

**Highlights: PA PUC Public Session of June 9, 2016**

*Note: Video from each public meeting is available on the Pennsylvania Public Utility Commission's website. To access the video stream for this public meeting, please visit [http://www.puc.state.pa.us/about\\_puc/2013\\_pm\\_videos.aspx](http://www.puc.state.pa.us/about_puc/2013_pm_videos.aspx). The public meeting calendar may be viewed at [http://www.puc.state.pa.us/about\\_puc/public\\_meeting\\_calendar.aspx](http://www.puc.state.pa.us/about_puc/public_meeting_calendar.aspx), and public meeting agendas and summaries may be viewed at [http://www.puc.state.pa.us/about\\_puc/public\\_meeting\\_calendar/public\\_meeting\\_audio\\_summaries.aspx](http://www.puc.state.pa.us/about_puc/public_meeting_calendar/public_meeting_audio_summaries.aspx).*

At the June 9, 2016 Public Meeting of the Pennsylvania Public Utility Commission ("Commission"), the Commissioners adopted Staff's recommendations for action by a vote of 4-0 on all items listed on the Main Agenda and Carry-In Agenda, except as reflected herein below under the respective Commission agenda headings. Review of particular items addressed by the Commissioners at this Public Meeting which may be of interest are addressed under the respective Commission agenda headings below. Any relevant motions and statements are attached hereto and to the original of this Session Memo filed in the Public Meeting Agenda and Session Memo binder. The next regular Public Meeting is tentatively scheduled for **June 30, 2016 at 10:00 a.m.** The minutes of the Public Meeting of the May 5, 2016, were, by a vote of 4-0, approved as submitted.

**MAIN AGENDA**

***CASES OF SPECIAL INTEREST***

- PHILADELPHIA GAS WORKS, P-2015-2459362. Petition filed on 12/23/14 requesting to institute Phase II of its initial 5-year Demand-Side Management (DSM) Phase I Plan. On 3/18/16, the Commission issued ALJ Pell's and Guhl's Recommended Decision which recommended approval of PGW's DSM Phase II Plan and which addressed the litigated issues. On 4/07/16, PGW filed Exceptions. On 4/18/16, the OCA, CAUSE-PA, the OSBA and I&E filed Replies to Exceptions. Also, on 4/18/16, TURN et al. filed a letter stating its support for the Replies filed by CAUSE-PA. RECOMMENDATION: That the Commission conduct a binding poll of the issues to address the Exceptions and Replies to Exceptions filed by the parties in response to the ALJ's Recommended Decision. This matter has been postponed until the Public Meeting of June 30, 2016.

***BUREAU OF AUDITS***

- UGI UTILITIES INC, UGI CENTRAL PENN GAS INC, AND UGI PENN NATURAL GAS INC, D-2015-2473202, D-2015-2473203, D-2015-2473204. Management Efficiency Investigation (MEI) evaluating the implementation of selected recommendations from the 2012 Focused Management and Operations Audit. UGI Utility Group has effectively or substantially implemented 14 of the 30 prior recommendations reviewed and has taken some action on the

remaining 16 recommendations. Additionally, Audit Staff made 20 follow-up recommendations for improvement. UGI Utility Group submitted an Implementation Plan indicating acceptance of 17 follow-up recommendations and acceptance in part for 3 recommendations. RECOMMENDATION: That the Commission makes the MEI report and the Company's Implementation Plan public and issue a Secretarial letter directing the UGI Utility Group to proceed with its 5/18/16 Implementation Plan. Statements by Chairman Brown and Commissioner Powelson. Vote 4-0.

#### **OFFICE OF EXECUTIVE DIRECTOR**

- RATIFICATION OF APPOINTMENT OF COMPETITIVE MARKET OVERSIGHT. Ratification for the appointments of Daniel Mumford as the new Director of the Office of Competitive Market Oversight (OCMO) and Megan Good as the new Deputy Director of OCMO, effective 5/19/16. RECOMMENDATION: That the Commission ratify the appointments. Vote 4-0.

