

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2010-2214415
Office of Consumer Advocate,	:	C-2011-2223870
Office of Small Business Advocate,	:	C-2011-2225011
Bob Cummings,	:	C-2011-2225026
Raymond Howlin,	:	C-2011-2228493
	:	
Complainants,	:	
	:	
v.	:	
	:	
UGI Central Penn Gas, Inc.,	:	
	:	
Respondent.	:	

JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES

**TO ADMINISTRATIVE LAW JUDGES
SUSAN D. COLWELL AND ERANDA VERO:**

I. INTRODUCTION

UGI Central Penn Gas, Inc. (“CPG” or the “Company”), the Office of Trial Staff (“OTS”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Central Penn Gas Large Users Group (“CPGLUG”), Pennsylvania Independent Oil and Gas Association (“PIOGA”), and Commission on Economic Opportunity (“CEO”), all parties to the above-captioned proceeding (hereinafter, collectively “Joint Petitioners”), hereby join in this “Joint Petition for Approval of Settlement of All Issues” (“Settlement”) and respectfully request that Administrative Law Judges Susan D. Colwell and Eranda Vero (the “ALJs”) and the

Commission approve this Settlement. The Settlement has been agreed to or not opposed by all parties in this proceeding including the customer complainants.¹

As fully set forth and explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned general base rate proceeding (the “2011 Base Rate Filing”). The Settlement provides for increases in rates and the implementation of changes to various other tariff provisions, as set forth in the form of the tariff supplement attached hereto as **Appendix A** and the proof of revenues attached hereto as **Appendix B**. The new rates are designed to produce \$8.9 million in additional base rate revenue, inclusive of \$900,000 per year for an Energy Efficiency and Conservation (“EE&C”) Program, based upon the level of operations for the twelve months ending September 30, 2011, as adjusted for ratemaking purposes. The new rates are to become effective on and after the date of the Commission’s order approving the Settlement. In support of the Settlement, the Joint Petitioners state the following:

¹ As explained below, two CPG customers, Bob Cummings and Raymond Howlin, filed Formal Complaints against the Company’s proposed rate increase. Both Mr. Cummings and Mr. Howlin have advised the OCA that they do not oppose the Settlement. Attached hereto as Appendix C is a letter from the OCA representing that Mr. Cummings and Mr. Howlin do not oppose the Settlement.

II. BACKGROUND

1. CPG is a “public utility” and “natural gas distribution company” (“NGDC”) as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2202. CPG provides natural gas sales, transportation, and/or supplier of last resort services to approximately 75,650 customers throughout its certificated service territory, which includes all or a portion of the following Pennsylvania Counties: Adams, Armstrong, Bedford, Berks, Blair, Bradford, Carbon, Centre, Chester, Clarion, Clearfield, Clinton, Columbia, Cumberland, Forest, Franklin, Fulton, Huntingdon, Jefferson, Juniata, Lancaster, Lehigh, Luzerne, Lycoming, Mckean, Mifflin, Monroe, Montour, Northampton, Northumberland, Potter, Schuylkill, Tioga, Union, and Venango.

2. On January 14, 2011, CPG filed the above-captioned 2011 Base Rate Filing, together with CPG Tariff Gas – Pa. P.U.C. No. 4 (“Tariff No. 4”), CPG Tariff Gas – Pa. P.U.C. No. 4-S (“Tariff No. 4-S”), responses to filing requirements and standard data requests, and supporting direct testimony and exhibits. In the 2011 Base Rate Filing, CPG proposed new tariff rules and regulations and proposed rate changes designed to produce an overall revenue increase of approximately \$16.5 million annually based upon the *pro forma* level of operations for the twelve months ended September 30, 2011.

3. On January 28, 2011, OCA filed a Notice of Appearance, Formal Complaint, and Public Statement, which were docketed at Docket No. C-2011-2223870.

4. On February 7, 2011, a Petition to Intervene was filed by CEO.

5. On February 9, 2011, OTS filed a Notice of Appearance.

6. On February 10, 2011, OSBA filed a Notice of Appearance, Formal Complaint and Public Statement, which were docketed at Docket No. C-2011-2225011

7. On February 14, 2011, a Petition to Intervene was filed by CPGLUG.

8. On March 14, 2011, a Petition to Intervene was filed by PIOGA.

9. CPG was served with Formal Complaints by the following customers: Bob Cummings, Docket No. C-2011-2225026; and Raymond Howlin, Docket No. C-2011-2228493.

