


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 18, 2021

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

Re: Pennsylvania Public Utility Commission
v.
UGI Utilities, Inc. – Electric Division
Docket No. R-2021-3023618

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,

/s/ Luis M. Melendez
Luis M. Melendez
Assistant Consumer Advocate
PA Attorney I.D. # 329512
E-Mail: LMelendez@paoca.org

Enclosures:

cc: The Honorable Steven K. Haas (**email only**)
Certificate of Service

*305370

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2021-3023618
 :
 UGI Utilities, Inc. – Electric 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 18th day of March 2021.

SERVICE BY E-MAIL ONLY

John M. Coogan, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Steven C. Gray, Esquire
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555 Walnut Street
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Kent Murphy, Esquire
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Danielle Jouenne, Esquire
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406

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1600 John F. Kennedy Boulevard
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Joseph L. Vullo, Esquire
Commission on Economic Opportunity
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704

James M. Van Nostrand, Esquire
Keyes & Fox LLP
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Pittsburgh, PA 15222

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Shavertown, PA 18708

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/s/ Luis M. Melendez

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Dated: March 18, 2021
*305215

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3023618
	:	
UGI Utilities, Inc. – Electric Division	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the Prehearing Conference Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On February 8, 2021, UGI Utilities, Inc. – Electric Division (UGI Electric or the Company) filed Proposed Supplement No. 26 to UGI Electric Tariff Pa. P.U.C. No. 6 (Proposed Supplement No. 26) and Proposed Supplement No. 2 to UGI Electric Tariff Pa. P.U.C. No. 2S (Proposed Supplement No. 2), with a proposed effective date of April 9, 2021. The rates set forth therein would increase the Company’s annual jurisdictional distribution operating revenues by \$8.7 million and would produce an increase in total revenues (including distribution and generation revenues) of approximately 10.0%. More specifically, the Company is proposing to allocate approximately \$8.12 million of the proposed \$8.7 million increase to the residential class based on the results of the Company’s class cost of service study. If approved, the total average monthly bill of a residential customer using 1,000 kWh per month would increase from \$110.18 to \$123.83

per month, or by 12.4%. In addition, the Company is proposing modifications to its tariff, including: changes to its High Tension Power Service Rate (“Rate HTP”); a new Rate EV-C (Electric Vehicle – Company Owned Charging); changes to the Company’s service extension provisions; and a battery storage investment. With respect to rate design, the Company is also proposing to increase the customer charge for Rate R (Residential) from \$8.74 to \$13.00. If the Company’s request is approved by the Commission, the Company would also be allowed an overall return on rate base of 7.57%, which is based upon a 10.75% return on common equity.

The Company is engaged in the business of providing electric distribution service to approximately 62,000 residential, commercial, and industrial customers in Luzerne and Wyoming Counties and 35 municipalities throughout Pennsylvania.

On February 9, 2021, a Notice of Appearance was filed on behalf of the Bureau of Investigation and Enforcement (I&E). On February 17, 2021, a Formal Complaint, Public Statement, and Notice of Appearance was filed on behalf of the Office of Small Business Advocate (OSBA). On February 17, 2021, the Commission on Economic Opportunity filed a Petition to Intervene. On February 18, 2021, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On March 4, 2021, ChargePoint, Inc. filed a Petition to Intervene.

On March 11, 2021, the Commission issued an Order initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in this filing, in addition to the Company’s existing rates, rules, and regulations, and suspended the effective date of Proposed Supplement No. 26 and Proposed Supplement No. 2 until November 9, 2021, by operation of law. The case was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Administrative Law Judge Steven K. Haas. A Prehearing Conference is scheduled for Monday, March 22, 2021.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of the Company's filing, the OCA has compiled a list of issues that 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 three (3) sets of data requests at the time of this filing. 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 that 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 Base, Revenues, Expenses, and General Accounting

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

- Plant in Service and plant-related rate base components;
- Cash Working Capital;
- Materials and supplies inventory;
- Revenues and sales projections;
- Labor expenses;
- Pension and other employee benefits;
- Recovery of COVID-19 related costs;
- Inter-company transactions;

- Administrative and General (A&G) expenses;
- Other O&M expenses;
- Taxes other than income; and
- Capitalization of certain IT costs.