#### **OFFICE OF SPECIAL ASSISTANTS**

- PHILADELPHIA GAS WORKS, P-2015-2501500, C-2015-2504092. Petition filed on 9/1/15, requesting waivers of certain provisions of Act 11 to permit it to increase the Distribution System Improvement Charge (DSIC) cap and levelize and annualize DSIC-eligible costs. An evidentiary hearing was held on 11/5/15. Main and Reply Briefs were filed by the parties. On 12/11/15, the Commission issued the Recommended Decision of ALJs Pell and Guhl, which recommended that the petition be granted. Exceptions and Replies to Exceptions were filed. By Order entered 1/28/16, the Commission adopted, in part, and reversed, in part, the ALJs' Recommended Decision. On 2/12/16, PGW filed a Petition for Reconsideration, Amendment and/or Clarification. Answers to the petition were filed by the OCA and the Philadelphia Industrial and Commercial Gas Users Group on 2/22/16. By Order entered 2/25/16, the Commission granted the petition, pending review of, and consideration on, the merits. RECOMMENDATION: That the Commission adopt the proposed Opinion and Order. Joint Motion by Chairman Brown and Commissioner Powelson. Vote 4-0.
- CONSOLIDATED COMMUNICATIONS OF PENNSYLVANIA COMPANY LLC AND GRANITE TELECOMMUNICATIONS LLC, A-2016-2542896. Joint Petition filed on 4/29/16, requesting approval of a Resale Interconnection Agreement, pursuant to Section 252(e) of the Telecommunications Act of 1996. Notice of the Joint Petition was published in the Pa. Bulletin on 5/14/16. No comments or protests were received. RECOMMENDATION: That the Commission adopt the proposed Opinion and Order that grants the Joint Petition. Vote 4-0.

#### **BUREAU OF TECHNICAL UTILITY SERVICES**

- WINDSTREAM BUFFALO VALLEY INC., R-2016-2540047, P-00981428F1000. 2016 Price Stability Index/Service Price Index Report Filing accompanying tariff supplement requesting a rate increase of \$37,680 filed on 4/29/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- WINDSTREAM CONESTOGA INC., R-2016-2540061, P-00981429F1000. 2016 Price Stability Index/Service Price Index Report Filing accompanying tariff supplement requesting a rate increase of \$74,784 filed on 4/29/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.

- WINDSTREAM D&E INC., R-2016-2540041, P-00981430F1000. 2016 Price Stability Index/Service Price Index Report Filing accompanying tariff supplement requesting a rate increase of \$16,932 filed on 4/29/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- WINDSTREAM PENNSYLVANIA LLC, R-2016-2540069, P-00981423F1000. 2016 Price Stability Index/Service Price Index Report Filing accompanying tariff supplement requesting a rate increase of \$288,648 filed on 4/29/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- CONSOLIDATED COMMUNICATIONS OF PENNSYLVANIA COMPANY, R-2016-2540386, P-00981437F1000. 2016 Price Stability Index/Service Price Index Report and accompanying tariff supplement requesting a rate increase of \$144,530 filed on 4/28/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY, R-2016-2540400, P-00981435F1000. 2016 Price Stability Index/Service Price Index Report filed 5/2/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- MARIANNA AND SCENERY HILL TELEPHONE COMPANY d/b/a FAIRPOINT COMMUNICATIONS, R-2016-2540403, P-00981434F1000. 2016 Price Stability Index/Service Price Index Report filed 5/2/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- LACKAWAXEN TELECOMMUNICATIONS SERVICES INC., R-2016-2540405, P-00981432F1000. 2016 Annual Price Stability Index/Service Price Index Report Filing and Tariff Supplement No. 133 to Tariff Pa.P.U.C. No. 2 requesting a rate increase of \$36,624 filed on 4/29/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- BENTLEYVILLE COMMUNICATIONS CORPORATION D/B/A FAIRPOINT COMMUNICATIONS, R-2016-2540406, P-00981427F1000. 2016 Price Stability Index/Service Price Index Report filed 5/2/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.
- HICKORY TELEPHONE COMPANY, R-2016-2540407, P-00981431F1000. 2016 Price Stability Index/Service Price Index Report filed 4/9/16. No protests were filed and no hearings were held. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.

**OFFICE OF ADMINISTRATIVE LAW JUDGE**

- All matters approved as submitted.

## **CARRY-IN AGENDA**

### ***OFFICE OF SPECIAL ASSISTANTS***

- PUC - INVESTIGATION & ENFORCEMENT VS UBER TECHNOLOGIES INC, GEGEN LLC, RASIER LLC, AND RASIER-PA LLC, C-2014-2422723. By Opinion and Order entered 5/10/16, the Commission sustained, in part, the complaint filed by the Bureau of Investigation and Enforcement (I&E) and ordered Uber Technologies, Inc., et al. to pay a civil penalty of approximately \$11.4 million. On 5/25/16, Uber filed a Petition for Rehearing and Reconsideration and a Petition for Supersedeas seeking a stay of the civil penalty. On 6/2/16, Uber filed correspondence requesting an extension of the due date for paying the civil penalty. I&E filed its Answers to the Petitions for Reconsideration and Supersedeas on 6/6/16. RECOMMENDATION: That the Commission adopt the proposed Opinion and Order. Vote 4-0.

