**PENNSYLVANIA**

**PUBLIC UTILTY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held October 8, 2020

Commissioners Present:

Gladys Brown Dutrieuille, Chairman, Statement

David W. Sweet, Vice Chairman

John F. Coleman, Jr.

Ralph V. Yanora

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

Robert Zivny : C-2020-3021512

:

v. :

:

UGI Utilities, Inc. – Gas Division :

**ORDER**

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Deputy Chief ALJ Christopher P. Pell, dated August 29, 2020;

THEREFORE,

IT IS ORDERED:

That the Joint Petition for Approval of Unopposed Settlement of All Issues (Settlement), including attachments, be admitted into the record of this proceeding.

That the Settlement be approved without modification.

That the proposals set forth in UGI Utilities Inc. – Gas Division’s January 28, 2020 distribution base rate increase filing at Docket No. R-2019-3015162, be approved subject to the terms and conditions of the Settlement.

That the *pro forma* tariff attached to the Unopposed Settlement as Appendix A is approved.

That UGI Utilities Inc. – Gas Division be authorized to file the tariff approved in Ordering Paragraph 4 on the later of October 1, 2020, or on the first day after Commission approval.

That the Proof of Revenues attached to the Settlement as Appendix B be approved.

That UGI Utilities Inc. – Gas Division be authorized to file the Proof of Revenues referred to in Ordering Paragraph 6 with its tariff filing.

That UGI Utilities Inc. – Gas Division shall allocate the authorized increase in operating revenue to each customer class and rate schedule within each in the manner prescribed in the Settlement.

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.

That UGI Utilities Inc. – Gas Division be authorized to implement rates designed to produce an annual distribution rate revenue increase of $20 million. This increase will be phased-in and partly deferred, as described in Paragraph III.C.23 of the Settlement, and as reflected in Appendices A and B of the Settlement.

That UGI Utilities Inc. – Gas Division be permitted to 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 Settlement.

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

That the *pro forma* annual revenue increases for UGI Utilities Inc. – Gas Division 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.

That UGI Utilities Inc. – Gas Division 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.

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

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

That effective one (1) day after the issuance of the Commission’s Order approving the Settlement, the Company be permitted to 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..

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

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.

That the Company’s proposed modifications to Tariff Rule 5 – Extension Regulation be 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.

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

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.

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

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

That UGI Utilities Inc. – Gas Division be permitted to file its Chapter 71 earnings reports on a consolidated basis, rather than by former rate district.

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.

That, as of the effective date of the Commission’s Final Order in this case, UGI Utilities Inc. – Gas Division 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.

That, for purposes of calculating its DSIC, UGI Utilities Inc. – Gas Division 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).

That the Company 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 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 prudency and reasonableness of these costs in the next base rate proceeding.

That for the purposes of the 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 Settlement Paragraph III.F.36. 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.

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

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.

That annual differences between $4.188 million and actual expenditures for environmental costs 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 Settlement Paragraph III.I.51.

That the Commission approve 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.

That UGI Utilities Inc. – Gas Division’s Accumulated Deferred Income Tax and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)((ii) be accepted. Further, the Company’s method to amortize Excess Accumulated Deferred Federal Income Taxes (EDFIT) according to the Average Rate Assumption Method be 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.

That the Commission accept 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 Utilities Inc. – Gas Division’s rate base.

That the Commission adopt the Company’s as-filed depreciation rates, which are accepted for the Company’s accounting purposes.

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

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

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

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

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

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

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

That the formal Complaint filed by Robert Zivny at Docket No. C-2020-3021512, be dismissed.

**** BY THE COMMISSION,

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: October 8, 2020

ORDER ENTERED: October 8, 2020