**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held December 19, 2019

Commissioners Present:

Gladys Brown Dutrieuille, Chairman

David W. Sweet, Vice Chairman

Andrew G. Place

John F. Coleman, Jr.

Ralph V. Yanora

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| Petition of UGI Utilities, Inc. – Electric Division forApproval of a Distribution System Improvement Charge |   P-2017-2619834 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Commission for consideration is the Petition for approval of the Distribution System Improvement Charge (DSIC) of UGI Utilities, Inc. – Electric Division (UGI or Company).

**HISTORY OF THE PROCEEDING**

UGI is a division of UGI Utilities, Inc. (UGI Utilities), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, and a wholly owned subsidiary of UGI Corporation. UGI is a “public utility” and an “electric distribution company” (EDC) within the meaning of Sections 102 and 2803 of the Public Utility Code, 66 Pa. C.S. § 102 and § 2803, subject to the regulatory jurisdiction of the Commission. UGI, as an EDC, provides electric distribution service to approximately 62,000 customers in Luzerne and Wyoming counties in Northeastern Pennsylvania.

On August 16, 2017, UGI filed a petition with the Commission seeking approval of its Long-Term Infrastructure Improvement Plan (LTIIP), with copies being served upon the statutory advocates in accordance with the *Implementation of Act 11 of 2012*, Docket No. M‑2012‑2293611 (August 2, 2012) (Final Implementation Order). The Company’s LTIIP, which calls for an increase in capital spending of approximately $22.2 million over the five-year period of 2018-2022, was approved by the Commission on December 21, 2017.[[1]](#footnote-1)

On September 4, 2019, UGI filed a petition to establish and implement a DSIC pursuant to 66 Pa. C.S. § 1353, 52 Pa. Code § 121.1, and the Final Implementation Order. UGI’s DSIC Petition (the “Petition”) includes a ProForma Tariff Addendum to UGI Electric Pa. P.U.C. No. 6 to introduce the DSIC Rider into the Company’s tariff with an effective date of January 1, 2020 and an effective rate of 0.0%.

On September 23, 2019, the Office of Consumer Advocate (OCA) filed a Public Statement, Notice of Intervention, and Answer to the Petition. In its Answer, OCA raises concerns about the costs proposed for recovery under the category of “other capitalized costs” and the treatment of federal and state income tax deductions in the computation of the DSIC, and states that the Commission should deny UGI’s Petition and proposed tariff supplement as filed and refer the matter to the Office of Administrative Law Judge (OALJ) for hearing and disposition.

On October 8, 2019, the Office of Small Business Advocate (OSBA) filed a Notice of Intervention and Public Statement. OSBA did not allege that any particular provision or relief requested by UGI should be denied.

On November 12, 2019, UGI, OCA, and OSBA (collectively, the “Joint Petitioners”) submitted a Joint Petition for Settlement (Settlement) in which all outstanding issues were resolved and the request for evidentiary hearings by OCA was withdrawn. The Joint Petitioners aver that the Settlement is fair, just and reasonable, and serves the public interest, and that it should be approved without modification.

No objections or comments were received from federal, state or local governmental agencies.

**BACKGROUND**

On February 14, 2012,Governor Corbett signed into lawAct 11 of 2012, (Act 11),[[2]](#footnote-2) which amends Chapters 3, 13 and 33 of Title 66. Act 11, *inter alia*, provides jurisdictional water and wastewater utilities, EDCs, and natural gas distribution companies or a city natural gas distribution operation with the ability to implement a DSIC to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility’s distribution system. The eligible property for the utilities is defined in 66 Pa. C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file a LTIIP with the Commission that is consistent with 66 Pa. C.S. §1352.

