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File #: 155872

August 12, 2013

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: Pennsylvania Public Utility Commission, et al. v. UGI Utilities, Inc. - Gas Division Docket Nos. R-2013-2361771, C-2013-2364428 & C-2013-2367941

Dear Secretary Chiavetta:

Enclosed, for filing, is the Stipulation in Settlement of Section 1307(f) Rate Investigation for the above-referenced proceedings.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Anthony D. Kanagy

ADK/jl
Enclosures

cc: Honorable Elizabeth Barnes
Certificate of Service

CERTIFICATE OF SERVICE

Docket Nos. R-2013-2361771, C-2013-2364428 & C-2013-2367941

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 & FIRST CLASS MAIL

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Date: August 12, 2013

Anthony D. Kanagy

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	**Docket Nos. R-2013-2361771**
	:	**C-2013-2364428**
v.	:	**C-2013-2367941**
UGI UTILITIES, INC. - GAS DIVISION	:	

STIPULATION IN SETTLEMENT OF SECTION 1307(f) RATE INVESTIGATION

TO ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES:

I. INTRODUCTION

UGI Utilities, Inc. – Gas Division ("UGI"), the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA"), parties in the above-captioned proceeding (hereinafter individually referred to as "Party" or collectively referred to as the "Parties"), hereby join in this Stipulation In Settlement Of Section 1307(f) Rate Investigation ("Settlement"),[1] and hereby request that Administrative Law Judge Elizabeth H. Barnes (the "ALJ") and the Commission to (1) approve the terms of this Settlement, (2) authorize UGI to file a tariff supplement for service rendered on or after December 1, 2013, that implements, subject to updates and tariff modifications traditionally performed on December 1,

[1] The UGI Industrial Intervenors ("UGIII"), the only other party in this proceeding, has indicated that it does not oppose this settlement.

the rates set forth in Appendix A hereto and (3) make all associated findings required by Section 1307(f) and Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1307(f) and Pa.C.S. § 1318.

The rates set forth in Appendix A increase UGI's June 1, 2013 PGC rate of $6.7051/Mcf for customers served under Rate R to $7.3345/Mcf, and increase UGI's June 1, 2013 PGC rate of $6.6927/Mcf for customers served under Rate N to $7.3345/Mcf. The rates set forth in Appendix A also result in an average PGC(2) increase of $1.3853/ Mcf from the average UGI PGC(2) rate that became effective after a quarterly adjustment on June 1, 2013.

Attached as Appendices B, C, D and E hereto are statements in support of the Settlement submitted by UGI, I&E, OCA and OSBA. Attached as Appendix F is a letter from UGIII indicating that it neither supports nor opposes this Settlement.

II. BACKGROUND

In support of this Settlement, the Parties state as follows:

1. UGI is a natural gas distribution company with gross intrastate annual operating revenues in excess of $40 million and is authorized by the provisions of Section 1307(f) of the Public Utility Code, and the Commission's gas cost recovery regulations at 52 Pa. Code §§ 53.61 - 53.68, to make annual purchased gas cost ("PGC") filings proposing gas rate modifications to reflect increases or decreases in its natural gas costs.

2. On May 1, 2013 UGI provided the Commission with the prefiling information required by 52 Pa. Code § 53.64(c) and 52 Pa. Code § 53.65.

3. On or about May 21, 2013 attorneys for I&E entered notices of appearance.

4. On or about May 21, 2013 the OCA filed a formal complaint, notice of appearance and public statement docketed at C-2013-2364428.

5. On or about June 7, 2013, the OSBA filed a notice of appearance, formal complaint, and public statement docketed at C-2013-2367941.

6. On May 31, 2013, in accordance with the schedule for Section 1307(f) filings established by the Commission, UGI submitted its 2013 PGC filing to the Commission, with proposed modifications to UGI's Tariff Gas - Pa. P.U.C. No. 5, to become effective December 1, 2013, and the supporting written direct testimony of its witnesses.

7. On or about June 18, 2013, UGIII filed a petition to intervene.

8. On June 19, 2013, a consolidated Prehearing Conference in the UGI Penn Natural Gas, Inc. ("PNG") PGC proceeding at Docket No. R-2013-2361763, UGI Central Penn Gas, Inc. ("CPG") PGC proceeding at Docket No. R-2013-2361764 and UGI PGC proceeding was conducted.

9. At the Prehearing Conference, amongst other things, the PNG, CPG, and UGI PGC proceedings were consolidated by the ALJ for the limited purposes of hearing; a procedural schedule was adopted; UGIII's petition to intervene was granted and certain discovery response rules were established.

10. On June 18, 2013, PNG, CPG and UGI jointly filed a Petition for a Protective Order for the three PGC proceedings.

11. By Order issued June 20, 2013, the ALJ granted the Petition for a Protective Order.

12. In accordance with the procedural schedule established by the ALJ, I&E, OCA and OSBA filed written direct testimony on July 10, 2013, and UGI filed rebuttal testimonies on July 19, 2013.

13. Throughout this proceeding, all active parties explored the possibility of settlement in accordance with the Commission's Rules of Practice at 52 Pa. Code § 5.231.

14. On July 25, 2013, UGI notified the ALJ that an agreement in principle of all issues in the UGI PGC proceeding had been reached.

15. A hearing was held on July 31, 2013. At the hearing, the parties' testimony and exhibits were admitted into the record by stipulation with accompanying signed affidavits or affirmations of the sponsoring witnesses.

III. GENERAL PROVISIONS OF SETTLEMENT

16. The Parties agree the rates for the recovery of the purchased gas costs of UGI should be revised effective December 1, 2013, subject to updates, to reflect the rates set forth in Appendix A.

17. In its 2014 annual PGC filing (currently anticipated to be filed on May 30, 2014), UGI will propose to modify the current C-Factor methodology utilized pursuant to its Commission-approved 2001 PGC settlement at Docket No. R-00016376 in a manner which eliminates current discretion to utilize either remaining life or annual sales in the calculation of the quarterly rate change on a case-by-case basis, and shall propose to establish the specific calculation methodology the company intends to use for each quarterly filing for the PGC rate period of December 2014 to November 2015.

