

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 11, 2019

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

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

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lauren M. Burge", written over a horizontal line.

Lauren M. Burge  
Assistant Consumer Advocate  
PA Attorney I.D. # 311570  
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Enclosures:

cc: Honorable Christopher P. Pell, ALJ  
Certificate of Service

\*267443

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 11<sup>th</sup> day of March 2019.

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Dated: March 11, 2019  
\*267895

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in response to the Prehearing Conference Order issued by Deputy Chief Administrative Law Judge Christopher P. Pell (Deputy Chief ALJ Pell) in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

**I. INTRODUCTION**

On January 28, 2019, UGI Utilities, Inc. (UGI or the Company) filed Tariff Gas – PA. P.U.C. Nos. 7 and 7-S. In proposed Tariff Gas – PA. P.U.C. Nos. 7 and 7-S, the Company proposes to increase rates across the Company’s UGI Gas South, UGI Gas North, and UGI Gas Central rate districts to produce additional annual operating revenues of \$71.1 million, or an increase of 8.9%. The Company is engaged in the business of furnishing natural gas to approximately 639,000 residential, commercial and industrial customers in 45 counties throughout Pennsylvania.

The OCA filed a Formal Complaint and Public Statement against the proposed rate increase on February 7, 2019. On February 28, 2019, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this filing, and suspended the effective date of Tariff Gas – PA. P.U.C. Nos. 7 and 7-S until October 29, 2019, by operation of law. The case was assigned to Deputy Chief Administrative Law Judge Christopher P. Pell. A Prehearing Conference is scheduled for Wednesday, March 13, 2019.

## **II. ISSUES AND SUB-ISSUES**

Based upon a preliminary analysis of the Company's base rate increase filing, the OCA has compiled a list of issues which it anticipates will be included in its investigation of this rate request. It is anticipated that other issues may arise and may be pursued once the answers to all of the OCA's data requests have been received and analyzed.

The OCA has served five (5) sets of data requests to date. Upon receipt of the answers to all of its data requests, the OCA may then be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will serve direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following sets forth the issues that the OCA anticipates it may raise at this time:

### **A. Rate of Return**

The OCA will examine the rate of return requested by the Company, including the following areas:

- Whether the capital structure claimed by UGI is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes;

- Whether the cost of debt used by UGI is appropriate; and
- Whether the cost of common equity claimed by UGI, as well as the Company's methodologies and supporting data used to develop its final cost of common equity claim, are appropriate.

B. Rate Base/Measure of Value

The OCA will examine the reasonableness of the Company's filing as it relates to rate base/measures of values, including the following areas:

- The Company's plant in service claims and forecasted plant additions, in order to determine whether the plant claimed is used and useful in providing utility service;
- The Company's year-end versus average rate base;
- The Company's work order management system;
- The Company's stored gas inventory; and
- The Company's claim for Accumulated Deferred Income Taxes.

C. Revenue and Expenses

The OCA will examine the reasonableness of the Company's filing as it relates to revenues and expenses, including the following areas:

- The sales forecast utilized by the Company in order to project future test year and fully forecasted test year sales and revenues, including forecasted reductions to customer usage;
- The Company's payroll expense;
- The Company's environmental remediation accrual;
- The Company's rate case expense;
- The Company's pension and post-retirement benefits;

- Any savings or expenses related to the Company's work order management system; and
- Tax issues, including repairs deductions to the Company's income taxes, and consolidated tax savings.

D. Depreciation

The OCA will examine issues related to depreciation in the Company's filing, including:

- All aspects of the Company's depreciation claim, including the depreciation study submitted with the filing and whether the claim was appropriately and accurately calculated.

E. Rate Structure, Cost of Service, and Rate Design

The OCA will examine the rate structure, cost of service, and rate design issues in the Company's filing, including the following:

- The cost of service study, including the methodology used and the reasonableness of the allocations;
- The Company's proposed customer charge;
- The rate design proposed by the Company and whether it is reasonable and appropriate, including the company's proposed creation of uniform rates by rate-class;
- The Company's proposal to create uniform distribution rates and purchased gas cost rates across all three rate districts;
- The Company's proposed allocation of the revenue increase among customer classes;
- The Company's proposed extension of the GET Gas Program;
- The Company's proposed extension of the federal tax credit;
- The Company's proposed establishment of uniform choice and non-choice transportation programs, which would apply to all customers and natural gas suppliers;

- The proposed extension of the Company's Energy Efficiency Conservation Plan to the Central Rate District;
- The reasonableness and appropriateness of the Company's proposed tariff changes; and
- The various riders proposed by the Company, including the extension of the Technology and Economic Development riders to the Central Rate District.

