



607 14th St. N.W.
Washington, DC 20005-2006
202-347-1000 Main
202-661-6970 Main Fax
www.postschell.com

Jessica R. Rogers

jrogers@postschell.com
202-661-6964 Direct
202-661-6944 Direct Fax
File #: 178556

August 3, 2020

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission v. UGI Utilities, Inc. - Gas Division
Docket No. R-2019-3015162

Dear Secretary Chiavetta:

Enclosed is the Joint Petition for Approval of Unopposed Settlement of All Issues for filing in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Jessica R. Rogers

JRR/kl
Enclosures

cc: Honorable Christopher P. Pell
Certificate of Service

CERTIFICATE OF SERVICE

(Docket No. R-2019-3015162)

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL ONLY

Darryl Lawrence, Esquire
Phillip D. Demanchick, Esquire
Barrett C. Sheridan, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

John W. Sweet, Esquire
Elizabeth R. Marx, Esquire
Ria M. Pereira, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
CAUSE-PA

Joseph L. Vullo, Esquire
1460 Wyoming Avenue
Forty Fort, PA 18704
Commission on Economic Opportunity

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

Lafayette Morgan, Jr.
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
OCA Consultant

Roger D. Colton
Fisher, Sheehan & Colton
34 Warwick Road
Belmont, MA 02478
OCA Consultant

Martha A. Verbonitz, Esquire
Department of the Army
Tobyhanna Army Depot
11 Hap Arnold Boulevard
Tobyhanna, PA 18466-5054
*U.S. Department of Defense and all other
Federal Executive Agencies*

John J. McNutt, Esquire
US Army Legal Services Agency
Regulatory Law Division
9275 Gunston Road (ELD-4315)
Fort Belvoir, VA 22060
*U.S. Department of Defense and all other
Federal Executive Agencies*

Derrick Price Williamson, Esquire
Barry A. Naum, Esquire
Spilman Thomas & Battle, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
IEPCA

Steven C. Gray, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101-1923

Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
OSBA Consultant

Scott B. Granger, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Daniel Clearfield, Esquire
Carl R. Shultz, Esquire
Kristine Marsilio, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
Direct Energy

Date: August 3, 2020

David P. Zambito, Esquire
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
Calpine Energy Services, L.P.

David Torakeo
517 Grandview Avenue
Camp Hill, PA 17011

Sarah Hanle
56 S. Wolf Street, Apt. 1
Manheim, PA 17545

Micah Cameron
40 High Street, Apt. #1
Pittston, PA 18640



Jessica R. Rogers

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3015162
Office of Consumer Advocate	:	C-2020-3018289
Office of Small Business Advocate	:	C-2020-3018858
Calpine Energy Services, L.P.	:	C-2020-3019101
Micah Cameron	:	C-2020-3017207
David Torakeo	:	C-2020-3019355
Sarah Hanle	:	C-2020-3019824
	:	
v.	:	
	:	
UGI Utilities, Inc. Gas Division	:	

**JOINT PETITION FOR APPROVAL OF
UNOPPOSED SETTLEMENT OF ALL ISSUES**

TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE CHRISTOPHER P. PELL:

I. INTRODUCTION

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Industrial Energy Consumers of Pennsylvania (“IECPA”) and the United States Department of Defense and all other Federal Executive Agencies (“DOD/FEA”), all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”),¹ hereby file this “Joint Petition for Approval of Unopposed

¹ In addition to the Joint Petitioners, the following were active parties to the proceeding: the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), Calpine Energy Services, L.P., and Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC. These active parties have indicated that they do not oppose the settlement. Additionally, three residential customers filed formal complaints opposing the proposed rate increase. Mr. Torakeo issued one set of discovery and participated in Public Input Hearings. Ms. Hanle also provided testimony at the Public Input Hearings. These complainants were not otherwise active parties in this proceeding and are not signatories to this Unopposed Settlement. A complete copy of this Settlement is being served on all formal complainants.

Settlement of All Issues” (“Unopposed Settlement”) and respectfully request that presiding Deputy Chief Administrative Law Judge Christopher P. Pell (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve UGI Gas’s above-captioned distribution base rate increase filing subject to the terms and conditions of the Unopposed Settlement.

This Unopposed Settlement represents a full settlement of all issues and concerns raised in the instant proceeding. The Unopposed Settlement provides for increases in rates, as set forth in the *pro forma* tariff supplement attached as **Appendix A** and the proof of revenues attached as **Appendix B** to this Petition, designed to produce a net increase in annual distribution operating revenues of \$20.0 million, based upon a Fully Projected Future Test Year ending September 30, 2021 (“FPFTY”). Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs are provided as **Appendices C-E**, respectively. **Appendix F** contains the Statements in Support and Letters of Non-Opposition being submitted by the parties to this proceeding.

In support of the Unopposed Settlement, the Joint Petitioners state the following:

II. **BACKGROUND**

1. This proceeding was initiated on January 28, 2020, when UGI Gas filed Supplement No. 6 to Tariff Gas PA. P.U.C. Nos. 7 and 7S (“Supplement No. 6.”) with the Commission. Supplement No. 6 was issued to be effective for service rendered on or after March 28, 2020. It proposed changes to UGI Gas’s distribution base rates designed to produce an increase in annual revenues of approximately \$74.6 million, based upon data for a fully projected future test year ending September 30, 2021 (“2020 Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase. Together with the 2020 Base Rate Case filing, UGI Gas served the following direct testimony: UGI Gas Statement No. 1, Direct Testimony of Christopher R. Brown; UGI Gas Statement No. 2, Direct Testimony

of Stephen F. Anzaldo,; UGI Gas Statement No. 3, Direct Testimony of Vivian K. Ressler; UGI Gas Statement No. 4, Direct Testimony of Kelly A. Beaver (subsequently revised to Timothy J. Angstadt); UGI Gas Statement No. 5, Direct Testimony of Joseph R. Kopalek; UGI Gas Statement No. 6, Direct Testimony of Vicky A. Schappell; UGI Gas Statement No. 7, Direct Testimony of Paul R. Moul; UGI Gas Statement No. 8, Direct Testimony of Paul R. Herbert; UGI Gas Statement No. 9, Direct Testimony of John F. Wiedmayer; and UGI Gas Statement No. 10, Direct Testimony of Nicole M. McKinney.

2. Formal complaints against the 2020 Base Rate Case were filed by OCA, OSBA, and Calpine, as well as several customers. Petitions to intervene were filed by and granted for CEO, CAUSE-PA, IECPA, the DOD/FEA and Direct Energy. I&E filed a Notice of Appearance.

3. On February 27, 2020, the Commission issued an Order suspending Supplement No. 6 until October 28, 2020, unless permitted by Commission Order to become effective at an earlier date. In addition, the Commission issued a Hearing Notice scheduling a Prehearing Conference for March 9, 2020. Also on February 27, 2020, the ALJ issued the Prehearing Order.

4. On March 6, 2020, the Governor of the Commonwealth of Pennsylvania, Tom Wolf, issued a Proclamation of Disaster Emergency (“Executive Order”) in response to the COVID-19 Pandemic.

5. On March 9, 2020, a Prehearing Conference was held, at which point the Parties agreed to a procedural schedule. That procedural schedule was included in the ALJ’s Prehearing Order #1 issued on March 10, 2020.

6. On March 15, 2020, Pennsylvania Deputy Secretary for Human Resources and Management issued an Executive Order that implemented telework protocols for state offices in

Dauphin County and the Capitol Complex, including closing the Commission's offices and the offices of I&E for a period of at least 14 days, beginning on March 16, 2020.

7. On March 16, 2020, I&E filed a Motion requesting an indefinite suspension of the procedural schedule. On March 23, 2020, CAUSE-PA filed its Answer of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania in Support of the March 16, 2020 Motion of the Bureau of Investigation and Enforcement. On March 24, 2020, OCA filed its Answer of the Office of Consumer Advocate in Support of the Bureau of Investigation and Enforcement's Motion to Suspend the Procedural Schedule.

8. On March 24, 2020, a teleconference was held to address the parties' concerns regarding the continuation of the litigation schedule adopted during the March 9, 2020 Prehearing Conference. The litigation schedule adopted during the March 9, 2020 Prehearing Conference and memorialized in Prehearing Order #1 was suspended for a period of two weeks. On March 26, 2020, UGI Gas filed Supplement No. 10 to Tariff UGI Gas Pa.P.U.C. Nos. 7 and 7S, which voluntarily suspended the rates and regulations proposed in Supplement No. 6 to Tariff UGI Gas Pa.P.U.C. Nos. 7 and 7S by one additional day, to become effective on October 29, 2020.

9. A second conference held on April 7, 2020, continued the voluntary suspension of the procedural schedule. On April 9, 2020, UGI Gas filed Supplement No. 11 to Tariff UGI Gas Pa.P.U.C. Nos. 7 and 7S, which voluntarily suspended the rates and regulations proposed in Supplement No. 6 to Tariff UGI Gas Pa.P.U.C. Nos. 7 and 7S by three weeks, to become effective on November 19, 2020.

10. On April 21, 2020, a third teleconference was held wherein the parties agreed to resume the proceeding by adopting a new procedural schedule. A revised procedural schedule was

submitted to the ALJ on April 23, 2020, and was adopted in Prehearing Order #3 dated April 24, 2020.²

11. Pursuant to the revised litigation schedule, I&E, OCA, OSBA, CAUSE-PA, CEO, and IECPA served the following direct testimony on May 22, 2020:

- (a) I&E: I&E Statement No. 1, Direct Testimony of John Zalesky; I&E Statement No. 2, Direct Testimony of Christopher Keller; I&E Statement No. 3, Direct Testimony of Joseph Kubas; I&E Statement No. 4, Direct Testimony of Holly Gilliland; I&E Statement No. 5, Direct Testimony of Eryan Sakaya; I&E Statement No. 6, Direct Testimony of Christopher M. Henkel; and I&E Statement No. 7, Direct Testimony of James Harchar;
- (b) OCA: OCA Statement No. 1, Scott J. Rubin; OCA Statement No. 2, Direct Testimony of Lafayette Morgan; OCA Statement No. 3, Direct Testimony of Kevin O'Donnell; OCA Statement No. 4, Direct Testimony of Jerome Mierzwa; OCA Statement No. 5, Direct Testimony of Roger D. Colton;
- (c) OSBA: OSBA Statement No. 1, Direct Testimony of Robert D. Knecht;
- (d) CEO: CEO Statement No. 1, Direct Testimony of Eugene M. Brady;
- (e) CAUSE-PA: CAUSE-PA Statement No. 1, Direct Testimony of Mitchell Miller;
- (f) IECPA: IECPA Statement No. 1, Direct Testimony of Richard A. Baudino.

12. On June 4, 2020, two public input hearings were held telephonically. Five witnesses testified on the record regarding a variety of concerns.

13. Pursuant to the schedule, rebuttal testimony was due on June 19, 2020.³ The rebuttal testimony served included:

- (a) UGI Gas: UGI Gas Statement No. 1-R, Rebuttal Testimony of Christopher R. Brown; UGI Gas Statement No. 2-R, Rebuttal Testimony of Stephen F. Anzaldo; UGI Gas Statement No. 3-R, Rebuttal Testimony of Vivian K. Ressler; UGI Gas Statement No. 4-R, Rebuttal Testimony of Timothy J. Angstadt; UGI Gas Statement No. 5-R, Rebuttal Testimony of Joseph R. Kopalek; UGI Gas Statement No. 7-R, Rebuttal Testimony of Paul R. Moul; UGI Gas Statement No. 8-R, Rebuttal Testimony of Paul R. Herbert; UGI

² Prehearing Order #2 dated April 24, 2020, granted UGI Gas' Motion for Protective Order.

³ As a result of Governor Wolf's action declaring June 19, 2020 a state holiday during the pendency of the proceeding, the statutory advocates filed rebuttal testimony on June 18, for I&E and OCA, and on June 22 for OSBA.

Gas Statement No. 9-R, Rebuttal Testimony of John F. Wiedmayer; UGI Gas Statement No. 11-R, Rebuttal Testimony of Robert R. Stoyko; UGI Gas Statement No. 12-R, Rebuttal Testimony of Daniel V. Adamo; UGI Gas Statement No. 13-R, Rebuttal Testimony of Toby Bishop; and UGI Gas Statement No. 14-R, Rebuttal Testimony of James H. Cawley;

- (b) I&E: I&E Statement No. 2-R, Rebuttal Testimony of Christopher Keller;
- (c) OCA: OCA Statement No. 4-R, Rebuttal Testimony of Jerome Mierzwa;
- (d) OSBA: OSBA Statement No. 1-R, Rebuttal Testimony of Robert D. Knecht;
- (e) IECPA: IECPA Statement No. 1-R, Rebuttal Testimony of Richard A. Baudino.

14. On July 7, 2020, parties served the following surrebuttal testimony.

- (f) UGI Gas: UGI Gas Statement No. 8-SR, Surrebuttal Testimony of Paul R. Herbert;
- (g) I&E: I&E Statement No. 1-SR, Surrebuttal Testimony of John Zalesky; I&E Statement No. 2-SR, Surrebuttal Testimony of Christopher Keller; I&E Statement No. 3-SR, Surrebuttal Testimony of Joseph Kubas; I&E Statement No. 5-SR, Surrebuttal Testimony of Esyan Sakaya; I&E Statement No. 6-SR, Surrebuttal Testimony of Christopher M. Henkel; and I&E Statement No. 7-SR, Surrebuttal Testimony of James Harchar;
- (h) OCA: OCA Statement No. 1-S, Surrebuttal Testimony of Scott J. Rubin; OCA Statement No. 2-S, Surrebuttal Testimony of Lafayette Morgan; OCA Statement No. 3-S, Surrebuttal Testimony of Kevin O'Donnell; OCA Statement No. 4-S, Surrebuttal Testimony of Jerome Mierzwa; and OCA Statement No. 5-S, Surrebuttal Testimony of Roger D. Colton;
- (i) CAUSE-PA: CAUSE-PA Statement No. 1-SR, Surrebuttal Testimony of Mitchell Miller.

15. The Parties engaged in extensive discovery throughout the proceeding. UGI Gas responded to more than 650 interrogatories and requests for production of documents, many of which included multiple subparts.

16. As a result of extensive settlement discussions, the Joint Petitioners were able to reach a settlement in principle of all issues. The active Parties agreed to waive cross examination, and to suspend the procedural schedule prior to the filing of rejoinder testimony.

17. The parties filed a Joint Stipulation For Admission of Evidence on July 20, 2020 to move testimony and exhibits into the record, which was granted on July 23, 2020.

18. As a result of the efforts described above, the Joint Petitioners have agreed to a settlement that fully resolves all issues among them. The Joint Petitioners are in full agreement that the Unopposed Settlement is in the public interest as a reasonable resolution of their respective interests and should be approved. The Unopposed Settlement agreed to by the Joint Petitioners is set forth in the following Section III.

III. SETTLEMENT

A. GENERAL

19. The following terms of this Unopposed Settlement reflect a carefully balanced compromise of the interests of the active Parties in this proceeding, inclusive of COVID-19 related considerations. The Joint Petitioners agree that the Unopposed Settlement is in the public interest.

20. On March 6, 2020, pursuant to subsection 7301(c) of the Emergency Management Services Code, 35 Pa. C.S. §§ 7101, *et seq.*, Governor Tom Wolf issued a Proclamation of Disaster Emergency proclaiming the existence of a disaster emergency throughout the Commonwealth for a period of up to ninety (90) days, unless renewed by the Governor. Shortly thereafter, on March 11, 2020, the World Health Organization declared COVID-19 — the coronavirus — a pandemic (“COVID-19 Pandemic”). Subsequently and in response, on March 13, 2020, the Commission issued an Emergency Order instituting a Public Utility Service Termination Moratorium at Docket No. M-2020-3019244 (“PUC Emergency Order”). Since that time, the Pennsylvania state government and the federal government have been working to address the impacts that COVID-19 is having on the health of Pennsylvanians, and on the state and national economy. This settlement will allow UGI Gas to enhance the provision of supportive services to its customers during the COVID-19 Pandemic period while continuing to provide safe and reliable natural gas

distribution services. These measures should be approved promptly, so that they can be put into effect to assist UGI Gas's customers.

21. The Joint Petitioners agree that UGI Gas's January 28, 2020 distribution base rate increase filing should be approved, including those tariff changes included in and specifically identified in **Appendix A** attached hereto, subject to the terms and conditions of this Unopposed Settlement specified below.

B. STAY-OUT

22. In consideration of this comprehensive COVID-19 settlement, the Company shall not file a Section 1308(d) general rate increase prior to January 1, 2022, provided, however, that the Company shall not be prevented from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates.

C. REVENUE INCREASE

23. The Company shall be permitted to implement an increase in base rate revenues of \$20 million effective January 1, 2021, in lieu of the originally requested \$74.6 million increase, or 26.8% of the originally requested increase. This 2.7% increase in overall pro forma annual operating revenue will be phased-in and partly deferred as described below, with revenue allocations made in accordance with the Company's as-filed revenue allocation percentages:

1. January 1, 2021 through June 30, 2021:

(a) Current pro forma annual revenue increase of \$10 million (1st step tariff billing rate increase) permitted as follows:

Rate R/RT:	\$8.2 million
Rate N/NT:	\$1.7 million
Rate DS:	\$0.1 million

(b) Permitted deferral revenue (\$million) by month shall be as shown below.

Month	Total	R/RT	N/NT	DS
January 2021	\$1.95	\$1.63	\$0.31	\$0.02
February 2021	\$1.63	\$1.36	\$0.26	\$0.02
March 2021	\$1.35	\$1.12	\$0.22	\$0.01
April 2021	\$0.69	\$0.56	\$0.12	\$0.01
May 2021	\$0.35	\$0.27	\$0.07	\$0.00
June 2021	\$0.18	\$0.14	\$0.04	\$0.00
<u>Period Total</u>	\$6.16	\$5.08	\$1.02	\$0.06

2. July 1, 2021 forward:

(a) Additional current pro forma annual revenue increase of \$10 million (2nd step tariff billing rate increase) permitted as follows:

Rate R/RT:	\$8.2 million
Rate N/NT:	\$1.7 million
Rate DS:	\$0.1 million

(b) No additional permitted deferral revenue applies.

24. The deferral amount of \$6.16 million shall be recovered over the period October 1, 2021 through September 30, 2022 through a temporary increase to the otherwise applicable monthly customer charge. The amount of the temporary increase is shown below, by customer class:

Rate R/RT: \$0.71 per month (based on total deferred Rate R/RT amount of \$5.08 million)

Rate N/NT: \$1.25 per month (based on total deferred Rate N/NT amount of \$1.02 million)

Rate DS: \$3.24 per month (based on total deferred Rate DS amount of \$0.06 million)

The recovery of such deferral amounts shall not be subject to interest, true-up or reconciliation.

D. RATE DESIGN

25. The pro forma annual revenue increases will be incorporated through increases to the Company's volumetric distribution charges for the affected classes based on the Company's

filed usage billing determinants as reduced by 75 percent of the Company's growth-related billing determination adjustment set forth in the rebuttal testimony of Christopher R. Brown.

26. As noted in Paragraph 23, above, a temporary one-year increase in monthly customer charges shall apply for the period of October 1, 2021 through September 30, 2022 to recover the deferred revenue amount.

E. CUSTOMER ASSISTANCE, INCLUDING PAYMENT TROUBLED AND LOW INCOME CUSTOMERS

27. For the duration of the termination moratorium established by the PUC Emergency Order, the Company shall:

- (a) Continue service to all currently active customers, irrespective of payment status, unless termination is required to ameliorate a safety emergency, or unless otherwise determined by the Commission (upon petition by the Company or upon the Commission's own motion) in accordance with the PUC Emergency Order.
- (b) Conduct outreach to all customers for which UGI Gas has income documentation on file indicating the customer is confirmed low income and screen for CAP eligibility.
- (c) Continue additional voluntary customer assistance activities throughout the duration of the COVID-19 PUC Emergency Order including:
 - (i) Waiver of late payment fees incurred on and after March 24, 2020, through the duration of the PUC Emergency Order.
 - (ii) Conduct enhanced customer screening to determine CAP and LIHEAP eligibility and process related enrollments (enhancements include auto-enrollment in CAP for Non-CAP LIHEAP recipients

and generation of pre-populated LIHEAP applications for Non-LIHEAP CAP customers).

(iii) Suspend CAP recertification requirements for the duration of the PUC Emergency Order. When CAP recertification requirements resume, CAP customers whose recertification was due during the pendency of the PUC Emergency Order will recertify their income and be eligible for reinstatement using the same process as set forth in Paragraph 28(a), below, for the self-verifying CAP customers.

(iv) Enhance communications to residential and non-residential customers describing the various sources of grants and emergency funding options that are available through temporary State and Federal stimulus programs.

(d) Within 15 days of entering this Unopposed Settlement, UGI will send a communication to consumers with arrears and those who have previously failed payment arrangements encouraging them to contact UGI to determine whether they may now be eligible for a payment arrangement.

28. Temporary Emergency-based Changes.

(a) Accept self-verification of income for new CAP enrollments or modification of CAP payment determinations for existing customers with income modifications for the duration of the PUC Emergency Order. Within 10 days of the expiration of the PUC Emergency Order, UGI will initiate a notice to CAP CBOs requiring them to recertify all self-verified CAP customers according to UGI's standard CAP recertification process to

be completed in 110 days or less. If a participant does not submit income documentation within UGI's standard 90-day CAP recertification process, they will be removed from CAP. Any such customer will not be subject to a stay-out of the CAP and will be reinstated into the program without upfront payment if they submit the required income documentation within 6 months of their CAP removal date. Upon reinstatement into CAP, the customer will have all arrearage accrued while not enrolled in CAP reclassified as pre-program arrearage. These modified reinstatement rules shall be applicable only to the identified 6 month period following a customer's removal pursuant to the foregoing and are not a permanent change to the Company CAP program terms and conditions.

- (b) Expand eligibility of the UGI Gas Operation Share grant program to 250% FPL and increase the maximum grant size from \$400 to \$600 for the duration of the PUC Emergency Order plus an additional 90 days, to the extent funds are available.
- (c) The Company shall provide an additional \$2.0 million in funding to the UGI Gas Operation Share program. The additional \$2.0 million in funding to the UGI Gas Operation Share program shall be by a non-rate recoverable funding amount of \$1.0 million from the Company and an additional \$1.0 million in funding from anticipated pipeline refund amounts. This \$1.0 million is a single-issue usage one-time only use of residential pipeline refunds and does not permit future use of pipeline refunds for any purpose. This additional funding would increase the Operation Share balance by

approximately 300% (from approximately \$700,000 to \$2.7 million). CAP customers will remain eligible for Operation Share grants. These funds will be distributed, consistent with the Operation Share program allocations found in Appendix A of UGI's currently approved Universal Service and Energy Conservation Plan.

- (d) To ensure the continued effectiveness of LIURP due to the prolonged cessation of program activities during the COVID-19 crisis, UGI agrees to take the following steps to ensure the LIURP program will continue to meet community needs:
 - (i) UGI will use its best efforts to expend its entire 2020 LIURP budget. To assist it in doing so after months of installation delays due to the Emergency Proclamation, UGI will adjust its LIURP minimum usage threshold to the actual average usage of residential customers (no longer average usage + 30%) for customers at or below 150% FPL for the duration of its 2020 LIURP program year. All unspent LIURP dollars at the end of the program year will continue to roll over and be added to the budget for the following year, consistent with prior rate case settlements.
 - (ii) The Company will provide additional funding of up to \$500 per LIURP job in instances where the LIURP contractor incurs documented COVID-19 related costs including costs for additional PPE to ensure that its workers are not exposed unreasonably to COVID-19 virus while performing LIURP services.

- (iii) Beginning July 1, 2021, UGI will increase its annual LIURP budget by an amount proportionate to the percentage distribution rate increase for the residential customer class, which is equal to \$80,000 per annum on a calendar year basis, with the amount attributable to the period ending December 31, 2021, also being \$80,000.

29. If, after the Commission’s current termination moratorium expires or is otherwise terminated, the Commission issues a similar order reinstating a termination moratorium due to the COVID-19 pandemic, the Company will initiate discussions with the parties to this Unopposed Settlement within thirty (30) days of the order to discuss a possible extension of customer benefits provided under this Section III.E.

F. COVID-19 EMERGENCY RELIEF PROGRAM

30. Emergency Relief Program (“ERP”). Effective one (1) day after the issuance of the Commission’s Order approving this Unopposed Settlement, the Company will implement a temporary program to provide billing relief and/or payment relief for customers who need temporary relief measures during the pendency, and for a limited period following the termination of the PUC Emergency Order period as defined in Paragraph 36, below.

31. Enrollment. Enrollment in the ERP may be made online or by phone.

32. Eligibility.

(a) Any residential customer meeting the following qualifications will be eligible for the program:

- (i) The customer is a current customer in arrears; and
- (ii) The customer is not participating or eligible for CAP; and
- (iii) The customer provides the following: (1) proof of unemployment benefits filed/received for one or more household members on or

after March 13, 2020; or (2) proof the customer, or a member of the customer's household, is eligible for, or has received, a federal COVID-19 relief check in the amount of \$1,200.

(b) Any small business customer meeting the following qualifications will be eligible for the program:

- (i) The customer is a current customer receiving service under Rate N, NT or DS who is in arrears; and
- (ii) The customer provides proof of the following: (1) it has closed operations due to its status as a non-essential life-sustaining business, or (2) it had business operations partially suspended due to a COVID-19-related order.

33. Benefits.

(a) Residential customer ERP benefits shall include:

- (i) Upon enrollment, suspension of collection efforts for any amounts due for service beginning as of the March 2020 billing cycle and continuing through the duration of the PUC Emergency Order; and
- (ii) Upon enrollment, a customer shall be entitled to a one-time credit (up to \$400) in an amount equal to 25% of the customer's applicable balance as of the ERP Enrollment Termination Date (defined in Paragraph 36 below). Upon occurrence of the ERP Enrollment Termination Date, all ERP customers will be screened for CAP and Operation Share eligibility, and those who may be eligible will be encouraged to apply for the most appropriate program to address

their needs. For customers determined to be ineligible for CAP, any remaining current applicable balance shall be subject to a long-term deferred payment arrangement (including the suspended amount). For purposes of establishing a deferred payment arrangement for applicable balances accrued through the ERP Enrollment Termination Date, the Company shall offer payment arrangement terms consistent with section 1405(b) or 12 months, whichever is longer, unless a shorter arrangement is affirmatively requested by the consumer. Longer payment arrangements may be offered to ERP participants at the discretion of the Company.

- (b) Small business customer ERP benefits shall be available to customers receiving service under Rates N, NT and DS and shall include:
 - (i) Upon enrollment, suspension of collection efforts for any amounts due for service beginning as of the March 2020 billing cycle and continuing through the ERP Enrollment Termination Date (defined below); and
 - (ii) Upon occurrence of the ERP Enrollment Termination Date, any remaining current applicable balance shall be subject to a long-term deferred payment arrangement allowing for a period equal to the shorter of (1) two times the length of PUC Emergency Order period; or (2) 180 days.

34. Return to Collections Activity for ERP Enrollees. Upon occurrence of the ERP Enrollment Termination Date and deferred payment arrangements being established in accordance

with Paragraph 33(a)(ii) above, arrearages associated with any customer failing to discharge such COVID-19 related payment plan obligations shall be subject to customary and lawful collections activity.

35. Cost-recovery. The Company shall track the costs associated with providing the ERP for deferred recovery on a class-specific basis, including but not limited to implementation costs and direct bill credit amounts in accordance with Section III.H below. The parties reserve the right to challenge how these costs are recovered in the next base rate proceeding.

36. Termination and Extension. As the COVID-19 situation is changing rapidly, the extent of federal and state assistance is not fully known, and to protect the Company from an indefinite financial exposure, the ERP Enrollment period will terminate at the end of the December 2020 billing period.

37. ERP Enrollment Termination Date. Upon occurrence of the ERP Enrollment Termination Date, enrollment in the ERP will cease except as to customers who initiate enrollment activity prior to the ERP Enrollment Termination Date. No later than 30 days prior to the ERP Enrollment Termination Date, the Company will initiate discussions with the parties to the comprehensive COVID-19 settlement to discuss a possible extension of customer benefits provided under the ERP.

G. TARIFF MODIFICATIONS AND CONSOLIDATION

38. Line Extensions. The Company's proposed modifications to Tariff Rule 5 – Extension Regulation are approved as filed. These modified extension provisions shall not be

applied to customers along existing GET Gas designated mains nor be permitted as a method to extend existing GET Gas mains where GET Gas surcharge payments remain in effect.

39. Rider F – Universal Service Program Modifications. Throughout Rider F, the as-filed updated participant number of “25,297” shall be replaced with “the number of CAP enrollees as of September 30, 2020”.

40. Rate NNS and Rate MBS. The Company shall continue to calculate its Rate NNS and Rate MBS charges using the existing method as approved in the Commission’s October 4, 2019 final order at Docket No. R-2018-3006814.

41. Choice Supplier Tariff Rules. The Company’s proposed language clarifications related to Tariff Rule 10 - Failure to Comply with an OFO or DFD are approved as-filed.

42. Other. The following miscellaneous changes are also approved as-filed:

- (a) *Rule 2, Contract for Gas Service, Page 26; Subsection 2.3.* Facilities and System Access has been modified to reflect the use of Maximum Daily Quantity (“MDQ”) terminology.
- (b) *Rule 10, Rider A, State Tax Adjustment Surcharge, Page 48.* The State Tax Adjustment Surcharge rate has been reset to 0.00%.
- (c) *Rule 13, Rider D, Merchant Function Charge, Page 55.* The rate has increased for Residential PGC Customers to 2.17% and for Non-Residential PGC Customers to 0.28%.
- (d) *Rule 15, Price To Compare, Page 57.* The Price to Compare has changed as a result of the change to the Merchant Function Charge.

- (e) *Rule 21, Gas Emergency Planning, Page 69; Subsection 21.2.* Priority-Based Curtailments. Subpart (3) has been expanded to include Rate N. Subpart (4) has been deleted.
- (f) *Rate GL – General Service – Gas Light Service, Page 88.* The Distribution Charge has been increased in accordance with Rate R/RT rate increases on which Rate GL is based.
- (g) *Rate DS – Delivery Service, Pages 94-95.* Clarifying language addressing the Minimum Monthly Bill has been added. Also, the term Maximum Daily Quantity (“MDQ”) has been defined.
- (h) *Rate LFD – Large Firm Delivery Service, Page 99.* Availability language has been modified to remove extraneous language.
- (i) *Choice Supplier Tariff Rule 4, Choice Supplier Obligations, Page 115; Subsection 4.12.* The residential and commercial Purchase of Receivable rates have been updated as a result of the change to the Merchant Function Charge.

43. Compliance Tariff. The tariff modifications set forth in Paragraphs 38, 39, 41, and 42 shall be effective on the later of October 1, 2020, or on the first day after Commission approval.

44. Chapter 71. The Company’s proposal to permit the Company to file its Chapter 71 earnings reports on a consolidated basis, rather than by former rate district, as proposed at pages 14-15 of UGI Gas Statement No. 1, the Direct Testimony of Christopher R. Brown, is accepted.

45. Uniform Distribution Rates and Riders. The Company’s proposal to fully harmonize distribution rates for Rates N/NT and DS is withdrawn without prejudice. The

Company may propose this in the Company's next base rate case, but no sooner than January 1, 2022.

46. DSIC-eligible Plant Balances. As of the effective date of rates in this proceeding, UGI Gas will continue to be eligible to include plant additions in the Distribution System Improvement Charge ("DSIC") once the Company's total net plant balances reach a level of \$2,875,056,000; as established in the UGI Gas 2019 Base Rate Case. This provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in an FPFTY filing.

47. DSIC Calculation Return on Equity. For purposes of calculating its DSIC, UGI shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

H. COVID COST DEFERRAL

48. Regulatory Asset Accounting for COVID-19 Pandemic Related Costs. In recognition of the extraordinary, not reasonably foreseeable, and non-recurring circumstance posed by the COVID-19 Pandemic on the Company's operations, the Company shall be permitted to track and record as a regulatory asset all COVID-19 Pandemic Costs, as defined in Paragraph 49, below. The Company shall be permitted to claim COVID-19 Pandemic Costs for ratemaking purposes in the Company's next general rate proceeding over an amortization period of 10 years, without interest. COVID Pandemic Costs that cause the Company's operating costs for the specific FERC account to exceed budgeted FTY and FPFTY levels shall be eligible for recovery for ratemaking purposes. Otherwise, COVID-19 Pandemic Related Costs shall not be eligible for

recovery for ratemaking purposes. The Company shall maintain records, documents, and other information necessary to demonstrate that these costs qualify as COVID-19 Pandemic Costs. All parties reserve the right to review the prudence and reasonableness of these costs in the next base rate proceeding.

49. COVID-19 Pandemic Costs may include reasonable and prudently incurred, incremental labor-related costs; costs incurred to maintain employee and contractor availability; incremental health care related costs; incremental worker's compensation costs; incremental occupational safety equipment, contractor, and personnel costs; annual uncollectible accounts expense in excess of \$12.81 million beginning with the fiscal year period ending September 30, 2020 and continuing for annual periods thereafter until the effective date of the Company's next base rate filing; and ERP related costs as discussed in Paragraph 35, above. COVID-19 Pandemic Costs that cause the Company's operating costs for the specific FERC account to exceed budgeted FTY and FPFTY levels or, in the case of uncollectible accounts expense, \$12.81 million, shall be eligible for recovery for ratemaking purposes.

50. The Company shall exercise prudent efforts to maximize its utilization of and track any government benefits, whether direct grant, tax credits, or other, to minimize costs to be deferred under this paragraph. The Company shall provide a report detailing its efforts, any amounts obtained as part of these efforts and their intended use, and, if denied, the reason for such denial as part of the Company's next base rate case.

I. ACCOUNTING

51. Environmental Cost Recovery.

Normalized Allowance. The Unopposed Settlement reflects an annual normalized amount of \$4.188 million for prospective environmental expenditures under the DEP COAs that was adopted in the Commission's Order at Docket No. R-2018-3006814.

Annual differences between \$4.188 million and actual expenditures since the beginning of the Company's 2019 fiscal year will continue to be deferred as a regulatory asset (where expenditures are greater than \$4.188 million per year) or as a regulatory liability (where expenditures are less than \$4.188 million on an annual basis) and accumulated for book and ratemaking purposes until the Company's next base rate case.

Amortization of Prior Balances. This Company will continue to amortize the \$8.103 million balance applicable to pre-fiscal 2019 environmental expenditures for book and ratemaking purposes at \$1.621 million per year, as adopted by the Commission's October 4, 2019 final order at Docket No. R-2018-3006814. The Company will amortize the \$1.219 million balance applicable to fiscal year 2019 over the five-year period beginning January 1, 2021 at \$243,800 per year, in accordance with recommendation of I&E witness Zalesky (I&E Statement No. 1).

52. ADIT/EDFIT. The Company's Accumulated Deferred Income Tax ("ADIT") and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii) is accepted. Further, the Company's method to amortize Excess Accumulated Deferred Federal Income Taxes ("EDFIT") according to the Average Rate Assumption Method ("ARAM") is accepted. Absent a change in federal or state law, regulation, judicial precedent or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

53. Repairs Allowance. For purposes of determining the revenue requirement in this case, all capitalized repairs deductions claimed on a federal tax return have been normalized for ratemaking purposes and the appropriate related amount of tax effect of those deductions has been reflected as Accumulated Deferred Income Taxes as a reduction to UGI Gas's rate base.

54. Depreciation Rates. For purposes of this settlement, the Company's as-filed FPFTY depreciation rates are accepted for the Company's accounting purposes.

IV. THE UNOPPOSED SETTLEMENT IS IN THE PUBLIC INTEREST

55. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense the Parties must expend litigating a case and, at the same time,

conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See id.* § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

56. This Unopposed Settlement was achieved by the Joint Petitioners after an extensive investigation of UGI Gas's filing, including extensive informal and formal discovery and the filing of substantial testimony by the active Parties.

57. Approval of the Unopposed Settlement will lessen the time and expenses that the active Parties and the Commission must expend on the proceedings. It will also bring the benefits of the COVID-19 relief programs to customers, which would otherwise not have been part of a fully litigated resolution of this proceeding.

58. The Joint Petitioners will further supplement the reasons that the Unopposed Settlement is in the public interest in their Statements in Support. The Statements in Support are attached to this Unopposed Settlement as **Appendix F**, as well as letters of non-opposition from the other active participants. In their respective Statements in Support, each Joint Petitioner explains why, in its view, the Unopposed Settlement is fair, just, and reasonable and reflects a reasonable compromise of the disputed issues in this proceeding.⁴

V. SETTLEMENT CONDITIONS

59. The Unopposed Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Unopposed Settlement without modification. If the Commission modifies the Unopposed Settlement, any Joint Petitioner may elect to withdraw from

⁴ It is noted that, because certain Joint Petitioners only participated with regard to certain issues in this proceeding, some of the Statements in Support may be limited in the scope of issues addressed.

the Unopposed Settlement and may proceed with litigation and, in such event, the Unopposed Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Unopposed Settlement.

60. If the Commission approves the Unopposed Settlement, the Joint Petitioners acknowledge and agree that the rates, rules, and proposals set forth in the 2020 Base Rate Case filing, as modified by the Unopposed Settlement, shall be Commission-made rates.

61. This Unopposed Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Unopposed Settlement and the proceeding continues, the Joint Petitioners reserve their respective procedural rights to evidentiary hearings, submission of additional testimony and exhibits, cross-examination of witnesses, briefing, and argument of their respective positions. The Unopposed Settlement is made without any admission against, or prejudice to, any position that any Joint Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

62. The Joint Petitioners acknowledge that the Unopposed Settlement reflects a compromise of competing positions and does not necessarily reflect any Joint Petitioner's position with respect to any issues raised in this proceeding. The terms and conditions of the Unopposed Settlement are limited to the facts of this specific case and are the product of compromise for the sole purpose of settling this case. This Unopposed Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Parties may advance on the merits of the issues in future proceedings. This Unopposed Settlement does not preclude the Joint Petitioners from taking other positions in

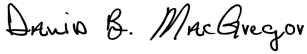
proceedings of other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308, or any other proceeding.

63. If the ALJ adopts the Unopposed Settlement without modification, the Joint Petitioners waive their right to file Exceptions.

VI. CONCLUSION

WHEREFORE, UGI Gas, I&E, OCA, OSBA, IECPA and DOD respectfully request that the Honorable Deputy Chief Administrative Law Judge Christopher P. Pell recommend approval of, and the Pennsylvania Public Utility Commission approve, this Joint Petition for Approval of Unopposed Settlement of All Issues.

Respectfully submitted,

DocuSigned by:

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8/3/2020

David B. MacGregor, Esquire
Jessica R. Rogers, Esquire
Garrett P. Lent, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Date

Kent D. Murphy, Esquire
Danielle Jouenne, Esquire
Michael Swerling, Esquire
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406

Counsel of UGI Utilities, Inc. – Gas Division

DocuSigned by:
Scott Granger
DC1E3C6336DD480...

8/3/2020

Scott B. Granger, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
PO Box 3265
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265

Date

Counsel for Bureau of Investigation and Enforcement

DocuSigned by:
Phillip Demanchick
D08EDA6F6F514B6...

8/3/2020

Darryl A. Lawrence, Esquire
Phillip D. Demanchick, Esquire
Barrett Sheridan, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Date

Counsel for the Office of Consumer Advocate

DocuSigned by:
Steven Gray
A7C918692BF24A8...

8/3/2020

Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Date

Counsel for the Office of Small Business Advocate

DocuSigned by:
Barry Naum
BB11CA2A5A1B4D9...

8/3/2020

Barry A. Naum
Spilman Thomas & Battle, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050

Date

Counsel for the Industrial Energy Consumers of Pennsylvania

DocuSigned by:

3C1D60F82937433...

8/3/2020

John McNutt
United States Army Legal Services Agency
9275 Gunston Road (Suite 4315)
Fort Belvoir, Virginia 22060

Date

*U.S. Department of Defense and all other Federal
Executive Agencies*

Appendix A

UGI UTILITIES, INC. - GAS DIVISION

GAS TARIFF

INCLUDING THE GAS SERVICE TARIFF NO. 7

AND

THE CHOICE SUPPLIER TARIFF NO. 7S

Rates and Rules
Governing the
Furnishing of
Gas Service and Choice Aggregation Service
in the
Territory Described Herein

Issued: Effective for service rendered on
and after

Issued By:

Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

<http://www.ugi.com/tariffs>

NOTICE

This tariff makes Increases/Decreases/Changes to existing rates
(see pages 2-2(b)).

LIST OF CHANGES MADE BY THIS SUPPLEMENT
(Page Numbers Refer to Official Tariff)

Rule 2, Contract for Gas Service, Page 26.

- Subsection 2.3 - Facilities and System Access has been modified to reflect the use of Maximum Daily Quantity ("MDQ") terminology.

Rule 5, Extension Regulation, Pages 35-35(a).

- Subsection 5.1 - Obligation to Extend or Expand has been modified to enhance the Company's standard line extension regulation, as contained in Subsection 5.1(b).
- Subsections 5.2, 5.3, and 5.4 have been added to page 35(a) as a pagination change.

Rule 10, Rider A, State Tax Adjustment Surcharge, Page 48.

- The State Tax Adjustment Surcharge rate has been reset to 0.00%.

Rule 13, Rider D, Merchant Function Charge, Page 55.

- The rate has increased for Residential PGC Customers to 2.17% and for Non-Residential PGC Customers to 0.28%.

Rule 15, Price To Compare, Page 57.

- The Price to Compare has changed as a result of the change to the Merchant Function Charge.

Rule 16, Rider F, Universal Service Program, Page 59.

- Annual Reconciliation - the CAP credit bad debt offset language has been updated and will be applied where CAP enrollment exceeds the number of CAP enrollees as of September 30, 2020.

Rule 21, Gas Emergency Planning, Page 69.

- Subsection 21.2 - Priority-Based Curtailments. Subpart (3) has been expanded to include Rate N. Subpart (4) has been deleted.

Rate R - General Service - Residential, Page 85.

- The Distribution Charge has been increased and the Revenue Deferral Charge has been added.

Rate RT - General Service - Residential Transportation, Page 86.

- The Distribution Charge has been increased and the Revenue Deferral Charge has been added.

Rate GL - General Service - Gas Light Service, Page 88.

- The Distribution Charge has been increased.

Rate N - General Service - Non-Residential, Page 89.

- The Distribution Charge has been increased and the Revenue Deferral Charge has been added.

Rate NT - General Service - Non-Residential Transportation, Page 90.

- The Distribution Charge has been increased and the Revenue Deferral Charge has been added.

LIST OF CHANGES MADE BY THIS SUPPLEMENT - Continued
(Page Numbers Refer to Official Tariff)

Rate GBM - Gas Beyond The Mains (Piped Propane Service), Page 92.

- The Distribution Charge has been increased and the Revenue Deferral Charge has been added in concert with the same change to Rate N/NT.

Rate DS - Delivery Service, Pages 94-95.

- The Distribution Charge has been increased and the Revenue Deferral Charge has been added.
- Clarifying language addressing the Minimum Monthly Bill has been added. Also, the term Maximum Daily Quantity ("MDQ") has been defined.

Rate NNS - No-Notice Service, Page 97.

- The unit cost per MCF has been recalculated and updated.

Rate MBS - Monthly Balancing Service, Page 98(a).

- The Rate MBS charged to Rates DS/IS, LFD, and XD has been recalculated and updated.

Rate LFD - Large Firm Delivery Service, Page 99.

- Availability language has been modified to remove extraneous language.

Choice Supplier Tariff

Cover Page

- Updated to reflect Supplement Number, Notice language, Issue and Effective dates.

Rule 4, Choice Supplier Obligations, Page 115.

- Subsection 4.12 - The residential and commercial Purchase of Receivable rates have been updated as a result of the change to the Merchant Function Charge.

Rule 10, Rate AG - Aggregation Service, Page 127.

- Failure to Comply with an OFO or DFD penalty charge language has been clarified for application.

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RULES AND REGULATIONS

2. CONTRACT FOR GAS SERVICE

2.1 Application for Service. Every Applicant for Gas Service must apply through the Company. Non-Residential Applicants may be required to sign a contract for service consistent with this Tariff.

2.2 Right to Reject. The Company may limit the amount and character of service it will supply. It may reject applications where service is not available, or which might affect service to existing Customers, or for other good and sufficient reasons at the Company's sole discretion.

2.3 Facilities and System Access. Each Customer with a Daily Firm Requirement ("DFR"), Maximum Daily Quantity ("MDQ"), or peak usage capability of 1,000 MCF per day or greater shall provide the Company with the opportunity to review plans for the development of all gas facilities to the Customer's premises (including pipelines, mains, service lines and appurtenances), in order to assure safety and reliability, as follows: (C)

- (a) If the Customer proposes to acquire, construct or contract for the use of service of gas facilities ("Customer gas facilities"), the Customer will provide advance notice to the Company in writing, at least sixty (60) days in advance of the earlier of the effective date of a contract or commencement date for construction of Customer gas facilities.
- (b) The Customer agrees to submit all design and construction specifications and drawings to the Company in advance of construction, which demonstrate compliance with all applicable requirements as to gas main and service construction and pipeline safety. If the Company determines that Customer gas facilities will encroach upon or interconnect with Company facilities, serve common gas utilization equipment with Company facilities or are in the immediate vicinity of Company facilities such that the safety of Company facilities may be adversely affected thereby, the Company shall have the right to approve the design and location of such Customer gas facilities. The Company shall act upon its right to approve such Customer gas facilities within ninety (90) days after the later of submission of all design and construction specifications and drawings to the Company, or Customer notification required under Rule 2.3(a), provided however, if the Company fails to respond in writing within the ninety (90) day time period the Customer may move forward with its project. Customer gas facilities will be deemed to encroach upon the Company's facilities when they would interfere with or prevent the Company from accessing, maintaining or operating its facilities or when the Customer gas facilities would be configured or located in a manner that would cause safety or reliability concerns with respect to the Company's facilities.
- (c) If the full sixty (60) day notice required in Rule 2.3(a) is not given by the Customer then the Customer shall be deemed to have granted the Company full authority to discontinue service upon discovery of any safety or reliability concerns. The Company will provide 24 hours' notice unless there are reliability or safety issues that must be addressed immediately. The Company shall not be liable for any costs or damages caused by such service discontinuance.

(C) Indicates Change

RULES AND REGULATIONS

5. EXTENSION REGULATION

5.1 Obligation to Extend or Expand. **(C)**

(a) Under the rules set forth below and under normal conditions of construction and installation, upon written application, the Company will extend or expand its facilities within its service territory, provided that (a) the requested extension or expansion will not adversely affect the availability or deliverability of gas supply to existing customers and (b) the Company's investment in facilities is warranted by the Annual Base Revenue to be derived from the extension. The costs of extending or expanding facilities beyond the Company's Allowable Investment Amount shall be paid by the Extension Applicant as a contribution. Extension contributions may be excused, in whole or in part, in accordance with Rule 5.1(b). Upon request, the Company will provide Customers with a written explanation and reasonable detail of the cost-benefit analysis used in clause (b) above including estimated project costs, the Company's maximum allowable investment, and the Company's Annual Base Revenues. In addition, the Company will provide the Customer with a written timetable for the anticipated construction of the upgrade and written notice of completion.

(b) No contribution amount shall be required for an extension of facilities if all of the following conditions, as determined by the Company, are met:

(1) Service location is directly accessible from an existing or proposed (non-high pressure) Company main that would be extended up to one hundred fifty (150) feet;

(2) Service length is one hundred fifty (150) feet or less;

(3) Customer will utilize gas service as their primary heating source and be served under Rates R, RT, N or NT;

(4) Construction does not cross third party non-public property, private right-of-way or complex obstruction (stream, culvert, excessive hillside, etc.) and does not present any abnormal or unusual construction conditions or require unusual permitting requirements.

(5) Extensions not meeting all of the above conditions (1) through (4) shall have the Company's Allowable Investment Amount determined upon incremental investment amounts required beyond those permitted by the construction conditions stated above.

(C) Indicates Change

RULES AND REGULATIONS

5. EXTENSION REGULATION - Continued

(C)

5.2 General

- (a) Annual Base Revenue. As used in this Section 5, the Annual Base Revenue is the anticipated annual base rate revenue from the extension or expansion, as determined by the Company, less the cost of fuel included in base rates. Where gas is used as a supplemental source of fuel for peak heating purposes, anticipated base revenues from such use shall be excluded from Annual Base Revenue.
- (b) Allowable Investment Amount. The Company's Allowable Investment Amount shall be the Annual Base Revenue divided by a predetermined rate of return.
- (a) Estimates and non-standard costs. Cost estimates used by the Company may be based on construction and installation conditions anticipated for the extension, including, but not limited to, the cost of installation and construction: non-street surface restoration, such as replacement or repair of sidewalks, driveways, landscaping or sod; street opening and restoration terms and fees; and any other local government fees required for the installation. The Company may determine cost estimates based on average experienced unit costs.
- (d) Surface Restoration. The Company will restore the street surface in accordance with applicable local government regulations and provide rough backfilling of the installation trench from the curb to the meter. The Extension Applicant will be required to perform or pay the Company's cost of non-street surface restoration.
- (e) Standard conditions of construction in a residential development, commercial park and industrial park include trenching provided by the developer.

5.3 Residential and Small Commercial Gas Service. For Gas Service to individually metered, single dwelling units, the Company will install required service facilities, including, as applicable, a meter, regulator, service-supply pipe and supply-main, provided the costs in excess of the Allowable Investment Amount shall be paid by the Extension Applicant.

5.4 Commercial and Industrial Gas Service (including apartment buildings and multi-unit housing)

(C) Indicates Change

RULES AND REGULATIONS

10. RIDER A

STATE TAX ADJUSTMENT SURCHARGE

The State Tax Adjustment Surcharge is applicable to the net monthly rates and minimum charges contained in this Tariff. The surcharge shown below will be recomputed when a tax rate used in the calculation changes and/or the Company implements a change in rates.

The recomputation of the surcharge will be submitted to the PUC within 10 days after the occurrence of a reason for surcharge recomputation shown above. If the recomputed surcharge is less than the one in effect the Company will, and if more may, submit a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after the filing.

Rider A - State Tax Adjustment Surcharge is 0.00%

(D)

This Rider applies to Rates R, RT, GL, N, NT, GBM, DS, and LFD.

(D) Indicates Decrease

RULES AND REGULATIONS

13. RIDER D

MERCHANT FUNCTION CHARGE

Applicability and Purpose

This Rider shall be applied to rates for each MCF (1,000 cubic feet) of gas supplied under Rate Schedules R and N of this Tariff and shall be reflected in the Price to Compare. The Rider is equal to the fixed percentage, established by the PUC in Company's last general base rate proceeding, of purchased gas costs which are expected to be uncollectible, and shall not be reconciled to reflect actual results. Rider D is intended to make Company's Price to Compare more comparable to the gas supply service prices offered of other Natural Gas Suppliers that presumably reflect anticipated uncollectible expenses.

Rider D Charge

Rider D charges shall be equal to 2.17% for Residential PGC Customers and 0.28% for Non-Residential PGC Customers of Rider B (Purchased Gas Costs). **(I)**

The collection of the Rider D charges will be summarized by Rate Schedule sub-accounts in the Gas Operating Revenue FERC Account No. 480000 for Rate R and 481000 for Rates N. The associated costs are recorded in FERC Account Nos. 904001 and 904002.

(I) Indicates Increase

Issued:

Effective for Service Rendered on and after

RULES AND REGULATIONS

15. PRICE TO COMPARE

The Price to Compare ("PTC") is composed of the Annual C-Factor, Annual E-Factor, Gas Procurement Charge and Merchant Function Charge. The PTC rate will change whenever any components of the PTC change. The current PTC rate is detailed below:

Price to Compare

	Rate R (CCF)	Rate N (MCF)	
Annual C-Factor	\$ 0.44897	\$ 4.4897	
Annual E-Factor	\$ 0.01904	\$ 0.1904	
Gas Procurement Charge	\$ 0.00660	\$ 0.0660	
Merchant Function Charge	<u>\$ 0.01016</u>	<u>\$ 0.0131</u>	(I)
Total Price to Compare	<u>\$ 0.48477</u>	<u>\$ 4.7592</u>	(I)

(I) Indicates Increase

Issued:

Effective for Service Rendered on and after

RULES AND REGULATIONS

16. RIDER F - Continued

UNIVERSAL SERVICE PROGRAM

QUARTERLY ADJUSTMENT

Any time that the Company makes a change in base rates or PGC rate affecting residential customers, the Company shall recalculate the Rider USP rate pursuant to the calculation described above to reflect the Company's current data for the components used in the USP rate calculation. The Company shall file the updated rate with the PUC to be effective one (1) day after filing.

ANNUAL RECONCILIATION

(C)

On or before November 1 of each year, the Company shall file with the PUC data showing the reconciliation of actual revenues received under this Rider and actual recoverable costs incurred for the preceding twelve months ended September. The resulting over/undercollection (plus interest calculated at 6% annually) will be reflected in the CAP quarterly rate adjustment to be effective December 1. Actual recoverable costs shall reflect actual CAP costs, actual application costs, actual pre-program arrearage forgiveness, actual LIURP and actual Hardship Administrative costs. Actual recoverable CAP credit costs and pre-program arrearage forgiveness shall be based upon actual CAP credits granted and pre-program arrearage forgiveness granted less a 9.2% adjustment for amounts granted to participants in excess of the number of CAP enrollees as of September 30, 2020. The 9.2% adjustment related to CAP credits and pre-program arrearage forgiveness will be based on the following:

For each reconciliation period, the average annual CAP credit per participant will be determined by dividing the total actual CAP credits granted during the reconciliation period by the average monthly number of participants receiving CAP credits during the reconciliation period. The average monthly number of participants receiving CAP credits exceeding the number of CAP enrollees as of September 30, 2020 will be multiplied by the average annual CAP credit granted per participant and then multiplied by 0.0920 in order to determine the amount of the CAP Credits which will not be recovered through Rider USP.

For each reconciliation period, the average pre-program arrearage forgiveness per participant will be determined by dividing the total actual pre-program arrearage forgiven during the reconciliation period by the number of participants receiving pre-program arrearage forgiveness. The number of participants receiving pre-program arrearage forgiveness exceeding the number of CAP enrollees as of September 30, 2020 will be multiplied by the average pre-program arrearage forgiveness per participant and then multiplied by 0.0920 in order to determine the amount of the pre-program arrearage forgiveness which will not be recovered through Rider USP.

(C) Indicates Change

RULES AND REGULATIONS

21. GAS EMERGENCY PLANNING - Continued

(2) Firm large commercial and industrial service for plant protection under Rates LFD and XD.

(3) Firm commercial and industrial service under Rates N, NT, DS, LFD and XD, to the extent actual gas deliveries are being made to the Company's system on behalf of the Customer; all except for plant protection. (C)

21.3 Mandatory Reductions. In the event of an emergency under subsection 21.1, the Company may require each commercial and industrial retail and transportation Customer that is not a Priority 1 Customer to reduce its consumption of gas. In requiring mandatory reductions, the gas supplies available to the Company may be allocated to Customers in accordance with the priorities of use specified in subsection 21.2.

- (1) The reduction required shall be determined by the Company without regard to priorities of use, as necessary to minimize the potential threat to public health and safety.
- (2) The mandatory reduction shall be for a period specified by the Company and may be until further notice. The Company may change a Customer's authorized usage, upon notice, at any time during an emergency.
- (3) Mandatory reductions shall be for a maximum duration of five (5) consecutive business days, unless extended by PUC order.
- (4) Except as provided in 21.3(5), the minimum authorized usage may not be lower than the minimum usage of firm service necessary for plant protection use.
- (5) When all other service has been curtailed except for Priority 1 service and the Company continues to be unable to meet Priority 1 requirements, the Company shall exercise its judgment as to any further curtailment that may be necessary and shall utilize measures designed to minimize harm to Customers if curtailments to plant protection use are found to be necessary.
- (6) Consistent with its responsibility to maintain system integrity at all times, the Company shall provide periodic status updates and restore service as soon as practicable to any gas-fired electric generation facility that is deemed critical to electric system reliability by the electrical system's control area operator.
- (7) Transportation Customers and NGSSs are required to deliver, or cause to be delivered, natural gas supplies to the Company's system during an emergency, regardless of any mandatory gas consumption reductions imposed by the Company on such transportation Customers or NGSSs' Customers. Such natural gas delivery may be required up to the Customer's or NGS's applicable DFR, MDQ, DDR or otherwise specified daily delivery quantity as determined by the Company in its discretion.

(C) Indicates Change

RATE R

GENERAL SERVICE - RESIDENTIAL

AVAILABILITY

This rate applies to all Residential Customers in the entire gas service territory of the Company and available at one location, for the total requirements of any residential Customer. Residential Customers are customers receiving the Company's gas service to a single-family dwelling or building, or through one meter to four or fewer units in a multi-family dwelling or premises used as a single family.

MONTHLY RATE TABLE

Customer Charge: \$14.60 per customer

Plus

Revenue Deferral: \$0.71 per month effective Oct. 1, 2021 - Sept. 30, 2022 (C, I)

Plus

Distribution Charge:

\$0.39464/Ccf (effective January 1, 2021 - June 30, 2021)

(C, I)

\$0.41104/Ccf (effective on and after July 1, 2021)

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge

Rider B - Section 1307 (f) Purchased Gas Cost

Rider C - Extended TCJA Temporary Surcharge

Rider D - Merchant Function

Rider E - Gas Procurement Charge

Rider F - Universal Service Program

Rider G - Energy Efficiency and Conservation

Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

PAYMENT

In accordance with Section 8.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

(I) Indicates Increase (C) Indicates Change

RATE RT

GENERAL SERVICE - RESIDENTIAL TRANSPORTATION

AVAILABILITY

This Rate applies to all Residential Customers in the entire gas service territory who are served by a qualified Choice Supplier receiving service under Rate AG and available at one location, for the total requirements of any residential Customer. Residential Customers are customers receiving the Company's gas service to a single-family dwelling or building, or through one meter to four or fewer units in a multi-family dwelling or premises used as a single family.

MONTHLY RATE TABLE

Customer Charge: \$14.60 per customer

Plus

Revenue Deferral: \$0.71 per month effective Oct. 1, 2021 - Sept. 30, 2022 **(C, I)**

Plus

Distribution Charge:

\$0.39464/Ccf (effective January 1, 2021 - June 30, 2021)

(C, I)

\$0.41104/Ccf (effective on and after July 1, 2021)

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge

Rider C - Extended TCJA Temporary Surcharge

Rider F - Universal Service Program

Rider G - Energy Efficiency and Conservation

Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

(I) Indicates Increase (C) Indicates Change

RATE GL

GENERAL SERVICE - GAS LIGHT SERVICE

AVAILABILITY

This service is available for street, highway, driveway or other lighting or sign illumination, where measurement by meter of the gas consumed is not practicable or economical. As used herein, "light" means a single lamp or sign having one (1) gas-flow orifice and one (1) or more mantles, and of a type approved by the Company.

MONTHLY RATE TABLE

Distribution Charge:

\$0.39464/Ccf (effective January 1, 2021 - June 30, 2021)

(C, I)

\$0.41104/Ccf (effective on and after July 1, 2021)

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge

Rider B - Section 1307(f) Purchased Gas Cost

Rider C - Extended TCJA Temporary Surcharge

Rider I - Distribution System Improvement Charge

Monthly usage is assumed to be 1.8 Mcf, however, for larger consumption input fixtures, the Company reserves the right to modify

BILLS DUE

All bills for continuing service are due each month when rendered, and the final due date stated on the bill shall be no less than fifteen (15) days from the date of presentation. Upon discontinuance of service, bills are due and payable upon presentation.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

SPECIAL TERMS AND CONDITIONS

Gas will be supplied to lights furnished, erected and maintained by the customer only when equipped with regulators and such devices as the Company considers necessary for turning lights on and off for maintenance and safety purposes.

(I) Indicates Increase (C) Indicates Change

RATE N

GENERAL SERVICE - NON-RESIDENTIAL

AVAILABILITY

This Rate applies in the entire territory served by the Company and is available to all Non-Residential Customers, using gas for any purpose including gas purchased by another public utility for resale. Service will be supplied only where the Company's facilities and the available quantity of gas are suitable to the service desired. Rate N service may not be applied to supplement or back up any transportation service.

MONTHLY RATE TABLE

Customer Charge: \$23.50 per customer

Plus

Revenue Deferral: \$1.25 per month effective Oct. 1, 2021 - Sept. 30, 2022 **(C, I)**

Plus

Distribution Charge: **(C, I)**

	Former South/Central Districts	Former North District
Effective Jan. 1, 2021 - June 30, 2021	\$3.5719/Mcf	\$3.2101/Mcf
Effective July 1, 2021	\$3.6271/Mcf	\$3.2653/Mcf

Plus

SURCHARGES and RIDERS

- Rider A - State Tax Adjustment Surcharge
- Rider B - Section 1307(f) Purchased Gas Cost
- Rider C - Extended TCJA Temporary Surcharge
- Rider D - Merchant Function Rider
- Rider E - Gas Procurement Charge
- Rider G - Energy Efficiency and Conservation
- Rider H - Technology and Economic Development
- Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

The Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

(I) Indicates Increase (C) Indicates Change

RATE NT

GENERAL SERVICE - NON-RESIDENTIAL TRANSPORTATION

AVAILABILITY

This Rate applies in the entire territory served by the Company and is available to all Customers who are served by a Choice Supplier receiving service under Rate AG, except residential Customers, using gas for any purpose. Service will be supplied only where the Company's facilities and the available quantity of gas are suitable to the service desired. Rate NT service may not be applied to supplement or back up any transportation or retail service.

MONTHLY RATE TABLE

Customer Charge: \$23.50 per customer

Plus

Revenue Deferral: \$1.25 per month effective Oct. 1, 2021 - Sept. 30, 2022 **(C, I)**

Plus

Distribution Charge: **(C, I)**

	Former South/Central Districts	Former North District
Effective Jan. 1, 2021 - June 30, 2021	\$3.5719/Mcf	\$3.2101/Mcf
Effective July 1, 2021	\$3.6271/Mcf	\$3.2653/Mcf

Plus

SURCHARGES and RIDERS

- Rider A - State Tax Adjustment Surcharge
- Rider C - Extended TCJA Temporary Surcharge
- Rider G - Energy Efficiency and Conservation
- Rider H - Technology and Economic Development
- Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

The Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

(I) Indicates Increase (C) Indicates Change

RATE GBM

GAS BEYOND THE MAINS (Piped Propane Service)

APPLICABILITY

This Page is applicable to customers receiving Piped Propane service in accordance with the Commission's Final Order at Docket No. M-2008-2072850 entered on December 19, 2013.

AVAILABILITY

In accordance with the Commission's Final Order at Docket No. M-2008-2072850 entered on December 19, 2013, Rate GBM is available to small commercial customers until UGI obtains authority from the Commission to abandon such service no later than December 31, 2020, who are served by piped propane systems in existence as of December 19, 2013 ("Existing Propane Systems"), or through reasonable extensions of such Existing Propane Systems made consistent with the line extension provisions of this tariff.

MONTHLY RATE TABLE

Customer Charge: \$23.50 per customer

Plus

Revenue Deferral: \$1.25 per month effective Oct. 1, 2021 - Sept. 30, 2022 (C, I)

Plus

Distribution Charge:

\$3.5719/Mcf (effective January 1, 2021 - June 30, 2021) (C, I)

\$3.6271/Mcf (effective on and after July 1, 2021)

Plus

GBM Commodity Rate: \$20.6806 per Mcf

Plus

SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge

Rider C - Extended TCJA Temporary Surcharge

Rider D - Merchant Function Charge

Rider G - Energy Efficiency and Conservation

Rider I - Distribution System Improvement Charge

The GBM Commodity Rate (a) is designed to recover the full costs of propane acquired to provide GBM service without subsidies from non-GBM service customers, (b) shall be reconciled annually with the resulting over-under collection being recovered or refunded through an E-Factor applied over the next annual period, (c) shall be subject to quarterly PGC adjustments, effective on one day's notice, effective March 1, June 1 and September 1. To the extent there is an over or under recovery of propane costs at the time Rate GBM service is ended, the balance shall be recovered or refunded from all Rate R and N customers by inclusion in the subsequent PGC Gas Cost Adjustment charge calculation.

(I) Indicates Increase (C) Indicates Change

RATE DS

DELIVERY SERVICE

AVAILABILITY

This service applies in the entire territory served by the Company. Firm Delivery Service shall be provided for all volumes supplied by the Customer for which the Company has available on system delivery capacity, subject to Section 21 - Gas Emergency Planning provisions of the Company's tariff, applicable rules and regulations of the PUC and any other governmental mandates.

The Customer must execute a Service Agreement for not less than (1) one year. The contract shall continue in force for consecutive (1) year periods unless cancelled by the Customer upon ninety (90) days written notice to Company prior to the expiration of a contract term.

Gas service in excess of volumes delivered by the Customer shall only be provided in accordance with applicable delivery service balancing provisions or in accordance with optionally elected and approved balancing or standby services.

Service under Rate DS is subject to the terms set forth under Section 22, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

MONTHLY RATE TABLE

The charge for each monthly billing period shall be the sum of the Customer Charge, the Capacity Charge if applicable, and the Distribution Charge as described below. The following are maximum rates.

Customer Charge: \$260.00

Plus

Revenue Deferral: \$3.24 per month effective Oct. 1, 2021 - Sept. 30, 2022 (C, I)

Plus

Capacity Charge: The Company's unitized weighted average cost of firm transportation capacity per elected MDQ.

Plus

Maximum Distribution Charge: (C, I)

	Former South/Central Districts	Former North District
Effective Jan. 1, 2021 - June 30, 2021	\$2.9640/Mcf	\$2.1425/Mcf
Effective July 1, 2021	\$2.9730/Mcf	\$2.1515/Mcf

Plus

SURCHARGES and RIDERS

- Rider A - State Tax Adjustment Surcharge
- Rider C - Extended TCJA Temporary Surcharge
- Rider G - Energy Efficiency and Conservation
- Rider H - Technology and Economic Development
- Rider I - Distribution System Improvement Charge
- Rider J - Gas Delivery Enhancement Rider

(I) Indicates Increase (C) Indicates Change

RATE DS - Continued

DELIVERY SERVICE

MINIMUM BILL

Monthly: The Minimum Monthly Bill shall be the Customer Charge and the Capacity Charge. (C)

The MDQ shall be the Company's contracted maximum firm delivery obligation to the Customer on any day. Service in excess of the MDQ is interruptible in accordance with the terms of Rate IS. (C)

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

RETAINAGE RATE

Company Use and Unaccounted For gas shall be retained in accordance with Section 22, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, AND IS, paragraph 22.1(j).

(C) Indicates Change

RATE NNS - Continued

NO-NOTICE SERVICE

EXCESS REQUIREMENT OPTION

The Excess Requirement Option is available on an interruptible basis to any delivery service Customer served under Rates XD, LFD. This Option shall extend the no-notice provisions of Rate NNS, on solely a best efforts basis, during periods where Customer's daily requirements exceed transportation contract service limits.