18. UGI shall submit with its 2014 annual PGC filing (currently anticipated to be filed on May 30, 2014) a written study of the effects of (1) company use, (2) gas heat content, (3) temperature and pressure adjustments, (4) third-party line breaks, (5) theft of gas, (6) blow-downs and (7) other optional potential UFG contributing factors selected by UGI for inclusion,

on UGI's Unaccounted-For Gas ("UFG") levels. The analysis of each specified contributing factor on UGI UFG levels shall be comparable to that found in the UFG study performed by PECO Energy ("PECO") and attached to PECO's comments in the Commission's UFG rulemaking proceeding at Docket No. L-2012-2294746.

19. UGI agrees to include the monthly Locust Point-related Columbia Gas Transmission, LLC charges of $571,400 per month in its calculation of system access fee charges applicable to Rate DS transportation customers for a twelve-month period such that Rate DS customers will pay a share of the Locust Point charges that is proportionate to the ratio of annual Rate DS transportation volumes to combined annual Rate DS and PGC volumes.

20. UGI may renew its contract with UGI Energy Services, Inc. for 6,012 Dth/day of no-notice peaking service for an additional year without the need to conduct an RFP, but shall conduct an RFP for up to 37,685 Dth/day of peaking service, which will be permitted to be delivered on a day-ahead basis without no-notice service requirement originally proposed by UGI, to meet load growth.

21. All other provisions of UGI's 1307(f) proceeding are approved as set forth in UGI's May 1, 2013 filing, UGI's May 31, 2013 filing and the testimony, schedules and exhibits filed in support thereof.

IV. STANDARDS AND FINDINGS

22. This proceeding involves Commission review pursuant to Sections 1307 and 1318 of the Public Utility Code. Under Section 1307(f), the Commission, after hearing, must determine what portion of the gas costs UGI may recover for a previous 12-month period under the standards set forth in Section 1318. In addition, because UGI has filed tariffs proposing new

PGC rates, the Commission must determine whether the requirements of Section 1318 can be met. This determination must precede Commission approval of the Company's proposed rates. The historic period reviewed in this proceeding is the twelve-month reconciliation period ending March 31, 2013. The new tariff rates are intended to become effective December 1, 2013.

A. Historic Reconciliation Period Standards

23. With respect to UGI's gas purchases and gas purchasing practices during the twelve-month historic reconciliation period ending March 31, 2013, all Parties agree, and request the Commission to find, that UGI has met the standards set forth in Section 1318 of the Public Utility Code, as required by Section 1307(f)(5) of the Public Utility Code, as to all historic period purchased gas costs. All Parties request that the Commission find, pursuant to Section 1307(f)(5) of the Public Utility Code, and based upon the evidence presented by the Parties in this case, that, during the twelve-month period ended March 31, 2013, UGI has met the requirements of Section 1318 of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers. Information submitted by UGI in support of the required statutory findings can be found in the following sections of UGI Exhibit 1:

A. FERC Participation (§1317(a)(1); §1318(a)(1)): Prefiling, Section 3.

B. Supplier Negotiations/Renegotiations (§1317(a)(2); §1318(a)(2)): Prefiling, Sections 2 and 5.

C. Efforts to Obtain Lower Cost Supplies (§1317(a)(3); §1318(a)(3)): Prefiling, Sections 1, 2, and 5.

D. Withheld Supplies (§1317(a)(4); §1318(a)(4)): Prefiling, Section 5.

E. Affiliated Purchases (§1317(b); §1318(b)): Prefiling, Section 13.

F. Least Cost Fuel Procurement Policy (§1317(a); §1318(a)): Prefiling, Section 1, 2 and 5.

G. Calculation of 2013 PGC Rates:

1. May 31, 2013 Filing, Attachments (1) - (5).

2. May 31, 2013 Filing, "E" Factor Calculations: Filing, Attachment (4).

3. May 31, 2013 Filing, Written Direct Testimony of William J. McAllister.

H. Reliability (§1317(c)): Prefiling, Section 14.

B. Projected Period Findings

24. With respect to the twelve-month period beginning December 1, 2013, the period of time during which the proposed rates contained in this Settlement would be in effect, all Parties agree and request the Commission to find that UGI has satisfied each of the standards for a least cost procurement policy set forth in Section 1318 of the Public Utility Code, including the standards set forth in Sections 1318(a)(1), 1318(a)(2), 1318(a)(3), 1318(a)(4), 1318(b)(1), 1318(b)(2) and 1318(b)(3), based upon the evidence of record in this proceeding. Nevertheless, it is expressly understood and agreed that such findings, relating to the rates to become effective December 1, 2013, are made solely for the purpose of setting prospective rates and shall be subject to further review in an appropriate future proceeding. This Section of the Settlement, Section IV.B., is not intended to limit or prevent any party from challenging projected gas purchases that actually have been made, including those made during the interim period of April 1, 2013 through November 30, 2013, and future gas purchasing practices that have been implemented, or from reviewing whether these gas purchases and gas purchasing practices have, in fact, complied with the standards of Section 1318, except as provided in Section III above.

25. If, in an appropriate future proceeding, gas purchases and gas purchasing practices relating to the period December 1, 2013, through November 30, 2014 are challenged, the Commission's findings made pursuant to Section IV.B. of this Settlement shall pose no bar to the examination of such purchases and practices including, but not limited to, disallowance of or reductions to, such costs during the one-year period commencing December 1, 2013, except as provided in Section III above.

26. The Parties also agree that future examination of the gas costs relating to the period April 1, 2013 through November 30, 2014 to determine whether UGI's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, shall be permitted and that the Commission's adoption of the findings under Section IV.B. of this Settlement shall not be construed to limit or prevent any disallowance or reduction of such costs, except as provided in Section III above.