On April 5, 2012, the Commission held a working group meeting for discussion and feedback from stakeholders regarding its implementation of Act 11. On May 10, 2012, the Commission issued a Tentative Implementation Order addressing and incorporating input from the stakeholder meeting. Stakeholders filed comments to the Tentative Implementation Order on June 6, 2012. On August 2, 2012, the Commission issued the Final Implementation Order, at Docket Number M-2012-2293611, establishing procedures and guidelines necessary to implement Act 11.[[3]](#footnote-3)

**UGI’S DISTRIBUTION SYSTEM IMPROVEMENT CHARGE PETITON**

Section 1353 requires utilities seeking approval of a DSIC to file a petition that includes the following:

1. An initial tariff that complies with the Model Tariff adopted by the Commission, which includes:
	1. A description of eligible property;
	2. The effective date of the DSIC;
	3. Computation of the DSIC;
	4. The method for quarterly updates of the DSIC; and
	5. A description of consumer protections.
2. Testimony, affidavits, exhibits, and other supporting evidence demonstrating that the DSIC is in the public interest;
3. A LTIIP as described in Section 1352, 66 Pa. C.S. § 1352;
4. Certification that a base rate case has been filed within five years prior to the filing of the DSIC petition; and
5. Other information required by the Commission.

UGI’s petition addresses each of the elements listed in the statute, as detailed below.

**(1) Tariff Filing**

Section 1353 requires utilities to file an initial tariff that complies with the Model Tariff adopted by the Commission. UGI’s ProForma Tariff Addendum to UGI Electric Pa. P.U.C. No. 6 (Proposed Tariff) closely reflects the language of the Model Tariff. However, UGI shall make any and all tariff sufficiency modifications necessary to be in compliance with the Commission’s Supplemental Implementation Order entered on September 21, 2016 at Docket No. M‑2012‑2293611. We shall review each item in turn.

1. **Eligible Property**

**UGI’s Petition**

UGI designates the same property as DSIC-eligible as it included in its LTIIP and as per the Model Tariff, including: poles and towers; overhead and underground conductors; transformers and substation equipment; any fixture or device related to eligible property listed above, including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters, and condensers; unreimbursed costs related to highway relocation projects where an EDC must relocate its facilities; and other related capitalized costs.

UGI has proposed including “other related capitalized costs” as part of its LTIIP that would be eligible for DSIC recovery. Those other categories include the costs of tools, equipment and vehicles, as well as the potential costs related to electronic systems or software that may be installed to directly support DSIC-eligible projects.

**Comments**

As to the issue of eligible property, OCA opines that the costs UGI proposes to recover through the DSIC under the category of “other related capitalized costs” (i.e. tools, equipment and vehicles, as well as software or electronic systems) should be reviewed to determine whether they are properly recovered through base rates as part of the Company’s normal capital planning process, rather than through the DSIC surcharge. Additionally, OCA challenged the extent to which UGI may recover software or electronic system costs through the DSIC, noting that settlements reached between active parties in prior UGI Utilities proceedings specifically excluded certain software costs from DSIC recovery and preserved the parties’ rights to propose and challenge claims to recover software in future DSIC filings.[[4]](#footnote-4)

**Resolution**

Eligible property for EDCs is defined in Section 1351, 66 Pa. C.S. § 1351(1). As per the terms of the Settlement, the Joint Petitioners have resolved all issues related to eligible property. The Joint Petitioners agree that UGI’s DSIC does not currently identify any supportive IT computer systems which would be capitalized and/or software as being DSIC-eligible property for inclusion in the DSIC calculation; however, the Company may seek to identify such property as eligible for inclusion in the DSIC in the future. To the extent that occurs, the rights of the Joint Petitioners are preserved to challenge the Company’s claim to recover such identified costs through the DSIC once the Company affirmatively identifies them for inclusion in the DSIC, so states the Settlement.

Furthermore, the Settlement declares, and the Joint Petitioners agree, that UGI will be allowed to recover through the DSIC “other capitalized costs” including, but not limited to, tools, equipment and vehicles, consistent with the Petition filed by UGI.

1. **Effective Date**

**UGI’s Petition**

UGI’s Proposed Tariff was filed as pro forma with no issued date and an effective date of January 1, 2020. UGI’s initial DSIC rate will be set at 0.0%, and will remain at 0.0% until such time as UGI has placed in service a level of DSIC-eligible plant that exceeds the level approved by the Commission for base rate recovery in the Company’s last base rate case proceeding, in which UGI utilized a Fully Projected Future Test Year (FPFTY) ending September 30, 2019 with current base rates reflecting $115,522,000 of net plant placed in service.[[5]](#footnote-5) UGI seeks to have a DSIC in place effective January 1, 2020 to allow for timely recovery of any qualifying investments made beyond those projected in the FPFTY. As stated by Company Witness Stephen F. Anzaldo, “UGI believes this is appropriate in order to avoid regulatory lag or a gap between the end of its FPFTY and the date when UGI can recover eligible investments through the DSIC.” UGI Statement No. 1 at 9.