10. In an Order entered March 17, 2011, the Commission initiated an investigation of CPG's proposed general rate increase. Tariff No. 4 and Tariff No. 4-S were suspended by operation of law pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), for up to seven months or until October 18, 2011, unless permitted by Commission Order to become effective at an earlier date. In its Suspension Order, the Commission also identified several areas of concern to be investigated and addressed by the parties in this proceeding. The Settlement resolves all issues in this proceeding including the issues identified in the March 17, 2011 Suspension Order.

11. On March 18, 2011, a Notice of Prehearing Conference was issued which set the prehearing conference for Thursday, March 31, 2011. On the same date, the ALJs issued a First Prehearing Order, scheduling a prehearing conference.

12. The Parties undertook extensive formal and informal discovery, prior and subsequent to the initial prehearing conference.

13. An initial prehearing conference was held on March 31, 2011, before the ALJs. The Parties who participated in the prehearing conference filed prehearing memoranda identifying potential issues and witnesses. A litigation schedule was established.

14. On April 7, 2011, CPG served the Supplemental Testimony of Donald E. Brown to address the areas of concern raised by the Commission in its March 17, 2011 Order suspending Tariff No. 4 and Tariff No. 4-S.

15. On April 12, 2011, CPG filed a Motion for Protective Order, which was granted by the ALJs in the Fourth Prehearing Order issued on May 9, 2011.

16. One telephonic public input hearing was held on May 9, 2011.

17. OTS, OCA, OSBA, CPGLUG, PIOGA, and CEO served direct testimony and accompanying exhibits on April 21, 2011. On May 19, 2011, rebuttal testimony and accompanying exhibits were served by CPG, OCA, OSBA, and CPGLUG. On June 2, 2011, surrebuttal testimony and accompanying exhibits were served by OTS, OCA, OSBA, CPGLUG and PIOGA.

18. Settlement discussions were held which produced a Settlement of all issues prior to the dates for rejoinder testimony or hearings. On June 6, 2011, the Joint Petitioners advised the ALJs of a Settlement in Principle.

19. A hearing was held before the ALJs on June 8, 2011, to admit the Joint Petitioners' respective testimonies and exhibits into the record.

20. Under the Settlement, the Joint Petitioners have agreed to rates that are designed to produce an additional \$8.9 million in annual base rate revenues. The Settlement will increase overall rates (where "overall rates" means rates charged by CPG inclusive of the gas cost for its sales customers, but exclusive of the cost of gas incurred by transportation customers) by approximately 8.2%, instead of the Company's filed increase request of about \$16.5 million or 15.4%, based upon purchased gas cost ("PGC") rates in effect as of the date of the filing. Under the Settlement, a typical residential heating customer purchasing 6.8 Mcf of gas from CPG per month would see an increase from \$87.03 to \$95.45 per month, or 9.7% instead of the monthly increase to \$101.72 or 16.9% as was originally proposed in the filing, based upon PGC rates in effect as of the time of the filing.

21. The Settlement is set forth in the following Section III.

III. SETTLEMENT

22. CPG's 2011 Base Rate Filing, as modified by the Settlement, is approved in its entirety subject to the terms and conditions of this Settlement as specified herein. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement, which resolves all issues, is in the public interest. The Joint Petitioners respectfully request that the 2011 Base Rate Filing, including Tariff No. 4 and Tariff No. 4-S, be approved in their entirety subject to the terms and conditions of this Settlement specified below:

A. Revenue Requirement

23. CPG will be permitted to increase distribution rates ("Settlement Rates") by amounts designed to produce increased operating revenues of \$8.9 million in additional base rate revenue, inclusive of \$900,000 per year for the Company's Energy Efficiency & Conservation Program as explained in more detail below, based upon the level of operations for the twelve months ended September 30, 2011, as adjusted for ratemaking purposes. The settlement rates are set forth in **Appendix A** and **Appendix B**.

24. The revenue at existing rates and billing determinants will be based on the following:

(a) Annual usage per customer:

(i) Residential Heating – 82.1 Mcf/ 84.5 Dth.

(ii) Commercial Heating – 284.5 Mcf/ 292.8 Dth

(b) Number of customers:

(i) 750 residential heating customers have been added to the Company's initial position.

- (ii) 300 commercial heating customers have been added to the Company's initial position.

B. Revenue Allocation and Rate Design

25. The rate class revenue requirements shall be allocated as follows:

Rate Class	Revenue Change	Percent Change from Present Revenue
R	\$ 6,279,840	17.5%
N/NT	\$ 2,217,459	20.9%
GL	\$ 6,119	15.0%
DS	\$ 597,010	20.9%
LFD	\$ 149,839	1.6%
XD	\$ (350,538)	-6.8%
Total	\$ 8,899,730	13.9%

- 26. The residential customer charge will be set at \$14.85 per month.
- 27. The Rate N and Rate NT customer charges will be set at \$31.00 per month.
- 28. The Rate DS customer charge will be set at \$200.00 per month.
- 29. The demand charge for Rate LFD will be set at \$5.50 per Mcfd.
- 30. The maximum demand charge for Rate XD will be set at \$10.91 per Mcfd.