V. <u>CONDITIONS OF SETTLEMENT</u>

27. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification, addition or deletion. If the Commission modifies the Settlement or fails to approve, by December 1, 2013, the terms and conditions of this Settlement and the rates set forth in Appendix A of this Settlement, as modified to reflect updates and tariff modifications traditionally performed on December 1 effective for service rendered on and after December 1, 2013, then any of the Parties may elect to withdraw from this Settlement and may proceed with litigation. In such event, this 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 Parties within five (5) business days after the entry of an order modifying or disapproving the Settlement.

28. If the Commission modifies or does not approve the Settlement and the proceedings continue to hearings on the issues that are the subjects of this Settlement, the Parties reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing and argument on these subjects.

29. Except as otherwise specifically provided in this Settlement, this Settlement is proposed by the Parties to settle all issues in the instant proceeding and is made without any admission against, or prejudice to, any position that any Party may adopt during any subsequent litigation of this proceeding if the Commission disapproves or modifies this Settlement or any position that any Party may adopt in any other proceeding.

30. It is understood and agreed among the Parties that this Settlement is the result of compromises by all Parties and does not necessarily represent the position(s) that would be advanced by any party in the event this proceeding were to be litigated fully.

31. This Settlement is being presented only in the context of this Section 1307(f) proceeding in an effort to resolve certain outstanding issues in a manner that is fair and reasonable. Except as otherwise specifically provided in this Settlement, the Settlement reflects compromises on all sides, and is presented without prejudice to any position that any of the parties may have advanced and without prejudice to the positions that any of the parties may advance in the future on the merits of the issues.

32. The Parties acknowledge and agree that this Settlement shall have the same force and effect as if the Parties had fully litigated this proceeding with regard to the historic period ended March 31, 2013.

33. Except as provided above, all Parties agree to fully support the terms and conditions of the Settlement during further litigation in this proceeding.

34. This Settlement may be executed in counterparts.

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

1. That Administrative Law Judge Elizabeth H. Barnes and the Commission approve this Settlement, including all terms and conditions thereof.

2. That the Commission enter a final Order consistent with this Settlement that: (a) finds that there is sufficient evidence in the record for this Commission to make the findings referenced in Sections IV.A and IV.B of this Settlement; and (b) sets forth the findings referenced in Section IV.A and IV.B of this Settlement.

3. That the Commission enter a final Order, consistent with this Settlement: (a) approving the proposed rates contained in Appendix A hereto, as modified to reflect updates and tariff modifications traditionally performed as part of UGI's December 1 PGC compliance filings, and (b) directing UGI to file a final tariff implementing such rates for gas service rendered by UGI on and after December 1, 2013.

4. That the Commission terminate and mark closed its inquiry and investigation at Docket Nos. R-2013-2361771, C-2013-2364428 and C-2013-2367941.

Respectfully submitted,

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Counsel for the Office of Small Business Advocate

Dated: August 12, 2013

APPENDIX A

(Proposed Rates)

Schedule A
SETTLEMENT
Page 1

UGI Utilities, Inc. - Gas Division
Computation of the Cost of Gas
Applicable to Rates: R, GL, N.

Effective December 1, 2013
Computation Year Ending November 30, 2014

C1 - Projected Cost *	$	192,211,473
S1 - Projected Sales (Mcf)		28,301,103
C1 / S1 Projected Cost per Mcf	$	6.7920
IRC - Interruptible Revenue Credit	$	(0.0428)
E1 - Experienced Cost	$	(18,353,488)
E1 / S1 Experienced Cost per mcf (or Gas Cost Adjustment (GCA))	$	0.5853
PGC1 = (GSC1 + GCA1) @ 12.1.2013	$	7.3345
PGC1 = (GSC1 + GCA1) @ 6.1.2013 - Rate R	$	6.7051
PGC1 = (GSC1 + GCA1) @ 6.1.2013 - Rates N	$	6.6927
PGC1 Change Rate R	$	0.6294
PGC1 Change Rate N	$	0.6418
Residential Heating Percent Increase		***5.9%***

* Reflects a Settlement Adjustment of ($30,860) related to an increase in Locust Point charges to Rate DS customers

UGI Utilities, Inc. - Gas Division
Computation of the Cost of Gas
Applicable to Rates: BD and CIAC.

Effective December 1, 2013
Computation Year Ending November 30, 2014

C2 - Projected Cost	$	172,114
S2 - Projected Sales (Mcf)		34,123
C2 / S2 Projected Cost per Mcf	$	5.0440
IRC - Interruptible Revenue Credit	$	(0.0428)
E2 - Experienced Cost Rate	$	(44,079)
E2 / S2 Experienced Cost per Mcf * (or Gas Cost Adjustment (GCA))	$	1.2918
PGC2 = (GSC2 + GCA2) @ 12.1.2013	$	6.2929
PGC2 = (GSC2 + GCA2) @ 6.1.2013 - Current:	$	4.9076
PGC2 Change	$	1.3853

* Reflects a Settlement Adjustment of ($37) related to an increase in Locust Point charges to Rate DS customers

UGI Utilities, Inc. - Gas Division
Computation of the Cost of Gas
Applicable to Rates: GBM

Effective December 1, 2013
Computation Year Ending November 30, 2014

C(GBM) - Projected Cost	$	942,130
S(GBM) - Projected Sales (Mcf)		55,430
C(GBM) / S(GBM) Projected Cost per Mcf	$	16.9970
IRC - Interruptible Revenue Credit	$	(0.0428)
E(GBM) - Experienced Cost Rate	$	-
E(GBM) / S(GBM) Experienced Cost per Mcf (or Gas Cost Adjustment (GCA)) *	$	0.5853
PGC(GBM) = (GSC(GBM) + GCA) @ 12.1.2013	$	17.5395
PGC(GBM) = (GSC(GBM) + GCA) @ 6.1.2013 - Current:	$	14.8669
PGC Change	$	2.6726