B. Rate Structure/Cost Allocation

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; and
- The rate design proposed by the Company and whether it is reasonable and appropriate.

C. 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 the Company is representative of the period in which rates will be in effect, is comparable to other similarly situated electric utilities, and is otherwise appropriate for ratemaking purposes;
- Whether the cost of debt used by the Company is appropriate; and
- Whether the cost of common equity claimed by the Company, as well as the Company's methodologies and supporting data used to develop its final cost of common equity claim, are appropriate.

D. Universal Service and Impacts on Low-Income Customers

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's costs are recovered appropriately through the Universal Service Rider; and
- The allocation of universal service costs across customers classes.

E. Impacts of the COVID-19 Pandemic

The OCA will review issues related to the impact the COVID-19 Pandemic has had on the Company's ratepayers, including, but not limited to, impacts on employment, wage loss, and ability for ratepayers to pay for any rate increase granted by the Commission.

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.

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

Lafayette Morgan
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044

Telephone: (410) 992-7500
E-mail: lmorgan@exeterassociates.com

B. Rate Structure/Cost Allocation

Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044

Telephone: (410) 992-7500
E-mail: jmierzwa@exeterassociates.com

C. Rate of Return

Aaron Rothschild
Rothschild Financial Consulting
15 Lake Rd.
Ridgefield, CT 06887

Telephone: (203) 894-1028
E-mail: aaron@rothschildfinancial.com

D. Universal Service and Impacts on Low-Income Customers

Roger Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478

Telephone: (617) 484-0597
E-mail: roger@fsconline.com

E. COVID-19 Impacts

Morgan N. DeAngelo
Regulatory Analyst
Pennsylvania Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101

Telephone: (717) 783-5048
Email: MDeAngelo@paoca.org

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 ALJ Haas 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 Phillip D. Demanchick and Luis M. Melendez. Mr. Melendez will be speaking as the lead attorney for the purposes of the prehearing conference.

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. During the ongoing emergency period, the OCA does not require hard copies to satisfy service in this proceeding. The OCA may request hard copy service if circumstances change. Accordingly, e-service of all documents should be served on the OCA as follows:

Darryl A. Lawrence, Senior Assistant Consumer Advocate
Phillip D. Demanchick, Assistant Consumer Advocate
Luis M. Melendez, Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
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Telephone: (717) 783-5048
Fax: (717) 783-7152
E-Mail: OCAUGIElectric2021@paoca.org

V. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witnesses as well as the testimony of other parties to the proceeding. The OCA will also present relevant

exhibits to support its own testimony, including but not limited to, materials obtained from the Company through discovery and cross-examination.

VI. 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 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 ALJ 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 ALJ 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.

The OCA notes that these are the same discovery modifications that were adopted in UGI Utilities, Inc. – Gas Division v. Pa. PUC, Docket No. R--2019-3015162, Prehearing Order #1 at 6-7 (Mar. 10, 2020).

VII. PUBLIC INPUT HEARINGS

The OCA requests that public input hearings be held for the Company’s consumers in this matter. Taking into account the current circumstances, the OCA requests that, in lieu of “in-person” public input hearings within the Company’s service territory, the Commission arrange for two telephonic public input hearings, or Smart Hearings, for consumers to participate in. The OCA proposes that one Smart Hearing be held at 1:00 PM and the other at 6:00 PM. At a minimum, the OCA requests that the Company place advertisements within its service territory and publications in local newspapers and on the Company’s website to make its consumers aware of these hearings.

VIII. PROPOSED SCHEDULE

The OCA supports the procedural schedule proposed by the Company in its Prehearing Memorandum.

IX. SETTLEMENT

The OCA is willing to participate in settlement discussions.

Respectfully submitted,

/s/ Luis M. Melendez
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DATED: March 18, 2021

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate