conduct, as set forth in 52 Pa. Code § 62.141-142 and in UGI Gas Tariff No. 5-S, Rules and Regulations, § 10.1, specifically by: (i) informing all NGSs of the availability of any special discounted rates that are offered to its affiliated NGSs; and (ii) revising its training materials to make it clear that UGI Gas employees may not represent that an affiliated NGS or its service is superior to other NGSs. Settlement ¶ 89. These provisions are supported by the Direct Testimony of Mr. Magnani, who stressed the importance of assuring that UGI "not exploit its distribution (i.e., monopoly) function in order to unfairly benefit any affiliated NGSs, to the detriment of unaffiliated NGSs." RESA St. 1 at 9. For example, he explained that it would be unfair for UGI to offer an affiliated NGS a discounted distribution service in order to win the business of a new or existing customer while not making that offer available to other NGSs. *Id.* at 12-13. Mr. Magnani also referred to training materials suggesting that UGI may be able to recommend an affiliated NGS to a customer provided that UGI is not falsely representing that the affiliated NGS's services are superior. *Id.* at 14-15. As Mr. Magnani explained, if a distribution utility's customers are given the impression that an affiliated NGS's service is somehow superior or more reliable, "robust competition in UGI's service territory will be impaired, which ultimately will be to the detriment of customers and the market." *Id.* at 9-10. In his Surrebuttal Testimony, Mr. Magnani highlighted the need for UGI to follow these rules so that customers enjoy the full benefits of competition. RESA St. 1-SR at 5.

10. Under the Settlement, UGI agrees to significantly increase (rather than decrease) the Gas Procurement Charge (“GPC”) from the proposed level of 1.46 cents to 9.0 cents per Mcf in Gas – PA. P.U.C. No. 6, Original Page 42, Rider E. Settlement ¶ 85. As explained by James L. Crist in his Revised Direct Testimony, the express purpose of the GPC is “to extract the costs associated with natural gas procurement activities from base rates and instead recover such costs from default service customers through gas cost rates.” NGS Parties St. No. 1 (Revised) at 6. Mr. Magnani also pointed to the shortcomings in UGI’s proposal to reduce the GPC from 4.0 cents to 1.46 cents per Mcf and further questioned why the cost elements of the proposed GPC do not include a cash working capital cost component given the significant expenditures UGI must make when it procures its gas supply. RESA St 1 at 8-9. Further, Mr. Crist identified several costs, including working capital costs, which should be included in the GPC, in recommending that the GPC should be 17.01 cents per Mcf. NGS Parties St. No. 1 (Revised) at 12-16. The increase from 4.0 cents to 9.0 cents per Mcf represents an acceptable compromise between the UGI and NGS litigation positions, the latter of which RESA was prepared to support.

11. The Settlement also modifies the financial security provisions applicable to NGSs serving retail customers in the UGI service territory by reinstating the call option method of providing security and establishing specific amounts of financial security that must be provided for each Choice customer served by an NGS. Settlement ¶ 83. These modifications, which provide certainty and consistency in the calculation of financial security, are supported by the Revised Direct Testimony of Mr. Crist, who described concerns with the magnitude of the financial security requirements imposed by UGI on NGSs. NGS Parties’ St. No. 1 (Revised), at 19-20. *See* Rule 8 in Gas - PA. P.U.C. No. 6-S, Original Page 105.

12. Under the Settlement, UGI agrees to eliminate the \$10 Customer Choice Switching Fee from Rate AG (Gas – PA. P.U.C. No. 6-S, Original Page 109). Settlement ¶¶ 86. As explained by Mr. Crist, this is a fee that must be paid by NGSs for each customer who switches, which places the NGS at a financial disadvantage relative to UGI, which incurs no such cost in supplying gas. He further noted that no fee is assessed if a customer is currently obtaining supply from an NGS and then switches back to UGI for gas supply, describing it as a discriminatory charge aimed at increasing the expenses of an NGS. NGS Parties’ St. No. 1 at 16-17.

13. The Settlement also adjusts the Merchant Function Charge for Rate N to 0.36% and the Rate N Purchase of Receivables discount to 0.50%. Settlement ¶¶ 84. These changes are supported by the Rebuttal Testimony of David E. Lahoff, who corrected prior errors in these calculations. UGI St. No. 6-R at 69.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

14. RESA believes that the Settlement is reasonable and in the public interest because it contains several provisions designed to improve the overall functioning of the retail competitive market by easing the balancing process, reducing overall NGS costs of serving customers, moving the GPC closer to reflecting the costs incurred by UGI to provide supplier of last resort service to non-shopping customers and ensuring that UGI does not give favorable treatment to affiliated NGSs.

15. Through UGI’s transfer of all XD, LFD and IL customers to calendar month billing and balancing by November 1, 2016, the Settlement would significantly ease the balancing process for NGSs serving customers on those rate schedules. Rather than balancing twenty pools each month, Paragraph 87(a) of the Settlement would permit an NGS to balance

pools of customers with “like services” one time per month. Simplifying the balancing process reduces costs for NGSs and customers.

16. By committing to making a filing by June 1, 2017 that proposes a date certain for all transportation customers to install operable AMR/Metretek equipment and to transfer those customers to calendar month billing and balancing pools, UGI has agreed to take an important step potentially leading to additional improvements in the balancing process, thereby further reducing NGS and customer costs.

17. Through the reduction of imbalance charges and the waiver of certain imbalance trade and pool-to-pool transfer fees, the Settlement would reduce the overall costs of customers served by NGSs.

18. By requiring UGI to comply with specific provisions of the Commission’s Standards of Conduct, the Settlement would improve the functioning of the retail market by ensuring that UGI makes any discounted rates available to all NGSs and by clarifying that UGI employees may not suggest that an affiliated NGS provides service that is superior to that furnished by other NGSs.

19. Through increases in the GPC, the Settlement would move this charge closer to representing an estimate of the portion of the gas procurement charges incurred by UGI in providing supplier of last resort services to customers who do not choose an NGS. While it is not ideal and still does not fully reflect all costs, it is a significant improvement over UGI’s original proposal, as well as the current situation.

20. The Settlement’s modifications to the financial security provisions would enhance transparency and consistency in the requirements that are imposed on NGSs by UGI.

21. Elimination of the Customer Switching Fee is important since it adds a cost to the NGSs that is not incurred by UGI in supplying gas to customers. Particularly given the fact that no such fee is imposed when a customer switches from an NGS back to UGI for supplier of last resort service, the Customer Switching Fee is not consistent with the Commission's overall objectives of promoting the development of a retail market for natural gas supply.

22. For all of these reasons, and because this proceeding has been resolved in an acceptable manner by all parties without the need for further litigation, RESA submits that the Settlement is in the public interest and should be approved by the Commission without modification.

WHEREFORE, the Retail Energy Supply Association respectfully requests that Administrative Law Judge Susan D. Colwell and the Pennsylvania Public Utility Commission approve the Joint Petition for Approval of Settlement of All Issues.

Respectfully submitted,

June 30, 2016


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PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of § 1.54 (relating to service by a party).

Via Email and U.S. Mail

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Dated this 30th day of June, 2016.



John F. Povilaitis, Esq.