* Reflects a Settlement Adjustment of ($60) related to an increase in Locust Point charges to Rate DS customers

APPENDIX B

(UGI Statement in Support)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET AL.	:	
	:	Docket Nos. R-2013-2361771
v.	:	C-2013-2364428
	:	C-2013-2367941
UGI UTILITIES, INC. – GAS DIVISION	:	

UGI UTILITIES, INC. – GAS DIVISION'S STATEMENT IN SUPPORT OF STIPULATION IN SETTLEMENT OF SECTION 1307(f) RATE INVESTIGATION

TO ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES:

I. INTRODUCTION

UGI Utilities, Inc. – Gas Division ("UGI" or the "Company") hereby submits this Statement in Support of the Stipulation in Settlement of Section 1307(f) Rate Investigation ("Settlement") entered into by UGI, the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA") (collectively the "Joint Petitioners").[1] The Settlement has been entered into or not opposed by all parties and resolves all issues in this proceeding. UGI believes that this Settlement is in the best interests of UGI, its customers and the Joint Petitioners, and therefore is in the public interest and should be approved.

The Settlement of this proceeding was achieved only after a comprehensive investigation of UGI's gas procurement practices. UGI responded to numerous and

[1] In addition, the UGI Industrial Intervenors ("UGIII"), the only other party to this proceeding, has indicated that it does not support or oppose the Settlement.

extensive formal discovery requests. Parties also filed multiple rounds of testimony, including UGI's direct; BI&E, OCA, and OSBA direct testimony; and UGI rebuttal testimony. In addition, the Joint Petitioners participated in numerous settlement discussions which ultimately led to the Settlement.

The Settlement reflects a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. For the reasons set forth below, the Settlement is just and reasonable and should be approved.

II. SETTLEMENT TERMS

A. Quarterly Adjustments

Consistent with the Commission's regulations at 52 Pa. Code §53.64(i)(5), UGI is required, subject to certain exceptions, to make quarterly adjustments to its PGC rates to reflect changes is gas costs. Such gas cost changes are comprised of two components: (1) differences between initially projected gas costs and experienced gas costs over the historic quarter and (2) changes between initially projected gas costs and currently projected gas costs over the remaining quarters of the PGC year.

As explained by UGI witness McAllister, the Commission's regulation at 52 Pa. Code §53.64(i)(5)(ii) does not specify the time period over which these changes in gas costs are to be recovered when making quarterly filings, or stated another way, the regulation does not specify whether the changes in gas cost are to be divided by (1) projected annual PGC volumes or (2) projected PGC volumes for the remainder of the PGC year, in developing a per unit rate for the quarterly adjustment. (UGI Stmt. 1-R, p. 3) As Mr. McAllister further explained, however, this issue was addressed in Commission-approved settlement of UGI's 2001 proceeding at Docket No. R-00016376 (Order entered November 28, 2001) and re-affirmed in a Commission-approved settlement of UGI's 2004 PGC proceeding at Docket No. R-00049422 (Order entered November 19, 2004). Under these settlements UGI agreed, in making quarterly PGC rate adjustments, (1) the difference between initially projected gas costs and experienced gas costs over the historic quarter would be recovered over projected annual PGC volumes, and (2) differences between initially projected gas costs and currently projected gas costs over the remaining quarters of the PGC year could, in UGI's discretion, be either recovered over (a) projected annual PGC volumes or (b) projected PGC volume over the remainder of the PGC year. (UGI Stmt. 1-R, p. 2-3)

In her direct testimony I&E witness Lisa A. Boyd argued that UGI should be required, in making quarterly adjustments, to recover all changes in gas costs over annual volumes arguing on policy grounds that the use of remaining PGC volumes was harmful to PGC customers. (I&E Stmt. 1, p. 3-8) Similar arguments were made by OCA witness Jerome D. Mierzwa. (OCA Stmt. 1, p. 7-8) Neither witness, however, presented any UGI-specific information to show that UGI's long-used methodology had in-fact caused any harm to PGC customers.

National Fuel Gas Distribution Company's ("NFGD") proposed in its 2013 PGC proceeding at Docket No. R-2013-2341534 to change its quarterly PGC rate adjustment methodology to permit, for certain quarterly adjustments, the recovery of changes in gas costs over the remaining life of the PGC year, I&E and OCA opposed this proposal and prevailed before the ALJ, and the issue was on exceptions to the Commission at the time I&E and the OCA filed their direct testimony on July 10, 2013 in in UGI's PGC proceeding. At its public meeting of July 16, 2013, however, the Commission reversed the ALJ's decision in the NFGD proceeding, and rejected the policy arguments advanced by I&E and OCA in opposition to recovery of changes in PGC gas costs in quarterly adjustments over the remaining life of the PGC year. (UGI Stmt. 1-R, p. 5) A difference between NFGD's now adopted quarterly PGC rate adjustment methodology and UGI's methodology, however, is that NFGD specifies a specific recovery period, whether annual or remaining PGC life, for each potential quarterly adjustment, whereas UGI retains the discretion to chose the recovery period for changes in projected gas costs. This discretion remained an area of concern for at least one public party.

To resolve this remaining area of concern UGI has agreed in the Settlement to propose, in its 2014 annual PGC filing, a C-Factor methodology which eliminates current discretion to utilize either remaining life or annual sales in the calculation of quarterly PGC rate changes, and which will specific a specific calculation methodology for each quarterly filing for the PGC rate period of December 2014 to November 2015. This is a reasonable resolution of apparent concerns about the use of discretion, and will provide UGI with sufficient time to develop and propose an alternative for consideration by other parties and the Commission in next year's PGC filing.