**Comments**

No comments were filed regarding the effective date.

**Resolution**

 We shall permit UGI to implement a DSIC mechanism, pursuant to a tariff filed on one-days’ notice and in compliance with the directives in this Order. Therefore, based on requirements for DSIC quarterly updates, as more fully described below, the Commission directs UGI to file a tariff no later than December 31, 2019, if UGI wishes to have an effective date of January 1, 2020.[[6]](#footnote-6) However, as noted above, UGI will not be allowed to implement a non-zero DSIC until such time as its DSIC-eligible plant placed into service has exceeded the level allowed for recovery as part of its FPFTY.

 **(c) Computation of the DSIC**

**UGI’s Petition**

With its Proposed Tariff, UGI proposes an initial DSIC rate of 0.0%. UGI avers that’s its DSIC will be calculated consistent with the Model Tariff in the Final Implementation Order. The DSIC surcharge will be applied to a customer’s total bill exclusive of generation supply charge and state tax surcharge revenues and has been added to each of the rate schedules in the Proposed Tariff. The formula for calculation of the DSIC is as follows:

DSIC = (DSI \* PTRR) + Dep + e

 PQR

Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = Pre-tax return rate applicable to DSIC-eligible property.

Dep = Depreciation expense related to DSIC-eligible property.

e = Amount calculated under the annual reconciliation feature or Commission audit.

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus revenue from any customers which will be acquired by the beginning of the applicable service period.

UGI will update its DSIC computation ten days before the actual approved effective date of the DSIC rate to reflect the following: the costs of all DSIC-eligible projects that were placed into service during the three-month period ending one month prior to the approved effective date; UGI’s actual capital structure and cost of long term debt as of one month prior to the effective date; and the Commission-allowed rate of return on equity. Therefore, for a DSIC effective January 1, 2020, a three-month period of September through November will be used when calculating the appropriate DSIC rate and UGI will use a rate of return on equity (ROE) of 9.85% in calculating its DSIC, as determined in its most recent base rate proceeding.

UGI proposes to use one-fourth of its projected annual distribution revenues to calculate projected quarterly revenues, which, according to the Company Witness Anzaldo, will result in a more consistent DSIC rate from quarter to quarter. The Company has chosen to base its quarterly revenues on one-fourth of its projected annual revenues to better align the fixed nature of the investment that the DSIC will be recovering with the DSIC rate itself.

**Comments**

OCA states that the DSIC surcharge proposed by UGI may be contrary to Pennsylvania case law and the established principles of sound ratemaking, and requests that the Commission reject the Petition as filed and refer the matter to the OALJ for the development of an evidentiary record. Specifically, OSA posits that Section 1301.1(a) of the Public Utility Code, 66 Pa. C.S. § 1301.1(a), requires the federal and state income tax deductions/credits generated by DSIC investment to be included in the Company’s DSIC calculations, and that UGI’s Proposed Tariff does not include these elements.

**Resolution**

Based on requirements for DSIC quarterly updates, as more fully described below, the Commission directs UGI to file an initial DSIC tariff using only actual data for eligible property placed into service during the three-month period ending one month prior to the approved effective date of the DSIC. Furthermore, the Commission recognizes that UGI’s DSIC rate will be set to 0% until such time that it has exceeded the DSIC-eligible plant identified in the Company’s most recent base rate proceeding.

The cost of equity determinations in the Commission’s Staff Report on Quarterly Earnings of Jurisdictional Utilities (Quarterly Report) are used for DSIC calculations if more than two years have elapsed since a utility’s last fully litigated base rate case. 66 Pa. C.S. § 1357(b)(3). In its initial DSIC, UGI shall use the ROE of 9.85% as approved in its last base rate proceeding at Docket No. R-2017-2640058 (Order entered October 25, 2018). The 9.85% ROE should remain in place until UGI files its quarterly DSIC filing with an effective date of January 1, 2021, at which time UGI shall revise its tariff to reflect the allowed ROE as published by the Commission in the Quarterly Report. UGI will utilize the Quarterly Report ROE until such time as a Final Order has been entered on a subsequent rate base proceeding. If, in any quarter, a utility will earn more than the ROE used for the DSIC calculations (which may be the ROE determined in the Quarterly Report), the DSIC will be reset to zero. 66 Pa. C.S. § 1358(b)(3). Accordingly, the DSIC must remain at zero until such time that the utility, in a subsequent quarter, earns less than the ROE used for the purpose of DSIC calculation.