Customer must nominate a Daily Excess Requirement ("DER") under this Option in an amount no less than 5 Mcf per day and no greater than 25% of Customer's DFR or otherwise specified contract limit. On days where service under the Excess Requirement Option is required, Customer will have the right, subject to the terms and conditions set forth herein, to take gas in excess of Customer's DFR or otherwise specified contract limit provided such excess is no greater than the nominated DER amount.

Service taken in excess of the sum of Customer's DFR and DER on any day shall be considered Excess Take or Unauthorized Overrun as determined by Customer's Delivery Service Schedule and service agreement.

Unauthorized gas forwarded or returned to the Company by the Customer shall be considered imbalance gas and shall be subject to either the balancing provisions set forth under Section 22.2 of General Terms for Delivery Service for Rate Schedules DS, LFD, XD and IS or the Customer's otherwise applicable transportation balancing service.

MONTHLY RATE TABLE (Basic NNS Service)

\$0.0073 per Mcf (D)

or, if applicable \$0.1460 per Mcf per day of elected NNA (D)

plus

MONTHLY RATE TABLE (Excess Requirement Option)

\$4.50 per Mcf per day of elected DER.

(D) Indicates Decrease

RATE MBS - Continued

MONTHLY BALANCING SERVICE

MONTHLY RATE TABLE

Monthly Transportation Volume

Rate DS/IS	\$0.0197/Mcf x Monthly Billed Volumes	(D)
Rate LFD	\$0.0111/Mcf x Monthly Billed Volumes	(D)
Rate XD	\$0.0106/Mcf x Monthly Billed Volumes	(D)

The Company will update the average monthly imbalance utilized in the development of Rate MBS charges annually with the actual average monthly imbalance for the 12-month period ending September to determine the new Rate MBS charges effective December 1 each year. The Company shall include the new Rate MBS charges as part of its annual PGC compliance filing.

(D) Indicates Decrease

RATE LFD

LARGE FIRM DELIVERY SERVICE

AVAILABILITY

This Rate applies in the entire territory served by the Company. It is available to any Customer who executes a Service Agreement with the Company for an on system Daily Firm Requirement (DFR), as agreed to by Customer and Company in said agreement, for not less than fifty (50) MCF of gas per day of firm service. Volumes delivered under this Rate shall be metered separately from service under any of the Company's other rates, except as provided for in Rates IS, NNS, and MBS. In lieu of separate metering, the Company may accept contractual commitments specifying minimum volumes of service under Rate LFD.

Service will be provided by the Company where the Customer provides suitable gas delivered to a Company authorized receipt point, as determined by the Company in its sole discretion, provided Company has available on-system and/or pipeline capacity available in such quantities to meet Customer requirements. The Company shall be under no obligation to maintain on-system facilities required for service beyond the term of an executed service agreement.

Unless otherwise agreed by the Customer and Company, the Customer must enter into a Service Agreement for a minimum term of two (2) years. The Service Agreement shall continue in force for consecutive two (2) year periods unless cancelled by Customer upon one (1) year written notice to the Company prior to the expiration of the then current Service Agreement term. The Customer shall remain liable for minimum bill requirements for the length of the Service Agreement under this Rate, including applicable penalties, in the event the Customer defaults on its Service Agreement before the end of its term.

Delivery Service shall be provided for all volumes provided by the Customer for (C) which the Company has available delivery capacity, subject to the curtailment provisions of the Company's Tariff, applicable rules and regulations of the PUC and any other governmental mandates.

Gas service in excess of volumes delivered by the Customer shall only be provided in accordance with applicable balancing provisions or in accordance with optionally elected and approved balancing or standby services.

The DFR shall be the Company's contracted maximum firm delivery obligation to the Customer on any day and shall be no less than fifty (50) MCF. Service in excess of the DFR is interruptible in accordance with the terms of Rate IS.

Service under Rate LFD is subject to the terms set forth under Section 22 - General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

(C) Indicates Change

UGI UTILITIES, INC. - GAS DIVISION
GAS CHOICE SUPPLIER TARIFF NO. 7S

Rates and Rules
Governing the
Furnishing of
Gas Aggregation Service

Issued: Effective for service rendered on and
after .

Issued By:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

<http://www.ugi.com/tariffs>

NOTICE

This supplement makes Changes to existing rates (see pages 2-2(b)).

RULES AND REGULATIONS

4. CHOICE SUPPLIER OBLIGATIONS

4.12 If a Choice Supplier elects to participate in the Company's POR Program, the Choice Supplier must enter into a POR Agreement for the rate classes that it serves that will be included in the POR. The elected Rate Classes shall be one of the following: (1) RT only, (2) NT only, or (3) RT and NT. All receivables associated with basic natural gas supply services in the specific rate class, subject to the rate class elections made above, must be sold by the participating Supplier to the Utility. For the purposes of this provision, the phrase "basic natural gas supply services" shall include charges directly related to the physical delivery of natural gas to a retail customer but shall not include charges for "carbon-neutral" products, appliance maintenance service, energy efficiency services, termination or cancellation fees, security deposits or other products or services not directly related to the physical delivery of natural gas to a retail customers. Customer accounts that are billed for non-basic natural gas supply services will not be eligible for UGI's POR program. All of the NGS' customer accounts within the elected Rate Classes (subject to the volumetric limits contained in section 5.4) must be POR eligible accounts, with the exception of customers that purchase carbon-neutral products. NGSs may choose to use UGI consolidated billing for Non-POR eligible customers who are purchasing bundled "carbon-neutral" product offerings. The termination and reconnection provisions of Chapters 14 and 56 of the Public Utility Code and PUC regulations shall not be applicable to unpaid NGS charges for non-POR eligible accounts on consolidated billing. NGSs will be responsible for collecting unpaid NGS charges on non-POR eligible accounts on consolidated billing. UGI shall support rate-ready billing, and all NGS rates must conform to supported rate designs. For Purchased Customer Accounts, Company shall pay Choice Supplier an amount equal to 97.69% for residential amounts billed (inclusive of associated sales taxes) and 99.58% of non-residential amounts billed (also inclusive of taxes). Customer participation for NT shall be subject to Volumetric Eligibility pursuant to Section 5.4.

(C)
(C)

4.13 All existing customers of Choice Suppliers who elect to participate in the Company's optional Purchase of Receivables program shall be provided notice by the Choice Supplier and Company that (a) the Company will be providing one bill for all Company and Choice Supplier charges, (b) all payments should be made to the Company, (c) any unpaid amounts shall be subject to late payment charges, (d) the Company may request a security deposit for amounts which include Choice Supplier charges and (e) the Company maintains the right to terminate service for any unpaid Company or Choice Supplier charges, pursuant to Pennsylvania Public Utility Code regulations.

All new customers enrolling with Choice Suppliers who are participating in Company's optional Purchase of Receivables program shall be provided notice by the Choice Supplier prior to enrollment, and by Company upon enrollment, that (a) the Company will be providing one bill for all Company and Choice Supplier charges, (b) all payments should be made to the Company, (c) any unpaid amounts shall be subject to late payment charges, (d) the Company may request a security deposit for amounts which include Choice Supplier charges and (e) the Company maintains the right to terminate service for any unpaid Company or Choice Supplier charges, pursuant to Pennsylvania Public Utility Code regulations.

(C) Indicates Change

RULES AND REGULATIONS

10. RATE AG - AGGREGATION SERVICE - CONTINUED

PENALTIES

Failure to Deliver DDR:

The difference in price between the highest published index price for the Texas Eastern, M-3 and the lowest published index price for Texas Eastern, M-2 as published in *Platts' Gas Daily* on the table "Daily Price Survey" corresponding to the date the failure to deliver occurred, plus the applicable transportation charges from Texas Eastern M-2 to M-3, but shall not be lower than \$0.25/per Dth, applied to the difference between the DDR and the delivered volumes, plus all incremental costs incurred by Company as a result of the failure to deliver the DDR.

The Company may not charge for delivering in excess or under of the DDR if the overdelivery or underdelivery is anticipated to benefit the distribution system's daily balancing position as determined by Company in its sole discretion.

Failure to Comply with an OFO or DFD:

(C)

The Company has the right to issue Operational Flow Orders and Daily Flow Directives at any time. Failure to comply with any OFO or DFD shall result in a penalty charge of Fifty Dollars (\$50) per Dth or the highest of the charges calculated in compliance with Section 22.4 Maximum Daily Excess Balancing Charge for any delivery region, whichever is greater.

NOTICE

A Choice Supplier must provide Company, or any PUC-authorized alternative Supplier of Last Resort and its Rate RT and NT Customer(s) with ninety (90) days advance written notice of its intention to exit the market. In the event a Choice Supplier discontinues service or exits the market before its contract for natural gas supply service to a Rate RT and NT Customer expires and such Customer returns to its Supplier of Last Resort, Choice Supplier shall provide all contract billing data required by Company or other PUC-approved Supplier of Last Resort to render bills to Choice Supplier's customers for the period between Choice Supplier's default or exit from the market and the customer's next meter reading date.

BALANCING

Company will balance the daily difference, if any, between the anticipated Customer use, as communicated through the DDR, and the actual usage of Choice Supplier's customers. For this service, the Choice Supplier shall pay to Company the applicable Balancing Fees shown in this rate schedule, per MCF of Aggregation Pool usage, as measured at the meter.

(C) Indicates Change

Issued:

Effective for Service Rendered on and after

Appendix B

UGI Utilities, Inc. - Gas Division
Proof of Revenue Summary - Total Revenue
for the 12-Months Ending September 30, 2021

Effective January 1, 2021								
Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase	
R/RT	593,396	50,083,608	\$ 527,461,993	\$ 535,673,155	\$ 8,211,162	1.6%	82.1%	
N/NT	68,179	30,680,113	\$ 208,107,237	\$ 209,802,418	\$ 1,695,181	0.8%	17.0%	
DS	1,510	10,402,430	\$ 33,886,553	\$ 33,980,175	\$ 93,622	0.3%	0.9%	
LFD	508	22,225,309	\$ 38,339,109	\$ 38,339,109	\$ -	0.0%	0.0%	
XD - Firm	54	165,597,260	\$ 29,856,105	\$ 29,856,105	\$ -	0.0%	0.0%	
Interruptible	374	55,674,914	\$ 23,442,353	\$ 23,442,353	\$ -	0.0%	0.0%	
Total	664,021	334,663,634	\$ 861,093,349	\$ 871,093,314	\$ 9,999,965	1.2%		
Other Operating Revenue			\$ 6,297,000	\$ 6,297,000	\$ -			
Total	664,021	334,663,634	\$ 867,390,349	\$ 877,390,314	\$ 9,999,965	1.2%		

Phase 2								
Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase	
R/RT	593,396	50,083,608	\$ 535,673,155	\$ 543,886,866	\$ 8,213,712	1.5%	82.1%	
N/NT	68,179	30,680,113	\$ 209,802,418	\$ 211,495,960	\$ 1,693,542	0.8%	16.9%	
DS	1,510	10,402,430	\$ 33,980,175	\$ 34,073,797	\$ 93,622	0.3%	0.9%	
LFD	508	22,225,309	\$ 38,339,109	\$ 38,339,109	\$ -	0.0%	0.0%	
XD - Firm	54	165,597,260	\$ 29,856,105	\$ 29,856,105	\$ -	0.0%	0.0%	
Interruptible	374	55,674,914	\$ 23,442,353	\$ 23,442,353	\$ -	0.0%	0.0%	
Total	664,021	334,663,634	\$ 871,093,314	\$ 881,094,190	\$ 10,000,876	1.1%		
Other Operating Revenue			\$ 6,297,000	\$ 6,297,000	\$ -			
Total	664,021	334,663,634	\$ 877,390,314	\$ 887,391,190	\$ 10,000,876	1.1%		

Total								
Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase	
R/RT	593,396	50,083,608	\$ 527,461,993	\$ 543,886,866	\$ 16,424,874	3.1%	82.1%	
N/NT	68,179	30,680,113	\$ 208,107,237	\$ 211,495,960	\$ 3,388,723	1.6%	16.9%	
DS	1,510	10,402,430	\$ 33,886,553	\$ 34,073,797	\$ 187,244	0.6%	0.9%	
LFD	508	22,225,309	\$ 38,339,109	\$ 38,339,109	\$ -	0.0%	0.0%	
XD - Firm	54	165,597,260	\$ 29,856,105	\$ 29,856,105	\$ -	0.0%	0.0%	
Interruptible	374	55,674,914	\$ 23,442,353	\$ 23,442,353	\$ -	0.0%	0.0%	
Total	664,021	334,663,634	\$ 861,093,349	\$ 881,094,190	\$ 20,000,841	2.3%		
Other Operating Revenue			\$ 6,297,000	\$ 6,297,000	\$ -			
Total	664,021	334,663,634	\$ 867,390,349	\$ 887,391,190	\$ 20,000,841	2.3%		

UGI Utilities, Inc. - Gas Division
Residential Service - Rate Schedules R & RT
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2021

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective Jan. 1, 2021				Phase 2 - Effective July 1, 2021			
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)
Customer Charge	7,120,752		\$ 14.60	\$ 103,962,979	\$ 14.60	\$ 103,962,979	\$ -		\$ 14.60	\$ 103,962,979	\$ -	
GET Gas Customer Charge	10,596		\$ 15.53	\$ 164,522	\$ 15.53	\$ 164,522	\$ -		\$ 15.53	\$ 164,522	\$ -	
Distribution Charges		50,083,608	\$ 3.7861	\$ 189,621,549	\$ 3.9464	\$ 197,649,951	\$ 8,028,402		\$ 4.1104	\$ 205,863,663	\$ 8,213,712	
State Tax Adjustment Surcharge (STAS) - Rider A			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -	
Purchased Gas Costs (PGC) - Rider B		43,389,289	\$ 4.6801	\$ 203,066,210	\$ 4.6801	\$ 203,066,210	\$ -		\$ 4.6801	\$ 203,066,210	\$ -	
TCJA Temporary Surcharge - Rider C			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -	
Merchant Function Charge (MFC) - Rider D		43,389,289	2.08%	\$ 4,223,777	2.17%	\$ 4,406,537	\$ 182,760		2.17%	\$ 4,406,537	\$ -	
Gas Procurement Charge (GPC) - Rider E		43,389,289	\$ 0.0660	\$ 2,863,693	\$ 0.0660	\$ 2,863,693	\$ -		\$ 0.0660	\$ 2,863,693	\$ -	
Universal Service Program (USP) - Rider F		48,467,110	\$ 0.2541	\$ 12,315,493	\$ 0.2541	\$ 12,315,493	\$ -		\$ 0.2541	\$ 12,315,493	\$ -	
Energy Efficiency & Conservation Rider (EEC) - Rider G		50,083,608	\$ 0.2245	\$ 11,243,770	\$ 0.2245	\$ 11,243,770	\$ -		\$ 0.2245	\$ 11,243,770	\$ -	
Distribution System Improvement Charge (DSIC) - Rider I			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -	
Total - Rates R/RT	7,120,752	50,083,608		\$ 527,461,993		\$ 535,673,155	\$ 8,211,162	1.6%		\$ 543,886,866	\$ 8,213,712	3.1%

UGI Utilities, Inc. - Gas Division
Non-Residential Service - Rate Schedules N & NT
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2021

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective Jan. 1, 2021				Phase 2 - Effective July 1, 2021				
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)	
Customer Charges													
Rate N/NT - Rate N/NT	818,148		\$ 23.50	\$ 19,226,478	\$ 23.50	\$ 19,226,478	\$ -		\$ 23.50	\$ 19,226,478	\$ -		
Rate DS - Rate NT	-		\$ 260.00	\$ -	\$ 23.50	\$ -	\$ -		\$ 23.50	\$ -	\$ -		
Total Customer Charges	818,148			\$ 19,226,478		\$ 19,226,478	\$ -			\$ 19,226,478	\$ -		
GET Gas Charges													
Customer	84		\$ 15.59	\$ 1,310	\$ 15.59	\$ 1,310	\$ -		\$ 15.59	\$ 1,310	\$ -		
Distribution		3,136	\$ 1.46	\$ 4,579	\$ 1.46	\$ 4,579	\$ -		\$ 1.46	\$ 4,579	\$ -		
Total GET Gas Charges				\$ 5,888		\$ 5,888	\$ -			\$ 5,888	\$ -		
Distribution Charges													
Rate N/NT - Rate N/NT (Former South & Central Districts)		23,817,553	\$ 3.5177	\$ 83,783,006	\$ 3.5719	\$ 85,073,917	\$ 1,290,911		\$ 3.6271	\$ 86,388,646	\$ 1,314,729		
Rate N/NT - Rate N/NT (Former North District)		6,862,560	\$ 3.1559	\$ 21,657,552	\$ 3.2101	\$ 22,029,503	\$ 371,951		\$ 3.2653	\$ 22,408,316	\$ 378,813		
Rate DS - Rate NT (Former South & Central Districts)			\$ 2.9550	\$ -	\$ 3.5719	\$ -	\$ -		\$ 3.6271	\$ -	\$ -		
Rate DS - Rate NT (Former North District)			\$ 2.1335	\$ -	\$ 3.2101	\$ -	\$ -		\$ 3.2653	\$ -	\$ -		
Total Distribution Charges		30,680,113		\$ 105,440,558		\$ 107,103,420	\$ 1,662,862			\$ 108,796,962	\$ 1,693,542		
State Tax Adjustment Surcharge (STAS) - Rider A			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Purchased Gas Costs (PGC) - Rider B		17,263,963	\$ 4.6801	\$ 80,797,074	\$ 4.6801	\$ 80,797,074	\$ -		\$ 4.6801	\$ 80,797,074	\$ -		
TCJA Temporary Surcharge - Rider C			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Merchant Function Charge (MFC) - Rider D		17,263,963	0.24%	\$ 193,913	0.28%	\$ 226,232	\$ 32,319		0.28%	\$ 226,232	\$ -		
Gas Procurement Charge (GPC) - Rider E		17,263,963	\$ 0.0660	\$ 1,139,422	\$ 0.0660	\$ 1,139,422	\$ -		\$ 0.0660	\$ 1,139,422	\$ -		
Energy Efficiency & Conservation Rider (EEC) - Rider G													
Rate N/NT - Rate N/NT		30,680,113	\$ 0.0425	\$ 1,303,905	\$ 0.0425	\$ 1,303,905	\$ -		\$ 0.0425	\$ 1,303,905	\$ -		
Rate DS - Rate NT		-	\$ 0.0004	\$ -	\$ 0.0425	\$ -	\$ -		\$ 0.0425	\$ -	\$ -		
Total EEC Charges		30,680,113		\$ 1,303,905		\$ 1,303,905	\$ -			\$ 1,303,905	\$ -		
Distribution System Improvement Charge (DSIC) - Rider I			0.00%	\$ -	0.00%	\$ -	\$ -		0.0%	\$ -	\$ -		
Gas Delivery Enhancement Rider (GDE) - Rider J (Rate DS - Rate N)		-	\$ 0.0117	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Total - Rates N/NT	818,148	30,680,113		\$ 208,107,237		\$ 209,802,418	\$ 1,695,181	0.8%		\$ 211,495,960	\$ 1,693,542	1.6%	

UGI Utilities, Inc. - Gas Division
Delivery Service - Rate Schedule DS
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2021

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Effective Jan. 1, 2021				Phase 2 - Effective July 1, 2021				
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)	
Customer Charges													
Rate DS - Rate DS	18,120		\$ 260.00	\$ 4,711,200	\$ 260.00	\$ 4,711,200	\$ -		\$ 260.00	\$ 4,711,200	\$ -		
Rate N/NT - Rate DS	-		\$ 23.50	\$ -	\$ 260.00	\$ -	\$ -		\$ 260.00	\$ -	\$ -		
Total Customer Charges	18,120			\$ 4,711,200		\$ 4,711,200	\$ -			\$ 4,711,200	\$ -		
Distribution Charges													
Rate DS - Rate DS (Former South & Central Districts)		7,633,691	\$ 2.9550	\$ 22,557,557	\$ 2.9640	\$ 22,626,260	\$ 68,703		\$ 2.9730	\$ 22,694,963	\$ 68,703		
Rate DS - Rate DS (Former North District)		2,768,739	\$ 2.1335	\$ 5,907,105	\$ 2.1425	\$ 5,932,023	\$ 24,919		\$ 2.1515	\$ 5,956,942	\$ 24,919		
Rate N/NT - Rate DS (Former South & Central Districts)		-	\$ 3.5177	\$ -	\$ 2.9640	\$ -	\$ -		\$ 2.9730	\$ -	\$ -		
Rate N/NT - Rate DS (Former North District)		-	\$ 3.1559	\$ -	\$ 2.1425	\$ -	\$ -		\$ 2.1515	\$ -	\$ -		
Total Distribution Charges		10,402,430		\$ 28,464,661		\$ 28,558,283	\$ 93,622			\$ 28,651,905	\$ 93,622		
State Tax Adjustment Surcharge (STAS) - Rider A			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Purchased Gas Costs (PGC) - Rider B (Rate N - Rate DS)		-	\$ 4.6801	\$ -	\$ 4.6801	\$ -	\$ -		\$ 4.6801	\$ -	\$ -		
TCJA Temporary Surcharge - Rider C			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Merchant Function Charge (MFC) - Rider D (Rate N - Rate DS)		-	0.24%	\$ -	0.28%	\$ -	\$ -		0.28%	\$ -	\$ -		
Gas Procurement Charge (GPC) - Rider E (Rate N - Rate DS)		-	\$ 0.0660	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Energy Efficiency & Conservation Rider (EEC) - Rider G													
Rate DS - Rate DS		10,402,430	\$ 0.0004	\$ 4,161	\$ 0.0004	\$ 4,161	\$ -		\$ 0.0004	\$ -	\$ -		
Rate N/NT - Rate DS		-	\$ 0.0425	\$ -	\$ 0.0004	\$ -	\$ -		\$ 0.0004	\$ -	\$ -		
Total EEC		10,402,430		\$ 4,161		\$ 4,161	\$ -			\$ 4,161	\$ -		
Technology and Economic Development Rider (TED) - Rider H				\$ 522,108		\$ 522,108	\$ -			\$ 522,108	\$ -		
Distribution System Improvement Charge (DSIC) - Rider I			0.00%	\$ -	0.00%	\$ -	\$ -			\$ -	\$ -		
Gas Delivery Enhancement Rider (GDE) - Rider J													
Rate DS - Rate DS		10,402,430	\$ 0.0117	\$ 121,708	\$ 0.0117	\$ 121,708	\$ -		\$ 0.0117	\$ 121,708	\$ -		
Rate N/NT - Rate DS		-	\$ -	\$ -	\$ 0.0117	\$ -	\$ -		\$ 0.0117	\$ -	\$ -		
Total GDE		10,402,430		\$ 121,708		\$ 121,708	\$ -			\$ 121,708	\$ -		
Minimum Charges				\$ 62,714		\$ 62,714	\$ -			\$ 62,714	\$ -		
Total - Rate DS	18,120	10,402,430		\$ 33,886,553		\$ 33,980,175	\$ 93,622	0.3%		\$ 34,073,797	\$ 93,622	0.6%	

UGI Utilities, Inc. - Gas Division
Large Firm Delivery Service - Rate Schedule LFD
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2021

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)
Customer Charge								
LFD - LFD	6,096		\$ 670.00	\$ 4,084,320	\$ 670.00	\$ 4,084,320	\$ -	
DS - LFD	-		\$ 260.00	\$ -	\$ 670.00	\$ -	\$ -	
N/NT - LFD	-		\$ 23.50	\$ -	\$ 670.00	\$ -	\$ -	
Total Customer Charge	6,096			\$ 4,084,320		\$ 4,084,320	\$ -	
Distribution Charge								
LFD - LFD		22,225,309	\$ 1.1380	\$ 25,292,401	\$ 1.1380	\$ 25,292,401	\$ -	
DS - LFD (Former South & Central Districts)		-	\$ 2.9550	\$ -	\$ 1.1380	\$ -	\$ -	
DS - LFD (Former North District)		-	\$ 2.1335	\$ -	\$ 1.1380	\$ -	\$ -	
N/NT - LFD (Former South & Central Districts)		-	\$ 3.5177	\$ -	\$ 1.1380	\$ -	\$ -	
N/NT - LFD (Former North District)		-	\$ 3.1559	\$ -	\$ 1.1380	\$ -	\$ -	
Total Distribution Charges		22,225,309		\$ 25,292,401		\$ 25,292,401	\$ -	
Demand Charge								
LFD - LFD		1,261,920	\$ 5.0706	\$ 6,398,692	\$ 5.0706	\$ 6,398,692	\$ -	
DS - LFD		-	\$ 5.0706	\$ -	\$ 5.0706	\$ -	\$ -	
N/NT - LFD		-	\$ 5.0706	\$ -	\$ 5.0706	\$ -	\$ -	
Total Demand Charges		1,261,920		\$ 6,398,692		\$ 6,398,692	\$ -	
State Tax Adjustment Surcharge (STAS) - Rider A								
Purchased Gas Costs (PGC) - Rider B (Rate N - Rate LFD)		-	0.00%	\$ -	0.00%	\$ -	\$ -	
TCJA Temporary Surcharge - Rider C		-	\$ 4.6801	\$ -	\$ 4.6801	\$ -	\$ -	
Merchant Function Charge (MFC) - Rider D (Rate N - Rate LFD)		-	0.00%	\$ -	0.00%	\$ -	\$ -	
Gas Procurement Charge (GPC) - Rider E (Rate N - Rate LFD)		-	0.24%	\$ -	0.00%	\$ -	\$ -	
		-	\$ 0.0660	\$ -	\$ -	\$ -	\$ -	
Energy Efficiency & Conservation Rider (EEC) - Rider G								
LFD - LFD		22,225,309	\$ 0.0103	\$ 228,921	\$ 0.0103	\$ 228,921	\$ -	
DS - LFD		-	\$ 0.0004	\$ -	\$ 0.0103	\$ -	\$ -	
N/NT - LFD		-	\$ 0.0425	\$ -	\$ 0.0103	\$ -	\$ -	
Total EEC		22,225,309		\$ 228,921		\$ 228,921	\$ -	
Technology and Economic Development Rider (TED) - Rider H								
Minimum Bills				\$ 66,345		\$ 66,345	\$ -	
Excess Requirement Option				\$ 1,388,436		\$ 1,388,436	\$ -	
Excess Take				\$ 619,958		\$ 619,958	\$ -	
Distribution System Improvement Charge (DSIC) - Rider I			0.00%	\$ -	0.00%	\$ -	\$ -	
Gas Delivery Enhancement Rider (GDE) - Rider J								
LFD - LFD		22,225,309	\$ 0.0117	\$ 260,036	\$ 0.0117	\$ 260,036	\$ -	
DS - LFD		-	\$ 0.0117	\$ -	\$ 0.0117	\$ -	\$ -	
N/NT - LFD		-	\$ -	\$ -	\$ 0.0117	\$ -	\$ -	
Total GDE		22,225,309		\$ 260,036		\$ 260,036	\$ -	
Total - Rate LFD	6,096	22,225,309		\$ 38,339,109		\$ 38,339,109	\$ -	0.0%

UGI Utilities, Inc. - Gas Division
 Extended Large Firm Delivery Service - Rate Schedule XD
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2021

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)
Customer Charge	648		\$ 29,579.90	\$ 19,167,774	\$ 29,579.90	\$ 19,167,774	\$ -	
Distribution Charge		165,597,260	\$ 0.0562	\$ 9,301,540	\$ 0.0562	\$ 9,301,540	\$ -	
Excess Requirement Option		2,100	\$ 4.5000	\$ 9,450	\$ 4.5000	\$ 9,450	\$ -	
Demand Charges		224,364	\$ 5.3258	\$ 1,194,914	\$ 5.3258	\$ 1,194,914		
Minimum Charges				\$ 182,427		\$ 182,427	\$ -	
TCJA Temporary Surcharge - Rider C			0.00%	\$ -	0.00%	\$ -	\$ -	
Distribution System Improvement Charge (DSIC) - Rider I				\$ -		\$ -	\$ -	
Total - Rate XD	648	165,597,260		\$ 29,856,105		\$ 29,856,105	\$ -	0.0%

UGI Utilities, Inc. - Gas Division
 Interruptible Service - Rate Schedule IS
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2021

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)
Customer Charge	4,488		\$ 461.81	\$ 2,072,594	\$ 461.81	\$ 2,072,594	\$ -	
Distribution Charge		55,674,914	\$ 0.3808	\$ 21,198,465	\$ 0.3808	\$ 21,198,465	\$ -	
Minimum Charges				\$ 171,294		\$ 171,294	\$ -	
TCJA Temporary Surcharge - Rider C			0.00%	\$ -	0.00%	\$ -	\$ -	
Distribution System Improvement Charge (DSIC) - Rider I			0.00%	\$ -	0.00%	\$ -	\$ -	
Total - Rate IS	4,488	55,674,914		\$ 23,442,353		\$ 23,442,353	\$ -	0.0%

UGI Utilities, Inc. - Gas Division
Proof of Revenue Summary

Rate Class	Phase 1 Revenue Change (1)	Phase 2 Revenue Change (2)	Total Revenue Change (3) = (1)+(2)	Deferred FPFTY Revenue (4)	Net FPFTY Current Revenue (5)
R/RT	\$ 8,211,162	\$ 8,213,712	\$ 16,424,874	\$ 5,077,079	\$ 5,814,709
N/NT	\$ 1,695,181	\$ 1,693,542	\$ 3,388,723	\$ 1,021,807	\$ 1,248,707
DS	\$ 93,622	\$ 93,622	\$ 187,244	\$ 58,652	\$ 67,325
Total	\$ 9,999,965	\$ 10,000,876	\$ 20,000,841	\$ 6,157,538	\$ 7,130,741

*Phase 1 will become effective January 1, 2021. Phase 2 will become effective July 1, 2021.

UGI Utilities, Inc. - Gas Division
 Revenue Deferral Calculation

Rate R/RT				
			Distribution Revenue	
	Sales	Customers	Incremental Rate 1/	Deferred Revenue
Jan-21	9,921,203	593,396	\$ 0.1640	\$ 1,627,077
Feb-21	8,266,239	593,396	\$ 0.1640	\$ 1,355,663
Mar-21	6,802,751	593,396	\$ 0.1640	\$ 1,115,651
Apr-21	3,434,595	593,396	\$ 0.1640	\$ 563,274
May-21	1,673,227	593,396	\$ 0.1640	\$ 274,409
Jun-21	859,780	593,396	\$ 0.1640	\$ 141,004
Total	30,957,796			\$ 5,077,079
			Rate R/RT Deferral Surcharge \$ 0.71	
*Deferral Surcharge is billed via a temporary increase in the billed customer charge and is effective from October 1, 2021 - September 30, 2022.				

Rate N/NT				
			Distribution Revenue	
	Sales	Customers	Incremental Rate 1/	Deferred Revenue
Jan-21	5,580,687	68,179	\$ 0.0552	\$ 308,054
Feb-21	4,751,321	68,179	\$ 0.0552	\$ 262,273
Mar-21	4,000,624	68,179	\$ 0.0552	\$ 220,834
Apr-21	2,217,510	68,179	\$ 0.0552	\$ 122,407
May-21	1,222,175	68,179	\$ 0.0552	\$ 67,464
Jun-21	738,683	68,179	\$ 0.0552	\$ 40,775
Total	18,511,000			\$ 1,021,807
			Rate N/NT Deferral Surcharge \$ 1.25	
*Deferral Surcharge is billed via a temporary increase in the billed customer charge and is effective from October 1, 2021 - September 30, 2022.				

Rate DS				
			Distribution Revenue	
	Sales	Customers	Incremental Rate	Deferred Revenue
Jan-21	1,839,749	1,510	\$ 0.0090	\$ 16,558
Feb-21	1,679,453	1,510	\$ 0.0090	\$ 15,115
Mar-21	1,385,487	1,510	\$ 0.0090	\$ 12,469
Apr-21	792,716	1,510	\$ 0.0090	\$ 7,134
May-21	475,144	1,510	\$ 0.0090	\$ 4,276
Jun-21	344,349	1,510	\$ 0.0090	\$ 3,099
Total	6,516,897			\$ 58,652
			Rate DS Deferral Surcharge \$ 3.24	
*Deferral Surcharge is billed via a temporary increase in the billed customer charge and is effective from October 1, 2021 - September 30, 2022.				

UGI Utilities, Inc. - Gas Division
Revenue Deferral Summary
(\$ in Millions)

<u>Month</u>	<u>Total</u>	<u>R/RT</u>	<u>N/NT</u>	<u>DS</u>
January 2021	\$ 1.95	\$ 1.63	\$ 0.31	\$ 0.02
February 2021	\$ 1.63	\$ 1.36	\$ 0.26	\$ 0.02
March 2021	\$ 1.35	\$ 1.12	\$ 0.22	\$ 0.01
April 2021	\$ 0.69	\$ 0.56	\$ 0.12	\$ 0.01
May 2021	\$ 0.35	\$ 0.27	\$ 0.07	\$ 0.00
June 2021	\$ 0.18	\$ 0.14	\$ 0.04	\$ 0.00
Period Total	\$ 6.16	\$ 5.08	\$ 1.02	\$ 0.06

Appendix C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3015162
Office of Consumer Advocate	:	C-2020-3018289
Office of Small Business Advocate	:	C-2020-3018858
Calpine Energy Services, L.P.	:	C-2020-3019101
Micah Cameron	:	C-2020-3017207
David Torakeo	:	C-2020-3019355
Sarah Hanle	:	C-2020-3019824
	:	
	:	
v.	:	
	:	
	:	
UGI Utilities, Inc. Gas Division	:	

JOINT PROPOSED FINDINGS OF FACT

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Industrial Energy Consumers of Pennsylvania (“IECPA”) and the U.S. Department of Defense and all other Federal Executive Agencies (DOD/FEA), all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”),¹ all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”), hereby propose the following findings of fact:

¹ In addition to the Joint Petitioners, the following were active parties to the proceeding: the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), Calpine Energy Services, L.P., and Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC (“Direct Energy”). These active parties have indicated that they do not oppose the Settlement. Additionally, three residential customers filed formal complaints opposing the proposed rate increase. Mr. Torakeo issued one set of discovery and participated in Public Input Hearings. Ms. Hanle also provided testimony at the Public Input Hearings. These complainants were not active parties in this proceeding and are not signatories to the Unopposed Settlement. A complete copy of this Settlement is being served on all formal complainants.