B. Unaccounted-For Gas (UFG)

In his direct testimony OSBA witness Robert D. Knecht presented a table showing trend in combined UFG and Company Use Gas ("CUG"), argued that the UGI distribution companies, even though having relatively low levels of UFG and CU gas, should be required to address any upward trends combined UFG and CU levels, and proposed a 0.3 to 0.5 disallowance of UGI Central Penn Gas, Inc. ("CPG") PGC costs based on trends in its 36-month rolling averages. (OSBA Stmt. 1, p. 2-4) In his rebuttal testimony CPG witness McAllister noted that the Commission has recently adopted regulations, undergoing final regulatory review, in *Rulemaking Re: Establishing a*

Uniform Definition and metric for Unaccounted-for-Gas, Docket No. L-2012-2294746 (Final Rulemaking Order entered April 4, 2013), which specifically rejected the kind of company-specific UFG continuous improvement standard proposed by the OSBA, and which set a five percent (5%) UFG standard, which is well above the *combined* UFG and CUG levels of all three of the UGI distribution companies, which NGDCs would first have to meet in their first PGC falling one year after the regulations become effective. (UGI Stmt. 1-R, p. 13-18)

In the Settlement UGI has agreed to submit a written study with its 2014 annual PGC filing of the effects of (1) company use, (2) gas heat content, (3) temperature and pressure adjustments, (4) third-party line breaks, (5) theft of gas, (6) blow-downs and (7) other optional potential UFG contributing factors selected by UGI for inclusion on UGI's Unaccounted-For Gas ("UFG") levels. UGI has also agreed the analysis of each specified contributing factor on UGI UFG levels shall be comparable to that found in a UFG study performed by PECO Energy Company ("PECO") and attached to PECO's comments in the Commission's UFG rulemaking proceeding.

This is a reasonable and fair resolution of this issue since it will provide time for UGI to perform a detailed study of some of the most likely causes of UFG, and will provide additional information for all parties and the Commission as UGI prepares to comply with the Commission's new UFG regulations.

C. Locust Point – Related Columbia Charges

In his direct testimony UGI witness David C. Beasten explained UGI entered into a transaction with Columbia Gas Transmission, LLC ("Columbia") under which Columbia agreed, as part of an ongoing pipeline replacement project, to increase the diameter of an approximately 4-mile segment of its Locust Point lateral pipeline from 8 inches to 12 inches, thereby enabling Columbia to meet future UGI pipeline capacity needs in the Carlisle area. In return UGI agreed to pay Columbia a monthly surcharge of approximately $571,400 from June through December 2013, but UGI failed to specifically explain in its direct testimony that the payments were being made under an amendment to an existing service contract and were part of a FERC-approved rate mechanism. (UGI Ex. 1, Book 2, UGI Stmt. 2, p. 26-27)

In his direct testimony OCA witness Mierzwa argued that the payments were not gas costs recoverable through PGC rates, and that UGI transportation customers should be responsible for a portion of the costs. (OCA Stmt. 1, p. 5-6) In its rebuttal testimony UGI explained that the Locust Point rate charges were pipeline rates specifically approved by FERC at Docket No. RP13-973, that a portion of the charges would be recovered from Choice suppliers through the determination of system average costs used to price capacity assignments, and that a further portion would be recovered from Rate DS transportation customers under UGI's calculation of its system access fee, the mechanism established under prior settlements for assuring that transportation customers pay their fair share of gas supply assets. (UGI Stmt 2-R, p. 7-9; Ex. UGI-DCB-R-2) A concern was subsequently raised that since system access fee charges are calculated on a monthly basis, and the Locust Point – related charges will only be paid over seven months, a fair allocation of costs to Rate DS customers may not occur.

Under the Settlement UGI has agreed to include the monthly Locust Point-related Columbia Gas Transmission, LLC charges of $571,400 per month in its calculation of system access fee charges applicable to Rate DS transportation customers for a twelve-month period. This is a fair resolution of this issue since it should ensure that Rate DS customers will pay a share of the Locust Point charges that is proportionate to the ratio of *annual* Rate DS transportation volumes to combined *annual* Rate DS and PGC volumes, and should therefore be approved.

D. No Notice Peaking Service

In his direct UGI witness Beasten explained that, after conducting an RFP pursuant to the terms of last year's UGI PGC settlement, UGI entered into a peaking contract having no-notice abilities for 6,012 Dth per day with UGI Energy Services, Inc. (UGI Ex. 1, Book 2, Stmt. 2, p.3) In his direct testimony UGI witness Shaun M. Hart described the growth in UGI's projected peak day requirements, and indicated that UGI intended to issue an RFP for a further three-year peaking contract to meet a projected shortfall in peak day requirements. (UGI Ex. 1, Book 2, Stmt. 3, p.10).

OCA witness Mierzwa testified that UGI had indicated in a discovery response it intended to request no-notice capabilities in its peaking contracts, and argued for the exclusion of the no-notice requirement as unnecessary. (OCA Stmt. 1, p.10)

The task of projecting future system requirements is vitally important to make sure that peak-day requirements can be met, but also necessarily involves an element of judgment. To reasonably resolve this dispute over how to plan to meet projected future requirements, the Joint Petitioners have agreed that UGI may renew its contract with UGI Energy Services, Inc. for 6,012 Dth/day of no-notice peaking service for an additional year without the need to conduct an RFP, and shall conduct an RFP for up to 37,685 Dth/day of peaking service without a no-notice service requirement. This is a reasonable resolution of this issue and should be approved.

III. CONCLUSION

As explained above, the Settlement is in the public interest and should be approved. The Settlement was achieved only after considerable investigation of UGI's gas procurement practices, through both discovery and submission of testimony by a number of Joint Petitioners in this proceeding. The Settlement, if approved by Administrative Law Judge Elizabeth H. Barnes and the Commission, will reduce the amount of expense and effort that will be required by the Joint Petitioners and the Commission to bring this matter to a conclusion. Furthermore, the Joint Petitioners and the Commission will be able to avoid the substantial effort and expense that would be incurred in continuing to litigate this proceeding, including preparation for and participation in hearings, preparation of briefs, reply briefs, exceptions, and replies to exceptions.