C. Energy Efficiency and Conservation Program

31. CPG will include \$900,000 per year in base rates for an EE&C plan (\$500,000 in Rate R, \$200,000 in Rates N/NT/DS, \$200,000 in Rate LFD).

32. The Joint Petitioners agree to address any proposals to continue the EE&C program in the Company's next base rate case.

33. The Company will discuss with the OCA the proposals and incentive levels contained in OCA St. 5 as it develops the final residential EE&C Plan for implementation.

34. The Company will discuss with the OSBA the commercial and industrial programs and incentive levels as it develops the final EE&C plan for implementation.

35. The Company will file annual reports with the Commission and Joint Petitioners, addressing EE&C program spending and customer participation.

36. The Company withdraws its Conservation Development rider without prejudice.

D. Universal Service

37. The Universal Service issues raised in this proceeding regarding the implementation of the "CAP Plus Program" and the maximum CAP benefit, inclusive of an indexing proposal, will be deferred to the UGI Companies Universal Service triennial filing proceeding, at Docket No. M-2010-2186052. If the Commission schedules evidentiary hearings in the triennial proceeding, then the Universal Service testimony of all witnesses presented in this case will be admitted into the record at Docket No. M-2010-2186052, subject to cross-examination in that proceeding.

38. CPG shall apply Low Income Home Energy Assistance Program ("LIHEAP") cash grants to Customer Assistance Program ("CAP") shortfall in the event that the Department of Public Welfare revises its existing policy to permit application of LIHEAP grants to CAP shortfall.

39. Actual recoverable CAP shortfall costs and pre-program arrearage forgiveness shall be based upon actual shortfall credits granted and pre-program arrearage forgiveness granted less a 10.86% adjustment for amounts granted to CAP participants in excess of 2,700.

40. As of January 1, 2012, CPG's Low Income Usage Reduction Program ("LIURP") budget will be \$500,000 per year. Any LIURP amounts expended in excess of \$250,000 shall be deemed to be expenditures of shortfall amounts from prior periods. CPG shall have no other obligation to spend prior shortfall amounts.

41. CPG will:

- (a) Actively solicit Community Based Organizations (“CBOs”) to increase LIURP spending.
- (b) Initiate the process to conduct, or participate in, a “best practices” workshop with other utilities within Pennsylvania to share ideas that work in facilitating LIURP.
- (c) Conduct an annual LIURP workshop that allows for a “best practice” seminar among the UGI agencies (CBOs). The Company will provide an update regarding its annual LIURP spending at these workshops.
- (d) Initiate greater outreach to Low Income Housing Authorities to assist in the weatherization eligibility process.
- (e) Add an additional employee within the Customer Outreach group to facilitate LIURP outreach activities among customers and agencies.
- (f) Provide a biannual report regarding its LIURP spending to the OTS, OCA and CEO.

42. The Joint Petitioners agree that all Universal Service costs, including but not limited to LIURP expenditures, will continue to be recovered in the Universal Service Program Rider; provided, however, that the USP Rider shall be reduced by \$122,000 on a one-time basis to reflect the increase in LIURP expenditure agreed to in the UGI-PPL Gas merger proceeding at Docket No. A-2008-2034045, *et al.*

43. CPG confirms its present intention to continue to use CBOs to administer its LIURP program.

E. Tariff Revisions

44. The first sentence of Rule 16.2(a) of Tariff No. 4 shall be revised to read as follows:

“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 for or commencement date for construction of Customer gas facilities.”

45. The following sentence shall be added to Rule 16.2(b) of Tariff No. 4:

“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.”

46. Rule 16.2(b) of Tariff No. 4 has been clarified to provide that the Company shall act upon its right to approve such Customer gas facilities in a timely manner but no later than 90 days after the later of submission of all design and construction specifications and drawings to the Company, or Customer notification required under Rule 16.2(a) of Tariff No. 4.

47. The Rate XD availability criteria (d) has been revised as follows:

“Unless otherwise agreed by the Customer and the Company, the duration of the capacity contract(s) shall at all times be at least equal to 1 year or the remaining term of the Customer’s Service Agreement for this Rate, whichever is lesser in duration.”