### ***LAW BUREAU***

- IMPLEMENTATION OF THE ALTERNATIVE ENERGY PORTFOLIO STANDARDS (AEPS) ACT OF 2004, L-2014-2404361. Under its statutory duty to implement and enforce the AEPS Act of 2004, the Commission seeks to revise its regulations pertaining to the net metering, interconnection and compliance provisions of the AEPS Act. The Commission finds that it is necessary to revise these regulations to comply with Act 129 of 2008, Act 35 of 2007 and to clarify certain issues of law, administrative procedure and policy. RECOMMENDATION: That the Commission adopt the proposed Order. Vote 4-0.

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PA 17120

UGI Utilities, Inc., UGI Central Penn  
Gas, Inc. and UGI Penn Natural  
Gas, Inc. Reading, PA  
Management Efficiency Investigation

Public Meeting held June 9, 2016  
2473202-AUD  
Docket Nos: D-2015-2473202  
D-2015-2473203  
D-2015-2473204

STATEMENT OF CHAIRMAN GLADYS M. BROWN

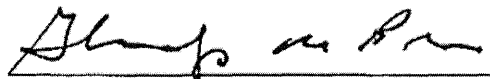
Our Bureau of Audits has completed a Management Efficiency Investigation of the three UGI companies. The purpose of the investigation was to examine the Companies' progress in implementing the recommendations made in the May 2012 Management and Operations audit. The Companies have implemented 14 of the 30 audit recommendations and taken some action on the remaining 16. While I am pleased to hear that the Companies are making progress on the existing recommendations, there are a few of the 20 follow-up recommendations made by Audits that I would like to shine a spotlight on.

Audits has identified the following issues as ripe for further improvement:

- Fully document emergency response provisions within UGI's Electric Service Division's Emergency Response Plan.
- Develop a comprehensive Cyber Security Plan and test and review it annually.
- Standardize the approach for mitigating physical security risks across the UGI Utility Group.

I wish to use these recommendations to remind the UGI companies and our regulated utilities; gas, electric, water, and telecommunications to continue to focus on security, both physical and cyber security. The creation of robust cyber security plans should be a priority for all of our utility companies because system reliability and, therefore, citizen welfare and the Commonwealth's economy depend on it.

June 9, 2016  
Date

  
Gladys M. Brown, Chairman

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PA 17120

UGI Utilities, Inc., UGI Central Penn Gas, Inc.  
and UGI Penn Natural Gas, Inc. – Reading, PA  
Management Efficiency Investigation Evaluating  
the Implementation of Selected Recommendations  
from the 2012 Focused Management and  
Operations Audit

Public Meeting – June 9, 2016  
2473202-AUD  
Docket No. D-2015-2473202,  
D-2015-2473203, D-2015-2473204

STATEMENT OF  
COMMISSIONER ROBERT F. POWELSON

Before the Pennsylvania Public Utility Commission (Commission or PUC) today is a Management Efficiency Investigation for UGI Utilities, Inc., UGI Central Penn Gas, Inc., and UGI Penn Natural Gas, Inc. (collectively, UGI) conducted by the PUC's Bureau of Audits. I would like to commend the auditors who worked on this investigation, as well as the entire Bureau of Audits, for performing an important service to the Commission that often goes unrecognized.

Utility audits are essential to the PUC's mission of ensuring safe and reliable utility service. Management efficiency investigations, like the one before us today, examine the effectiveness of a utility's management structure, as well as the operating efficiency of the utility, and ensure that the company properly implements recommendations from prior management audits.

Here, UGI's upper management has been in the process of reorganizing over the last few years. Based on my review of the audit, UGI's new leadership team appears to be making considerable progress in changing the company's culture. I appreciate the proactive efforts that UGI has taken to improve their management structure, as well as the cooperation that UGI has demonstrated with these management investigations.

Today's audit demonstrates that UGI has made several significant improvements in notable areas, including accelerated cast iron and bare steel replacement, a reduction in the number of annual line hits, and unification of the company's safety manual. Although UGI still faces some remaining challenges, the company is making great strides to improve, which has not gone unnoticed. I encourage UGI to continue in its efforts, particularly with respect to developing a comprehensive cyber security plan,

standardizing its physical security mitigation, and providing the PUC with documentation of an emergency response plan.