All of the Joint Petitioners to the Settlement also request that the required statutory findings be made in this proceeding. These statutory findings are appropriate and are amply supported by the information outlined in the Settlement, UGI's May 1, 2013 submission of pre-filing information, UGI's May 31, 2013 PGC filing and in the testimony filed by UGI in this proceeding.

The Settlement is the result of compromise. Each of the agreements set forth in the Settlement resolves a dispute fairly and without the expense and uncertainty associated with litigation. UGI accordingly fully supports the Settlement, and urges the presiding Administrative Law Judge and the Commission to approve the Settlement without modification.

Respectfully submitted,

Mark C. Morrow
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
(610) 768-3628

Counsel for UGI Utilities, Inc. –
Gas Division

Dated: August 12, 2013

APPENDIX C

(I&E Statement in Support)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	R-2013-2361771
UGI Utilities, Inc. - Gas Division	:	

BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
STIPULATION IN SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor Carrie B. Wright, hereby respectfully submits that the terms and conditions of the foregoing Stipulation in Settlement ("Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of UGI Utilities, Inc. - Gas Division ("UGI " or "Company") and its customers.

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public interest held before the Commission. Consequently, in negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest.

2. Prior to agreeing to the instant settlement, I&E conducted a thorough review of the Company's filing and supporting information, discovery responses and submitted filing data, and contributed to the forthright discussions amongst the parties during settlement talks.

3. On May 1, 2013, UGI Utilities, Inc. - Gas Division pursuant to section 1307(f) of the Public Utility Code, made its 2013 Gas Cost Rate ("GCR") pre-filing. On May 31, 2013, UGI submitted is definitive 2013 GCR filing to the Commission.

4. A Prehearing Conference was scheduled before Administrative Law Judge Elizabeth H. Barnes (the "ALJ") for June 19, 2013. At the Prehearing Conference a procedural schedule was established.

5. On July 10, 2013, I&E, OSBA, and OCA filed their direct testimony. On July 19, 2013 UGI filed rebuttal testimony.

6. The parties notified the ALJ that an agreement in principle had been reached on July 25, 2013.

7. On July 31, 2013 a hearing was held in which the parties testimony and exhibits were admitted into the record by stipulation.

7. I&E agrees that the terms and conditions of the Settlement are in the public interest for a number of reasons, including the following:

(a) UGI has agreed to modify the current C-factor methodology it uses in a way that eliminates its current discretion to switch between annual and remaining life volumes whenever it chooses. For the GCR period from December 2014 to November 2015, UGI will establish the specific calculation methodology it intends to use for each quarterly filing. This effectively provides the parties with a roadmap to show in which quarters UGI will be using which methodology. I&E was concerned with UGI's current methodology for various reasons. One of these reasons was that there was no predictability as to when UGI might use annual volumes and when UGI might use remaining life volumes. UGI had varied its election to use annual volumes or remaining life volumes in its quarterly reconciliations on a quarterly basis with no particular consistency. The proposal set forth in this Settlement eliminates that unpredictability. While UGI will still have discretion to determine which during which quarters it wants to use which methodology, this will be determined beforehand. I&E believes it is imprudent to allow UGI to randomly vary there methodology without a level of predictability. With the added predictability this provision provides the parties will be better able to judge how well using the remaining life volumes versus using the annual volumes is working, thereby giving the parties a better opportunity to gauge whether one methodology is superior to the other. Because the C-factor affects the price to compare, it is important that it be calculated correctly and in a way that provides the correct pricing signals to shopping customers. The information provided by UGI will help ensure that this occurs.

(b) Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

(d) I&E represents that all issue have been satisfactorily resolved through discovery and discussions with the Company and are incorporated in the settlement. Line by line identification of the ultimate resolution of the disputed issues 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 filing complete. It is further noted that Settlement is presented without prejudice to any position that any of the parties may advance in the future on the merits of the issues presented in this Settlement.

8. In conclusion, the Bureau of Investigation and Enforcement has been thoroughly involved in the instant proceeding. I&E reiterates that it fully supports the settlement as being in the public interest and respectfully requests that Administrative Law Judge Elizabeth H. Barnes recommend, and the Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition.

Respectfully submitted,

Carrie B Wright

Carrie B. Wright
Prosecutor

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 783-6156

Dated: August 9, 2013

APPENDIX D

(OCA Statement in Support)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2013-2361771
	:	C-2013-2364428
UGI Utilities, Inc. – Gas Division	:	C-2013-2367950

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the proposed Stipulation in Settlement of Section 1307(f) Rate Investigation (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On May 1, 2013, pursuant to Sections 53.64 and 53.65 of the Commission's Rules and Regulations, UGI Utilities, Inc. – Gas Division (UGI or Company) submitted its pre-filing information in support of its annual reconciliation of purchased gas cost (PGC) rates. UGI's pre-filed information did not indicate the anticipated effect of the annual PGC reconciliation on existing rates. On May 21, 2013, the OCA filed its Formal Complaint in this matter. On May 31, 2013, the Company made its definitive filing. The Company proposes a PGC rate of $7.34/Mcf for the residential class, which was a $0.63/Mcf increase from its then current PGC rate.

The Company's filing was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judge Elizabeth Barnes (ALJ Barnes) for investigation and scheduling of hearings to determine whether the Company's gas costs comply with the standards set forth in the Public Utility Code. ALJ Barnes scheduled a Prehearing Conference in this matter for June 19, 2013.

As part of its investigation and analysis of the Company's filings, the OCA served multiple sets of discovery on UGI. On July 10, 2013, the OCA submitted the Direct Testimony of Jerome D. Mierzwa. That testimony set forth the OCA's recommendations concerning the Company's pipeline capacity arrangements, rate design, and supply contracts.