1. On January 28, 2020, UGI Gas filed Tariff Gas – PA. P.U.C. Nos. 7 and 7S to be effective for service rendered on or after March 28, 2020, proposing changes to UGI Gas’s base retail distribution rates designed to produce an increase in revenues of approximately \$74.6 million, based upon data for a fully projected future test year ending September 30, 2021.

2. On February 27, 2020, the Commission issued an Order suspending Tariff Gas – PA. P.U.C. Nos. 7 and 7S until October 28, 2020, unless otherwise directed by Order of the Commission. *See February 27, 2020 Order*, Para. 2, Docket No. R-2019-3015162.

3. UGI Gas is a jurisdictional public utility providing natural gas distribution service to customers in forty-five (45) counties in the Commonwealth of Pennsylvania.

4. I&E is the prosecutory bureau within the Commission established for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance with the state and federal motor carrier safety and gas safety laws and regulations. *Implementation of Act 129 of 2008 Organization of Bureau and Offices*, Docket No. M-2008-20071852 (Order entered August 11, 2011).

5. Complainant OCA is authorized to represent the interests of consumers before the Commission. Act 161 of 1976, 71 P.S. § 309-2.

6. Complainant OSBA is authorized to represent the interests of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act. Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

7. CAUSE-PA is an unincorporated association of low-income individuals that advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunications services.

8. CEO is a not-for-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania which serves as an advocate for the low-income population of Luzerne County.

9. IECPA is an association of energy-intensive industrial consumers taking service from UGI Gas primarily pursuant to the Company's current industrial transportation rates. The cost of natural gas service received from UGI Gas is a significant element in the cost of operation for IECPA members, and the reliability and quality of service that IECPA members receive from UGI Gas are also of critical importance to operations.

10. Calpine is an electric generation supplier that relies on natural gas, including gas provided by the UGI Gas distribution system, to produce electricity that supports commercial, industrial and residential retail operations in Pennsylvania.

11. DOD/FEA consists of certain agencies of the United States Government which have offices, facilities, or installations in the service area of UGI Gas. UGI Gas's rate case will impact the annual cost of service to DOD/FEA facilities utilizing natural gas service. The General Services Administration has delegated to the DOD/FEA and to the U.S. Army the authority to participate in this proceeding to protect its consumer interest.

12. The Direct Energy Companies are Natural Gas Suppliers that operate in the UGI Gas service territory.

13. In addition to the active parties listed in Paragraphs 3 through 12, the following customer complainants are involved in this proceeding: customer complainants Micah Cameron, David Torakeo, and Sarah Hanle.

14. The active parties engaged in extensive discovery throughout the proceeding.

15. On March 6, 2020, pursuant to subsection 7301(c) of the Emergency Management Services Code, 35 Pa. C.S. §§ 7101, et seq., Governor Tom Wolf issued a Proclamation of Disaster Emergency proclaiming the existence of a disaster emergency throughout the Commonwealth for a period of up to ninety (90) days, unless renewed by the Governor. Shortly thereafter, on March 11, 2020, the World Health Organization declared COVID-19 — the coronavirus — a pandemic (“COVID-19 Pandemic”). Subsequently and in response, on March 13, 2020, the Pennsylvania Public Utility Commission issued an Emergency Order instituting a Public Utility Service Termination Moratorium at Docket No. M-2020-3019244 (“PUC Emergency Order”). Since that time, the Pennsylvania state government and the federal government have been working to address the impacts that COVID-19 is having on the health of Pennsylvanians, and on the state and national economy.

16. I&E, OCA, OSBA, CAUSE-PA, CEO, and IECPA submitted testimony in opposition to various portions of the Company’s base retail distribution rate filing.

17. The active parties submitted a total of four rounds of testimony in support of their respective positions, including: Company direct testimony, other parties’ direct testimony, rebuttal testimony, and surrebuttal testimony.

18. The Joint Petitioners agreed to a settlement that fully resolves all issues among them.

19. The active parties to this proceeding represent a reasonable cross-section of interests who had a fair and reasonable opportunity to present evidence and explore all issues addressed in the Company’s filing and in the Unopposed Settlement.

20. The Joint Petitioners are in full agreement that the Unopposed Settlement is in the public interest as a reasonable resolution of their respective interests and should be approved.

Appendix D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3015162
Office of Consumer Advocate	:	C-2020-3018289
Office of Small Business Advocate	:	C-2020-3018858
Calpine Energy Services, L.P.	:	C-2020-3019101
Micah Cameron	:	C-2020-3017207
David Torakeo	:	C-2020-3019355
Sarah Hanle	:	C-2020-3019824
	:	
v.	:	
	:	
UGI Utilities, Inc. Gas Division	:	

JOINT PROPOSED CONCLUSIONS OF LAW

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Industrial Energy Consumers of Pennsylvania (“IECPA”) and the U.S. Department of Defense and all other Federal Executive Agencies (“DOD/FEA”), all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”),¹ all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”), hereby propose the following conclusions of law:

¹ In addition to the Joint Petitioners, the following were active parties to the proceeding: the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), Calpine Energy Services, L.P., and Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC. These active parties have indicated that they do not oppose the Settlement. Additionally, three residential customers filed formal complaints opposing the proposed rate increase. Mr. Torakeo issued one set of discovery and participated in Public Input Hearings. Ms. Hanle also provided testimony at the Public Input Hearings. These complainants were not active parties in this proceeding and are not signatories to the Unopposed Settlement. A complete copy of this Settlement is being served on all formal complainants.

1. Rates made, demanded, or received by any public utility shall be just and reasonable, and in conformity with regulations or orders of the commission. 66 Pa.C.S. § 1301.

2. The burden of proving the justness and reasonableness of the utility's rate increase rests upon the public utility. 66 Pa.C.S. § 315(a); *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505 (Pa. Cmwlth. Ct. 1980).

3. While the burden of proof remains with the public utility throughout the rate proceeding, the Commission has stated that where a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Opinion and Order entered July 17, 2008).

4. The Commission is not required to consider expressly and at length each contention and authority brought forth by each party to the proceeding. *University of Pennsylvania v. Pa. Pub. Util. Comm'n.*, 86 Pa. Cmwlth. 410, 485 A.2d 1217 (1984).

5. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401.

6. Parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. Pub. Util. Comm'n v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013).

7. In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order

entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered July 22, 1991).

8. The Joint Petition for Approval of Unopposed Settlement of All issues is in the public interest.

Appendix E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3015162
Office of Consumer Advocate	:	C-2020-3018289
Office of Small Business Advocate	:	C-2020-3018858
Calpine Energy Services, L.P.	:	C-2020-3019101
Micah Cameron	:	C-2020-3017207
David Torakeo	:	C-2020-3019355
Sarah Hanle	:	C-2020-3019824
	:	
v.	:	
	:	
UGI Utilities, Inc. Gas Division	:	

JOINT PROPOSED ORDERING PARAGRAPHS

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Industrial Energy Consumers of Pennsylvania (“IECPA”) and the U.S. Department of Defense and all other Federal Executive Agencies (“DOD/FEA”), all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”),¹ and all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”), hereby propose the following ordering paragraphs:

¹ In addition to the Joint Petitioners, the following were active parties to the proceeding: the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), Calpine Energy Services, L.P., and Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC. These active parties have indicated that they do not oppose the Settlement. Additionally, three residential customers filed formal complaints opposing the proposed rate increase. Mr. Torakeo issued one set of discovery and participated in Public Input Hearings. Ms. Hanle also provided testimony at the Public Input Hearings. These complainants were not active parties in this proceeding and are not signatories to the Unopposed Settlement. A complete copy of this Settlement is being served on all formal complainants.

1. That the Joint Petition for Approval of Unopposed Settlement of All Issues (“Unopposed Settlement”) is approved without modification.
2. That the proposals set forth in UGI Gas’s January 28, 2020 distribution base rate increase filing at Docket No. R-2019-3015162, are approved subject to the terms and conditions of the Unopposed Settlement.
3. That the *pro forma* tariff attached to the Unopposed Settlement as Appendix A is approved.
4. UGI Gas is authorized to file the tariff approved in Ordering Paragraph 3 on the later of October 1, 2020, or on the first day after Commission approval.
5. That the Proof of Revenues attached to the Unopposed Settlement as Appendix B are approved.
6. That UGI Gas shall file the Proof of Revenues approved in Ordering Paragraph 5 with its tariff filing.
7. That UGI Gas shall allocate the authorized increase in operating revenue to each customer class and rate schedule within each in the manner prescribed in the Unopposed Settlement.
8. That in consideration of the comprehensive settlement reached, the Company shall not file a Section 1308(d) general rate increase prior to January 1, 2022. The Company shall not be prevented from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company’s rates.
9. That UGI Gas shall be authorized to implement rates designed to produce an annual distribution rate revenue increase of \$20.0 million. This increase will be phased-in and partly

deferred, as described in Paragraph III.C.23 of the Unopposed Settlement, and as reflected in Appendices A and B of the Unopposed Settlement.

10. That UGI Gas shall recover the deferral amount of \$6.16 million over the period October 1, 2021 through September 30, 2022 through a temporary increase to the otherwise applicable monthly customer charge, as described in Paragraph III.C.24 of the Unopposed Settlement.

11. That there will be no monthly customer charge increases other than the temporary customer charge increases to recover deferred revenue.

12. That the pro forma annual revenue increases for UGI Gas will be incorporated through increases to the Company's volumetric distribution charges for the affected classes based on the Company's filed usage billing determinants as reduced by 75 percent of the Company's growth-related billing determination adjustment set forth in the rebuttal testimony of Christopher R. Brown.

13. That UGI Gas shall submit an update to Revised Exhibit A, Schedule C-2 to I&E, OCA, and OSBA no later than January 2, 2021, which update should include actual capital expenditures, plant additions, and retirements by month from October 1, 2019 through September 30, 2020, and an additional update to Schedule C-2 for actual expenditures by month from October 1, 2020 through September 30, 2021 shall be filed no later than January 2, 2022.

14. That for the duration of the termination moratorium established by the PUC Emergency Order, UGI Gas shall take the steps identified in Unopposed Settlement Paragraphs III.E.27 and 28.

15. That if, after the Commission's current termination moratorium expires or is otherwise terminated, the Commission issues a similar order reinstating a termination

moratorium due to the COVID-19 pandemic, the Company will initiate discussions with the parties to the Unopposed Settlement within thirty (30) days of such an order to discuss a possible extension of customer benefits provided through Section III.E.

16. That effective one (1) day after the issuance of the Commission’s Order approving the Unopposed Settlement, the Company will implement a temporary program known as the Emergency Relief Program (“ERP”) to provide billing relief and/or payment relief for customers who need temporary relief measures during the pendency, and for a limited period following, the termination of the PUC Emergency Order period as defined in Section III.F.

17. That the ERP, as described in Section III.F, Paragraphs 30 through 37, is approved.

18. That the Company shall track the costs associated with providing the ERP for deferred recovery on a class-specific basis, including but not limited to implementation costs and direct bill credit amounts as described in Section III.F. The parties reserve the right to challenge how these costs are recovered in the next base rate proceeding.

19. That the Company’s proposed modifications to Tariff Rule 5 – Extension Regulation are approved as filed effective on the later of October 1, 2020, or on the first day after Commission approval. These modified extension provisions shall not be applied to customers along existing GET Gas designated mains nor be permitted as a method to extend existing GET Gas mains where GET Gas surcharge payments remain in effect.

20. That the as-filed updated participant number of “25,297” shall be replaced with “the number of CAP enrollees as of September 30, 2020”.

21. That the Company shall continue to calculate its Rate NNS and Rate MBS charges using the existing method as approved in the Commission’s October 4, 2019 final order at Docket No. R-2018-3006814.

22. That the Company's proposed language clarifications related to Tariff Rule 10 - Failure to Comply with an OFO or DFD are approved as-filed effective on the later of October 1, 2020, or on the first day after Commission approval.

23. That the Company's additional tariff modifications, identified in the Unopposed Settlement at Paragraph III.G.42 are approved effective on the later of October 1, 2020, or on the first day after Commission approval.

24. That UGI Gas is permitted to file its Chapter 71 earnings reports on a consolidated basis, rather than by former rate district.

25. That the Company's proposal to fully harmonize distribution rates for Rates N/NT and DS is withdrawn without prejudice. The Company may propose this in the Company's next base rate case, but no sooner than January 1, 2022.

26. That, as of the effective date of the Commission's Final Order in this case, UGI Gas will be eligible to include plant additions in the Distribution System Improvement Charge ("DSIC") once the total net plant balances reach a level of \$2,875,056,000. This provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in an FPFTY filing.

27. That, for purposes of calculating its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

28. That the Company shall be permitted to track and record as a regulatory asset all COVID-19 Pandemic Costs and shall be permitted to claim COVID-19 Pandemic Costs as defined in Unopposed Settlement Paragraph III.H.48 for ratemaking purposes in the Company's next general rate proceeding over an amortization period of 10 years, without interest. COVID Pandemic Costs that cause the Company's operating costs for the specific FERC account to exceed budgeted FTY and FPFTY levels shall be eligible for recovery for ratemaking purposes. All parties reserve the right to review the prudence and reasonableness of these costs in the next base rate proceeding.

29. That for the purposes of the Unopposed Settlement and future proceedings, COVID-19 Pandemic Costs may include reasonable and prudently incurred, incremental labor-related costs; costs incurred to maintain employee and contractor availability; incremental health care related costs; incremental worker's compensation costs; incremental occupational safety equipment, contractor, and personnel costs; annual uncollectible accounts expense in excess of \$12.81 million beginning with the fiscal year period ending September 30, 2020 and continuing for annual periods thereafter until the effective date of the Company's next base rate filing; and ERP related costs discussed in Unopposed Settlement Paragraph III.F.36. COVID Pandemic Costs that cause the Company's operating costs for the specific FERC account to exceed budgeted FTY and FPFTY levels or, in the case of uncollectible accounts expense, \$12.81 million, shall be eligible for recovery for ratemaking purposes.

30. That the Company shall maintain records, documents, and other information necessary to demonstrate that these costs qualify as COVID-19 Pandemic Costs.

31. That the Company shall provide a report as part of the Company's next base rate case detailing: (1) its efforts to maximize its utilization of and track any government benefits,

whether direct grant, tax credits, or other, to minimize costs to be deferred; (2) any amounts obtained as part of these efforts and their intended use; and, (3) if denied, the reason for such denial.

32. That annual differences between \$4.188 million and actual expenditures for environmental costs shall be deferred as a regulatory asset where expenditures are greater than \$4.188 million per year or as a regulatory liability where expenditures are less than \$4.188 million on an annual basis and accumulated for book and ratemaking purposes until the Company's next base rate case, consistent with Unopposed Settlement Paragraph III.I.51.

33. That the Commission approves the continued amortization of the \$8.103 million balance applicable to pre-fiscal 2019 environmental expenditures for book and ratemaking purposes at \$1.621 million per year, as adopted by the Commission's October 4, 2019 final order at Docket No. R-2018-3006814. The Company will amortize the \$1.219 million balance applicable to fiscal year 2019 over the five-year period beginning January 1, 2021 at \$243,800 per year

34. That UGI Gas's Accumulated Deferred Income Tax and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii) is accepted. Further, the Company's method to amortize Excess Accumulated Deferred Federal Income Taxes ("EDFIT") according to the Average Rate Assumption Method is accepted. Absent a change in federal or state law, regulation, judicial precedent or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

35. That the Commission accepts that for purposes of determining the revenue requirement in this case, all capitalized repairs deductions claimed on a tax return have been

normalized for ratemaking purposes and the appropriate related amount of tax effect of those deductions has been reflected as Accumulated Deferred Income Taxes as a reduction to UGI Gas's rate base.

36. That the Commission adopts the Company's as-filed depreciation rates, which are accepted for the Company's accounting purposes.

37. That the investigation at Docket No. R-2019-3015162 is terminated upon the filing of the approved tariffs.

38. That the formal Complaint filed by the Office of Consumer Advocate at Docket No. C-2020-3018289, is closed as satisfied.

39. That the formal Complaint filed by the Office of Small Business Advocate at Docket No. C-2020-3018858, is closed as satisfied.

40. That the formal Complaint filed by Calpine Energy Services, L.P. at Docket No. C-2020-3019101, is dismissed.

41. That the formal Complaint filed by Micah Cameron at Docket No. C-2020-3017207, is dismissed.

42. That the formal Complaint filed by David Torakeo at Docket No. C-2020-3019355, is dismissed.

43. That the formal Complaint filed by Sarah Hanle at Docket No. C-2020-3019824, is dismissed.

Appendix F

Statement in Support:

UGI Gas

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3015162
Office of Consumer Advocate	:	C-2020-3018289
Office of Small Business Advocate	:	C-2020-3018858
Calpine Energy Services, L.P.	:	C-2020-3019101
Micah Cameron	:	C-2020-3017207
David Torakeo	:	C-2020-3019355
Sarah Hanle	:	C-2020-3019824
	:	
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v.	:	
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	:	
UGI Utilities, Inc. Gas Division	:	

UGI UTILITIES, INC. – GAS DIVISION

**STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF
UNOPPOSED SETTLEMENT OF ALL ISSUES**

Date: August 3, 2020

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I. INTRODUCTION

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Approval of Unopposed Settlement of All Issues (“Unopposed Settlement”) entered into by UGI Gas, the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Industrial Energy Consumers of Pennsylvania (“IECPA”) and the United States Department of Defense and all other Federal Executive Agencies (“DOD/FEA”), all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”).¹ The Unopposed Settlement represents a full resolution of all issues raised in the instant proceeding.

The Joint Petitioners unanimously agree that UGI Gas’s January 28, 2020 distribution base rate increase filing (“2020 Base Rate Case”) should be approved, subject to the terms and conditions of the Unopposed Settlement. The Unopposed Settlement provides for increases in rates, as set forth in the *pro forma* tariff supplement attached as “Appendix A” to the Unopposed Settlement and the proof of revenues attached as “Appendix B” to the Unopposed Settlement, designed to produce a net increase in the annual distribution operating revenues of \$20.0 million, to become effective on January 1, 2021 and achieved incrementally in three steps, with the third being a temporary step related to deferred recovery of certain portions of the increase.

¹ In addition to the Joint Petitioners, the following were active parties to the proceeding: the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission for Economic Opportunity (“CEO”), Calpine Energy Services, L.P., and Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC. These active parties have indicated that they do not oppose the settlement. Additionally, three residential customers filed formal complaints opposing the proposed rate increase. Mr. Torakeo issued one set of discovery and participated in Public Input Hearings. Ms. Hanle also provided testimony at the Public Input Hearings. These complainants were not otherwise active parties in this proceeding and are not signatories to this Unopposed Settlement. A complete copy of this Settlement is being served on all formal complainants.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners, who represent a broad array of residential, commercial, industrial and other important customer interests. The Settlement also, and importantly, reflects these interests being balanced amidst the COVID-19 Pandemic; an unprecedented and challenging landscape for all Joint Petitioners. UGI Gas submits that the Settlement is in the public interest, just and reasonable, and supported by substantial evidence and, therefore, should be approved without modification. For the reasons explained below, UGI Gas respectfully requests that Deputy Chief Administrative Law Judge Christopher P. Pell (“ALJ”) and the Commission approve the terms and conditions of the Unopposed Settlement.

II. STANDARD FOR APPROVAL OF SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401.

The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013). In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered July 22, 1991).

As explained in the next section of this Statement in Support, the Settlement is just and reasonable and in the public interest and, therefore, should be approved without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. GENERAL

The Joint Petitioners agree that the Settlement is in the public interest. (Settlement ¶ 15). The Settlement was achieved only after a comprehensive investigation of UGI Gas's proposals set forth in its 2020 Base Rate Case. In addition to informal discovery, UGI Gas responded to more than 650 formal discovery requests, many of which included multiple subparts. The active parties filed four rounds of testimony, including UGI Gas's direct testimony, other parties' direct testimony, rebuttal testimony, and surrebuttal testimony. Further, the Parties engaged in numerous settlement discussions and formal negotiations which ultimately led to the Settlement.

The Joint Petitioners to this proceeding undertook a tremendous effort to reach a full settlement of all issues. The Joint Petitioners each had to compromise on many different and competing issues and proposals raised in this case. In some instances, and in exchange for reaching an agreement on other issues, the Joint Petitioners collectively agreed to accept/reject a certain party's litigation position or to meet somewhere in between competing litigation positions. As such, in order to determine whether it is reasonable and in the public interest, the Unopposed Settlement should be viewed as a whole rather than from each individual term.

The parties faced a unique challenge in this proceeding. On March 6, 2020, pursuant to subsection 7301(c) of the Emergency Management Services Code, 35 Pa. C.S. §§ 7101, *et seq.*, Governor Tom Wolf issued a Proclamation of Disaster Emergency proclaiming the existence of a disaster emergency throughout the Commonwealth for a period of up to ninety (90) days, unless renewed by the Governor. Shortly thereafter, on March 11, 2020, the World Health Organization

declared COVID-19, a novel coronavirus, a pandemic (“COVID-19 Pandemic”). Subsequently and in response, on March 13, 2020, the Commission issued an Emergency Order instituting a Public Utility Service Termination Moratorium at Docket No. M-2020-3019244 (“PUC Emergency Order”). Since that time, the Pennsylvania state government and the federal government have been working to address the impacts that COVID-19 is having on the health of Pennsylvanians, and on the state and national economy. The parties focused on negotiating a settlement agreement that carefully considered the effect of COVID-19 on UGI Gas’s customers. As a result, this settlement implements the settlement rate increase in three steps, starting on January 1, 2021, to reduce the immediate effect of the rate increase. This settlement will also allow UGI Gas to enhance the provision of supportive services to its customers during the COVID-19 Pandemic period while continuing to provide safe and reliable natural gas distribution services. These measures should be approved promptly, so that they can assist UGI Gas’s customers as soon as possible.

The Unopposed Settlement reflects a carefully balanced compromise of the competing and broad array of interests of the Joint Petitioners in this proceeding. The Parties, their counsel, and their expert consultants have considerable experience in base rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding. The fact that the Unopposed Settlement is supported by parties representing a diversity of constituents and interests, in and of itself, provides strong evidence that the Unopposed Settlement is reasonable and in the public interest, particularly given the active role of the parties in this proceeding, and the several months of negotiations required to achieve a settlement.

For these reasons and the more specific reasons set forth below, the Settlement, as a whole, is just, reasonable, and in the public interest. Therefore, the terms and conditions of the Unopposed Settlement should be approved. (Unopposed Settlement ¶ 19).

B. REVENUE REQUIREMENT

1. “Black Box” Revenue Requirement

The Unopposed Settlement provides for an annual distribution rate revenue increase of \$20.0 million, to become effective for service rendered on and after January 1, 2021. (Unopposed Settlement ¶ 23). The distribution rate revenue increase of \$20.0 million is 26.8% of the proposed revenue increase of \$74.6 million requested in UGI Gas’s January 28, 2020 filing.

The agreed upon revenue requirement is a “black box” settlement, with certain exceptions discussed below. (Settlement ¶ 17). Under a “black box” settlement, parties do not specifically identify or resolve individual rate base, revenue, expenses, and rate of return issues. This “black box” concept often facilitates settlement agreements because it permits parties to retain their positions on important ratemaking issues for the proceeding at hand as well as for future proceedings. The Commission encourages black box settlements. *See, e.g., Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2011-2267958, pp. 26-27 (Order entered June 7, 2012); *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, pp. 27-28 (Order entered Dec. 19, 2013); Statement of Chairman Robert F. Powelson, Implementation of Act 11 of 2012, Docket No. M-2012-2293611 (Public Meeting, Aug. 2, 2012). Under a “black box” settlement, it is not necessary for the ALJ to decide individual rate base or revenue and expense adjustments proposed by the parties or determine the return on equity under the Settlement in order to determine the reasonableness of the proposed revenue increase under the Settlement.

UGI Gas projected to spend more than \$373 million in system investments in the Fully Projected Future Test Year ending September 30, 2021 (“FPFTY”). (UGI Gas St. No. 1, p. 8).

These investments are necessary to accelerate the replacement of aging gas plant infrastructure, upgrade and improve system segments and modernize facilities, serve new residential and commercial customers, connect customers converting to natural gas, and install and upgrade supporting information technology, all as part of growing and maintaining a safe and reliable distribution system and providing quality customer service. Since its last base rate case, UGI Gas has adopted modest annual wage and salary adjustments and will continue to do so, where reasonable, and has experienced other general price increases for necessary products and services. (UGI Gas St. No. 1, pp. 8-9).

The revenue increase is essential to UGI Gas's continued ability to attract capital on reasonable terms and provide safe and reliable service to customers. Although UGI Gas has implemented cost containment measures, efficiency enhancements, and has seen substantial customer growth over time, the growth in operating and capital investment, along with experienced and anticipated declines in per customer usage, have caused UGI Gas to be unable to earn a fair rate of return on its investment at present rate levels. (UGI Gas St. No. 1, pp. 8-9). Absent rate relief, UGI Gas projected that, for the twelve months ending September 30, 2021, its return on common equity would become deficient and would preclude UGI Gas from obtaining capital on reasonable terms to finance infrastructure improvements needed to maintain reliable service to customers. Moreover, the return on equity for the FPFTY, absent rate relief, also would be significantly lower than the return on equity of 10.75% recommended by Mr. Moul in his rebuttal testimony. (UGI Gas St. No. 7-R, p. 1). Rate relief will allow UGI Gas to continue to provide safe and reliable gas service and continue its capital investment strategy from a position of financial strength, which will allow the Company to make system investments that will enhance the reach and capacity of the UGI Gas distribution system and replace older, obsolete facilities.

This is necessary to ensure continued system reliability, safety, and customer service performance. (UGI Gas St. No. 1, p. 9).

In this proceeding, UGI Gas, I&E, and OCA presented testimony on revenue requirement issues.² In its initial filing, UGI Gas proposed a revenue increase of \$74.6 million (UGI Gas St. No. 1, p. 6), which included a proposed return on equity of 10.95% (UGI Gas St. No. 7, p. 48). I&E initially recommended a revenue requirement increase of approximately \$14.0 million (I&E St. No. 1, p. 3) with a return on equity of 8.48% (I&E St. No. 2, p. 18). The OCA initially recommended a revenue requirement decrease of approximately \$7.9 million (OCA Statement No. 2, p. 5) with a return on equity of 8.50% (OCA St. No. 3, p. 47). Only through extensive negotiations were the Joint Petitioners able to reach a compromise within a range of their competing litigation positions.

In negotiating the revenue requirement, the parties carefully considered the economic impacts of the COVID-19 Pandemic, and crafted a three-step, phased-in method for implementing the rate increase throughout the FPFTY. Importantly, the implementation of the first step will be delayed from the end of the suspension period (originally October 28, 2020, but voluntarily extended by UGI Gas to November 19, 2020) to January 1, 2021. On January 1, 2021, the first step of the phased-in rate increase, designed to produce \$10 million of increased revenue on an annual basis, will go into effect, producing the following rate effects:

January 1, 2021 through June 30, 2021:

- a. Pro forma annual revenue increase of \$10 million (1st step tariff billing rate increase), allocated to customer classes as follows:

Rate R/RT:	\$8.2 million
Rate N/NT:	\$1.7 million
Rate DS:	\$0.1 million

² Although the OSBA also presented testimony on revenue requirement issues, the OSBA did not present an overall recommended revenue requirement.

b. Deferred revenue (\$million) by month as shown below:

Month	Total	R/RT	N/NT	DS
January 2021	\$1.95	\$1.63	\$0.31	\$0.02
February 2021	\$1.63	\$1.36	\$0.26	\$0.02
March 2021	\$1.35	\$1.12	\$0.22	\$0.01
April 2021	\$0.69	\$0.56	\$0.12	\$0.01
May 2021	\$0.35	\$0.27	\$0.07	\$0.00
June 2021	\$0.18	\$0.14	\$0.04	\$0.00
<u>Period Total</u>	\$6.16	\$5.08	\$1.02	\$0.06

(Unopposed Settlement ¶ 23(1)). The first step will be effective from January 1, 2021 through June 30, 2021. The recovery of the identified deferred revenue above is addressed via the third step, outlined below after the second step.

On July 1, 2021, the second step of the phased-in rate increase, producing an additional \$10 million on an annual basis, will go into effect, as shown below.

July 1, 2021 forward:

Additional pro forma annual revenue increase of \$10 million (2nd step tariff billing rate increase), allocated to customer classes, as follows:

Rate R/RT:	\$8.2 million
Rate N/NT:	\$1.7 million
Rate DS:	\$0.1 million

(Unopposed Settlement ¶ 23(2)). As a result, the July 1, 2021 rates will produce a \$20.0 million increase on an annual basis over UGI Gas's current rates.

However, in order for UGI Gas to receive the full benefit of the revenue during the FPFTY itself (*i.e.*, for the period that rates would have been in effect as a result of this proceeding), the parties have agreed that UGI Gas can recover, in the third step of the phase-in, the deferred revenue that would have been recovered from customers if the Company had fully implemented the \$20.0 million increase in a single step on January 1, 2021. In the third step of the phase-in, the \$6.16 million of deferred revenue will be recovered over the defined one-year period October 1, 2021

through September 30, 2022 through a temporary increase to the otherwise applicable monthly customer charge. The amount of the temporary increase is shown below, by customer class:

- **Rate R/RT:** \$0.71 per month (based on total deferred Rate R/RT amount of \$5.08 million)
- **Rate N/NT:** \$1.25 per month (based on total deferred Rate N/NT amount of \$1.02 million)
- **Rate DS:** \$3.24 per month (based on total deferred Rate DS amount of \$0.06 million)

(Unopposed Settlement ¶ 24).

UGI Gas believes that the above-described phase-in proposal balances the needs of the Company to continue to fund its infrastructure replacement work and operations, while also considering the significant economic effect of COVID-19 on its customers.

The \$20.0 million proposed revenue increase under the Unopposed Settlement reflects significant concessions by the parties to craft a solution that would ensure UGI Gas's financial health and would protect consumers in the face of the unprecedented public health and economic crisis presented by the COVID-19 Pandemic. The phased-in proposed revenue increase of \$20.0 million is supported by substantial evidence, is just and reasonable, is in the public interest, and should be adopted without modification.

2. Stay Out Provision

As part of the comprehensive settlement, the parties have agreed that UGI Gas shall not file a Section 1308(d) general rate increase prior to January 1, 2022. (Unopposed Settlement ¶ 22). This will provide UGI Gas customers with a stable rate once the final incremental step (the deferred revenue recovery step) of the proposed increase goes into effect on October 1, 2021 for a twelve month period. The parties have also provided protection for the Company, which shall not be prevented from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies

or federal tax policies affecting the Company's rates. This provision strikes a reasonable compromise between the interests of consumers and the Company and should be adopted without modification.

C. RATE DESIGN

1. Revenue Allocation

UGI Gas relied upon a class cost of service study to allocate its proposed total revenue to each of the retail customer classes. (UGI Gas St. No. 1, pp. 40-45; UGI Gas Exhibit D). UGI Gas, OCA, and OSBA all presented evidence regarding revenue allocation. However, all parties agreed that the majority of the revenue increase should be allocated to the residential customer class, in order to move all rate classes closer to the overall system rate of return in a fair manner. This outcome is consistent with the Commonwealth Court's decision in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006) ("*Lloyd*") and prior judicial precedent regarding revenue allocation.

OCA and OSBA took differing positions on how the revenue increase should be allocated to the various classes. (OCA St. No. 4, pp. 30-34; OSBA St. No. 1, pp. 29-37). Despite these differences, the Joint Petitioners were able to reach a full settlement that allocated the revenue in a manner that will move all classes closer to the cost of service. (Unopposed Settlement ¶ 22). The rate impact of the settled revenue allocation is provided in the "Customer Class Rate Impact Analyses" attached hereto as **Attachment 1**.

UGI Gas believes that the revenue allocation under the Settlement is fully consistent with the Commonwealth Court's decision in *Lloyd* and prior Appellate Court precedent regarding revenue allocation. In addition, in considering the *Lloyd* decision, it is important to recognize that *Lloyd* did not overturn prior judicial precedent regarding to revenue allocation and the applicability of cost of service studies. When allocating revenues to the rate classes, the Commission is not required to adopt a single cost of service study or strictly allocate revenues according to the study's

results. In *Executone of Philadelphia, Inc. v. Pa. PUC*, 415 A.2d 445, 448 (Pa. Cmwlth. 1980), the Court stated as follows:

[T]here is no single correct cost study or methodology that can be used to answer all questions pertaining to costs; there are only appropriate and inappropriate cost analyses depending upon the type of service under study and the management and regulatory decision in question.

Likewise, in *Peoples Natural Gas Co. v. Pa. PUC*, 409 A.2d 446, 456 (Pa. Cmwlth. 1979), the Court stated as follows with respect to rate design:

. . . there is no set formula for determining proper ratios among the rates of different customer classes. *Natona Mills v. Pennsylvania Public Utility Commission*, 179 Pa. Super. 263, 116 A.2d 876 (1955). What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the commission to decide. This court's scope of review is limited.