F. Local Production of Natural Gas

48. The existing CPG process/procedure for larger volume, higher pressure local production (*i.e.*, Marcellus and other shale production) will be retained.

49. The existing process/procedures will be modified with a goal to reduce the overall time frame for connecting conventional low volume, low pressure local production to approximately 6 months (60, 150 and 275 psig lines).

50. CPG will provide written acknowledgment of a producer’s new tap application no later than three (3) business days after receipt of the request.

51. CPG will provide written notice of the Engineering Department's decision to approve or deny the application within thirty (30) days after receipt of the request; if the request is denied, the notice will include the reason(s) for the denial.

52. CPG will be responsible for coordination of a site meeting, preparation of cost estimate, and provision of estimate and contracts to producer within 30-45 days of notice of approval.

53. CPG will provide producers with an opportunity to correct gas quality problems, with retest within forty-eight (48) hours or as soon as practicable after producer's request and prompt restoration of gas flow if retest passed.

54. The Company will host a collaborative to address:

- (a) Producer fabrication of measurement/regulating station onsite to UGI specifications.
- (b) Alternative methods (such as dew point depression) for testing water vapor content.

55. All time frames set forth above are subject to the Company's reasonable efforts and in no event will the Company have any liability or responsibility for failure to meet these time frames.

G. Other Issues

56. The Joint Petitioners agree that CPG's depreciation rates and amortization proposals set forth in its 2011 Base Rate Filing are approved.

57. The Joint Petitioners agree that CPG's proposed methodology for addressing the IRS Repair Tax Method set forth in its 2011 Base Rate Filing is approved.

58. CPG agrees to withdraw its Natural Gas Vehicle Program and Rider without prejudice.

H. THE PUBLIC INTEREST

59. This Settlement was achieved by the Joint Petitioners after an extensive investigation of CPG's filing, including extensive informal and formal discovery and the filing of direct, rebuttal and surrebuttal testimony by a number of the Joint Petitioners.

60. Acceptance of the Settlement avoids the necessity of further administrative and potential appellate proceedings at what would have been a substantial cost to the Joint Petitioners and CPG's customers.

61. The Settlement rates allocate the agreed upon revenue increase to each customer class in a manner that is reasonable given the rate structure and cost of service positions advanced in the testimony and exhibits of the various parties.

IV. CONDITIONS OF SETTLEMENT

62. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the 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 Settlement.

63. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding resulting in the establishment of Commission-made rates that are just and reasonable.

64. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective rights to present additional testimony and

to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position that any Party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

65. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

66. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is presented without prejudice to any position which any of the parties may have advanced and without prejudice to the position any of the parties may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of the Settlement. This Settlement does not preclude the parties 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.

67. Pursuant to the ALJs' direction, Joint Petitioners will separately file their respective Statements in Support.

68. If the ALJs adopt the Settlement without modification, the Joint Petitioners waive their right to file Exceptions.

V. CONCLUSION

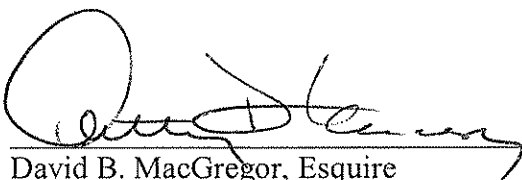
WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judges Susan D. Colwell and Eranda Vero and the Commission approve this Settlement, including all the terms and conditions thereof, without modification;

2. That the Commission's proceedings at PUC Docket No. R-2010-2214415, Office of Consumer Advocate, Docket No. C-2011-2223870, Office of Small Business Advocate, Docket No. C-2011-2225011, Bob Cummings, Docket No. C-2011-2225026, and Raymond Howlin, Docket No. C-2011-2228493 be marked closed;

3. That the Commission enter an Order closing the dockets, and authorizing UGI Central Penn Gas, Inc. to issue the tariff supplement attached hereto as **Appendix A** as provided herein for service rendered on and after the date of the Commission's Order approving this Settlement.

Respectfully submitted,



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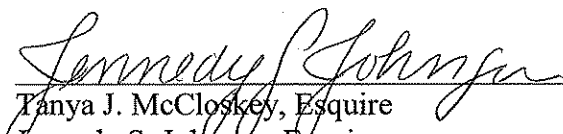
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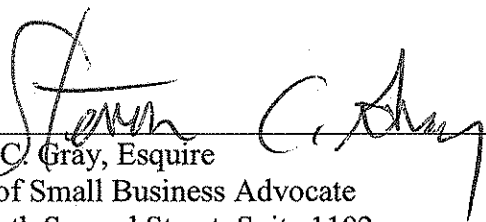
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