Settlement discussions were ongoing during this period of time, during which several issues were resolved as the parties completed their review. In addition, a Commission Order in another PGC proceeding resolved a ratemaking issue addressed by Mr. Mierzwa in his testimony. The settlement discussions resulted in the proposed Settlement of all remaining outstanding issues. For the reasons set forth below, the OCA submits that the Settlement is in the public interest.

II. TERMS AND CONDITIONS OF THE SETTLEMENT

The following represents the terms of the Settlement that address the OCA's concerns in this case. The OCA expects that the other signatory parties will address those areas of the Settlement that apply to their issues.

The Locust Point Lateral

In his Direct testimony, Mr. Mierzwa expressed his concerns as to the Company's \$4 million payment to Columbia Gas Transmission, LLC, for the purpose of increasing pipeline capacity to serve UGI customers. OCA St. 1 at 5-6. Specifically, Mr. Mierzwa stated that UGI's payments to Columbia should not be recovered through PGC rates. In making his recommendation, Mr. Mierzwa testified that UGI's transportation customers will benefit from the incremental facilities and should bear responsibility for a portion of the costs. OCA St. 1 at 6.

The Settlement addresses one of Mr. Mierzwa's key concerns in Paragraph 19, which states:

> 19. UGI agrees to include the monthly Locust Point-related Columbia Gas Transmission, LLC charges of $571,400 per month in its calculation of system access fee charges applicable to Rate DS transportation customers for a twelve-month period such that Rate DS customers will pay a share of the Locust Point charges that is proportionate to the ratio of annual Rate DS transportation volumes to combined annual Rate DS and PGC volumes.

Settlement at ¶19. Under this provision of the Settlement, the costs of the capacity upgrade will be more reasonably allocated among the parties that will benefit from the upgrade. This provisions addresses a key OCA concern regarding the costs of the Columbia upgrade.

No Notice Peaking Service

In his Direct Testimony, Mr. Mierzwa addressed the Company's "no-notice peaking service" that it procures from its affiliate, UGI Energy Services. OCA St. 1 at 9-10. The Company indicated in its filing that UGI is forecasting that additional peaking service will be required for the winters of 2014-15 through 2016-17. OCA St. 1 at 9.

With regard to the Company's future contracting plans for these peaking service contracts, Mr. Mierzwa testified:

> It appears that UGI intends to continue its peaking service arrangements with UGIES for 34,500 Dth and 6,012 Dth beyond the winter of 2013-14. These peaking service arrangements are all no-notice service arrangements. The no-notice provisions significantly increase the costs of these arrangements.
>
> Based on the response to OCA-II-15, UGI currently maintains 12,127 Dth more no-notice service than is required. As such, UGI should issue an RFP to replace its no-notice peaking service arrangement with UGIES for 6,012 Dth with a peaking service

> without no-notice service provisions. In addition, the RFP which the Company intends to issue for three years of peaking service should not include no-notice service provisions.

OCA St. 1 at 10.

The Settlement resolves the issues addressed by Mr. Mierzwa as follows:

> UGI may renew its contract with UGI Energy Services, Inc. for 6,012 Dth/day of no-notice peaking service for an additional year without the need to conduct an RFP, but shall conduct an RFP for up to 37,685 Dth/day of peaking service, which will be permitted to be delivered on a day-ahead basis without no-notice service requirement originally proposed by UGI, to meet load growth.

Settlement at ¶19. Settlement paragraph 19 resolves the concerns expressed by Mr. Mierzwa. As Mr. Mierzwa testified, the no-notice provisions of these contracts significantly increase the costs of these arrangements. Under the Settlement, the Company will proceed to meet increased demands with an RFP that does not contain such "no-notice" requirements.

III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that the terms and conditions of the Settlement are in the public interest and therefore, should be approved.

Respectfully Submitted,

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August 12, 2013

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APPENDIX E

(OSBA Statement in Support)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	**DOCKET NO. R-2013-2361771**
	:	
UGI UTILITIES, INC.	:	

STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
STIPULATION IN SETTLEMENT OF
SECTION 1307(f) RATE INVESTIGATION

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 in the above-captioned proceeding which was initiated by UGI Utilities, Inc. ("UGI" or the "Company") on May 31, 2013.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Stipulation in Settlement of Section 1307(f) Rate Investigation ("*Stipulation*"). The OSBA submits this statement in support of the *Stipulation*.

The *Stipulation*

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

Unaccounted for Gas

In his direct testimony, OSBA witness Robert D. Knecht defined what constitutes unaccounted for gas ("UFG") on the Company's system:

> UFG is the difference between a natural gas distribution company's ('NGDC') metered gas receipts from all gas supply sources and its metered deliveries to its customers. These differences can result from leaks, theft, losses from 'line hits,' losses during maintenance or inspection procedures, metering errors, measurement timing differences, changes in 'line pack,' and other factors.

OSBA Statement No. 1, at 1. Mr. Knecht further explained that company use gas ("CUG") "is, as the name implies, gas used by the NGDC for distribution operations." *Id.*

Mr. Knecht continued, as follows:

> All users of the gas distribution system causally contribute to UFG and CUG. Therefore, all customers, both purchased gas cost ('PGC') sales customers and shopping transportation service customers, should pay for those costs. PGC customers implicitly pay for UFG and CUG in regular PGC rates. To obtain payment from transportation customers, NGDCs impose a retainage rate on natural gas receipts from those customers, essentially as physical compensation for UFG and CUG.

Id., at 2.

Mr. Knecht also summarized his understanding of the Commission's position on UFG, as follows:

> The Commission has recently issued a Final Rulemaking Order ('UFG FRO') which, *inter alia*, establishes how UFG should be measured and sets certain maximum rates for distribution system

UFG. While these standards are not in effect for the Companies in this proceeding, the Commission stated the following with respect to trends in UFG rates:

> The Commission has always questioned upward UFG trends and has historically required, along with other parties to Section 1307(f) proceedings, utilities to develop plans to halt or reduce the trend. Notably, companies with UFG levels below the metrics are expected to either maintain or improve their UFG levels and, if increasing, may be required to provide a specific rationale in an appropriate filing and/or proceeding to explain the UFG increase and require that NGDC to put forth a plan to identify/reduce increasing UFG.