In the calculation of its DSIC, UGI will use one-fourth of the annual depreciation expense based on the eligible-property placed in service for the quarter.  This calculation is consistent with UGI’s tariff and the Commission’s Model Tariff.  However, to be consistent with what has been allowed for the water utility DSICs as accepted by the Bureau of Audits and approved by the Commission, UGI should use one-fourth of the annual depreciation expense amount as the basis for its initial accumulated depreciation amount.  Each quarter going forward, the calculated depreciation expense for DSIC purposes should be added to the prior quarters calculated depreciation expense to determine the accumulated depreciation amount.

The Commission directs that, along with its updated capital structure and cost rates filed one month prior to the approved effective date of the tariff, UGI shall file a comprehensive debt schedule, outlining all outstanding debts and their associated interest rates that were used to calculate the long-term debt cost rate figure.

The Model Tariff makes available to utilities two options for calculating projected quarterly revenues: 1) The summation of projected revenues for the applicable three-month period; or 2) One-fourth of projected annual revenues. In order to maintain a more consistent DSIC rate from quarter to quarter, UGI chose to use one-fourth of its projected annual distribution revenues as its projected quarterly revenues. The Model Tariff permits the use of one-fourth of annual revenues and the Final Implementation Order recognized the seasonality of revenue issues. Therefore, UGI’s use of one-fourth of its projected annual distribution revenues as its projected quarterly revenues is appropriate.

As to the issues regarding the impact of 66 Pa. C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating the DSIC charge, the Settlement notes that those issues are currently being litigated.[[7]](#footnote-7) As such, the Joint Petitioners agree that in subsequent DSIC filings UGI will follow Commission directives, subject to its right to appeal any such directive, regarding the outcome of the appeals on the issue of Accumulated Deferred Income Taxes (ADIT) and flow through of state income tax deductions and credits in the DSIC calculation.

The Settlement states that OCA has withdrawn its request for an evidentiary hearing in this proceeding.

 **(d) Quarterly Updates**

**UGI’s Petition**

A utility’s DSIC is subject to quarterly updates to reflect eligible plant additions placed in service during the three-month period ending one month prior to the effective date of any DSIC update. The DSIC Rider in the Proposed Tariff includes a chart of the effective dates of UGI’s proposed DSIC updates, and the corresponding period for eligible plant additions that will be reflected in each update. The Company states that once its DSIC is implemented, customers will receive notice of quarterly changes in the DSIC through bill messages, consistent with Act 11 and the Final Implementation Order.

**Comments**

No comments were filed regarding quarterly updates.

**Resolution**

In accordance with 66 Pa. C.S. § 1358(e)(2), the revenue received under the DSIC for the reconciliation period shall be compared to the utility's eligible costs for that period. The difference between revenue and costs shall be recouped or refunded, as appropriate, in accordance with section 1307(e), over a one-year period or quarterly period commencing April 1 of each year. If UGI seeks to recover any under-collection from customers or refund an over-collection amount to customers in a single quarter for the quarterly period commencing April 1st, this option should be clearly delineated in its tariff. Based on the statute mandating over/under collections be refunded commencing April 1 of each year, the Commission directs any utility filing for a DSIC to schedule the effective dates of their proposed DSIC updates, and the corresponding period for eligible plant additions that will be reflected in each update, to align quarterly with the months of April, July, October, and January. UGI has suggested such a schedule in the filing of its Proposed Tariff, and hence, the Commission deems UGI’s tariff to be compliant with Section 1353 as it pertains to the issue of quarterly updates. The Commission directs the Company to file supporting data for each quarterly update with the Commission’s Bureau of Audits in addition to those already listed in the tariff.

UGI is advised that 2020 is a leap year, and as such, should modify its tariff to reflect the fact that, for a DSIC effective April 1, 2020, DSIC-eligible plant additions should include the period December 1 through February *29* (emphasis added).