As *Lloyd* and the other cases cited above demonstrate, the Commission retains considerable discretion in designing rates, is not required to follow any particular cost of service study, and can consider other factors, including gradualism and the extenuating economic circumstances brought about by COVID-19, in designing just and reasonable rates, as long as cost of service is the primary guiding factor. The agreed-upon revenue allocation under the Settlement provides movement towards cost of service for all rate classes under UGI Gas's class cost of service study. As such, UGI Gas submits that the Settlement's proposed revenue allocation is fully consistent with the *Lloyd* decision and other relevant precedent regarding revenue allocation.

2. Rate Design

The primary objective of the proposed rate design was to develop rate schedules that would produce the requested revenues when applied to forecasted conditions for the FPFTY. As part of a comprehensive settlement, the parties have agreed that the pro forma annual revenue increases will be incorporated through increases to the Company's volumetric distribution charges for the

affected classes, and will be based on the Company's filed usage billing determinants as reduced by 75 percent of the Company's growth-related billing determinant adjustment. (Unopposed Settlement ¶ 25). This adjustment takes into consideration the effect of COVID-19 on the Company's projected customer growth, as explored in the testimonies of Christopher R. Brown and Robert R. Stoyko. (UGI Gas St. 1-R, p. 11; UGI Gas St. 11-R, pp. 22-24). The Unopposed Settlement does not increase the customer charge (except for the third-step, one-year temporary deferred revenue charge) (Unopposed Settlement ¶ 26), and instead focuses the annual increase on the volumetric component, consistent with the testimony of certain customer complainants and other parties. The Company believes that the adjustment to the billing determinants will allow the settlement rates to mirror the anticipated operating circumstances as adjusted in the Company's rebuttal testimony to account for the changed circumstances UGI Gas anticipates it will experience in the FPFTY due to the COVID-19 Pandemic.

The overall rate design reflects a gradual increase in rates over the course of the FPFTY, moves all customer classes toward the overall cost of service, and strikes a reasonable balance between the interests of customers and the Company. For these reasons, the revenue allocation and rate design are just and reasonable, and should be approved as reflected in the Unopposed Settlement.

D. CUSTOMER ASSISTANCE AND COVID-19 PROVISIONS

This case was filed on January 28, 2020, under normal operating circumstances and with no expectation of the significant changes to the Commonwealth and the economy that would occur. Less than two months later, the Company and the Commonwealth were operating under significantly different circumstances. As described in UGI Gas's rebuttal testimony, the Company responded rapidly and effectively to Governor Wolf's initial March 15 declaration. UGI Gas transitioned its administrative employees to work remotely and limited its on-site operations to

field employees and supervisors. (UGI Gas St. 1-R, p. 5). The Company assigned other employees to perform vital functions on an as needed basis. (UGI Gas St. 1-R, p. 5). As part of its response, UGI Gas immediately adopted policies to protect customers affected by the COVID-19 Pandemic. (UGI Gas St. 1-R, p. 6).

UGI Gas recognized that the COVID-19 Pandemic would affect all customer classes. The Company developed a comprehensive communications plan using various channels including its website, email, direct mail, virtual meetings, and video tutorials to support customers and employees working remotely. (UGI Gas St. 1-R, p. 6). Additionally, UGI's Customer Contact Center transitioned approximately 110 customer service representatives to work remotely by March 15, 2020, in order to continue to provide high quality service to customers while maintaining a healthy and safe environment for employees. (UGI Gas St. 1-R, p. 6). This transition was highly successful and ensures that UGI's Call Center will continue to be available to handle customers' questions throughout the COVID-19 Pandemic and post-Pandemic periods. (UGI Gas St. 1-R, p. 6).

Consistent with the Commission's Emergency Order, the Company ceased service terminations as of March 13, 2020, but also voluntarily began waiving all late payment charges as of March 24, 2020. (UGI Gas St. 1-R, p. 6). The Company ceased removing customers from its Customer Assistance Program ("CAP") for failure to recertify as of March 18, 2020. (UGI Gas St. 1-R, pp. 6-7). In addition, the Company instructed Community Based Organizations ("CBOs") to accept telephonic "signatures" for CAP program authorizations. (UGI Gas St. 1-R, p. 7). The Company also filed a petition to implement a pre-Pandemic proposal to reduce maximum tiered monthly Percent-of-Income payments required of its CAP customers. (UGI Gas St. 12-R, p. 7). In addition, the Company voluntarily implemented a Company matching program for employee

donations to food banks along with its employees. As of June 19, 2020, UGI Gas had donated over \$460,000 to local food banks since the COVID-19 Pandemic began, and has increased the Company's Operation Share donation commitment by \$500,000 per year for fiscal years 2020 and 2021. (UGI Gas St. 1-R, p. 7).

UGI Gas recognized, and continues to recognize, the effect that the COVID-19 Pandemic has had on its customers, its employees, and the communities it serves. (UGI Gas St. 1-R, p. 5). UGI Gas is committed to supporting its employees, customers, and local communities during these challenging times and has sought to strike a fair balance in this case between the evolving needs presented by the COVID-19 Pandemic and the critical need to continue to replace infrastructure in order to ensure that the Company can provide safe and reliable service. (UGI Gas St. 1-R, p. 6). As a result of this commitment, UGI Gas worked tirelessly with the parties to this proceeding to craft meaningful customer service programs and provisions that would help customers who have experienced significant impacts as a result of COVID-19. UGI Gas believes that these programs will provide relief to customers in need and are consistent with the Commission's directives and with good public policy. Finally, as part of this comprehensive relief package addressing the COVID-19 Pandemic, the parties agreed that UGI Gas should be permitted recovery of the extraordinary expenses that may be incurred by the Company as it responds to this continually evolving COVID-19 Pandemic situation.

The Company strongly believes that the package of programs developed by the parties – parties who represent the interests of consumers, low income individuals, and small businesses – are in the public interest and should be effective as soon as practicable. As part of this Section of the Statement in Support, UGI Gas will describe the three key provisions of the Unopposed Settlement: Section III.E – Customer Assistance, Including Payment Troubled and Low Income

Customers; Section III.F – COVID-19 Emergency Relief Program; and Section III.H – COVID Cost Deferral. These three components work together to provide immediate and longer-term relief, as well as to ensure the financial health of the Company as it provides support to customers in need. The Company will explain how these provisions are consistent with the Commission’s directives, precedent, and good public policy, and are therefore in the public interest.

UGI Gas has already begun preparations so that it can implement these programs effective on one day’s notice of the Commission’s order.

1. Customer Assistance for Payment Troubled and Low Income Customers

Section III.E of the Unopposed Settlement includes the first of the three settlement provisions addressing the impacts of COVID-19. Section III.E provides immediate protections for customers for the duration of the PUC Emergency Order. These protections include: cessation of termination; outreach to confirmed low income customers; waiver of late payment fees; enhanced CAP and LIHEAP eligibility screening; suspension of CAP recertification requirements; and enhanced communications to customers on grants and emergency funding. (Unopposed Settlement ¶ 27). The Company is already preparing to contact its customers to encourage them to contact UGI Gas for assistance, consistent with the requirements of the Unopposed Settlement. (Unopposed Settlement ¶ 27(d)).

The Unopposed Settlement provides UGI Gas with the means of responding to the emergency circumstances facing its service territory by adopting additional customer assistance programs that will be in place for the duration of the PUC Emergency Order, as well as a short window of time thereafter. These provisions will make it easier for customers, and particularly low income customers, to obtain assistance from the Company.

First, UGI Gas will accept self-verification of income for new CAP enrollments. (Unopposed Settlement ¶ 28(a)). This will make it easier for customers to enroll in CAP, without the need for paperwork that may be hampered by social distancing and stay at home requirements.

Second, UGI Gas will expand the eligibility of its Operation Share grant program to 250% of the Federal Poverty Level (“FPL”), and will also increase the maximum grant size from \$400 to \$600 for the duration of the Emergency Order plus an additional 90 days. (Unopposed Settlement ¶ 28(b)). This will expand the number of customers who can obtain Operation Share assistance and will help eligible customers avoid accruing significant arrearages, particularly where they need temporary assistance that may have been caused by a temporary gap in income. In order to support the expansion of Operation Share, the Company is contributing an additional \$2.0 million in funding. \$1.0 million of this will come from the Company and will not be rate recoverable. An additional \$1.0 million will come from anticipated pipeline refund amounts for residential customers. (Unopposed Settlement ¶ 28(c)). This use of pipeline refunds to support residential customers in need is consistent with proposals previously approved by the Commission in other utility proceedings. *See, e.g., Petition of Columbia Gas of Pennsylvania, Inc. For Approval to Contribute Columbia Gulf Refund Proceeds to Residential Hardship Fund and Provide PGC Credits to Small Commercial Customers*, Docket No. P-2012-2292298 (Order entered April 26, 2012).

Finally, the Unopposed Settlement makes certain modifications to the Company’s Low Income Usage Reduction Program (“LIURP”) to ensure that LIURP will meet community needs. Specifically, UGI Gas will increase the scope of customers eligible for LIURP, by adjusting the minimum usage threshold to the actual average usage of residential customers for those customers at or below 150% FPL. All unspent LIURP dollars will roll over and be added to the following

year's budget. (Unopposed Settlement ¶ 28(d)). UGI Gas will also provide an additional \$500 of funding per LIURP job where a contractor incurs documented COVID-19 related costs. (Unopposed Settlement ¶ 28(d)). This will ensure that contractors are adequately compensated and are encouraged to adopt best practices to protect their workers and UGI Gas customers, such as using appropriate PPE. In addition, beginning on July 1, 2021, UGI Gas will increase its annual LIURP budget in an amount proportionate to the distribution rate increase for the residential customer class (approximately \$80,000 per annum). (Unopposed Settlement ¶ 28(d)). With these provisions, the Unopposed Settlement will ensure that the LIURP program provides meaningful energy conservation support to low income customers and also supports the safety of those individuals involved with the LIURP program.

The terms of Section III.E are intended to provide immediate customer assistance to many UGI Gas customers, and particularly more robust assistance to low income customers. The steps identified in this Section are consistent with the Commission's general policy of assisting customers through a variety of time-tested programs such as CAP and LIURP, as well as through Company and pipeline refund funded relief programs. Critically, the provisions identified in Section III.E will make these programs more widely available while also increasing funding for the programs, which is important given the anticipated increased reliance on these programs during this COVID-19 emergency period. The provisions of Section III.E will provide clear public benefits that are needed to support customers during the difficult economic circumstances caused by the COVID-19 Pandemic.

The provisions included in Section III.E are intended to last through the Commission's current termination moratorium, but the parties have committed to holding future discussions if the Commission's termination moratorium expires or is otherwise terminated, to discuss whether

the customer benefits reflected in Section III.E should be extended. (Unopposed Settlement ¶ 29). This commitment ensures that customers will be adequately protected and that programs can be extended or modified to the extent needed to adjust to the rapidly evolving circumstances the Commonwealth is facing in dealing with the COVID-19 Pandemic.

2. COVID-19 Emergency Relief Program

In addition to the customer assistance provisions described in Section III.E of the Unopposed Settlement, the parties have crafted a COVID-19 Emergency Relief Program (“ERP”) that is reflected in Section III.F of the Unopposed Settlement. This program is intended to provide benefits including billing relief and/or payment relief for customers who need temporary relief measures during the pendency of the COVID-19 Pandemic, as well as for a limited period following the termination of the PUC Emergency Order period. (Unopposed Settlement ¶ 30). This program will be available to qualifying residential and small business customers. The qualifications for the program are identified in Paragraph 32 of the Unopposed Settlement, and were developed in conjunction with the OCA, OSBA, CAUSE-PA, and CEO to address their core constituents.

The benefits of this program are fully described in Paragraph 33 of the Unopposed Settlement. For residential customers the program’s benefits include: suspension of collection efforts; a one-time credit (up to \$400) in an amount equal to 25% of the customer’s applicable balance as of the ERP Enrollment Termination Date; automatic CAP screening at the end of the program; and a deferred payment arrangement that is as long or longer than the term provided in the Commission’s regulations if an arrearage exists at the end of the program and the customer is not CAP eligible. (Unopposed Settlement ¶ 33(a)). For small business customers, the benefits include: suspension of collection efforts, and a long-term deferred payment arrangement allowing for a period equal to the shorter of (1) two times the length of PUC Emergency Order period or (2)

180 days if an arrearage exists at the termination of the program. (Unopposed Settlement ¶ 33(b)). These benefits are designed to address the immediate gap in income that many Pennsylvanians experienced as the Commonwealth's economy reacted to the COVID-19 Pandemic and businesses adjusted to the new reality of more limited operations, as well as the longer term impacts that continue to constrain operations for many businesses in Pennsylvania. As a result of the continuing effect of the COVID-19 Pandemic on the economy, limited operations, and restrictions, customers may accrue arrearages that warrant the provision of additional time for repayment once the emergency has concluded.

The Joint Petitioners recognize that the COVID-19 Pandemic continues to change rapidly, and that the extent of federal and state assistance is not fully known. As a result, and in order to protect the Company from an indefinite financial exposure, the ERP Enrollment period will terminate at the end of the December 2020 billing period. (Unopposed Settlement ¶ 36). This termination date means that customers will no longer be able to sign up to participate in the ERP after the December 2020 billing period. However, at least 30 days prior to this date, UGI Gas will initiate discussions with the parties to this proceeding to determine whether an extension of customer benefits under the ERP is appropriate. (Unopposed Settlement ¶ 37). In this way, the interests of the Company, and the possible continuing effects of the COVID-19 emergency on customers, will be balanced and will receive adequate consideration.

The ERP is the product of many hours of negotiations and discussion focused on meeting customers' needs in the changing environment created by COVID-19. This program will provide substantial benefits to customers who would not otherwise qualify for assistance, and particularly from collections protection after the conclusion of the emergency period. The program will be open to a broad number of customers, as opposed to many of the Company's current customer

assistance programs which are limited to low income customers. Importantly, it will also be available to small business customers, many of whom have been substantially affected by the COVID-19 Pandemic. Section III.F of the Unopposed Settlement creates programs with much needed benefits for a large number of customers and was developed by the Company working closely with advocates representing both consumers and small business interests. These provisions of the Unopposed Settlement are in the public interest and should be approved.

3. COVID Cost Deferral

As part of the comprehensive COVID-19 package of provisions, the parties have agreed that UGI Gas will be allowed to defer and recover over time the extraordinary expenses the Company may incur as it responds to the changing landscape created by the pandemic. Specifically, Section III.H of the Unopposed Settlement allows UGI Gas to track COVID-19 Pandemic costs, record them as a regulatory asset, and defer COVID-19 pandemic related costs for future recovery in the Company's next base rate proceeding. (Unopposed Settlement ¶ 48). When these deferred costs are included for ratemaking purposes, they will be recovered over a 10-year amortization period without interest on unamortized amounts. (Unopposed Settlement ¶ 48).

The parties have identified the types of costs that are eligible for deferral and cost recovery in the Settlement.³ The identified eligible costs, and Section III.H in general, are consistent with prior Commission orders wherein the Commission has granted deferred accounting for expenses that are extraordinary, not reasonably foreseeable, and non-recurring. *See, e.g., Petition of PPL*

³ The costs eligible for deferred accounting include reasonable and prudently incurred, incremental labor-related costs; costs incurred to maintain employee and contractor availability; incremental health care related costs; incremental worker's compensation costs; incremental occupational safety equipment, contractor, and personnel costs; annual uncollectible accounts expense in excess of \$12.81 million beginning with the fiscal year period ending September 30, 2020 and continuing for annual periods thereafter until the effective date of the Company's next base rate filing; ERP related costs as defined in Unopposed Settlement Paragraph 35; and COVID-19 Pandemic costs that cause operating costs for the specific FERC account to exceed budgeted FTY and FPFTY levels or, in the case of uncollectible accounts expense, \$12.81 million (Unopposed Settlement ¶ 49)

Electric Utilities Corporation for Authority to Defer, for Accounting Purposes, Certain Unanticipated Expenses Relating to Storm Damage, Docket No. P-2012-2338996 (Feb. 14, 2013) (authorizing the deferral and amortization of certain expenses related to extraordinary and non-recurring storm damage); *Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes Certain Losses from Extraordinary Winter Storm Damage and to Amortize Such Losses*, Docket No. P-00052148 (August 25, 2005) (authorizing deferral and amortization of extraordinary winter storm damage); *Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses*, 231 P.U.R.4th 521 (2004) (Commission approved deferral of expenses associated with storm related damages); *Petition of Mechanicsburg Water Co.*, Docket No. P-910500 (September 25, 1991) (Approved deferral for accounting purposes of capital and other costs associated with water treatment plant expansion.); *Petition of Pennsylvania Gas & Water Co.*, Docket No. P-900454 (September 5, 1990) (Approved deferral of costs of four water treatment plants that were nearing completion.); and *Petition of Pennsylvania Gas & Water Co.*, Docket No. P-920586 (October 21, 1992) (Approved deferral for accounting purposes of water treatment plant costs.). The Joint Petitioners agree that the COVID-19 Pandemic will cause the Company to incur expenses, as defined in Paragraph 49 of the Unopposed Settlement, that are “extraordinary, not reasonably foreseeable, and non-recurring” and therefore meet the definition used by the Commission to determine that deferred accounting is appropriate.

As a further protection for customers, the Company will maintain records, documents, and other information necessary to demonstrate that its claimed costs qualify as COVID-19 Pandemic Costs. (Unopposed Settlement ¶ 48). The Joint Petitioners have also agreed that the Company

must exercise prudent efforts to maximize its utilization of and track any government benefits, whether direct grant, tax credits, or some other external relief, to minimize costs to be deferred. (Unopposed Settlement ¶ 50). As part of the Company's next base rate case, it will provide a report detailing its efforts, any amounts obtained as part of these efforts and their intended use, and, if denied, the reason for the denial. (Unopposed Settlement ¶ 50). Finally, all parties reserve the right to review the prudence and reasonableness of these costs in the next base rate proceeding. (Unopposed Settlement ¶ 48).

The Commission has allowed public utilities to defer costs for accounting and financial reporting purposes on numerous occasions, and has recently encouraged utilities to track and defer COVID-19 Pandemic costs. In a Secretarial Letter issued on May 13, 2020, to initiate the *COVID-19 Cost Tracking and Creation of Regulatory Asset* Docket at M-2020-3019775, the Commission instructed utilities to track “prudently incurred incremental extraordinary, nonrecurring expenses related to COVID-19” (May 13 Secretarial Letter at 1) so as to “claim the deferred expenses at their first available opportunity.” (May 13 Secretarial Letter at 3). The provisions of Section III.H generally track the language of the May 13 Secretarial Letter. Further examples of past deferrals for expenses meeting the Commission's standard for deferred accounting include deferrals for storm damage, changed regulatory requirements, and construction delays. The deferral terms reflected in Section III.H and supported by the Joint Petitioners are similar in nature to prior Commission precedents addressing extraordinary, unforeseen, and non-recurring expenses, and are specifically within the scope of the expenses contemplated by the May 13 Secretarial Letter.

The Joint Petitioners recognize that the COVID-19 Pandemic may have a significant impact on UGI Gas's expenses, and that the customer relief programs included in the Unopposed Settlement will require the Company to incur costs above what it had anticipated at the outset of

this rate case. Further, this deferred accounting is critical in light of the tremendous uncertainty surrounding the pandemic, including how long restrictions will continue, and the overall suppressing effect that those restrictions are having on local, state, and federal economies. Finally, this deferred accounting provision was a necessary component in support of the stay out provision, which would prevent the Company from seeking to incorporate these unanticipated and unknown expenses into rates at a time prior to a January 1, 2022 filing date.

For these reasons, and in consideration of the total package of COVID-19 related provisions that the Joint Petitioners have agreed to, the deferred accounting treatment for COVID-19 costs is in the public interest and should be approved.

E. TARIFF MODIFICATIONS AND CONSOLIDATION

As part of the resolution of this proceeding, the Joint Petitioners agreed to a number of additional discrete issues that are reflected in the Unopposed Settlement. The resolution of each of these issues, when taken as a whole, are in the public interest, consistent with sound ratemaking, and should be approved as proposed.

1. Line Extensions

UGI Gas proposed in this proceeding to modify its current extension tariff to simplify its policies applicable to short service line and main extensions to new customers and to facilitate greater access to natural gas service within the UGI Gas service territory. (UGI Gas St. No. 1, pp. 20-23). Specifically, UGI Gas has proposed to reduce or eliminate the contribution required for certain customers to connect to the UGI Gas system, if the following four conditions are met:

- (1) the service location is directly accessible by an existing or proposed UGI Gas main (non-high pressure), which would be extended by no more than 150 feet;
- (2) the service line required to serve the applicant is no more than 150 feet;

(3) the customer will utilize natural gas as their primary heating source and be served under Rates R, RT, N, or NT;

(4) construction for the new main and service line does not require the crossing of private property or right of way or pose a complex construction condition or require unusual permitting requirements.

(UGI Gas St. No. 11-R, p. 3). These modifications will make it easier and more economic for homeowners and businesses located near the Company's existing natural gas infrastructure to receive natural gas service from UGI Gas. (UGI Gas St. No. 11-R, p. 4).

OCA, I&E, and OSBA responded to the Company's proposal. OCA was generally supportive of the Company's proposal, because it would further expand the availability of natural gas to residents in the Commonwealth and is consistent with modifications adopted by Columbia Gas of Pennsylvania ("Columbia") and Peoples Natural Gas Company ("Peoples"). (OCA St. No. 4, pp. 43-44). I&E was supportive of the line extension regulations as to Rate R/RT customers, but did not support the proposal as to Rate N/NT customers, and also proposed technical adjustments to distinguish the program from the GET Gas program. (I&E St. No. 6, pp. 6-7). Finally, the OSBA did not support the proposed line extension regulations, but acknowledged that the Commission had recently adopted a similar policy for Peoples. (OSBA St. No. 1, pp. 22-28).

In order to resolve this case, the parties have agreed that the Company's proposed modifications to Tariff Rule 5 – Extension Regulation are approved as filed. (Unopposed Settlement ¶ 38). However, consistent with I&E's testimony distinguishing the new policies from the GET Gas program, the modified extension provisions will not apply to customers along existing GET Gas designated mains and will not be permitted as a method to extend existing GET Gas mains where GET Gas surcharge payments remain in effect

The adoption of economic line extension policies is consistent with Commission policy and with the practices of other utilities. The Commission has consistently supported the expansion

of the availability of natural gas as an important public policy. The Commission's Chairman Gladys M. Brown Dutrieuille noted the positive attributes of natural gas expansion:

A number of things are very clear about natural gas – Pennsylvania has an abundant supply; homeowners and businesses across the state are lining up for access; and the PUC continues to challenge utilities to help more consumers tap into this lower-cost and cleaner-burning fuel.

(Chairman Gladys M. Brown Dutrieuille, Keynote Remarks May 11, 2015). Further, the Company's proposal is consistent with recent approaches approved by the Commission for Peoples in 2019, and Columbia in 2015. *See Pa. PUC v. Peoples Natural Gas Co., LLC*, Docket No. R-2018-3006818 (Order entered October 3, 2019); *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2015-2468056 (Order entered December 3, 2015). Adopting the line extension policy proposed in the Unopposed Settlement provides a significant benefit to customers, and to the Commonwealth.

UGI Gas submits that this Unopposed Settlement provision is in the public interest because it will expand the availability of natural gas to more customers, who otherwise would not be able to access service under the Company's existing tariff provisions.

2. Rider F – Universal Service Modifications

UGI Gas is permitted to recover costs for its universal service programs under its Universal Service Program ("USP") Rider with an annual reconciliation for costs and recoveries. There is an offset for Customer Assistance Program ("CAP") credits and pre-program arrearages for customers receiving shortfall credits that exceed the CAP customer enrollment projected in the last base rate case. This offset reduces the Company's recovery of CAP spending above projected enrollment to account for write-offs of bad debt that would have arguably occurred if not for CAP. UGI Gas's as-filed case included a projected consolidated CAP enrollment of 25,297 customers to be used for the offset. (UGI Gas St. No. 1, p. 48).

The Joint Petitioners have agreed to resolve this dispute by replacing the Company's as-filed "25,297" with "the number of CAP enrollees as of September 30, 2020." (Unopposed Settlement ¶ 39). This proposal will provide the most up to date count of CAP enrollees available and will likely reflect the ongoing impacts on CAP that are caused by the COVID-19 Pandemic. This represents a reasonable compromise between the positions supported by OCA and the Company.

3. Rate NNS and Rate MBS

The Company's filing included rates for No Notice Service ("NNS"). Rate NNS is currently an optional daily balancing service offered by the Company to Non-Choice transportation customers. It allows a customer to elect a balancing tolerance greater than the standard basic balancing provided by the Company. Rate MBS is a monthly balancing service offered by the Company that allows transportation imbalances of up to 10% for the month to be carried forward in the customer's MBS account for delivery of excess deliveries, or receipt of shortfalls, in subsequent months. The Company proposed to update the tariffed NNS rate to reflect current cost elements, while retaining the methodology used to develop the current rate. (UGI Gas St. 1, pp. 45-46). For Rate MBS, the Company proposed to adjust rates so that the rates would be \$0.0197/Mcf for Rates DS and IS, \$0.0111/Mcf for Rate LFD, and \$0.0106/Mcf for Rate XD. (UGI Gas St. 1, pp. 46-47).

The OCA submitted testimony that purchased gas cost and Non-Choice customers should receive a contribution toward fixed costs associated with the storage assets utilized to provide NNS service. (OCA St. No. 4, pp. 37- 39). Further, OCA sought to adjust the storage trip charge to include the demand charges associated with providing service under Rate NNS. (OCA St. No. 4, pp. 37- 39). In addition, the OCA proposed that costs included in development of Rate MBS should include daily deliverability demand charges and that the monthly imbalance percentage in

the calculation of Rate MBS be increased to 5% to reflect the additional up-to 5 percent monthly imbalance tolerance provided under the Tariff. (OCA St. No. 4, pp. 39-41). In its rebuttal testimony, the Company opposed the OCA's proposals for a variety of reasons. (UGI Gas St. 1-R, pp. 51-53).

The Unopposed Settlement resolves the issues raised by the OCA regarding Rate NNS and Rate MBS by continuing the Company's existing method for calculating Rate NNS and Rate MBS. (Unopposed Settlement ¶ 40). This method was approved in *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2018-3006814 (Opinion and Order entered Oct. 4, 2019) (“2019 Base Rate Case”), after a thorough review by all parties to that proceeding. As there were no challenges to the existing method, which was found just and reasonable by the Commission within the past year, it is reasonable to conclude that this method continues to be just and reasonable.

4. Choice Supplier Tariff Rules

In its direct case, the Company proposed to modify its Tariff Rule 10. No party opposed the revised Tariff language. As a result, the Company's proposed language clarifications related to Tariff Rule 10 - Failure to Comply with an OFO or DFD should be approved as-filed. (Unopposed Settlement ¶ 41).

5. Updates to Tariff Language

The Unopposed Settlement includes a number of tariff changes that were included in the Company's direct filing, and which were not opposed by any party to this proceeding. (Unopposed Settlement ¶ 42). These changes provide more clarity on existing tariff provisions, and make necessary updates based on the impact of this and other proceedings on the identified rates and riders, and should be approved.

6. Chapter 71

Pursuant to the *Joint Application of UGI Utilities, Inc., UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc.*, which was approved on September 20, 2018, UGI Gas was permitted to merge its three pre-existing Natural Gas Distribution Companies (“NGDCs”) into a single NGDC.⁴ This merger was completed on October 1, 2018. Thereafter, the merged company (UGI Gas) provided service under a Commission-approved three rate district structure,⁵ for UGI South Rate District, UGI North Rate District and UGI Central Rate District. As part of the merger, the Commission directed UGI Gas to continue to file its Chapter 71 earnings reports on a rate district basis, until the Commission determined that a single filing was appropriate.

As part of this proceeding, the Company proposed that it should be permitted to file its Chapter 71 earnings reports on a consolidated basis, rather than by former rate district. (UGI Gas St. No. 1, pp. 14-15). No party opposed this proposal. Therefore, the Unopposed Settlement reflects adopts the Company’s proposal. (Unopposed Settlement ¶ 44). This is in the public interest because it will reduce the administrative burden on the Company, the parties, and the Commission, and because it accurately reflects that the Company is now operating as a single jurisdictional entity.

⁴ See *Joint Application of UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. for All of the Necessary Authority, Approvals, and Certificates of Public Convenience for (1) an Agreement and Plan of Merger; (2) the Merger of UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. into UGI Utilities, Inc.; (3) the initiation by UGI Utilities, Inc. of natural gas service in all territory in this Commonwealth where UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. do or may provide natural gas service; (4) the abandonment by UGI Penn Natural Gas, Inc. of all natural gas service in this Commonwealth; (5) the abandonment by UGI Central Penn Gas, Inc. of all natural gas service in this Commonwealth; (6) the adoption by UGI Utilities, Inc. of UGI Penn Natural Gas, Inc.’s and UGI Central Penn Gas, Inc.’s Existing Tariffs and their Application within New Service and Rate Districts of UGI Utilities, Inc. Corresponding to their Existing Service Territories as UGI North and UGI Central, respectively; (7) the adoption by UGI Utilities, Inc. of its Existing Tariff to be applied to a New UGI South Service and Rate District; (8) Where Necessary, Associated Affiliated Interest Agreements; and (9) any Other Approvals Necessary to Complete the Contemplated Transaction*, Docket Nos. A-2018-3000381, A-2018-3000382 and A-2018-3000383 (Opinion and Order entered September 20, 2018).

⁵ See Recommended Decision at pp 7-9.

7. Uniform Distribution Rates and Riders

As a result of the merger described in the prior section, UGI Gas commenced operations as a single NGDC with three rate districts. The merger did not impact the rates of the three rate districts, and the Settlement agreed to in that proceeding indicated that the issue of unified rates should be addressed in a future base rate proceeding. In the 2019 Base Rate Case, UGI Gas was authorized to fully consolidate the rates, except for former North Rate District customers on Rates N/NT and DS not being placed on uniform rates with the consolidated rates for former South and Central Rate District Rate N/NT and DS customers. As part of this proceeding, UGI Gas proposed to fully consolidate Rates N/NT and Rate DS. (UGI Gas St. No. 1, p. 41). OSBA opposed the Company's consolidation. (OSBA Statement No. 1, p. 38-43).

As a result of the COVID-19 Pandemic, and the challenges facing small businesses due to the associated closures and stay at home orders, UGI Gas agreed to withdraw its proposal to unify Rates N/NT and DS. (Unopposed Settlement ¶ 45). The parties agreed that the Company may propose to fully harmonize rates in the Company's next base rate case, which will be filed no sooner than January 1, 2022 pursuant to the stay out provision. As a result, the Company's proposal to fully harmonize distribution rates for Rates N/NT and DS is withdrawn without prejudice.

8. Distribution System Improvement Charge

The Settlement provides that, as of the effective date of rates in this proceeding, UGI Gas will be eligible to include plant additions in the DSIC once the Company's total net plant balances reach a level of \$2,875,056,000. The Joint Petitioners agree that this provision is included solely for purposes of establishing when the Company's DSIC may become effective and is not determinative for future ratemaking purposes of the projected additions to be included in rate base. (Unopposed Settlement ¶ 46). This provision fully complies with the requirements 66 Pa.C.S. §

1358 and the Commission's Model Tariff that the DSIC be set to zero as of the effective date of new base rates that include the DSIC-eligible plant.

This threshold provides UGI Gas a reasonable opportunity to recover its capital costs incurred to repair, improve, or replace its aging distribution infrastructure that is placed in service between base rate cases, which, in turn, provides customers with enhanced gas service safety and reliability benefits. This settlement provision is similar to other settlement provisions the Commission has adopted in recent proceedings. *See, e.g., Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2014-2406274 (Opinion and Order entered Dec. 10, 2014); *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2015-2518438 (Opinion and Order entered Oct. 14, 2016), *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2018-3006814 (Opinion and Order entered Oct. 4, 2019). For these reasons, UGI Gas submits that this settlement provision should be approved without modification.

The Settlement further provides that, for purposes of calculating its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities as updated each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1). (Settlement ¶ 47). This Settlement provision is in the public interest because it satisfies the Commission's request that parties to a rate case settlement identify a return on equity for DSIC computation purposes. *See Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2015-2518438, p. 27 (Opinion and Order entered Oct. 14, 2016).

F. ACCOUNTING

1. Environmental Cost Recovery

a. Annual Environmental Expense

UGI Gas's environmental remediation expense claim enables the Company to fully recover the costs incurred in connection with its obligations under Consent Orders and Agreements ("COAs") with the Pennsylvania Department of Environmental Protection ("DEP") to remediate former manufactured gas plants ("MGPs"). In its filing, UGI Gas claimed \$4.188 million for prospective environmental remediation expense based on the simple average of the last three years of cash expenditures for MGP remediation expense. (UGI Gas St. No. 2, pp. 17-19). No party challenged the prospective environmental remediation expense in the Company's filed case.