OSBA Statement No. 1, at 2, citing to *Final Rulemaking Order*, Docket No. L-2012-2294746, (Order entered April 4, 2013), at 17-18.

Mr. Knecht analyzed UGI's performance in regards to UFG using the following methodology:

> Table IEc-1 below summarizes each of the Companies' combined UFG and CUG rates, on both a 12-month and 36-month rolling average basis, effective September 30 of each year. I have combined UFG and CUG because the Companies' did not provide any further detail in response to discovery in this proceeding. The Commission's UFG FRO also acknowledges the potential benefits of evaluating trends in UFG performance on both a one-year and three-year basis. I have measured the UFG rates as of the end of September because (a) this approach is consistent with the Companies' procedure for deriving retainage rates as agreed among the parties in the 2009 Section 1307(f) proceedings, and (b) as the Commission recognized in its UFG FRO, UFG rates are better measured outside of the winter heating season to reduce the impact of measurement timing and other factors on UFG rates.

Id., at 3 (footnotes omitted).

Mr. Knecht's Table IEc-1 is set forth below:

Table IEc-3 [*sic*] UFG plus CUG to Throughput Ratios Period Ending September 30						
Year	**CPG**		**PNG**		**UGI Gas**	
	12-Month	**36-Month**	**12-Month**	**36-Month**	**12-Month**	**36-Month**
2008	3.4%		0.9%		0.6%	0.6%
2009	1.5%		1.2%		0.7%	0.7%
2010	1.6%	2.2%	0.7%	0.9%	0.4%	0.6%
2011	2.7%	2.0%	0.8%	0.9%	0.5%	0.5%
2012	3.3%	2.5%	0.3%	0.6%	0.9%	0.6%
Source: Exhibit IEc-2						

OSBA Statement No. 1, at 3, Table IEc-3 [*sic*].

Mr. Knecht summarized the Table, as follows:

> As shown, UFG/CUG rates for both PNG [UGI Penn Natural Gas] and UGI Gas are generally quite low. PNG's rate has declined over the past few years, whereas the UGI Gas UFG/CUG rate has drifted up somewhat in the past two years. In contrast, the CPG [UGI Central Penn Gas] UFG/CUG rate is considerably higher. Moreover, while CPG substantially improved its UFG/CUG rates after it was acquired by UGI Utilities in 2008, that performance has deteriorated markedly over the past three years.

Id., at 4. Mr. Knecht is unaware of any explanation provided by UGI for the deterioration in UFG. *Id.*

In order to address the issue of UFG, Mr. Knecht recommended:

> I recommend that the Companies, particularly CPG, provide an explanation for the deterioration in the UFG/CUG rate in their rebuttal testimony.

OSBA Statement No. 1, at 4.

In their rebuttal testimony, the Companies argued that their UFG rates were within the limits established by the Commission in the FRO and that their performance should therefore not be questioned. The Companies further opined, incorrectly, that OSBA was demanding that they meet a standard of continuous improvement in UFG rates. As clearly stated by Mr. Knecht, however, the OSBA's concern was that the UFG performance was materially deteriorating (as opposed to simply not improving), and that the Commission's FRO regulations do not provide a "get out of jail free card" allowing NGDCs to let their historical UFG rates deteriorate as long as they are within the maximum standards.

Unfortunately, in rebuttal testimony, the Companies offered no explanation for the deteriorating performance, particularly that at CPG.

As proposed in the *Stipulation*, UGI agrees to perform a detailed study of the Company's UFG problems, and report back in UGI's next Section 1307(f) filing. Specifically, the *Stipulation* states:

> UGI shall submit with its 2014 annual PGC filing (currently anticipated to be filed on May 30, 2014) a written study of the effects of (1) company use, (2) gas heat content, (3) temperature and pressure adjustments, (4) third-party line breaks, (5) theft of gas, (6) blow-downs and (7) other optional potential UFG contributing factors selected by UGI for inclusion, on UGI's Unaccounted-For Gas ('UFG') levels. The analysis of each specified contributing factor on UGI UFG levels shall be comparable to that found in the UFG study performed by PECO Energy ('PECO') and attached to PECO's comments in the Commission's UFG rulemaking proceeding at Docket No. L-2012-2294746.

Stipulation, at Paragraph 18.

The OSBA respectfully submits that requiring the Company to perform such a detailed study examining the causes of UGI's UFG is a reasonable conclusion to this issue. The *Stipulation's* proposal therefore follows the recommendation of Mr. Knecht, albeit delayed until next year, which will presumably reveal the reasons for the apparent UFG problems on the Companies' systems. As a general rule, however, the OSBA retains its position that NGDCs must justify any material deterioration of UFG rates or be subject to cost disallowances in Section 1307(f) proceedings.

Conclusion

For the reasons set forth in the *Stipulation*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Stipulation* and respectfully requests that the ALJ and the Commission approve the *Stipulation* in its entirety.

Respectfully submitted,

Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Dated: August 9, 2013

APPENDIX F

(UGIII Letter of Non-Opposition)

McNees Wallace & Nurick LLC

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August 12, 2013

Honorable Elizabeth H. Barnes
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17120

RE: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division; Docket No. R-2013-2361771

Dear Judge Barnes:

UGI Industrial Intervenors ("UGIII"), an intervenor in this proceeding, hereby submits this letter to indicate that it neither supports nor opposes the Stipulation in Settlement of Section 1307(f) Rate Investigation in the above-referenced proceeding.

Please feel free to contact us with any questions regarding this letter. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By

Vasiliki Karandrikas (I.D. No. 89711)
Teresa K. Schmittberger (I.D. No. 311082)
Elizabeth P. Trinkle (I.D. No. 313763)

Counsel to UGI Industrial Intervenors

EPT/sds