 **(e) Consumer Protections**

**UGI’s Petition**

In accordance with the Model Tariff and consistent with Section 1358, UGI’s proposed DSIC Rider also includes the following customer safeguards:

1. A 5.0% cap on the total amount of distribution revenue that can be collected by UGI through the DSIC as determined on an annualized basis;
2. Annual reconciliations performed by UGI;
3. Audits conducted by the Commission;
4. Customer notice of any changes in the DSIC;
5. Equal application of the DSIC to all customer classes;
6. A reset of the DSIC to zero as of the effective date of new base rates that include the DSIC-eligible plant; and
7. Provisions for the charge to be set at zero if, in any quarter, UGI’s most recent earnings report shows that UGI is earning a rate of return that exceeds the allowable rate of return used to calculate its fixed costs under the DSIC.

**Comments**

No comments were filed regarding consumer protections.

**Resolution**

UGI’s Proposed Tariff is consistent with the Model Tariff and complies with the customer safeguards required by 66 Pa. C.S. § 1358.

**(2) Public Interest Considerations**

**UGI’s Petition**

According to the Company, implementing the proposed DSIC and allowing the Proposed Tariff to go into effect is in the public interest because the DSIC will ensure that customers continue to receive safe and reliable service in the future as required by Section 1501, 66 Pa. C.S. § 1501.

When UGI developed its LTIIP, it identified that much of its electric distribution system consisted of aging facilities located in all parts of its service territory. UGI’s primary focus in its LTIIP is to maintain reliable service to its customers, while addressing the risk to continued reliability associated with this aging infrastructure. Therefore, UGI’s LTIIP includes a number of programs designed to ensure system reliability and reduce weather-related variability. The LTIIP seeks to replace aging equipment on an accelerated basis and ensure effective use of resources, while minimizing disruption to the customers and municipalities that UGI serves.

UGI has significantly increased the amount it invests in repairing and replacing its distribution infrastructure. Over the baseline period of 2012-2015 identified in the LTIIP, UGI invested approximately $3.5 million annually in infrastructure improvements; whereas, for the five-year period of 2018-2022, UGI committed to an increase in capital spending of 134% over the level set forth in the baseline period, leading to UGI investing between $7.6 and $8.3 million per year in accelerated capital replacement projects during the term of the LTIIP.

UGI believes that replacement of aging equipment and facilities will reduce the number of outages customers experience, facilitate installation of additional safety mechanisms and generally improve service to its customers, and that the DSIC will allow it to continue its already accelerated pace for replacing such infrastructure without delay or interruption. Lastly, UGI avers that the DSIC will allow it to remove deteriorating portions of its system and enhance safety by ensuring replacement of facilities with newer, longer lasting and safer material, thus leading to the public receiving better service, with fewer interruptions, consistent with its obligations under the Public Utility Code.

**Comments**

No comments were received regarding the supporting evidence that UGI’s DSIC is in the public interest.

**Resolution**

By the terms of the Settlement, the Joint Petitioners agree that approval of the Petition is in the public interest because it will provide an additional mechanism for UGI to recover reasonable and prudent costs incurred to ensure and maintain adequate, efficient, safe, reasonable and reliable service as required by 66 Pa. C.S. § 1501. The terms of the Settlement would also maximize administrative efficiency and judicial economy by avoiding the necessity of further administrative, and potentially appellate, proceedings at what would be a substantial cost to the Joint Petitioners and UGI’s customers.

The Joint Petitioners aver that the Petition, as modified by the Settlement, is consistent with prior precedent addressing the relevant issues[[8]](#footnote-8) and that it meets the statutory requirements established in 66 Pa. C.S. § 1353 and the Commission’s regulations at 52 Pa. Code § 121.1 *et. seq.* Accordingly, the Joint Petitioners contend that the terms reflected in the Settlement are in the public interest and that the Settlement is fair, just and reasonable, and should be approved.

Section 1353 requires testimony, affidavits, exhibits, and other supporting evidence to be submitted demonstrating that the DSIC is in the public interest. Based on UGI’s submitted direct testimony by the Company’s Director of Rates and Regulatory Planning and exhibits demonstrating how the proposed DSIC supports accelerated infrastructure improvement, the Commission concludes that the DSIC filing is in the public interest and that the Company has met its obligation under Section 1353.

 **(3) Long Term Infrastructure Improvement Plan**

Section 1353 requires that the utility have an approved LTIIP. UGI filed a petition for approval of a LTIIP on August 16, 2017, which was approved by the Commission in an Order entered on December 21, 2017.