The Settlement includes an annual amount of \$4.188 million for recovery of future environmental costs as a compromise to its rebuttal position. (Unopposed Settlement ¶ 51). The \$4.188 million annual remediation expense is consistent with the unchallenged amount set forth by UGI Gas in its direct case and is reasonable. Further, the Settlement provides that annual differences between \$4.188 million and actual expenditures shall be deferred as a regulatory asset (where expenditures are greater than \$4.188 million per year) or as a regulatory liability (where expenditures are less than \$4.188 million on an annual basis) and accumulated for book and ratemaking purposes until UGI Gas's next base rate case. (Unopposed Settlement ¶ 51). This cost treatment protects customers from over-recoveries and UGI Gas from under-recoveries for this non-revenue producing and non-expense reducing category of expense. UGI Gas submits that this Settlement provision is in the public interest because it is consistent with the Company's method for calculating prospective remediation costs and, as discussed below, the historic ratemaking treatment of its annual remediation expense differences.

b. Amortization of Environmental Expense

In prior cases, the Commission approved a reconciliation mechanism that permitted the Company to accumulate, defer and obtain ratemaking recovery for environmental costs incurred in compliance with the COAs that exceeded established annual ratemaking levels less any cost shortfall in years where actual expenditures fell below that level. *See, e.g., Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2018-3006814 (Opinion and Order entered Oct. 4, 2019). In this proceeding, UGI Gas proposed to recover the remaining \$6.482 million of the previously approved 5-year \$8.103 million amortization over the remaining four-year amortization period. (UGI Gas St. No. 2, pp. 17-19). UGI Gas also proposed to amortize deferred 2019 MGP remediation expenses totaling \$1.219 million through a single year amortization tied to its planned 2021 rate case. (UGI Gas St. No. 2, pp. 17-19). I&E recommended a five-year amortization period for the 2019 expenses, and therefore recommended an annual expense of \$243,800. (I&E St. No. 1, pp. 27-30).

In the Unopposed Settlement, the Joint Petitioners agreed to the continue the five-year amortization period of the remaining amount of the previously approved \$8.103 million of pre-2019 deferred environmental costs. (Unopposed Settlement ¶ 51). Moreover, the Joint Petitioners have agreed to permit the Company to amortize the \$1.219 million balance applicable to fiscal year 2019 over the five-year period beginning January 1, 2021 at \$243,800 per year, consistent with I&E's position. UGI Gas submits that this Unopposed Settlement provision is in the public interest because it is consistent with the deferral reconciliation mechanism authorized by the Commission. In addition, this cost treatment should protect customers from over-recoveries and UGI Gas from under-recoveries for this non-revenue producing and non-expense reducing category of expense. Finally, this provision of the Unopposed Settlement reflects a balance between the litigation positions of I&E and the Company.

2. Accumulated Deferred Income Tax and Excess Deferred Federal Income Tax

In its initial rate filing, UGI Gas included a FPFTY Accumulated Deferred Income Tax (“ADIT”) calculation, based upon a pro-rationing methodology required under Treasury Regulation 1.167(l)-1(h)(6)(ii) that is necessary to be in compliance with Internal Revenue Service (“IRS”) normalization requirements. (UGI Gas St. No. 10, pp. 6-8). As part of the Settlement, the Joint Petitioners agreed to accept the Company’s ADIT and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii). (Unopposed Settlement ¶ 52). In addition, the Company’s method to amortize Excess Accumulated Deferred Federal Income Taxes (“EDFIT”) according to the Average Rate Assumption Method (“ARAM”) is accepted. *Id.*

This Settlement provision is in the public interest because it reflects that the Company’s claim is based on a FPFTY and ensures compliance with IRS normalization requirements. The Settlement further provides that, absent a change in federal or state law, regulation, judicial precedent or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

3. Repairs Allowance

In its filing, UGI Gas proposed to continue to normalize the repairs tax expense deduction for federal income tax purposes over the book life of the plant giving rise to the deduction. (UGI Gas St. No. 10, pp. 8-9). No party challenged or otherwise opposed the Company’s proposal.

As part of the Settlement, the Joint Petitioners agree that all capitalized repairs deductions claimed on a tax return have been normalized for ratemaking purposes and the appropriate related amount of tax effect of those deductions has been reflected as ADIT as a reduction to UGI Gas’s rate base. (Unopposed Settlement ¶ 53). The Settlement continues the practice that UGI Gas has followed since its adoption of the current methodology used for calculating the repairs allowance.

Normalization benefits customers by ensuring that they receive a fair portion of the benefit of the repairs allowance deduction through rate base, over the life of the plant giving rise to the deductions, regardless of when UGI Gas files a rate case. Moreover, normalizing the repairs allowance deduction provides an important source of cash flow to UGI Gas that can be used to support UGI Gas's large, related capital spending program and reduce outside borrowing.

4. Depreciation Rates

UGI Gas's depreciation studies, accrued depreciation claim, and annual depreciation expense claim were set forth in UGI Gas Statement No. 9 and UGI Gas Exhibits C (Historic), C (Future), and C (Fully Projected). No party filed testimony in opposition to the Company's claimed depreciation.

As part of the Settlement, the Joint Petitioners agree to accept UGI Gas's as-filed depreciation rates. (Unopposed Settlement ¶ 54). UGI Gas submits that this Settlement provision is in the public interest because it properly accounts for the Company's outlook and plans, and is consistent with the depreciation procedure used by most other Pennsylvania utilities.

IV. CONCLUSION

The Unopposed Settlement is the result of a detailed examination of UGI Gas's proposals, substantial discovery requests, multiple rounds of testimony, numerous settlement discussions, and compromise by all active parties. UGI Gas believes that fair and reasonable compromises have been achieved on all issues in this case, particularly given the fact that the settling parties have such diverse and competing interests in this proceeding and have reached an unopposed agreement on all issues, and in light of the significant challenges presented by COVID-19. UGI Gas fully

supports this Unopposed Settlement and respectfully requests that Chief Deputy Administrative Law Judge Christopher P. Pell and the Pennsylvania Public Utility Commission:

- (i) Approve the Joint Petition for Approval of Unopposed Settlement of All Issues without modification;
- (ii) Approve the proposals set forth in UGI Gas's above-captioned January 28, 2020 distribution base rate increase filing subject to the terms and conditions of the Joint Petition for Approval of Unopposed Settlement of All Issues;
- (iii) Approve the *pro forma* tariff attached to the Joint Petition for Approval of Unopposed Settlement of All Issues as Appendix A;
- (iv) Approve the proof of revenues attached to the Joint Petition for Approval of Unopposed Settlement of All Issues as Appendix B;
- (v) Mark the Formal Complaints filed by OCA, OSBA, and the individual customer complainants as satisfied and closed; and
- (vi) Mark the investigation at Docket R-2019-3015162 closed.

Respectfully submitted,



Kent D. Murphy (ID # 44793)
Danielle Jouenne (ID #306839)
Michael Swerling (ID # 94748)
UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406
Phone: 610-768-3628
Phone: 610-992-3203
E-mail: murphyke@ugicorp.com
E-mail: swerlingm@ugicorp.com
E-mail: jouenned@ugicorp.com

David B. MacGregor (ID # 28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Phone: 215-587-1197
Fax: 215-320-4879
E-mail: dmacgregor@postschell.com

Jessica R. Rogers (ID # 309842)
Garrett P. Lent (ID # 321566)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: jrogers@postschell.com
E-mail: glent@postschell.com

Date: August 3, 2020

Counsel for UGI Utilities, Inc. – Gas Division

UGI Utilities, Inc. – Gas Division
Customer Class Rate Impact Analyses

	Average Usage	Current As-Filed	Increase 1/1/2021	Increase 7/1/2021	Increase 10/1/2021
Residential Heating	73.5 Ccf	\$ 81.54	\$ 82.75	\$ 83.96	\$ 84.67
Commercial Heating - Former North	28.7 Mcf	\$ 251.83	\$ 253.44	\$ 255.02	\$ 256.27
Commercial Heating - All Others	28.7 Mcf	\$ 262.21	\$ 263.82	\$ 265.41	\$ 266.66
Industrial - Former North	93.0 Mcf	\$ 762.99	\$ 768.20	\$ 773.33	\$ 774.58
Industrial - All Others	93.0 Mcf	\$ 796.61	\$ 801.83	\$ 806.96	\$ 808.21

Statement in Support:

Bureau of Investigation and
Enforcement

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3015162
Office of Consumer Advocate	:	C-2020-3018289
Office of Small Business Advocate	:	C-2020-3018858
Calpine Energy Services, L.P.	:	C-2020-3019101
Micah Cameron	:	C-2020-3017207
David Torakeo	:	C-2020-3019355
Sarah Hanle	:	C-2020-3019824
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

**TO: DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE
CHRISTOPHER P. PELL:**

I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Approval of Unopposed Settlement of All Issues (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of the parties. The extensive list of parties to this proceeding includes: UGI Utilities, Inc. – Gas Division (“UGI Gas” or “UGI” or the “Company”); I&E; the Office of Consumer Advocate (“OCA”); the Office of Small Business Advocate (“OSBA”); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”); the

Commission for Economic Opportunity (“CEO”); Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC (“Direct Energy”); the Industrial Energy Consumers of Pennsylvania (“IECPA”); the United States Department of Defense and all other Federal Executive Agencies (“DOD/FEA”); Calpine Energy Services, L.P. (“Calpine Energy”); hereinafter collectively referred to as the “Parties” or ‘Joint Petitioners;” and several individual ratepayers.

II. BACKGROUND

1. This base rate case presented, and still presents, unique challenges because the base rate case was filed in January 2020 and by the end of March 2020 the COVID-19 pandemic was affecting our entire economy. The following is a summary of the events that occurred since January.

2. On January 28, 2020, UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) filed Supplement No. 6 to UGI Gas Tariff – Pa. P.U.C. Nos. 7 and 7S (“Supplement No. 6”), with a proposed effective date of March 28, 2020. The rates set forth in Supplement No. 6, if approved by the Pennsylvania Public Utility Commission, would have increased UGI Gas’s annual jurisdictional revenues by \$74.6 million, or by 8.5%. In addition, the Company proposes to complete its transition to uniform rates, which began in the last base rate case at Docket No. R- 2018-3006814 (“2019 Rate Case”), for Rates N/NT and Rate DS. Supplement No. 6 also proposes additional changes to tariff rates, riders, and tariff terms and conditions as described in the filing.

3. Further, UGI Gas argued, it made this tariff increase filing principally: (1) to earn a fair return on investments used to serve the public safely and reliably; (2) to

support ongoing Commission approved infrastructure replacement programs; (3) to enhance information technology (“IT”) systems and personnel training; and (4) to recover higher levels of certain operating expenses which support the provision of safe and reliable gas distribution service. UGI added, as compared to current plant and base rate levels reflected in existing rates, UGI Gas projects an increase of approximately \$373 million in gross plant during the Fully Projected Future Test Year ending September 30, 2021 (“FPFTY”).

4. On January 30, 2020, Micah Cameron filed a formal Complaint to the proposed rate increase. The Complaint was docketed at C-2020-3017207.

5. On February 3, 2020, I&E filed its Notice of Appearance.

6. On February 12, 2020, the OCA filed a Public Statement, a Notice of Appearance, and a formal Complaint. The Complaint was docketed at C-2020-3018289.

7. On February 14, 2020, the CAUSE-PA filed a Petition to Intervene in this proceeding.

8. On February 19, 2020, CEO filed a Petition to Intervene in this proceeding.

9. On February 21, 2020, OSBA filed a Public Statement, a Notice of Appearance, and a formal Complaint. The Complaint was docketed at C-2020-3018858.

10. By Order entered on February 27, 2020, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase, and in accordance with the Commission’s Order, the matter was assigned to Deputy Chief Administrative Law Judge Christopher P. Pell (“ALJ Pell”).

11. By letter dated February 27, 2020, Commissioner Ralph V. Yanora requested that parties to this proceeding examine two specific issues of interest.¹

12. On February 28, 2020, Direct Energy filed a Petition to Intervene in this proceeding.

13. On March 5, 2020, (IECPA and the DOD/FEA filed Petitions to Intervene in this proceeding.

14. On March 6, 2020, Calpine Energy filed a formal Complaint. The Complaint was docketed at C-2020-3019101.

15. On March 6, 2020, the Governor of the Commonwealth of Pennsylvania, Tom Wolf (“Governor Wolf”), issued a Proclamation of Disaster Emergency wherein it states: “WHEREAS, a novel coronavirus (now known as “COVID-19”) emerged in Wuhan, China, began affecting humans in December 2019, and has since spread to 89 countries, including the United States ...”

16. The Proclamation further states: “... NOW THEREFORE, pursuant to the provisions of Subsection 7301(c) of the Emergency Management Services Code, 35 Pa. C.S. § 7101, *et seq*, I do hereby proclaim the existence of a disaster emergency throughout the Commonwealth.”

17. A Call-in Telephonic Prehearing Conference was held on March 9, 2020. Counsel for UGI, I&E, OCA, OSBA, CAUSE-PA, CEO, Direct Energy, IECPA,

¹ The question raised by Commissioner Yanora regarding FPFTY rate base was addressed in I&E St. No. 4, pp. 10-12 citing I&E Ex. No. 4, Sch. 5, p. 1.

DOD/FEA and Calpine Energy participated.

18. On March 15, 2020, Pennsylvania Deputy Secretary for Human Resources and Management issued an Executive Order that implemented telework protocols for state offices in Dauphin County and the Capitol Complex (“Executive Order”), including closing the Commission’s offices and the offices of I&E for a period of at least 14 days, beginning on March 16, 2020.

19. On March 16, 2020, I&E filed its *Motion to Suspend the Procedural Schedule during the Emergency Interruption of Normal Operations of the Pennsylvania Public Utility Commission and to Order the Parties to Amend and Establish a New Procedural Schedule upon the Resumption of Normal Operations of the Commission* (“I&E Motion”).

20. On March 23, 2020, CAUSE-PA filed its Answer of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania in Support of I&E’s Motion.

21. On March 24, 2020, OCA filed its Answer of the Office of Consumer Advocate in Support of I&E’s Motion.

22. On March 24, 2020, a teleconference was held to address the parties’ concerns regarding the continuation of the litigation schedule adopted during the March 9, 2020 Prehearing Conference and memorialized in Prehearing Order #1 amid COVID-19 concerns. During that teleconference, it was determined: that the litigation schedule memorialized in Prehearing Order #1 was suspended for a period of two weeks; that by Thursday, March 26, 2020, UGI would file with the Commission a tariff supplement

suspending the effectiveness of rates proposed in Supplement No. 6 to UGI Gas Tariff – Pa. P.U.C. Nos. 7 and 7S until October 29, 2020.

23. On March 25, 2020, David Torakeo filed a formal Complaint to the proposed rate increase. The Complaint was docketed at C-2020-3019355.

24. On March 26, 2020, UGI Gas filed Supplement No. 10 to Tariff UGI Gas Pa. P.U.C. Nos. 7 and 7S, which voluntarily suspended the rates and regulations proposed in Supplement No. 6 to Tariff UGI Gas Pa. P.U.C. Nos. 7 and 7S by one additional day, to become effective on October 29, 2020.

25. On April 7, 2020, a second teleconference was held to discuss whether a revised procedural schedule should be adopted, or if an additional change to the suspension date was warranted amid increasing COVID-19 emergency concerns and the closure of Commission offices. During that teleconference, it was determined: that by Thursday, April 9, 2020, UGI would file with the Commission a tariff supplement suspending the effectiveness of rates proposed in Supplement No. 6 to UGI Gas Tariff – Pa. P.U.C. Nos. 7 and 7S until November 19, 2020.

26. On April 9, 2020, UGI Gas filed Supplement No. 11 to Tariff UGI Gas Pa. P.U.C. Nos. 7 and 7S, which voluntarily suspended the rates and regulations proposed in Supplement No. 6 to Tariff UGI Gas Pa. P.U.C. Nos. 7 and 7S by three weeks, to become effective on November 19, 2020.

27. On April 11, 2020, Sarah Hanle filed a formal Complaint to the proposed rate increase. The Complaint was docketed at C-2020-3019824.

28. On April 21, 2020, a third teleconference was held to discuss whether a revised procedural schedule should be adopted, or if an additional change to the suspension date was warranted due to COVID-19 concerns and the closure of Commission offices. During that teleconference, it was determined that by Thursday, April 23, 2020, the parties would submit to DCALJ Pell for consideration, a revised litigation schedule.

29. On April 22, 2020, the parties submitted to ALJ Pell for consideration a revised litigation schedule; and, by Prehearing Order #3 dated April 28, 2020, ALJ Pell adopted the revised litigation schedule proposed by the parties.

30. On May 13, 2020, the Commission issued a Secretarial Letter regarding COVID-19 Cost Tracking and Creation of Regulatory Asset at Docket No. M-2020-3019775 (“Secretarial Letter”). The Secretarial Letter proclaimed, “In an effort to accurately account for prudently incurred incremental extraordinary, nonrecurring expenses related to COVID-19, which result from compliance with the *Emergency Proclamation* and *Emergency Order*, the Commission directs all utilities to review and comply with the following provisions, as applicable.” The referenced *Emergency Proclamation* is the March 6th, 2020 Proclamation of Disaster Emergency issued by Governor Tom Wolfe in response to the COVID-19 pandemic. And, the referenced *Emergency Order* is the March 13th, 2020 Emergency Order issued by Commission Chairman Gladys Brown Dutrieuille, at Docket No. M-2020-3019244, which prohibited regulated utilities from terminating service during the pendency of the *Emergency Proclamation*, unless deemed necessary for specified reasons.

31. The Secretarial Letter specifically addressed (I) COVID-19 Expense Tracking/Loan and Grant Tracking; (II) Regulatory Asset for COVID-19 Uncollectible Expenses Resulting from Compliance with the *Emergency Order*; (III) Chapter 30 Price Cap Regulated Incumbent Local Exchange Carriers; and (IV) the Effect of this Secretarial Letter. The Secretarial Letter concluded, the Commission will consider in future proceedings whether each utility's request for recovery of any regulatory asset or exogenous event recovery related to the *Emergency Order* is just and reasonable pursuant to 66 Pa. C.S. §§ 1301, 1308 (as applicable), and applicable Chapter 30 plans. The Commission will also consider during those proceedings other issues, such as the appropriate period of recovery for the approved amount of the regulatory asset or exogenous event treatment, any amount of carrying costs thereon, and other related matters. Finally, regulated entities shall claim the deferred expenses at their first available opportunity.

32. On June 4, 2020, telephonic public input hearings were held at 1:00 p.m. and 6:00 p.m.

33. All parties undertook comprehensive discovery in this proceeding after the filing was made and continued to conduct discovery throughout the litigation and settlement negotiation process.

34. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following thirteen (13) pieces of testimony and accompanying eleven (11) exhibits from seven (7) I&E witnesses (please

note, Christopher M. Henkel resigned from I&E after his direct testimony was served but before surrebuttal was due):

- I&E Statement No. 1 and I&E Exhibit No. 1 (PROPRIETARY) (NON-PROPRIETARY) – the Direct Testimony of I&E witness John Zalesky;
- I&E Statement No. 1-SR (PROPRIETARY)(NON-PROPRIETARY) and I&E Exhibit No. 1-SR – the Surrebuttal Testimony of I&E witness John Zalesky;
- I&E Statement No. 2 and I&E Exhibit No. 2 – the Direct Testimony of I&E witness Christopher Keller;
- I&E Statement No. 2-R – the Rebuttal Testimony of I&E witness Christopher Keller;
- I&E Statement No. 2-SR – the Surrebuttal Testimony of I&E witness Christopher Keller;
- I&E Statement No. 3 and I&E Exhibit No. 3 – the Direct Testimony of I&E witness Joseph Kubas;
- I&E Statement No. 3-SR I&E Exhibit No. 3-SR – the Surrebuttal Testimony of I&E witness Joseph Kubas;
- I&E Statement No. 4 and I&E Exhibit No. 4 – the Direct Testimony of I&E witness Holly Gilliland;
- I&E Statement No. 5 and I&E Exhibit No. 5 – the Direct Testimony of I&E witness Esyan Sakaya;
- I&E Statement No. 5-SR and I&E Exhibit No. 5-SR – the Surrebuttal Testimony of I&E witness Esyan Sakaya;
- I&E Statement No. 6 and I&E Exhibit No. 6 – the Direct Testimony of I&E witness Christopher M. Henkel (subsequently adopted by John Zalesky in I&E St. No. 1-SR);
- I&E Statement No. 7 and I&E Exhibit No. 7 (PROPRIETARY) (NON-PROPRIETARY) – the Direct Testimony of I&E witness James Harchar;
- I&E Statement No. 7-SR and I&E Exhibit No. 7-SR (PROPRIETARY) (NON-PROPRIETARY) – the Surrebuttal Testimony of I&E witness James Harchar.

35. On June 3, 2020, Governor Tom Wolf issued an Amendment to the March 6th Proclamation of Disaster Emergency, extending the disaster emergency for another ninety days, or approximately September 2, until either rescinded by the Governor or terminated by law.

36. Most recently, on July 15th, Governor Wolf took Pennsylvania a step backward and announced statewide restrictions that went into effect on July 16, 2020 which again restricted indoor gatherings, restaurants, bars, and outdoor gatherings.

37. Finally, in accordance with Commission policy encouraging settlements (52 Pa. Code § 5.231 and § 69.401), as they often achieve results preferable to a fully litigated proceeding, I&E participated in extensive settlement negotiations with UGI Gas and the Parties to discuss the challenging and unique issues that confronted the Parties. Following extensive settlement negotiations, the Joint Petitioners reached a full unopposed settlement of all issues as set forth in the Joint Petition.

III. SETTLEMENT

A. GENERAL

38. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

39. This proceeding and the settlement negotiations among the parties were unique because the Company filed the request for the base rate increase and all of the

supporting information in January, prior to the declaration of the COVID-19 emergency. Then, the parties began the settlement negotiations after the COVID-19 emergency declaration. And while I&E and the other parties continued to evaluate the Company's as-filed request for a base rate increase, the settlement negotiations had to take into consideration all of the impacts of the COVID-19 emergency and its effects on ratepayers and the economy. The terms of the settlement must be viewed within the context of the broad impacts of the COVID-19 emergency.

40. "The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest."² The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."³

41. Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission's judgement, is preferable.⁴ The very nature of a settlement requires a review and discussion of all issues raised by the parties' and a negotiated compromise on the part of all parties.

42. I&E submits that this unopposed Settlement balances the interests of the

² *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

³ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

⁴ *See generally* 52 Pa. Code § 5.231 and § 69.401.

Company, its customers, and the parties in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest.

Furthermore, the negotiated Settlement demonstrates that compromises are evident throughout the Joint Petition. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement; I&E requests that the unopposed Settlement be recommended by ALJ Pell, and approved by the Commission, without modification.

43. The Joint Petitioners agree that the terms of this Settlement reflect a carefully balanced compromise of the interests of all the active Parties in this proceeding. The Joint Petitioners agree that UGI Gas' January 28, 2019 distribution base rate increase filing should be resolved, including those tariff changes included in and specifically identified in Appendix A attached to the Joint Petition, subject to the terms and conditions of the unopposed Settlement set forth in the Joint Petition.

44. I&E engaged in extensive discovery and submitted extensive testimony regarding the overall annual distribution revenue increase proposed in UGI Gas' base rate filing. And, while the overall terms of the settlement, including those terms related to the COVID-19 emergency and the revenue requirement, are a "black box" compromise, the terms of the settlement are within the positions advanced on the evidentiary record and in the settlement negotiations; and, reflect a full and fair compromise of all issues raised by the parties. Further, as a "black box" settlement, unless specifically addressed below, the Settlement does not reflect agreement upon individual issues. In its direct testimony and in settlement negotiations, I&E raised significant issues regarding UGI's base rate filing

and the COVID-19 emergency proposals that had the potential to have significant impacts on the proposed overall annual distribution revenue increase and COVID-19 emergency proposals. Therefore, in consideration of the testimony and extensive settlement negotiations presented by all of the parties to this proceeding, I&E fully supports this proposed “black box” settlement as a full and fair compromise that provides UGI Gas, the Joint Petitioners, affected ratepayers, and the Commission with resolution of the significant issues confronted in this proceeding, all of which is in the public interest.

B. STAY-OUT (Joint Petition ¶ 22):

In consideration of this comprehensive COVID-19 settlement, the parties have agreed that the Company shall not file a Section 1308(d) general rate increase prior to January 1, 2022, provided, however, that the foregoing provision shall not prevent the Company from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company’s rates.

This settlement term was first raised in settlement negotiations. I&E did not submit testimony regarding the merits of the agreed upon stay-out provision. The general concern raised by the statutory parties and the advocates is that the current COVID-19 emergency and tenuous economic times are too uncertain. Further, even though I&E did not submit testimony regarding this specific issue, I&E shares the concerns of the interested parties. Therefore, I&E does not oppose this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue, all of

which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

C. REVENUE INCREASE (Joint Petition ¶¶ 23-24):

The parties have agreed that the Company shall be permitted to implement a phased-in increase in base rate revenues of \$20 million effective January 1, 2021, in lieu of the originally requested \$74.6 million increase, or 26.8% of the originally requested increase. This phased-in 2.7% increase in overall pro forma annual operating revenue will be phased-in and partly deferred in accordance with the schedule set forth in the Joint Petition, with revenue allocations made in accordance with the Company's as-filed revenue allocation percentages.

In summary, a \$10 million increase will be applied on January 1, 2021 and the remaining \$10 million of the \$20 million increase will be applied on July 1, 2021. The Company will also be allowed to recover the deferred amount (\$6.16 million) over the period October 1, 2021 through September 30, 2022. Further, the phased in revenue increase represents no increase to current customers charges other than the slight temporary adjustment to cover the deferred amount of the phased-in increase, This temporary adjustment to the customer charges is more fully discussed in the rate design section *infra*. Finally, this phased-in increase shall be a "black box" settlement, except for the items specifically set forth in the Joint Petition.

I&E engaged in extensive discovery and submitted extensive testimony regarding the proposed overall annual distribution revenue increase that was proposed in UGI Gas' original base rate filing. Further, the settlement negotiations in this proceeding began

very early in the proceeding and included extensive discussion and consideration of the COVID-19 emergency and the tenuous current and future economic climate. A summary of I&E's final litigation position is set forth in the surrebuttal testimony of I&E witness Zalesky.⁵ And while I&E discussed significant adjustments regarding UGI Gas' base rate filing throughout its written testimony, the overall driving force behind the settlement negotiations was the COVID-19 emergency and the tenuous economic climate.

I&E fully supports the negotiated level of overall phased-in distribution rate revenue increase as compared to UGI's original proposal. While the overall revenue requirement is a "black box" compromise, the overall revenue levels are within the levels advanced on the evidentiary record and reflects in-depth consideration of the COVID-19 emergency and the current economic climate. Additionally, the negotiated revenue increase represents a full compromise of all revenue-related issues raised by the parties. And, as a "black box" settlement, unless specifically addressed in the Joint Petition, the Settlement does not reflect agreement upon individual issues. Therefore, in consideration of the above and the positions presented by all of the parties to this proceeding, I&E fully supports the negotiated level of overall phased-in distribution rate revenue increase as a full and fair compromise that provides UGI Gas, the Joint Petitioners, affected ratepayers, and the Commission with regulatory certainty and a resolution of these issues, all of which is in the public interest.

⁵ See, I&E St. No. 1-SR, pp. 4-5.

D. REVENUE ALLOCATION/RATE DESIGN (Joint Petition ¶¶ 25-26):

In the Settlement, the Joint Petitioners agreed the pro forma annual revenue increases will be incorporated through increases to the Company's volumetric distribution charges for the affected classes based on the Company's filed usage billing determinants as reduced by 75 percent of the Company's growth related billing determination adjustment set forth in the Company's rebuttal testimony.

Further, as noted in Section III of the Joint Petition and noted *supra*, a temporary one-year increase in monthly customer charges shall apply for the period of October 1, 2021 through September 30, 2022 to recover the deferred revenue amount.

This proposed settlement term was first raised in settlement negotiations. I&E did not submit testimony regarding this specific methodology for the application of the rate increase. The general concern raised by the statutory parties and the advocates was and is that in these current COVID-19 tenuous economic times, it was difficult for the parties to agree to an increase in the customer charges. Further, even though I&E submitted testimony regarding whether there should be an increase in the customer charges,⁶ I&E shares the concerns of the interested parties. I&E also submitted testimony regarding the Company's projections that the Company will experience a lower than projected growth in customers.⁷ I&E agrees with the Company that expecting lower actual customer growth than projected in the filing is reasonable. Therefore, I&E supports the use of

⁶ See, I&E St. No. 5; pp. 14-19; I&E St. No. 5-SR, pp. 5-8.

⁷ See, I&E ST. No. 3-SR, pp. 19-24. See also, UGI St. No. 11-R, pp. 22-24.

billing determinants and volumetric distribution charges to incorporate the pro forma annual revenue increases as a full and fair compromise that provides regulatory certainty and a resolution of this issue, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

E. CUSTOMER ASSISTANCE, INCLUDING PAYMENT TROUBLED AND LOW-INCOME CUSTOMERS (Joint Petition ¶¶ 27-29):

(A) The parties have agreed, as more fully set forth in Section V of the Joint Petition, for the duration of the termination moratorium established by the PUC Emergency Order, the Company shall:

- (1) Continue service to all currently active customers, irrespective of payment status, unless termination is required to ameliorate a safety emergency, or unless otherwise determined by the Commission (upon petition by the Company or upon the Commission's own motion) in accordance with the PUC Emergency Order.
- (2) Conduct outreach to all customers for which UGI has income documentation on file indicating the customer is confirmed low income and screen for CAP eligibility.
- (3) Continue additional voluntary customer assistance activities throughout the duration of the COVID-19 PUC Emergency Order as more fully set forth in the Joint Petition at this Section V, paragraph (A), sub-paragraph (3).
- (4) And, within 15 days of entering this Settlement, UGI will send a communication to consumers with arrears and those who have previously failed payment arrangements encouraging them to contact UGI to determine whether they may now be eligible for a payment arrangement.

The Customer Assistance will also include *Temporary Emergency-based Changes* summarized below and as more fully set forth in the Joint Petition at this

Section V, Paragraph (A), sub-paragraphs (5)-(8).

- (5) Accepting Accept self-verification of income for new CAP enrollments or modification of CAP payment determinations for existing customers with income modifications for the duration of the PUC Emergency Order.
- (6) Expanding eligibility of the UGI Gas Operation Share grant program to 250% FPL and increase the maximum grant size from \$400 to \$600 for the duration of the PUC Emergency Order plus an additional 90 days, to the extent funds are available.
- (7) Providing an additional \$2.0 million in funding to the UGI Gas Operation Share program.
- (8) Ensuring the continued effectiveness of LIURP due to the prolonged cessation of program activities during the COVID-19 crisis.

(B) Further, if, after the Commission's current termination moratorium expires or is otherwise terminated, the Commission issues a similar order reinstating a termination moratorium due to the COVID-19 pandemic, the Company will initiate discussions with the parties to this Settlement within thirty (30) days of the order to discuss a possible extension of customer benefits provided under this Section V.

The proposed customer assistance and temporary emergency changes settlement terms were first raised in settlement negotiations in consideration of the sweeping effects of the COVID-19 emergency. I&E did not submit testimony regarding these customer assistance and temporary emergency proposals. The general concern raised by the statutory parties and the advocates was and is that in these tenuous COVID-19 emergency economic times, many customers in all rate

classes may experience financial difficulties. Further, I&E shares the concerns raised by the parties. After extensive negotiations, I&E now supports the proposed customer assistance and temporary emergency settlement terms as a full and fair compromise that provides additional assistance in these tenuous economic times; regulatory certainty; and, a resolution of this issue. All of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

F. COVID – 19 EMERGENCY RELIEF PROGRAM (“EMERGENCY RELIEF PROGRAM” OR “ERP”) (Joint Petition ¶¶ 30-37):

In the Joint Petition the parties agree, effective one (1) day after the issuance of the Commission's Order approving this Settlement, the Company will implement the temporary Emergency Relief Program to provide billing relief and/or payment relief for customers who need temporary relief measures during the pendency, and for a limited period (as defined in Section VI.F. of the Joint Petition) following the termination of the PUC Emergency Order period.

The details of the ERP were developed by the Company and are fully set forth in the Joint Petition. The Joint Petition includes program details regarding: (A) Enrollment; (B) Eligibility; (C) Benefits; (D) Return to Collection Activities for ERP Enrollees; (E) Cost Recovery; (F) Termination and Extension; and (G) ERP Enrollment Termination Date.

The proposed Emergency Relief Program was first raised in settlement negotiations in consideration of the COVID-19 emergency and the PUC Emergency

Order. I&E did not submit testimony regarding the Emergency Relief Program to provide billing relief and/or payment relief for customers that may need temporary relief. The general concern raised by the statutory parties and the advocates was and is that in these tenuous COVID-19 emergency economic times, it may be necessary to provide emergency relief to certain ratepayers. Further, I&E shares these concerns. Therefore, after extensive negotiations, I&E supports the implementation of the proposed Emergency Relief Program as a full and fair compromise that provides regulatory certainty for all parties, which facilitates the Commission’s stated preference favoring negotiated settlements as in the public interest.

G. TARIFF MODIFICATIONS AND CONSOLIDATION (Joint Petition ¶¶ 38-47):

In the Joint Petition, the parties agree the Company may implement several proposed tariff modifications as set forth in Section G of the Joint Petition. Those proposed tariff modifications are more fully described in the Joint Petition and include modifications to:

- Tariff Rule 5, line extensions;
- Rider F – Universal Service Modifications;
- Rate NNS and Rate MBS;
- Choice Supplier Tariff Rules; and
- Other proposed modifications. The “Other” modifications include modifications to:
 - Rule 2 – Contract for Gas Services;
 - Rule 10, Rider A – State Tax Adjustment Surcharge;
 - Rule 13, Rider D – Merchant Function Charge;
 - Rule 15 – Price to Compare;
 - Rule 21 – Gas Emergency Planning;
 - Rate GL – General Services; Rate DS – Delivery Service;
 - Rate LFD – Large Firm Delivery Service; and, Choice Supplier Tariff Rule 4

- The proposed tariff modifications also include modifications or clarifications to:
 - The compliance tariff proposed effective date;
 - Chapter 71 earnings report;
 - UGI Gas' DSIC-eligible plant balances solely for purposes of calculating the DSIC; and
 - DSIC calculation for return on equity.