F. Universal Service Programs

The OCA will review issues related to low-income customers and universal service programs, including:

- The Company's Customer Assistance Program (CAP) to ensure that the budget amount is reasonable and that the program appropriately serves low-income customers;
- The effect of the proposed customer charge on low-income customers;
- The quality of customer service provided by the Company;
- Whether the Company has proposed an appropriate offset in its Universal Service Rider for uncollectibles and working capital expenses, as well as whether the trigger for these offsets is set at an appropriate level; and
- Whether the Company's costs are recovered appropriately through the Universal Service Rider.

G. Energy Efficiency and Conservation

Regarding the Company's proposed consolidation of the voluntary Energy Efficiency and Conservation Plan to include UGI Central and extend the program through September 30, 2024, the OCA will review the following:

- Whether the proposed consolidation and extension of the program is reasonable and appropriate;

- Whether the design of the program measures is reasonable and appropriate;
- Whether the proposed cost recovery mechanisms, including the proposed budgets, are reasonable;
- Whether the proposed program measures, including the cost-effectiveness of the Plan, are reasonable as measured by the Total Resource Cost (TRC) test;
- Whether low-income and multifamily customers are appropriately included in the Plan; and
- Whether the proposed measurement and verification and evaluation plan is appropriate and reasonable.

### **III. WITNESSES**

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. The witnesses will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the expert witnesses responsible for the area of the case, as well as mailing a copy to counsel for the OCA.

#### **A. Rate Base, Revenues, Expenses, and General Accounting**

Lafayette Morgan  
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B. Rate Structure/Cost Allocation and Energy Efficiency and Conservation

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C. Rate of Return

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D. Universal Service and Impacts on Low-Income Customers

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The OCA specifically reserves the right to call additional witnesses as may be necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will promptly notify Deputy Chief ALJ Pell, and all parties of record.

**IV. SERVICE ON THE OCA**

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl A. Lawrence and Assistant Consumer Advocates Lauren M. Burge, Christy M. Appleby, and David T. Evrard. The OCA has created a group email address provided below. This is the only

email address that is required for service on the OCA; it will provide the emailed materials to all members of the OCA team including the witnesses listed above. Two copies of all documents should be served on the OCA as follows:

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## V. DISCOVERY

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the discovery regulations:

a. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service. 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.

b. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the Deputy Chief ALJ 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 to the Deputy Chief ALJ in writing within six (6) days of service of the interrogatories.

c. 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.

d. 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.

e. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.

f. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

In addition to the preceding modifications to the Commission's Discovery Regulations, the OCA has one further request as to the exchange of information for this proceeding. The OCA requests that parties providing Direct and Rebuttal testimony, either include with such testimony electronic workpapers, cited studies and other documents relied on, or, provide same in workable electronic format within two (2) business days of the testimony submission date to all parties. In the OCA's experience, following the submission of these rounds of testimony parties routinely request the information just described through the normal discovery channels. The OCA submits that much time and effort could be saved by agreeing to streamline the process through an informal discovery modification as the OCA proposes here.

## **VI. PUBLIC INPUT HEARINGS**

To date, the OCA is aware of two Formal Complaints and approximately 30 informal complaints that have been filed regarding the Company's proposed rate increase. One of the informal complainants in Columbia requested a Public Input Hearing.<sup>1</sup> The OCA has also received a request for a public input hearing in Sinking Spring. Given the magnitude of the requested rate increase and the current interest in holding a public input hearing, the OCA requests that public input hearings be held in the Company's service territory.

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<sup>1</sup> The OCA notes the informal complainant also contacted the OCA to request a Public Input Hearing.

## VII. PROPOSED SCHEDULE

The OCA will work with the parties and Deputy Chief ALJ Pell to develop a mutually agreeable schedule for this proceeding.

## VIII. SETTLEMENT

The OCA is willing to participate in settlement discussions at the appropriate time in this proceeding.

Respectfully Submitted,



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DATED: March 11, 2019  
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