 **(4) Base Rate Case**

Section 1353(b)(4) requires a utility to certify that it has filed a base rate case within the five years prior to the date of its DSIC petition. UGI has provided the required certification that its last base rate case, under which UGI’s current base rates were established, was filed on January 26, 2018.[[9]](#footnote-9)

 **(5) Other Information Required by the Commission**

**Section 1354 - Customer Notice**

Pursuant to Section 1354, a utility is required to provide customer notice of: 1) Submission of the DSIC petition; 2) Commission’s disposition of the DSIC petition; 3) Any quarterly changes to the DSIC rate; and 4) Any other information required by the Commission. UGI has verified that it will provide customer notice of the proposed DSIC, Commission action thereon, and quarterly updates through bill inserts and bill messages, consistent with Act 11 and the Final Implementation Order.

UGI stated it would begin including bill inserts in its bills no later than seven days from the date of the filing of the Petition and continuing through one billing cycle until all customers have been notified. The bill inserts will be issued to all customers who are subject to the DSIC informing them of the filing of this Petition, the estimated impact on their bills, and their rights to intervene in the proceeding.[[10]](#footnote-10) Additionally, the Company will include bill messages that will identify the level of DSIC changes and their effective dates, allowing customers to monitor the quarterly updates to the DSIC.

The Commission agrees that this is consistent with the customer notice requirements set forth in the Model Tariff, Act 11, and the Final Implementation Order.

**Bills Rendered or Service Rendered**

The Final Implementation Order directed utilities to bill customers for the DSIC on a bills-rendered basis versus a service rendered basis[[11]](#footnote-11), based on current practice and procedure for water companies. (*See* 66 Pa. C. S. § 1358). In its Proposed Tariff, UGI specifies that billing for the DSIC will be on a bills-rendered basis, thereby being in compliance with the Final Implementation Order.

**Section 1355 – Commission Review**

Section 1355 provides that the Commission shall, after notice and opportunity to be heard, approve, modify or reject a utility’s proposed DSIC and initial tariff. The Bureau of Technical Utility Services has reviewed UGI’s proposed DSIC Rider and has determined that the filing contains all necessary items identified in Section 1353.

**DSIC SUMMARY**

We will approve the proposed DSIC calculation and tariff subject to the modifications consistent with this Order, including the following:

1. The proposed DSIC Rider shall be filed as a tariff supplement on one days’ notice with an effective date no earlier than January 1, 2020;
2. A three-month period of September through November for eligible plant additions[[12]](#footnote-12);
3. An ROE of 9.85% to be used in calculating the DSIC, as approved in UGI’s last base rate proceeding at Docket No. R-2017-2640058; and,
4. An initial quarterly depreciation expense being equal to the initial accumulated depreciation.

Section 1355 also states that the Commission shall hold evidentiary and public input hearings as necessary to review the petition. As noted above, OCA and OSBA petitioned to intervene in UGI’s DSIC proceeding, with OCA requesting evidentiary hearings. However, OCA’s request for evidentiary hearings was withdrawn pursuant to the terms of the Settlement, in which the Joint Petitioners resolved all outstanding issues.

**CONCLUSION**

Upon review, the Commission finds that the Settlement is just and reasonable. The Joint Petitioners acknowledge that the Settlement shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding. This Settlement is made without any admission against, or prejudice to, any position that any party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding. The Commission has determined that the Settlement serves the public interest and recommends that it be approved in full, without modification.

Upon further review, the Commission finds that the Petition of UGI for a Distribution System Improvement Charge complies with the requirements of Act 11, the Final Implementation Order, and the Supplemental Implementation Order. Moreover, the Commission has reviewed the filing and does not find it to be inconsistent with the applicable law or Commission policy. UGI may elect to implement a DSIC mechanism consistent with this Order on one days’ notice; **THEREFORE,**

**IT IS ORDERED:**

1. That the Petition for approval of a Distribution System Improvement Charge (DSIC) filed by UGI Utilities, Inc. – Electric Division, as modified by the Settlement, is hereby approved, consistent with this Order.

2. That the Joint Petition for Settlement submitted by UGI Utilities, Inc. – Electric Division, the Office of Consumer Advocate, and the Office of Small Business Advocate, including all terms and conditions thereof, is hereby approved without modification.

