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March 11, 2019

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pa PUC v. UGI Utilities, Inc. – Gas Division
Docket No. R-2018-3006814

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC's ("Direct Energy") Prehearing Memorandum with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Kristine E. Marsilio

KEM/lww
Enclosure

cc: Hon. Christopher P. Pell, w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of Direct Energy's Prehearing Memorandum upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email and/or First Class Mail

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Dated: March 11, 2019



Kristine E. Marsilio, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utilities Commission : Docket No. R-2018-3006814
:
v. :
:
UGI Utilities, Inc. – Gas Division :

**PREHEARING MEMORANDUM OF DIRECT ENERGY
BUSINESS, LLC, DIRECT ENERGY SERVICES, LLC, AND
DIRECT ENERGY BUSINESS MARKETING, LLC**

Pursuant to 52 Pa. Code §§ 5.221-5.224 and the Prehearing Conference Order issued on February 28, 2019 in the above-captioned proceeding, Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC (collectively, “Direct Energy”) submit this Prehearing Memorandum.

I. PROCEDURAL HISTORY

On January 29, 2019, UGI Utilities, Inc. (“UGI” or the “Company”) filed Supplement No. 267 to its Tariff Gas PA PUC No. 7 and 7S (“Supplement No. 267”). In Supplement No. 267, UGI proposes to increase rates by approximately \$71.1 million per year, unified base rates and PGC rates, and various other riders and rules, including new daily balancing tolerances and modified cash-in/cash-out rules.

On January 31, 2019, the Commission’s Bureau of Investigation and Enforcement (I&E) entered a Notice of Appearance. On February 7, 2019, the Office of Consumer Advocate (OCA) filed a Public Statement, a Notice of Appearance, and a Formal Complaint. Also on February 7, 2019, the Office of Small Business Advocate (OSBA) filed a Verification, a Public Statement, a

Notice of Appearance, and a Formal Complaint. On February 14, 2019, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Commission on Economic Opportunity (CEO) filed Petitions to Intervene in this proceeding. On February 21, 2019, the Natural Gas Supplier Parties (NGS) and the Retail Energy Supply Association (RESA) filed a Petition to Intervene in this proceeding. On February 28, 2019, Direct Energy filed a Petition to Intervene in this proceeding.

By Order dated February 28, 2019, Supplement No. 267 was suspended by operation of law until October 29, 2019, unless permitted by Commission Order to become effective at an earlier date. The Commission assigned this matter to the Office of Administrative Law Judge.

Also on February 28, 2019, Administrative Law Judge Christopher P. Pell issued a Prehearing Order, scheduling a telephonic Prehearing Conference for Wednesday, March 13, 2019 and directing the parties to file Prehearing Memorandums no later than noon on Monday, March 11, 2019.

II. REPRESENTATION

The PBA's attorneys in this matter are:

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III. ISSUES

Direct Energy is a natural gas supplier ("NGS") licensed by the Commission to provide natural gas and related services to retail customers in the UGI service territory. As an NGS in

the Company's service territory, Direct Energy has a direct and substantial interest in UGI's

proposals related to non-choice transportation rules, including, but not limited to, the following:

- The Company has proposed to reduce the number of regions having differing delivery requirements from twelve to five, with associated delivery requirements commencing November 1, 2020. UGI St. 12 at 10.
- The Company's proposal requires transportation customers to make deliveries on the major interstate pipelines that deliver into its service territory. The Company also proposes that additional supply sources from local production wells, gathering systems, and other pipelines may be used to fulfill a required interstate pipeline delivery. UGI St. 12 at 11-12. Direct Energy has substantial concerns that all of the alternate delivery options are owned and operated by UGI Energy Services, an affiliate of UGI Utilities, which gives this UGI affiliate a competitive advantage over all other suppliers, including Direct Energy.
- The UGI filing contains a proposed 4.5% daily balancing tolerance. The Company does not propose any changes to the monthly balancing tolerances, which are currently set at 10%. UGI St. 12 at 12-13.
- The Company has proposed to post a list of customer account numbers and corresponding customer regions on its GIS website that would be available to NGSs after submitting their login information. UGI St. 12 at 10.
- The Company is not proposing to provide a Columbia-related cash-in or cash-out index. UGI St. 12 at 14.
- Related to capacity release to non-choice transportation customers, the proposed uniform rules essentially adopt rules prevailing in the current North Rate District and extend them to areas encompassed in the current South and Central Rate Districts as well. The Company proposes for capacity release rules to become effective upon the conclusion of the proceeding, which is expected to occur in October of 2019. UGI St. 12 at 14-17.

These proposals must be thoroughly reviewed and analyzed to determine whether they are reasonable and to ensure that they will not negatively impact the delivery of natural gas on the Company's system or suppliers operating in the Company's service territory and will not have an adverse effect on the ability of UGI distribution customers to access lower priced gas and more innovative services available in the competitive market. In adopting unified non-choice transportation rules, the Commission should also consider whether additional modifications are necessary to maximize system efficiency.

As an NGS in the Company's service territory, Direct Energy also has a direct and substantial interest in the following proposals:

- The Company has proposed to carry-over existing choice rules, with the "strawman proposal" modifications discussed during the UGI merger collaborative. UGI St. 12 at 18-19.
- The Company proposes to adopt a unified gas supply portfolio. UGI St. 12 at 19.
- The Company proposes to upgrade its gas information system website to support the proposed consolidated transportation rules. UGI St. 12 at 21-22.
- The Company proposes a unified surety calculation for Choice suppliers. UGI St. 8 at 39.
- The Company has proposed to extend its Purchase of Receivables Program. UGI St. 8 at 40.

Direct Energy reserves the right to raise additional issues as they are discovered in the course of the proceeding. UGI's filing must be thoroughly reviewed and analyzed to determine whether the various proposals and changes are reasonable and to ensure that they will not negatively impact the delivery of natural gas on the Company's system or suppliers operating in the Company's service territory. In adopting unified choice transportation rules, the Commission should also consider whether additional modifications are necessary to obtain transparency into Choice rates and to maximize system efficiency.

IV. WITNESSES AND EVIDENCE

To date, Direct Energy has identified the following witness:

Orlando (Randy) Magnani
President
Randy Energy Consultants, LLC
19561 Caladesi Drive
Estero, FL 33967

Mr. Magnani will provide testimony related to supplier issues, as identified above. Direct Energy reserves the right to address other issues as may be developed during the course of this

proceeding. Direct Energy reserves its right to add additional witnesses or change the identity of its witnesses at any time upon appropriate notice to the Presiding Officer and the parties.

V. **PROCEDURAL SCHEDULE AND DISCOVERY RULES**

Direct Energy is willing to work with the Presiding Officer and the parties to develop a procedural schedule in this proceeding and to determine the necessary amount of hearing time needed. Direct Energy is also willing to discuss any proposed discovery modifications.

VI. **SETTLEMENT**

Direct Energy is willing to participate in settlement discussions with any party to narrow the issues in this matter.

Respectfully submitted,



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Date: March 11, 2019

Attorneys for
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Marketing, LLC