The Company, I&E and the parties submitted written testimony regarding the various proposed tariff modifications and the proposed modifications were discussed during settlement negotiations among the parties. And, while the main focus of the settlement negotiations was the modest phased-in revenue increase and the COVID-19 emergency related provisions, it was also necessary to tend to these proposed tariff modifications. Further, after extensive negotiations, I&E supports the implementation of the proposed tariff modifications as a full and fair compromise that provides regulatory certainty; and, a resolution of these tariff modifications. All of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

H. COVID-19 COST DEFERRAL (Joint Petition ¶¶ 48-50):

In the Settlement, the parties have agreed that the Company shall be permitted to track and record as a regulatory asset all COVID-19 Pandemic Costs, as defined in greater detail in Section VIII.B, of the Joint Petition. To summarize, the Company shall be permitted to claim COVID-19 Pandemic Costs as defined below for ratemaking purposes in the Company's next general rate proceeding over an amortization period of 10 years, without interest. COVID Pandemic Costs that cause the Company's operating costs for the specific FERC account to exceed budgeted FTY and FPFTY levels shall be

eligible for recovery for ratemaking purposes. Otherwise, COVID-19 Pandemic Related Costs shall not be eligible for recovery for ratemaking purposes. The Company shall maintain records, documents, and other information necessary to demonstrate that these costs qualify as COVID-19 Pandemic Costs. All parties reserve the right to review the prudence and reasonableness of these costs in the next base rate proceeding.

Further, the Joint Petition details the COVID-19 Pandemic Costs that the Company may be eligible and may include for recovery for ratemaking purposes.

Finally, the parties agreed that the Company shall exercise prudent efforts to maximize its utilization of and track any government benefits, whether direct grant, tax credits, or other, to minimize costs to be deferred under this paragraph. The Company shall provide a report detailing its efforts, any amounts obtained as part of these efforts and their intended use, and, if denied, the reason for such denial as part of the Company's next base rate case.

The proposal to track and record as a regulatory asset all COVID-19 Pandemic Costs was first raised in settlement negotiations in consideration of the COVID-19 emergency and the PUC Emergency Order. I&E did not submit testimony regarding COVID-19 cost tracking. However, the May 13th Secretarial Letter provided guidance to the parties by stating:

[t]he Commission hereby directs all jurisdictional electric, natural gas, water, wastewater, steam and telecommunications utilities to track extraordinary, nonrecurring incremental COVID-19 related expenses and to maintain detailed accounting records of such expenses. Utilities must maintain detailed records of the incremental expenses incurred for the provisioning of utility services used to maintain the health, safety and welfare of Pennsylvania customers during the COVID-19

pandemic. With the exception of the separate regulatory authorization afforded uncollectible expenses below, this Secretarial Letter does not grant authorization for utilities to defer any other potential COVID-19 related expenses.

The Commission stated further that:

[t]he Commission will consider in future proceedings whether each utility's request for recovery of any regulatory asset or exogenous event recovery related to the *Emergency Order*⁸ is just and reasonable pursuant to 66 Pa. C.S. §§ 1301, 1308 (as applicable), and applicable Chapter 30 plans. The Commission will also consider during those proceedings other issues, such as the appropriate period of recovery for the approved amount of the regulatory asset or exogenous event treatment, any amount of carrying costs thereon, and other related matters. Regulated entities shall claim the deferred expenses at their first available opportunity.

The Commission's instructions that utilities track expenses as described in Section I above are intended to provide the Commission with information to understand the extent of the COVID-19 pandemic's impact on utilities' finances.

The proposed COVID-19 emergency cost deferral and costs tracking was first proposed by the Company. I&E did not submit testimony regarding the COVID-19 cost deferral and costs tracking. The general concern raised by the statutory parties and the advocates was and is that in these tenuous COVID-19 emergency economic times, many customers in all rate classes may experience financial difficulties. Further, I&E shares the concerns raised by the parties. At approximately the time of the first settlement negotiations, the Commission offered guidance in the form of the Secretarial Letter. After extensive negotiations, I&E now supports the proposed COVID-19 emergency cost

⁸ This would include the *FCC Pledge* as well.

deferral settlement terms as a full and fair compromise that provides additional assistance in these tenuous economic times; regulatory certainty; and, a resolution of this issue. All of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

I. ACCOUNTING (Joint Petition ¶¶ 51-54):

In the Settlement, the parties agreed that certain terms and provisions regarding the Company's accounting of certain items be set forth and are detailed in Section IX of the Joint Petition. Those accounting items include:

- A.1. Continuation of the annual normalized amount for prospective environmental expenditures;
- A.2. The continuation of the deferral as a regulatory asset of the annual differences;
- A.3. The amortization of prior balances of environmental expenditures;
- B. The Company's accumulated deferred income tax ("ADIT") and pro-rationing methodology. The Company's methodology to amortize excess accumulated deferred federal income tax ("EDFIT") according to the average rate assumption method;
- C. The capitalization of repairs allowances; and,
- D. The Company's as filed FPFTY depreciation rates for accounting purposes.

The Company, I&E and the parties submitted written testimony regarding the various proposed accounting settlement terms and the proposed accounting settlement terms were discussed during settlement negotiations among the parties. And, while the main focus of the settlement negotiations was the modest phased-in revenue increase and the COVID-19 emergency related provisions, it was also necessary to tend to these

proposed accounting settlement terms. Further, after extensive negotiations, I&E supports the implementation of the proposed accounting settlement terms as a full and fair compromise that provides regulatory certainty; and, a resolution of these tariff modifications. All of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

IV. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

45. I&E represents that all issues raised in testimony and all issues related to the COVID-19 emergency have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

46. I&E submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the

potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

47. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

48. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

49. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in his Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Deputy Chief Administrative Law Judge Christopher P. Pell recommends, and the Commission approves, the terms and conditions contained in the Joint Petition for Settlement.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Scott B. Granger".

Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: July 31, 2020

Statement in Support:

Office of Consumer Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
	:	
v.	:	Docket Nos. R-2019-3015162
	:	C-2020-3018289
	:	
UGI Utilities, Inc. - Gas Division	:	

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF
UNOPPOSED SETTLEMENT OF ALL ISSUES

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Unopposed Settlement of All Issues (Settlement), finds that the proposed terms and conditions of the Settlement are in the public interest. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the reasons set forth below:

I. BACKGROUND

UGI Utilities, Inc. – Gas Division (UGI Gas or the Company) is engaged in the business of furnishing natural gas to approximately 650,000 residential, commercial and industrial customers in over 45 counties throughout Pennsylvania. On January 28, 2020, UGI Gas filed Supplement No. 6 to Tariff Gas – PA. P.U.C. Nos. 7 and 7-S (Supplement No. 6). Through Supplement No. 6, the Company sought Commission approval to increase rates to produce additional annual operating revenue of approximately \$74.6 million, or an increase of 8.5 percent. More specifically, the Company sought to allocate \$61.2 million, or 82 percent of the

proposed \$74.6 million increase, to the residential customer class. Under the Company's as-filed position, the total average monthly bill of a residential customer using 73.5 Cubic Feet (Ccf) per month would have increased from \$81.54 to \$90.22 per month, or by 10.6%.

On February 3, 2020, a Notice of Appearance was filed on behalf of the Bureau of Investigation and Enforcement (I&E). On February 12, 2020, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 14, 2020, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer to the Company's proposed rate increase. On February 19, 2020, the Commission on Economic Opportunity (CEO) filed a Petition to Intervene. On February 21, 2020, the Office of Small Business Advocate filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 28, 2020, Direct Energy filed a Petition to Intervene. On March 5, 2020, separate Petitions to Intervene were filed by the Industrial Energy Consumers of Pennsylvania (IECPA) and the United States Department of Defense (DOD). On March 6, 2020, a Formal Complaint was filed by Calpine Energy Services, L.P. (Calpine) Formal Complaints were also filed by customers Micah Cameron, David Torakeo, and Sarah Hanle.

On February 27, 2020, 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 Supplement No. 6 until October 28, 2020, by operation of law. The case was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Deputy Chief ALJ Pell. A prehearing conference was held on March 9, 2020, setting forth a procedural schedule and modifying the Commission's discovery regulations.

On March 6, 2020, as this proceeding was beginning in earnest, the Governor of the Commonwealth of Pennsylvania, Tom Wolf, issued a Proclamation of Disaster Emergency (Proclamation). The Proclamation established the existence of a disaster emergency throughout the Commonwealth as a result of the novel coronavirus (hereinafter COVID-19). Shortly thereafter, on March 15, 2020, Governor Wolf issued an Executive Order implementing telework protocol for state employees beginning March 16, 2020, and the closing of all state offices in Dauphin County and the Capitol Complex.

Over the next several months, Governor Wolf issued several Executive Orders closing non-essential businesses, halting non-essential construction activities, including UGI Gas's construction activities, and requiring Pennsylvanians to shelter in place. Circumstances surrounding the COVID-19 pandemic have changed rapidly since the start of this proceeding and continue to do so.

As a result of these unforeseen circumstances, the Company agreed to voluntarily postpone the suspension date of Supplement No. 6 on a few occasions, ultimately extending the suspension date of the Company's proposed rate increase until Nov. 19, 2020. Furthermore, a new procedural schedule was set in this proceeding to accommodate the additional time provided to the parties. As a result of this extension, the OCA was provided additional time to review the Company's filing, issue discovery, and preliminarily identify the impacts of the COVID-19 pandemic on the Company's operations.

On May 22, 2020, after completing its investigation of the Company's claims, written testimony, and discovery responses, the OCA submitted the Direct Testimonies of Scott J. Rubin¹, OCA Statement 1, Lafayette K. Morgan Jr.², OCA Statement 2, Kevin W. O'Donnell³,

¹ Mr. Rubin is an independent attorney and public utility industry consultant under contract with the OCA who has testified as an expert witness before utility commissions and courts in seventeen states and the District of

OCA Statement 3, Jerome D. Mierzwa⁴, OCA Statement 4, and Roger D. Colton⁵, OCA Statement 5. On June 18, 2020, the OCA submitted OCA Statement No. 4-R, the Rebuttal Testimony of Jerome D. Mierzwa. Additionally, on July 7, 2020, the OCA submitted the Surrebuttal Testimonies of Scott J. Rubin, OCA Statement 1-SR, Lafayette K. Morgan Jr., OCA Statement 2-SR, Kevin W. O'Donnell, OCA Statement 3-SR, Jerome D. Mierzwa, OCA Statement 4-SR, and Roger D. Colton, OCA Statement 5-SR.

Several settlement conferences were held to attempt to reach a settlement in principle on the issues raised in this proceeding. As a result of those conferences, the Joint Petitioners

Columbia and province of Nova Scotia. OCA St. 1 at 1-3. Since 1984, Mr. Rubin has provided legal and consulting services to a variety of parties interested in public utility regulatory proceedings. A complete description of Mr. Rubin's qualifications is provided in OCA Statement 1, Appendix A.

² Mr. Morgan is an independent regulatory consultant focusing in the analysis of public utility operations, with particular emphasis on rate regulation. He has reviewed and analyzed utility rate filings, focusing primarily on revenue requirements, accounting, regulatory policy and cost recovery mechanisms throughout the country. Mr. Morgan was a Senior Regulatory Analyst with Exeter Associates from 1993 through 2010. Prior to his work with Exeter Associates, Mr. Morgan was a Senior Financial Analyst with Potomac Electric Power Company. Prior to that, Mr. Morgan was a Staff Accountant with the North Carolina Utilities Commission. OCA St. 2, App. A.

³ Mr. O'Donnell is the President of Nova Energy Consultants, Inc. and has been an expert witness regarding rate of return, cost of capital, capital structure, cost of service, rate design, and other regulatory issues. He has participated in numerous proceedings before the North Carolina Utilities Commission, the South Carolina Public Service Commission, the Wisconsin Public Service Commission, the Virginia State Commerce Commission, the Minnesota Public Service Commission, the New Jersey Board of Public Utilities, the Colorado Public Utilities Commission, the District of Columbia Public Service Commission, and the Florida Public Service Commission. Prior to this, Mr. O'Donnell worked at the North Carolina Utilities Commission from 1984-1991. His full background and qualifications are provided in Appendix A, attached to OCA Statement 3.

⁴ Mr. Mierzwa is a principal at and the President of the utility consulting firm, Exeter Associates Inc., and has been affiliated with the firm since April 1990. During his tenure with Exeter, Mr. Mierzwa has specialized in, among other things, evaluating the gas purchasing practices of natural gas utilities, utility cost of service and rate design analysis, performance-based incentive regulation and revenue requirement analysis. Mr. Mierzwa has testified in more than 300 utility regulatory proceedings in 13 states, including Pennsylvania. He holds a Bachelor's degree and a Masters of Business Administration degree from Canisius College. His full background and qualifications are provided in Appendix A, attached to OCA Statement 4.

⁵ Mr. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations and state and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. A more complete description of Mr. Colton's education and experience is provided in OCA St. 5, App. A.

reached a comprehensive agreement on all issues and notified the Presiding Officer on July 8, 2020. Accordingly, ALJ Pell issued an Interim Order Suspending Litigation Schedule. On July 20, 2020, a Joint Stipulation for the Admission of Evidence was filed seeking to admit the testimony and evidence of the parties into the evidentiary record. ALJ Pell issued an Order on July 23, 2020, granting the request.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and in the interest of UGI's ratepayers, and should be approved by the Commission without modification.

II. SETTLEMENT TERMS AND CONDITIONS

A. Revenue Requirement (Settlement ¶ 23-24)

Through Tariff Supplement No. 6, UGI Gas proposed to increase rates designed to produce additional annual operating revenue of approximately \$74.6 million, or an increase of 8.5 percent. UGI St. 1 at 6. The Company stated that its proposal was driven by several factors,

including ongoing infrastructure replacement programs, enhancements to its technology systems and personnel training processes, and increases in certain operation and maintenance expenses. UGI St. 1 at 8. It is important to note that the Company's filing was prepared well before the COVID-19 pandemic began. OCA St. 2 at 8.

In its approach to this proceeding, the OCA recognized the impact of this unusual public health crisis and the resulting affects it has had on our economy. As stated by Scott Rubin in his testimony filed on behalf of the OCA:

In short, as this case is being litigated, UGI's customers are hurting. The impacts of the pandemic on public health and the economy throughout UGI's service territory are absolutely devastating.

My best estimate is that at least 20% to 25% of UGI's residential customers are now unemployed. A very large percentage of its small business customers have been shut down or severely restricted in operations for two months, with no clear end in sight. Schools, universities, and other nonprofit organizations are being devastated, and many large business customers have little or no revenues coming in. This is not the time to increase rates for an essential service.

OCA St. 1 at 17-18. Likewise, UGI Gas's Operations were impacted by the COVID-19 pandemic, including, among other things, having to scale back all field construction activities by 80 to 95 percent. OCA St. 2 at 8. Accordingly, the OCA recommended that the Commission not adopt a typical ratemaking approach to this proceeding, recognize the impacts of the pandemic on Pennsylvanians, and deny UGI Gas's requested rate increase. OCA St. 1 at 3. Or at the very least, that the Commission defer implementation of a rate increase for some period of time to provide relief to customers.⁶ OCA St. 1 at 20.

The Settlement provides that the Company shall be able to increase rates on a delayed and phased in schedule. The Settlement results in rates designed to produce \$20 million in

⁶ The OCA continued to provide its traditional ratemaking analysis to the Company's filing in the event that the Commission decided to follow a traditional ratemaking approach in this proceeding. See OCA Statements 2-5. After reviewing the filing, recommending adjustments, and accepting some of the Company's explanations, the OCA recommended a rate decrease of approximately \$10,000 in annual revenues. See OCA Statement 2-SR at 1-2.

additional revenue, or an increase of 2.7 percent over present revenues. Settlement ¶ 23. Importantly, this rate increase will be delayed, and then implemented and phased-in over an extended period of time. Specifically, the first rate increase will take effect on Jan. 1, 2021, and is designed to produce additional revenue of \$10 million. Id. The second increase will take effect on July 1, 2021, six months later, and is designed to produce additional revenue of \$10 million. Id. Lastly, a monthly deferral surcharge mechanism will be implemented on Oct. 1, 2021 through September 30, 2022, to recover the second phased increase deferred by the Company between Jan. 1, 2021 to June 30, 2021. Id., at ¶ 24. This amount is temporary in nature and designed to recover \$6.16 million on a one-time basis. Id. It will be applied to the customer charge and will amount to \$0.71 per month for the residential customer class, \$1.25 per month for the commercial customer class, and \$3.24 per month for the industrial customer class. Settlement ¶ 24.

These Settlement provisions are carefully designed to balance the interests of UGI Gas and its customers. As the COVID-19 pandemic has progressed, some business operations in Pennsylvania have reopened and expanded, including UGI Gas resuming construction activities. UGI St. 1-R at 8. As part of resuming these activities, the Company continues to fulfill its obligations under its Long-Term Infrastructure Improvement Plan (LTIIP), which are necessary to address higher risk assets on its system and ensure safe, reliable service to its customers. Similarly, customers are struggling during this unprecedented situation. Moreover, the COVID-19 pandemic is an evolving situation and it is unclear the extent to which it may further inhibit the Pennsylvania economy in the future. Accordingly, the Joint Petitioners have agreed to defer half of the agreed upon increase until Jan. 1, 2021, and the remainder until July 1, 2021. While it is possible that this pandemic may continue until such time, the OCA believes this is a fair

compromise in light of the other provisions and protections provided to customers by this Settlement.

The OCA also notes that the Settlement represents a “black box” approach to the revenue requirement including cost of capital issues, unless otherwise specified. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

B. Rate Design (Settlement ¶¶ 25-26)

The Settlement provides that the entirety of the annual rate increases will be recovered through increases to the Company’s volumetric distribution charges. Settlement ¶ 25. Rates will be designed based on the Company’s filed usage billing determinants, as reduced by 75 percent of the Company’s growth related billing determinant adjustment set forth in the Company’s rebuttal testimony. Settlement ¶ 25; see also UGI Gas. St. 11-R at 22-23. Moreover, the fixed customer charges will remain at their current rates, with the residential rate remaining at its current rate of \$14.60, except to the extent the Company needs to recover the deferred rate increase amount over the temporary one-year period. Settlement ¶ 26.

In the Company’s initial filing, the Company proposed to recover a portion of its revenue increase from the fixed customer charge. With respect to the residential class, the Company proposed to increase the residential customer charge from its current rate of \$14.60 to \$19.95, or a 36.6 percent increase. OCA St. 4 at 34. In response, the OCA’s witness, Mr. Mierzwa,

recommended that, if the Commission were to approve a rate increase, the residential customer charge be set no higher than \$16.00. *Id.*, at 37. Mr. Mierzwa asserted that this smaller increase recognizes the principles of gradualism and will incentivize customers to conserve energy where possible. OCA St. 4 at 37. Likewise, Mr. Colton testified on the OCA's behalf indicating that increases in customer charges disproportionately impact low-income customers and agreed with the recommendation of Mr. Mierzwa. OCA St. 5 at 48, 58. In its rebuttal testimony, UGI Gas continued to advocate for increasing the customer charge to its as-filed position. UGI Gas St. 1-R at 43.

In addition, UGI Gas made an adjustment in its rebuttal testimony to reduce its projected customer growth for the FPFTY. UGI Gas St. 11-R at 22-23. The Company noted that the COVID-19 pandemic has led to reductions in new residential and commercial construction, as well as a lower demand for oil to natural gas conversions. UGI Gas St. 11-R at 23-24. Accordingly, the Company revised its residential customer growth projections downward by approximately 6,588 residential customers and 1,697 commercial customers, as well as removing their associated billing determinants. UGI Gas St. 11-R at 22-23. In surrebuttal testimony, the OCA recommended that the Commission reject the Company's adjustment due to the limited availability of data supporting the Company's adjustment and the uncertain nature of the COVID-19 pandemic. OCA St. 2-SR at 19-22.

The Settlement reflects a balanced compromise of these positions. The Joint Petitioners have agreed to incorporate 75 percent of the Company's customer growth and billing determinant reduction. Settlement ¶ 25. More importantly, the Company has agreed to keep the customer charges at their current levels, except to the extent it recovers the deferred rate increase through the temporary surcharge. Settlement ¶ 26. Accordingly, the residential customer charge

will remain at \$14.60, but increase temporarily to \$15.31 between the months of October 1, 2021 and September 30, 2022, before reverting back to \$14.60. Settlement ¶¶ 24-26. This ensures that during the ongoing pandemic, customers will have greater control over their monthly bills by conserving energy where possible, as well as further protecting low-income customers who can be disproportionately impacted by customer charge increases.

As a result of the Settlement, the total average monthly bill of a residential customer using 73.5 Cubic Feet (Ccf) per month will increase in the following manner:

	Average Usage	Current Bill	Increase 1/1/2021	Increase 7/1/2021	Increase 10/1/2021
Residential Heating	73.5 Ccf	\$ 81.54	\$ 82.75	\$ 83.96	\$ 84.67 ⁷

In total, the average residential heating customer’s bill will increase by approximately \$3.13 per month, or by 3.8 percent, compared to the Company’s as-filed increase of \$8.68 per month, which would have been an increase of approximately 10.6 percent. Moreover, the delayed implementation of these rate increases ensures that any impacts to customers are spread out over a number of months to ensure gradual, modest increases during this time.

C. Customer Assistance Provisions (Settlement ¶¶ 27-29)

In order to provide customers additional relief during the ongoing pandemic, the Settlement provides numerous provisions and protections for customers. During the duration of the Commission’s Emergency Order, the Company will continue to place a moratorium on all terminations (unless required to ameliorate a safety emergency), waive late payment fees incurred by customers, suspend recertification requirements for customers participating in the Company’s Customer Assistance Program (CAP), and expand its customer communications and

⁷ As noted above, after September 30, 2022, the temporary surcharge implemented on October 1, 2021, will be removed and the average residential heating customer’s monthly bill will revert back to \$83.96 per month. Settlement ¶¶ 24-26.

outreach to better ensure that customers have access to the CAP program or additional emergency funding options. Settlement ¶¶ 27-28(a); see also Public Utility Service Termination Moratorium Proclamation of Disaster Emergency – COVID-19, Docket No. M-2020-3019244, Emergency Order (Pa. PUC Mar 13, 2020) (PUC Emergency Order).

Moreover, the Settlement provides that the Company will expand its Operation Share Energy Fund program in two important ways. The Company's Operation Share Energy Fund is the Company's hardship fund consisting of donations from the Company, its employees, and customers, providing energy assistance grants to qualified customers. First, pursuant to the Settlement, the Company will expand eligibility to 250 percent of the Federal Poverty Level (FPL) and increase the maximum grant size from \$400 to \$600 for the duration of the PUC Emergency Order. Settlement ¶ 28(b). Secondly, the Company will provide an additional \$2 million in funding to the Operation Share Energy Fund. Settlement ¶ 28(c). This will be funded by a \$1 million Company donation and by using a portion of the anticipated residential pipeline refunds resulting from two interstate pipeline proceedings at the Federal Energy Regulatory Commission. Id. If approved, this would increase the Company's Operation Share Energy Fund by approximately 300 percent. Id. The Commission has previously approved use of pipeline refunds to provide additional funding to a gas utility's hardship fund. Petition of Columbia Gas of Pennsylvania Inc. For Approval to Use Penalty Credit and Refund Proceeds for Its Residential Hardship Fund, Docket No. P-2018-3000160, Order (Pa. PUC Jun. 14, 2018). Importantly, the OCA commends the Company for its donation to the Operation Share Energy Fund during this time when many are struggling, as this emergency funding will provide additional assistance to low-income customers, a group that has been disproportionately impacted by the COVID-19 pandemic. OCA St. 5 at 8-10.

Likewise, the Settlement provides that the Company shall increase efforts to ensure that its Low-Income Usage Reduction Program (LIURP) will continue to meet community needs. This includes reducing the barriers for customer participation in an effort to expend the 2020 LIURP budget and increased funding for the LIURP budget in the following years. Settlement ¶¶ 28(d). These LIURP provisions will ensure additional assistance to customers seeking to reduce usage and conserve energy during this difficult time.

Altogether, the OCA supports these additional measures. As stated by the OCA's Witness Roger Colton:

There can be no question but that low-income households are being more severely affected by COVID-19 than are households with higher levels of income. While similar data does not exist specifically for Pennsylvania, the Figure below indicates the impact on residents of New York City. Clearly, residents with income in the bottom quartile have been most severely hit, with residents in the second quartile being the group second most severely affected.

OCA St. 5 at 8-9 (footnotes omitted). The above provisions provide targeted relief to customers to address these concerns. Indeed, qualifying customers will now have a greater ability to access the Operation Share Energy Fund, others will benefit from the continued waiver of late payment fees and additional relief will be provided to the Company's low income customers through modifications to CAP recertification and the Company's LIURP. In combination with the Company's Emergency Relief Program, as discussed further below, these provisions represent a balanced package of programs to help the most vulnerable during this emergency period.

D. COVID-19 Emergency Relief Program (Settlement ¶¶ 30- 37)

The Settlement sets forth an emergency program that will be offered to a broad set of customers to provide additional relief during this time. Essentially, the COVID-19 Emergency Relief Program (ERP) will provide arrearage forgiveness and extended payment arrangements to qualified residential customers who are accruing arrearages as a result of inability to pay during

this crisis. Settlement ¶ 30. To qualify, a residential customer must demonstrate that they are (1) currently in arrears, (2) are not participating or eligible for CAP; and (3) either received unemployment benefits for one or more household members on or after March 13, 2020, or that the customer or a household member is eligible for the federal COVID-19 relief check in the amount of \$1,200. Settlement ¶ 31. Upon enrollment, the Company will suspend collection efforts for all arrearages accrued since the March 2020 billing cycle. Settlement ¶ 33(a)(i). Moreover, the Company will provide a one-time credit to participating customers forgiving up to 25 percent (but no more than \$400) of arrearages accrued from March 2020 through the December 2020 billing cycles.⁸ Settlement ¶ 33(a)(ii). Additionally, the Company shall offer extended payment arrangements to participating customers for all arrearage balances accrued through the December 2020 billing cycle. Settlement ¶ 33(a)(ii).

Likewise, The ERP also provides benefits to commercial customers that have either fully closed or partially suspended business operations due to a COVID-19-related order. Settlement ¶ 30. For qualifying commercial customers, the Company will suspend collection efforts for arrearages accrued from the March 2020 to December 2020 billing cycles, as well as provide a long-term payment arrangement equal to the shorter of (1) two times the length of the PUC Emergency Order period or (2) 180 days. Settlement ¶ 32-33.

While the Settlement states that the ERP will terminate after the December 2020 billing cycle, the Joint Petitioners have agreed to reconvene thirty days prior to determine whether an extension of customer benefits is necessary. Settlement ¶ 37.

The ERP represents an important first step, providing customers who are suffering financially from the pandemic crisis critical support with any arrears accrued during this time.

⁸ As stated below, these bill credits will be eligible for recovery by the Company through the regulatory asset mechanism established in paragraphs 60-62 of the Settlement. Settlement ¶ 35.

While the extent and impact that COVID-19 will have on customers is not fully known at this time, any additional source of support to customers is critical. In this respect, the arrearage forgiveness piece and extended payment arrangements are critical to the success of this program. By forgiving 25 percent, up to \$400, of arrears accrued between the March 2020 and December 2020 billing cycles and longer payment arrangements for remaining arrears, customers will be afforded additional relief that lightens their burdens in a small, yet impactful way.⁹ Accordingly, the Joint Petitioners have crafted a program that seeks to provide additional support to customers, although more may need to be done once the full impact is known. The OCA submits that the Commission approve the ERP, without modification, as this is an important start to addressing these issues and is in the public interest.

E. COVID-19 Cost Deferral (Settlement ¶¶ 48-50)

The Settlement provides that the Company shall be permitted to track and record as a regulatory asset all costs incurred by the Company as a result of the COVID-19 pandemic. Settlement ¶ 48. COVID-19 pandemic costs are defined in the Settlement to include reasonably and prudently incurred incremental labor-related costs; costs incurred to maintain employee and contractor availability; incremental health care related costs; incremental worker's compensation costs; incremental occupational safety equipment, contractor, personnel costs, and annual uncollectible accounts expense in excess of \$12.81 million beginning with the fiscal year period ending September 30, 2020. Settlement ¶ 49. In order to prevent double-recovery of these expenses that might otherwise already be factored into the Company's rates, COVID-19 pandemic costs will only be eligible for recovery to the extent it causes the Company's specific

⁹ The OCA notes that bill credits provided as part of the ERP are eligible for recovery through the Company's regulatory asset. See Section E, *infra*. While Company recovery of these forgiven arrears is appropriate, the Company has made significant concessions to ensure an equitable sharing of the responsibility for recovery of those dollars.

FERC account to exceed budgeted FTY and FPFTY levels, or in the case of uncollectible accounts expense, \$12.81 million. Settlement ¶ 49. Additionally, all bill credits provided under the ERP will be tracked and included as part of this regulatory asset, which will be eligible for recovery. Settlement ¶ 49.

In return for this accounting treatment, the Company has given important concessions to limit the impact to customers when the Company ultimately seeks recovery. Specifically, the Company has agreed to amortize any COVID-19 costs, including the ERP credits, over a 10-year amortization period without interest. Settlement ¶ 48. Through foregone interest and a longer amortization period, this ensures an equitable sharing of the responsibility for increased costs resulting from the COVID-19 pandemic. Additionally, the Settlement provides that the Company shall exercise prudent efforts to maximize the utilization of any government benefits, with detailed reporting requirements for any amounts obtained. Settlement ¶ 50.

These provisions are consistent with the Commission's recent Secretarial Letter authorizing deferral accounting treatment for COVID-19 related costs. COVID-19 Cost Tracking and Creation of Regulatory Asset, Docket No. M-2020-3019775, Secretarial Letter (Pa. PUC May 13, 2020). Moreover, the Commission frequently approves deferred accounting treatment of extraordinary, non-recurring, one-time costs. Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses, Docket No. P-00032069, 2004 Pa. PUC LEXIS 24, at *7 (Pa. PUC Jan. 16, 2004), Petition of West Penn Power Company for Authority to Defer for Regulatory Accounting and Reporting Purposes Certain Losses from Extraordinary Storm Damage, Docket No. P-2010-2216111, 2011 Pa. PUC LEXIS 1270, at *7-8 (Pa. PUC Apr. 1, 2011).

Accordingly, deferred accounting treatment is appropriate in this instance. The COVID-19 pandemic is likely to impose extraordinary, non-recurring costs on utilities and the Settlement provides important protections to ensure that any recovery is limited to dollars in excess of costs that are already included in rates. Moreover, in light of the Company's agreement to amortize these costs over a period of ten years and forego any interest on the unamortized portion ensures an equitable sharing of the responsibility for additional costs and economic impacts occurring during this difficult time.

F. Base Rate Filing Stay-Out (Settlement ¶ 22)

Under the Settlement, UGI Gas agrees that it will not file for another general rate increase under Section 1308(d) until after January 1, 2022. Settlement ¶ 22. The base rate filing stay out provision ensures that UGI Gas will keep its base rates at the levels proposed in the Settlement for almost two years, or until September 1, 2022, assuming the Company files for a general rate increase as soon as the stay-out provision ends.¹⁰

G. Tariff Modifications (Settlement ¶¶ 38-47)

1. Line Extensions (Settlement ¶ 38)

In its filing, the Company proposed to amend its Tariff Rule 5 – Line Extension Regulations to reduce or eliminate the up-front extension contribution to make line extensions more affordable for customers who wish to convert to natural gas. UGI Gas St. 1 at 22. Specifically, the Company would cover the cost of new main and service line provided that the existing or proposed UGI Gas main (non-high pressure) would be extended by no more than 150

¹⁰ There is a limited exception to this provision that allows UGI Gas to file a tariff or tariff supplement to comply with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates. Settlement ¶ 22.

feet and the service line required to serve the applicant is no more than 150 feet.¹¹ Id. Any main or service line beyond this point would require customer contributions. Id., at 22-23.

The Settlement provides that the Company's proposed modifications to Tariff Rule 5 – Extension Regulations are approved as filed to the extent they do not retroactively apply to customers along existing mains included in the Pilot Growth Extension Tariff (Get Gas) Rider or used to extend existing GET Gas main where Get Gas surcharge payments remain in effect. Settlement ¶ 38.

In direct testimony, the OCA was supportive of this tariff change because the proposed changes would expand the availability of lower cost natural gas to those residents of the Commonwealth who are currently unable to benefit from natural gas service. OCA St. 54 at 43. Moreover, these proposed changes are consistent with the modifications adopted for the line extension programs of Columbia Gas of Pennsylvania and Peoples Natural Gas. See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., Docket No. R-2015-2468056, Opinion and Order at 21-22 (Pa. PUC Dec. 3, 2015), Pa. PUC v. Peoples Natural Gas Company LLC, R-2018-3006818, Opinion and Order at 35 (Pa. PUC Oct. 3, 2019). Accordingly, this provision is in the public interest.

2. Rider F – Universal Service Program Modifications (Settlement ¶ 39)

The Settlement updates the level of the bad debt offset to be included in the Universal Service Program (USP) Rider. The Settlement provides:

¹¹ There are four requirements that must be met to be able to participate in the proposed Line Extension program: (1) the service location is directly accessible by an existing or proposed UGI Gas main (non-high pressure), which would be extended by no more than 150 feet; (2) the service line required to serve the applicant is no more than 150 feet; (3) the customer will utilize natural gas as their primary heating source and be served under Rates R, RT, N, or NT; and (4) construction for the new main and service line does not require the crossing of private property or right of way or pose a complex construction condition or require unusual permitting requirements. UGI Gas St. 1 at 22.