I appreciate UGI's efforts to date and encourage them to continue to improve.

Date: June 9, 2016



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ROBERT F. POWELSON  
COMMISSIONER

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PA 17120

Petition of Philadelphia Gas Works for  
Waiver of Provisions of Act 11 to Increase  
The Distribution System Improvement  
Charge CAP and to Permit Levelization  
of DISC Charges; and Office of Consumer  
Advocate v. Philadelphia Gas Works

Public Meeting -- June 9, 2016  
2501500-OSA  
Docket No: P-2015-2501500  
C-2015-2504092

JOINT MOTION OF CHAIRMAN GLADYS M. BROWN  
AND COMMISSIONER ROBERT F. POWELSON

Before the Public Utility Commission (Commission) today for consideration is Philadelphia Gas Works' (PGW) Petition for Reconsideration (Petition) of the Commission's Order entered January 28, 2016 (January 2016 Order), in this matter. In the January 2016 Order, the Commission found that the record lacked evidence regarding the likelihood and magnitude of future undercollections sufficient to grant PGW an increase in the Distribution System Improvement Charge (DSIC) cap above the allowed 7.5% level.<sup>1</sup>

In its Petition for Reconsideration, PGW states that its annual DSIC reconciliation for the year ending December 31, 2015 showed an undercollection of approximately \$11.4 million. PGW asserts that this undercollection was the result of the transition to an annualized, levelized DSIC.<sup>2</sup>

PGW asks the Commission to reconsider its January 2016 Order to permit either an additional 2.5% increase in the DSIC cap, as originally requested, or in the alternative, a temporary increase above the DSIC cap for the limited purpose of recovering the transitional undercollection. Under the alternative scenario, PGW would recover the \$11.4 million shortfall over a two-year period. According to PGW, this would require a temporary increase in the DSIC of \$5.7 million a year (total DSIC of 8.84%), which would increase residential rates by an additional \$0.85 per month on average.<sup>3</sup>

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<sup>1</sup> See January 2016 Order at 54-56; See also Statement of Robert F. Powelson.

<sup>2</sup> Petition at 6. "Previously, to comply with the requirements of Act 11, PGW was forced to compare DSIC billed revenue to expenditures made in a prior 3-month period (with an additional one month reporting lag). This created a four-month lag. Therefore, to eliminate this lag, PGW's 2015 undercollection encompasses 16 months of recoverable costs." Petition at 6-7 (footnote omitted).

<sup>3</sup> *Id.* at 9.




We believe that PGW should be permitted to increase the DSIC above the 7.5% cap to allow the recovery of the \$11.4 million under recovery over a two-year period. We do so for several reasons:

- First, the Company has met the *Duick* standard in this proceeding by providing additional information concerning the amount of PGW's undercollection resulting from the transition to levelized DSIC. This new information persuades us to reconsider our decision. Moreover, the January 2016 Order did not permanently prohibit an increase above the 7.5% cap for under recoveries, but rather found that the record previously developed in the case did not support one.
- Second, while there is no good time to raise rates, PGW has established that the need to do so for a limited purpose is compelling. Moreover, PGW customers' overall rates have significantly decreased over the last few years as natural gas prices have deteriorated, making now a reasonable time for a temporary increase in PGW's DSIC.
- Third, the Commission fully supports the imperative need of PGW to maintain the accelerated pace of at risk pipeline replacement in order to protect public safety. Without action on PGW's Petition, the first-year replacement gains under PGW's DSIC will have been nullified.<sup>4</sup> As PGW points out, absent relief, it will be forced to reduce its future DSIC-financed construction or risk permanent loss of capital recovery, in order to address the large undercollection amount. The purpose of our January 2016 Order was to generate \$33 million per year of DSIC-funded pipeline replacement, and provisions must be made if this goal is to remain achievable.

THEREFORE, WE MOVE THAT:

1. The Petition for Reconsideration be approved in part and granted in part consistent with this Joint Motion.
2. The Office of Special Assistants prepare an Opinion and Order consistent with this Motion.

  
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GLADYS M. BROWN  
CHAIRMAN

  
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ROBERT F. POWELSON  
COMMISSIONER

Date: June 9, 2016

<sup>4</sup> Prior to the January 2016 Order, PGW was spending, under its then-existing DSIC, approximately \$22 million annually. The changes in the January 2016 Order were designed to allow the Company to accelerate its then-current level of spending on the replacement of at-risk gas mains by \$11 million.