3. That any other terms or provisions of the UGI Utilities, Inc. – Electric Division DSIC mechanism which are not specifically modified by the Settlement will be implemented consistent with the DSIC Petition filed by UGI Utilities, Inc. – Electric Division at the current docket.

4. That UGI Utilities, Inc. – Electric Division shall file a tariff, consistent with this Order and in accordance with the Commission’s Supplemental Implementation Order entered on September 21, 2016 at Docket No. M‑2012‑2293611, on one days’ notice to be effective January 1, 2020 and with an initial effective DSIC rate of 0.0%.

5. That UGI Utilities, Inc. – Electric Division shall provide the estimated number of anticipated new jobs to be created for specific replacement projects with its revised initial DSIC tariff.  Additionally, UGI Utilities, Inc. – Electric Division shall track such employment information and provide the actual numbers of jobs created to the Commission by January 31st of each year.

**BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: December 19, 2019

ORDER ENTERED: December 19, 2019

1. A copy of UGI’s LTIIP was included as Appendix B to the current DSIC Petition. [↑](#footnote-ref-1)
2. <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0011..HTM>. [↑](#footnote-ref-2)
3. On November 5, 2015, the Commission issued a *Tentative Supplemental Implementation Order* at the same docket soliciting comments regarding additional implementation issues that have arisen since the 2012 Final Implementation Order.  Subsequently, on September 15, 2016, the Commission issued a *Supplemental Implementation Order* resolving those various discrete issues regarding the implementation of the DSIC surcharge mechanism that had not fully been addressed in the previous 2012 *Final Implementation Order* and also issued a revised Model Tariff.  *See* 46 Pa.B. 6402.  Thus, the review of instant DSIC will be done in accordance with the *Supplemental Implementation Order* as well. [↑](#footnote-ref-3)
4. *See* Petitions of UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. for approval of a DSIC (June 8, 2015) at Docket Nos. P-2013-2397056 and P-2013-2398835, respectively. [↑](#footnote-ref-4)
5. *See* Pa. P.U.C. v. UGI Utilities, Inc. – Electric, Docket No. R-2017-2640058 (Order entered October 25, 2018). [↑](#footnote-ref-5)
6. If UGI does not have an effective date of January 1, 2020, the next earliest effective date would be April 1, 2020. [↑](#footnote-ref-6)
7. *See Petition of Metropolitan Edison Co., et. Al., for Approval of a DSIC*, Docket Nos. P-2015-2508942, P-2015-2508936, P-2015-2508931, and P-2015-2508948, Order (April 19, 2018), *aff’d McCloskey v. Pa. PUC*, 697 C.D. 2018 (Pa. Commw. July 11, 2019), *petitions for allocator filed*, 585 MAL 2019 and 586 MAL 2019 (Pa. October 4, 2019); *Pa. PUC v. Newtown Artesian Water Co*., R-2017-2624240, Order (April 26, 2018), 1183 C.D. 2018 (Pa. Commw. July 11, 2019), *petition for allocator filed*, 587 MAL 2019 (Pa. October 4, 2019). [↑](#footnote-ref-7)
8. *See, e.g., Joint Petition for Settlement of All Issues* filed on May 18, 2017 at Docket No. P-2013-2398833, approved in *Petition of UGI Utilities Inc. – Gas Division for Approval of a DSIC* (July 12, 2017). [↑](#footnote-ref-8)
9. Docket No. R-2017-2640058, Final Order entered on October 25, 2018. [↑](#footnote-ref-9)
10. The bill insert is modeled after the bill insert used in the DSIC petition proceeding of UGI Utilities Inc. – Gas Division at Docket No. P-2013-2398833 and is included in the current Petition as Exhibit SFA-3. [↑](#footnote-ref-10)
11. “Bills rendered” bills are computed based on the effective tariff rate at the time of the bill. “Service rendered” bills are prorated based on service rendered before and after a tariff rate change. [↑](#footnote-ref-11)
12. UGI will not be able to have a non-zero DSIC until such time as its DSIC-eligible plant placed into service has exceeded the level allowed for recovery as part of its fully projected future test year in its recent base rate case proceeding at Docket No. R-2017-2640058. [↑](#footnote-ref-12)