Rider F – Universal Service Program Modifications. Throughout Rider F, the as-filed updated participant number of “25,297” shall be replaced with “the number of CAP enrollees as of September 30, 2020”.

Settlement ¶ 39.

The purpose of the bad debt offset is to reflect the extent to which low-income customers who participate in CAP reduce the utility’s bad debt expense. The Settlement achieves this goal and is also consistent with the Commission’s CAP Policy Statement regarding CAP cost recovery. The Commission’s CAP Policy Statement provides that cost recovery for universal services programs should include “both the expenses associated with operating the CAPs as well as the potential decrease of customer utility operating expenses” including bad debt. 52 Pa. Code § 69.266. The proposed bad debt offset is in the public interest and should be approved.

3. Rate NNS and Rate MBS (Settlement ¶ 40)

The Settlement provides that the Company shall continue to calculate its Rate NNS and MBS charges using the existing method as approved in the Commission’s Order from last year’s rate proceeding. See Pa. PUC v. UGI Utilities, Inc. – Gas Division, Docket No. R-2018-3006814, Opinion and Order at 14-15 (Pa. PUC Oct. 4, 2019).

With respect to Rate NNS, the Company proposed to change the calculation of Rate NNS resulting in a proposed rate of \$0.0073 per million cubic feet (Mcf) compared to the current rate of \$0.0244 per Mcf. OCA St. 4 at 38. The OCA’s witness, Mr. Mierzwa, indicated that this rate was improperly derived by excluding demand charges from the storage trip cost used to calculate the proposed Rate NNS. OCA St. 4 at 38-39. Excluding these costs places the entire burden for demand charges upon PGC and non-Choice transportation customers and fails to recognize that Rate NNS customers do cause the Company to incur a portion of the costs associated with interstate pipeline storage resources. Id. OCA Witness Mierzwa proposed to reflect these

demand charges on a 100 percent load factor basis. Id. If adopted, Mr. Mierzwa's proposal would have increased Rate NNS to \$0.0893 per Mcf. OCA St. 4 at 39.

Similarly, with respect to Rate MBS, the Company proposed to alter the calculation of the rate by basing the rate on an average capacity charge that excludes daily deliverability demand charges from the calculation. OCA St. 4 at 40. As stated by OCA witness Mr. Mierzwa, this is improper as the revenue collected from Rate MBS under the Company's proposal would not provide any contributions to PGC and non-Choice transportation customer for daily deliverability demand charges associated with interstate pipeline resources utilized to provide service under Rate MBS. OCA St. 4 at 41; see also OCA St. 4, Sch. JDM-3.

The Settlement provides that rather than change the calculation as proposed by the Company or as adjusted by the OCA in this proceeding, the parties will maintain the current method for calculating Rate NNS and MBS in the last rate proceeding. See Pa. PUC v. UGI Utilities, Inc. – Gas Division, Docket No. R-2018-3006814, Opinion and Order at 14-15 (Pa. PUC Oct. 4, 2019). The method established in the last proceeding represented a compromise between the OCA and the Company of similar issues presented before the Commission in this proceeding. Accordingly, the OCA submits that the methodology used in the last proceeding still represents a reasonable approach and supports this provision of the Settlement.

4. Distribution System Improvement Charge (Settlement ¶ 46-47)

The Settlement provides that UGI Gas will be allowed to include plant additions in the Distribution System Improvement Charge (DSIC) once the Company's total net plant balances reach a level of \$2,875,056,000; as established in the UGI Gas 2019 Base Rate Case. Settlement ¶ 46. For context, the Company's projected net plant balance for the future test year (FTY) ended September 30, 2020, in this proceeding is approximately \$2,863,071,000, or

approximately \$12 million less than the amount agreed upon in this settlement. UGI Gas Book V, Exhibit A - Future, Sch. A-1.

The OCA notes that in typical settlements it advocates for setting this threshold amount at the projected net plant balance at the end of the Fully Projected Future Test Year (FPFTY). In other words, under a traditional settlement, the Company would not be able to implement a DSIC until its net plant balance exceed the amounts projected at the end of the FPFTY or after the end of the FPFTY, whichever is later. In light of the changes in construction activity and the uncertainty of future construction activity, the OCA is supportive of the amount agreed upon in this Settlement. The OCA submits that the unusual circumstances surrounding this Settlement necessitate unusual agreements to come to a unanimous agreement in this proceeding.

To calculate the DSIC, UGI Gas agrees to use “the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictions Utilities” and the Company must “update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report[.]” Settlement ¶ 47. These provisions taken together will ensure that the Company’s DSIC rates are calculated properly and prevent duplicative recovery of DSIC-eligible expenditures in base rates and DSIC rates.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represents a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission, without modification as being in the public interest and in the interest of UGI Gas's ratepayers.

Respectfully Submitted,

/s/ Phillip D. Demanchick
Phillip D. Demanchick
Assistant Consumer Advocate
PA Attorney I.D. # 324761
E-Mail: PDemanchick@paoca.org

Barrett C. Sheridan
Assistant Consumer Advocate
PA Attorney I.D. # 61138
E-Mail: BSheridan@paoca.org

Darryl A. Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

DATE: August 3, 2020
293289

Statement in Support:

Office of Small Business Advocate

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility :
Commission : **Docket No. R-2019-3015162**
:

v.

UGI Utilities, Inc. – Gas Division

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF
UNOPPOSED SETTLEMENT OF ALL ISSUES**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint against the rates, terms, and other provisions of Supplement No. 6 to Tariff Gas – Pa. P.U.C. Nos. 7 and 7S, which were filed with the Pennsylvania Public Utility Commission (“Commission”) by UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) on January 28, 2020.

The proposed Tariffs, if approved by the Commission, would have increased the Company’s annual test year revenue by approximately \$74.6 million.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Approval of Unopposed Settlement of All Issues (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

The Joint Petition

The *Joint Petition* sets forth a list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Joint Petition* was in the best interests of UGI's small business customers.

1. A Revenue Increase during a Pandemic

The *Joint Petition* provides a comprehensive summary of the pandemic that is currently affecting the country and the Commonwealth. *Joint Petition*, at Paragraph 20. At the time of this writing, there is no vaccine for the SARS-CoV-2 virus, no effective treatment for COVID-19, and Governor Wolf still has the Commonwealth under a disaster emergency.

OSBA witness Robert D. Knecht summarized the situation, as follows:

I am sure all parties are well-aware of the personal suffering and economic disruption associated with the COVID-19 pandemic. I offer a few summary economic observations:

- US jobless claims reached 38.6 million over the past nine weeks.
- The US unemployment rate was at 14.7 percent in April.
- More than 20 million jobs were lost between March and April.
- The CBO estimates that economic activity will drop by 11 percent in the second quarter of 2020, or 38 percent at an annual rate, with a decline in employment of 26 million;
- A US Census Department survey of small businesses indicates that 83.5 percent of businesses have experienced a negative impact, 31 percent believe the effect will last more than six months, 41 percent experienced a closure of at least one day, and 45 percent indicate they have experienced disruptions in their supply chains.
- Crude oil (WTI) prices plummeted from the \$55 to \$60 per barrel range in the second half of 2019 to about \$34 per barrel at present, significantly harming the Pennsylvania economy;
- In April, U.S. retail sales fell 16.4 percent relative to a year ago.

None of this was known to the Company at the time of its filing in this matter in late January 2020. Nevertheless, the Company has not attempted to withdraw the rate increase proposal since that time, and it has made no effort to modify its proposal to reflect the substantial changes that will result from the pandemic.

OSBA Statement No. 1, at 3-5 (footnotes omitted). Mr. Knecht's direct testimony was served on May 22, 2020. Over two months later, the pandemic continues to exert a devastating effect on the country and the Commonwealth.

In light of the economic and social impacts caused by COVID-19, the *Joint Petition* proposes to allow the Company a \$20 million annual revenue increase, instead of the originally proposed \$74.6 million. Furthermore, the *Joint Petition* proposes to recover that \$20 million in two steps – in January and July of 2021. *Joint Petition*, at Paragraph 23.

The OSBA supports this two-stage revenue increase for essentially two reasons. First, of course, \$20 million is significantly less than the Company's original \$74.6 million request. Second, by recovering the \$20 million in two stages, in 2021, the hope is that this will lessen the economic impact upon the Company's surviving small business customers. Specifically, the revenue recovery will be in 2021, a time at which it is hoped that the COVID-19 pandemic will be move under control.

Therefore, the OSBA respectfully submits that the *Joint Petition's* proposed \$20 million revenue increase is just and reasonable under the present pandemic circumstances.

2. Revenue Allocation

The Company's small and medium business customers generally take service under Rate N/NT (General Service) and Rate DS (Delivery Service). Rate N is regular sales service, Rate NT is Choice transportation service, and DS is regular transportation service. Mr. Knecht testified extensively regarding cost of service allocation study ("CSAS") methodology and

revenue allocation. *See, e.g.*, OSBA Statement No. 1, at 24-30. After reviewing the Company's filed CSAS, Mr. testified, as follows:

I propose one material methodological change and a number of relatively modest technical changes. My evaluation of the specific implications of incorporating these changes is presented in my electronic workpapers. I began by replicating the Company's methodology in a separate spreadsheet model (RDK WP1), and then incorporated the changes that I recommend (RDK WP2 and RDK WP3).

OSBA Statement No. 1, at 26. Mr. Knecht's methodological change is set forth below:

The Company's CCAS combines customers in Rate IS and the interruptible portion of Rate XD ("XD-I") loads into a single 'Interruptible' class for cost allocation. While these customers share interruptibility characteristics, they are otherwise quite different from a cost perspective. A significant majority of the XD-I customers are also firm service Rate XD ('XD-F') customers, and they are served through the same mains that are directly assigned to the XD-F rate class. In contrast, mains for the Rate IS customers are not directly assigned but are allocated to the Interruptible class using the Company's A&E allocation method. In particular, the A&E cost allocation method is applied, with a zero "excess" component to reflect the interruptibility of the load. For XD-I customers, mains costs are directly assigned. As such, it would be more logical to combine the XD-F and XD-I classes for cost allocation purposes than to combine the Rate IS and XD-I classes. In my analysis, I segregated the interruptible class into Rate IS and Rate XD-I components. For revenue allocation purposes, I treated the XD class as a single entity.

In addition, because most of the Rate IS customers have not been interrupted, I also simulated my CSAS by treating the Rate IS class as firm. In evaluating revenue allocation in this proceeding, I consider both of these alternative models.

Id., at 27. Mr. Knecht's technical changes are set forth, as follows:

I eliminate the arbitrary rounding scheme in the Company's CSAS modeling (and the associated numerical inconsistencies), as the rounding serves no useful purpose, it distorts the results for low-cost classes, and it makes verification of the analysis in regulatory proceedings problematic.

Environmental costs for the cleanup of manufactured gas facilities date back to an era when all customers took gas supply service from the utility. The costs should therefore be allocated to all rate classes. The Company does allocate the plant costs in Account 305 to all classes using Factor 2, and it allocates some \$1.2 million of the environmental O&M costs in Account 930 using Factor 12. However, the Company assigns most of the O&M costs (in Accounts 740-742) only to Rates R/RT and N/NT. I therefore apply allocation factor "2" to these accounts.

The allocation factors for forfeited discounts (Factor 20) and customer deposits (Factor 21) are updated to reflect the most recent values.

Metering costs related to non-Choice telemetry classes (\$2.85 million) are assigned only to the transportation service classes, rather than being assigned to all rate classes using Factor 12.

Reconnections fees in "other revenues" are allocated based on a historical average for those fees. The purchase-of-receivable revenues in "other revenues" are allocated in the same way PGC uncollectibles are allocated.

OSBA Statement No. 1, at 27-28 (footnotes omitted).

As set forth above, Mr. Knecht created his own COSS in this proceeding. Ultimately,

Mr. Knecht summarized his results in the follow Table:

Table IEC-2				
Comparative CSAS Results:				
Class Rates of Return at Current Rates				
	UGI Gas CCAS	RDK Replication	RDK Alternative	RDK Alt. with Firm IS
R/RT	3.23%	3.23%	3.43%	3.49%
N/NT	7.77%	7.77%	7.90%	8.04%
DS	11.37%	11.37%	11.32%	11.51%
LFD	12.90%	12.90%	12.65%	12.75%
XD-F	12.86%	12.86%	10.11%	10.22%
Interruptible	16.55%	--		--
IS	--	16.84%	16.49%	12.53%
XD-I	--	6.18%	-27.93%	-40.21%
Total	5.95%	5.95%	5.95%	5.95%
XD Total		12.73%	9.35%	8.93%
Sources: Exhibit D, RDK WP1, WP2 and WP3.				

OSBA Statement No. 1, at 29. Mr. Knecht then applied the results of his CSAS to class revenue allocation at the originally requested Company revenue requirement. Mr. Knecht explained, as follows:

Table IEC-R3 below presents the five proposals. Other than the OCA across-the-board proposal, which is not based on cost considerations, all intervenor proposals imply a lower rate increase for the N/NT class than that put forward by the Company.

OSBA Statement No. 1-R, at 21. Table IEC-R3 is set forth, below:

Table IEC-R3					
Alternative Revenue Allocation Proposals (\$mm)					
	UGI Gas	OSBA	OCA Cost	OCA ATB	I&E
R/RT	\$61.23	\$61.23	\$57.48	\$41.97	\$61.23
N/NT	\$12.63	\$11.13	\$10.13	\$16.55	\$ 8.00
DS	\$ 0.70	\$ 0.70	\$0.95	\$ 4.32	\$ 0.70
LFD	--	\$ 0.00	\$3.50	\$ 4.92	--
XD-F	--		\$0.90	\$ 3.80	--
Interruptible	--		\$1.60	\$2.98	--
IS		--			--
XD-I					--
Total	\$74.55	\$74.55	\$74.55	\$74.55	\$70.00
XD Total		\$1.50			--
Sources: UGI Gas Exhibit E, OSBA Statement No. 1 Table IEC-4, OCA Statement No. 4 Table 7 and 9, I&E Exhibit No. 5, Schedule No. 4, page 1.					

Id., at 22.

The *Joint Petition* proposes the following revenue allocation for both the January 2021 and July 2021 revenue increase:

Rate R/RT: \$8.2 million

Rate N/NT: \$1.7 million

Rate DS: \$0.1 million

Joint Petition, at Paragraph 23. When the originally requested \$74.55 million is scaled back to the *Joint Petition's* proposed \$20 million revenue increase, it results in a revenue allocation that follows the Company's proposal. The OSBA observes that the Company's proposal lies within the range of the proposals of the other parties and is reasonably similar to Mr. Knecht's proposal.

Combined with the reduction in the proposed revenue requirement, this revenue allocation results in only a modest rate increase for the small business customers who survive the pandemic. The combined average distribution rate increase for the N/NT rates is 3.2 percent

over the period the settlement rates will be in effect. *Joint Petition, Appendix B*, at 3. For Rate DS, the increase is only 0.7 percent.¹ *Id.*, at 4.

Consequently, the OSBA submits that this proposal is a just and reasonable result.

3. Rate Harmonization

Mr. Knecht provided the detailed background on the issue of rate harmonization, as follows:

Prior to 2018, UGI Utilities, Inc. had one operating division that was a regulated gas utility and two subsidiary gas utilities, namely UGI Central Penn Gas and UGI Penn Natural Gas. At Docket Nos. A-2018-300381/2/3, the Commission approved the merger of these three entities into the UGI Utilities, Inc. (Gas Division), although separate regulations and tariffs continued to apply to each of the three ‘rate districts’ (denoted South, Central, and North respectively). However, for several years prior to the merger, the Company had substantially harmonized the rate class definitions and eligibility rules for the three entities. In the Company’s last base rates case at Docket No. R-2018-3006814, the Company proposed to fully harmonize the tariffs for the three rate districts, both with respect to the purchased gas cost (‘PGC’) rate charged to utility gas sales customers and the base rates tariff charges for distribution and related services.

In that proceeding, I objected in testimony to the full harmonization in a single step, due to the rate shock implications. These effects would have been particularly severe for the Rate N/NT customers and Rate DS customers in the North rate district. The settlement in that proceeding provided for full harmonization of the PGC rate, and it harmonized base rates for the South and Central districts. However, it retained base rate differentiations between the North rate district and the South/ Central rate districts, for Rate N/NT and Rate DS. The settlement explicitly recognized that the Company could propose full harmonization in its next base rates case, and that parties could oppose such a proposal.

In this proceeding, the Company proposes to fully harmonize the base distribution rates for Rate N/NT and Rate DS.

¹ As shown in Appendix B of the *Joint Petition*, distribution rates include the monthly customer and GET Gas charges and volumetric distribution rates. Cost of gas and energy efficiency charge impacts are excluded from these percentage calculations as they are not the subjects of base rates proceedings.

OSBA Statement No. 1, at 33 (footnotes omitted). Mr. Knecht set forth the Company's proposed changes in tariff charges, as well as the bill implications for the average customer, in the following Table:

Table IEC-5 UGI Gas Rate Design Proposal: Rate N/NT and DS						
	Rate N/NT			Rate DS		
	Current Rate	Proposed Rate	Percent	Current Rate	Proposed Rate	Percent
Customer Charge (\$/mo.)	23.50	30.00	27.7%	260.00	260.00	0.0%
Distribution Charge (\$/mcf) South/Central	3.5177	3.6671	4.3%	2.9550	2.8033	-5.1%
Distribution Charge (\$/mcf) North	3.1559	3.6671	16.2%	2.1335	2.8033	31.4%
Typical Bill (\$/Year) South/Central	\$1,859	\$2,004	7.8%	\$23,477	\$22,432	-4.5%
Typical Bill (\$/Year) North	\$1,696	\$2,004	18.1%	\$17,818	\$22,432	25.9%
* Note that typical bill is based on customer and distribution charges only, excluding PGC and other charges for specific functions. Sources: RDK WP1.						

As shown in Table IEC-5, Rate N/NT (North) and Rate DS (North) would face extremely large rate increases under the Company's original proposal.

Ultimately, Mr. Knecht recommended, as follows:

In light of the macroeconomic context for this proceeding, the likelihood that any allowed rate increase would be minimal, and the fact that North district ratepayers just experienced a large increase, I conclude that this is not the right time to try to make substantial progress toward rate harmonization, for either Rate N/NT or Rate DS. I therefore recommend that the same percentage increase be assigned to the North district tariff charges as is applied to the South and Central rate district charges in this proceeding.

OSBA Statement No. 1, at 36.

The *Joint Petition* proposes to adopt Mr. Knecht's recommendations. First, the *Joint Petition* proposes to drop the issue of rate harmonization until a future proceeding. *Joint Petition*, at Paragraph 45. Second, the *Joint Petition's* volumetric rate increases for the N/NT and DS rate classes are the same for the former South and Central rate district customers as for the former North district customers. *Joint Petition, Appendix B*, at 3-4.

Consequently, as the *Joint Petition* proposes to follow Mr. Knecht's testimony on this issue, the OSBA submits that the proposed resolution is just and reasonable.

Conclusion

For the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,

/s/ Steven C. Gray

Steven C. Gray
Senior Supervising
Assistant Small Business Advocate
Attorney ID No. 77538

Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101

Dated: August 3, 2020

Statement in Support:

Industrial Energy Consumers of
Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2019-3015162
	:	
UGI Utilities, Inc. – Gas Division	:	

**THE INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA'S
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT**

The Industrial Energy Consumers of Pennsylvania ("IECPA"),¹ by counsel, hereby submits this Statement in Support of the Joint Petition for Settlement ("Settlement") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") by the parties in the above-referenced proceeding, and asserts that the terms of the Settlement are just and reasonable and that approval of the Settlement is in the public interest.

I. RELEVANT BACKGROUND

1. On January 28, 2020, UGI Utilities, Inc. – Gas Division ("UGI" or "Company") filed with the Commission the Company's Supplement No. 6 to UGI Tariff – PA P.U.C. Nos. 7 and 7s ("Filing"), representing a request for a general increase in the Company's annual base rate revenues of \$74.6 million to be effective March 28, 2018. Statement of Reasons, p. 1. The effective date of new rates was suspended until October 28, 2020, by Order of the Commission

¹ As indicated by the Updated Appendix A, filed on May 7, 2020, IECPA's membership for the purpose of this proceeding is comprised of the following companies: ArcelorMittal USA LLC; Arconic Rolled Products; Carpenter Technology Corp.; and East Penn Manufacturing Co.

issued on February 27, 2020. UGI has also requested an authorized return on common equity ("ROE") of 10.95%. Id. at 8.

2. On March 5, 2020, IECPA filed a Petition to Intervene to participate in this proceeding. As indicated in its Petition to Intervene, IECPA is an association of energy-intensive industrial consumers taking service from UGI primarily pursuant to the Company's current industrial transportation rates. IECPA members provide hundreds of jobs in the UGI service territory in Pennsylvania with millions of dollars in combined annual payroll, and they contribute millions of dollars in annual state, local, and property taxes, over and above the substantial contributions that these corporate citizens make to their local communities and charities. As such, the cost of natural gas services received from UGI is a significant element in the cost of operation for IECPA members, and the reliability and quality of service that IECPA members receive from UGI are also of critical importance to their operations. IECPA intervened in this proceeding in order to address its concerns with the potential impact of UGI's proposed base rate increase.

3. To that end, on May 22, 2020, IECPA submitted the Direct Testimony of Richard A. Baudino addressing certain aspects of the Company's that presented significant concern to IECPA, primarily as those issues related to the Company's requested ROE, but also addressing cost allocation issues between the various rate classes. See generally IECPA Statement No. 1.

4. On June 19, 2020, IECPA submitted the Rebuttal Testimony of Richard A. Baudino addressing a number of issues raised by other parties, including among other things, the classification and allocation of certain costs, the treatment of interruptible rates, rate design for Rates NNS and MBS, and class revenue allocation. See generally IECPA Statement No. 1-R.

II. STATEMENT IN SUPPORT OF THE SETTLEMENT

5. As stated in 52 Pa. Code § 5.231, "It is the policy of the Commission to encourage settlements." In keeping with this policy, the parties in this case, including IECPA, engaged in numerous discussions on the many issues presented in the course of litigation. These negotiations ultimately produced the Settlement presented in this proceeding. The settling parties agree that this Settlement is in their best interests and in the best interests of the Pennsylvania public.

6. In addition to the important benefit of reducing the litigation costs for the settling parties in this proceeding, IECPA specifically supports the Settlement on the following grounds, which from IECPA's perspective were issues of specific litigation and reflect significant compromise on the part of the various settling parties:

a. General Issues (Paragraphs 19-21)

The COVID-19 Pandemic occurred during the pendency of this base rate proceeding where the Company's customers were presented with the challenge of potentially increased costs for services while also experiencing their own specific challenges related to COVID-19. For many of the Company's business customers, these challenges were existential in nature, which exacerbated the potential impact of a base rate case. Additionally, and as indicated in the Joint Petition, the pandemic introduced significant issues in this proceeding regarding the ability of the Company to provide continued safe and reliable natural gas distribution services. These factors necessitated a resolution of this proceeding that could address all of the various and serious concerns of the parties and the Pennsylvania public. IECPA submits that this pandemic-related general interest informs each of the issues discussed below. Accordingly, and for the following reasons, IECPA supports the Settlement embodied by the Joint Petition as a fair, reasonable, and just resolution of the

various issues and concerns presented by the parties, and believes that the Settlement is in the public interest, warranting approval by the Commission without modification.

b. Stay-Out (Paragraph 22)

In conjunction with the general importance of reaching a public interest resolution of the rate case in the midst of the COVID-19 Pandemic is the Settlement's inclusion of a "stay-out" provision. The lasting impacts of the COVID-19 Pandemic have yet to be fully realized throughout Pennsylvania and the nation. As the Commonwealth and every Pennsylvania citizen and entity adversely impacted by the pandemic continue to recover from recent impacts while simultaneously dealing with an ongoing pandemic, the presence of a utility rate case stay-out insures that the Companies' ratepayers can reasonably rely on stable natural gas delivery rates during this critical period of economic recovery.

c. Revenue Increase (Paragraphs 23-24)

The \$20 million net increase in distribution revenues contemplated by the settlement is a vital component of the compromise between the parties during this crucial time. This agreed-upon revenue requirement is a substantial departure from the Company's initial request, which provides UGI's ratepayers with important economic relief from the original request for \$74.6 million in increased revenues. At the same time, however, the parties, including IECPA, believe that this amount provides UGI with reasonable revenues and earnings opportunity going forward.

d. Rate NNS and Rate MBS (Paragraph 40)

The Company's calculation of Rate NNS and Rate MBS charges became contested in the course of this proceeding, with various parties, including IECPA, presenting competing proposals for how UGI should develop these charges going forward. By retaining the calculation of these

charges pursuant to the methodology currently in place, the settlement results in a solution that does not adversely impact any party or prejudice any position for future litigation.

e. DSIC Calculation Return on Equity (Paragraph 47)

The question of UGI's allowed overall ROE was a significant issue for IECPA in this proceeding. Although the Settlement does not specify an ROE for the Company, IECPA believes that the overall reduced revenue requirement increase will have a beneficial impact on ratepayers while permitting the Company a reasonable opportunity to earn a return on its investment. The Settlement's resolution to use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities, for the limited purpose of calculating UGI's Distribution System Improvement Charge ("DSIC"), is consistent with the Commission's approval of base rate case settlements in other cases. Therefore, for this limited purpose, IECPA believes that the Settlement's resolution of this issue is reasonable.

7. As stated above, the Settlement achieved by the parties in this case is the result of amicable negotiations and compromise by numerous parties with diverse interests in the Company's base rate filing. Accordingly, IECPA believes that the Settlement produces a non-discriminatory result that is in the public interest and advances the Commission's policy favoring settlements.

WHEREFORE, the Industrial Energy Consumers of Pennsylvania respectfully requests that Deputy Chief Administrative Law Judge Christopher P. Pell and the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement filed by the parties in this proceeding, without modification.

Respectfully submitted,

By



Derrick Price Williamson (Pa. I.D. No. 69274)
Barry A. Naum (Pa. I.D. No. 204869)
SPILMAN THOMAS & BATTLE, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
Phone: (717) 795-2742
Fax: (717) 795-2743
dwilliamson@spilmanlaw.com
bnaum@spilmanlaw.com

Counsel to Industrial Energy Consumers of Pennsylvania

Dated: August 3, 2020

Statement in Support:

United States Department of Defense

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	
v.	:	Docket Nos. R-2019-3015162
	:	C-2020-3018289
UGI Utilities, Inc.	:	C-2020-3018858
	:	C-2020-3017207

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
BY THE UNITED STATES DEPARTMENT OF DEFENSE
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES**

TO: DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE CHRISTOPHER P. PELL

The United States Department of Defense and all other Federal Executive Agencies (“DOD/FEA”) files this Statement in Support of Joint Petition for Settlement in Docket No. R-2019-3015162 and related Docket Nos. C-2020-3015163; C-2020-30151632, and C-2020-30151634.

DOD/FEA consists of certain agencies of the United States Government which have offices, facilities, or installations in the service area of UGI Utilities, Inc. (“UGI”). The General Services Administration has delegated to the U.S. Army Legal Services Agency authority to intervene in this proceeding to represent and to protect the consumer interests of DOD/FEA. DOD/FEA intervened in this proceeding on March 5, 2020.

DOD/FEA’s installations in UGI’s service territory include Tobyhanna Army Depot, Carlisle Barracks/Army War College, Letterkenny Army Depot, Defense Logistics Agency Susquehanna (Eastern Distribution Center), Scranton Army Ammunition Plant, Naval Support

Activity Mechanicsburg, and other federal facilities. These military installations employ thousands of full time personnel and are substantial consumers of natural gas.

DOD/FEA contends that the stipulated Joint Settlement represents a fair compromise which provides UGI a modest and appropriate increase in revenue while protecting Pennsylvania ratepayers from substantial rate hikes. UGI demonstrated willingness to engage in settlement discussions early and proactively with DOD/FEA and other parties. The Joint Settlement moves all rate classes closer to rate of return unity and the system average cost of service. From DOD/FEA's perspective, the rate design provisions in the Joint Settlement are fair to DOD/FEA's interests.

WHEREFORE, DOD/FEA respectfully requests that the Pennsylvania Department of Public Utilities approve the Joint Settlement.

Dated: August 3, 2020

Respectfully Submitted,



John J. McNutt, Esq.
U.S. Army Legal Services Agency
9275 Gunston Road (ELD-4315)
Fort Belvoir, Virginia 22060

*Counsel for the United States Department of
Defense and all other Federal Executive Agencies*

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties of record in this proceeding via electronic mail in accordance with the requirements of § 1.54 (relating to service by a party).



John J. McNutt

**Letters Of
Non-Opposition**



August 3, 2020

The Honorable Christopher P. Pell
Deputy Chief Administrative Law Judge
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
801 Market Street, Suite 4063
Philadelphia, PA 19107
cpell@pa.gov

Re: Pa. PUC v. UGI Gas of Pennsylvania Inc., Docket No. R-2019-3015162
*CAUSE-PA Does Not Oppose the Joint Petition for Approval of Unopposed
Settlement of All Issues*

Dear Judge Pell,

The purpose of this letter is to notify the Public Utility Commission that the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania does not oppose the Joint Petition for Approval of Unopposed Settlement of All Issues between and among UGI Utilities, Inc. – Gas Division, the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Industrial Energy Consumers of Pennsylvania, and the United States Department of Defense.

CAUSE-PA was actively involved in settle negotiations in this proceeding and greatly appreciates the steps agreed to by the parties to help mitigate the impact of the agreed to rate increase on low-income consumers and to help address the COVID-19 pandemic. While we were ultimately unable to join the settlement, we nevertheless stand in non-opposition.

Thank you for your time and consideration. Please contact me with any questions or concerns.

Respectfully,

A handwritten signature in black ink that reads "John W. Sweet". The signature is written in a cursive style with a horizontal line above the name.

John W. Sweet, Esq.
Counsel for CAUSE-PA

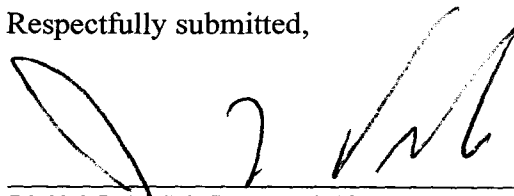
**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3015162
Office of Consumer Advocate	:	C-2020-3018289
Office of Small Business Advocate	:	C-2020-3018858
Calpine Energy Services, L.P.	:	C-2020-3019101
Micah Cameron	:	C-2020-3017207
David Torakeo	:	C-2020-3019355
Sarah Hanle	:	C-2020-3019824
	:	
	:	
v.	:	
	:	
UGI Utilities, Inc. Gas Division	:	

**COMMISSION ON ECONOMIC OPPORTUNITY'S STATEMENT OF NON-
OPPOSITION TO JOINT PETITION FOR APPROVAL OF
UNOPPOSED SETTLEMENT OF ALL ISSUES**

The Commission on Economic Opportunity, by and through counsel below, submits this statement of non-opposition to the Joint Petition for Approval of Unopposed Settlement of All Issues.

Respectfully submitted,



JOSEPH L. VULLO, ESQUIRE
I.D. No. 41279
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
(570) 288-6441
e-mail: jlvullo@bvrrlaw.com
Attorney for Commission on Economic
Opportunity



August 3, 2020

David P. Zambito

Direct Phone 717-703-5892

Direct Fax 215-989-4216

dzambito@cozen.com

VIA E-MAIL

Deputy Chief Administrative Law Judge
Christopher P. Pell
Pennsylvania Public Utility Commission
801 Market Street
Philadelphia, PA 19107

**Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division;
Docket Nos. R-2019-3015162 et al.**

**Calpine Energy Services, L.P. Does Not Oppose the Joint Petition for Approval of
Unopposed Settlement of All Issues**

Dear Deputy Chief Administrative Law Judge Pell:

This correspondence is to notify the Pennsylvania Public Utility Commission ("Commission") that Calpine Energy Services, L.P. ("Calpine") does not oppose the Joint Petition for Approval of Unopposed Settlement of All Issues between and among UGI Utilities, Inc. - Gas Division, the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Industrial Energy Consumers of Pennsylvania and the United States Department of Defense and all other Federal Executive Agencies.

Thank you for your attention to this matter. If you have any question or concern about this correspondence, please contact me.

Sincerely,

COZEN O'CONNOR

By: David P. Zambito
Counsel for *Calpine Energy Services, L.P.*

DPZ:kmg

cc: Rosemary Chiavetta, Secretary
Sarah Novosel, Esq.
Jay Dibble



Eckert Seamans Cherin & Mellott, LLC
213 Market Street
8th Floor
Harrisburg, PA 17101

TEL 717 237 6000
FAX 717 237 6019
www.eckertseamans.com

Kristine E. Marsilio
717.237-6037
kmarsilio@eckertseamans.com

August 3, 2020

Hon. Christopher P. Pell
Administrative Law Judge
Pennsylvania Public Utility Commission
801 Market Street
Philadelphia PA 19107

Re: PA PUC v. UGI Utilities Inc. – Gas Division
Docket No. R-2019-3015162

Dear Judge Pell:

The purpose of this letter is to inform you that Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC do not oppose the Joint Petition for Approval of Unopposed Settlement of all Issues that is being submitted in the above-referenced matter.

Sincerely,

/s/ Kristine E. Marsilio

Kristine E. Marsilio