



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

June 30, 2016

Secretary Rosemary Chiavetta  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.  
UGI Utilities Inc. - Gas Division  
Docket No. R-2015-2518438

Dear Secretary Chiavetta:

Enclosed for filing please find the Bureau of Investigation and Enforcement's (I&E) **Statement in Support of Joint Petition for Settlement** for the above-captioned proceeding

Copies are being served on all active parties of record. If you have any questions, please contact me at (717) 425-7593.

Sincerely,

Scott B. Granger  
Prosecutor

Bureau of Investigation and Enforcement  
PA Attorney I.D. No. 63641

SBG/sea  
Enclosure

cc: ALJ Susan D. Colwell  
Certificate of Service

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
 :  
 v. : Docket No. R-2015-2518438  
 :  
 UGI Utilities Inc. – Gas Division :

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Statement in Support** dated June 30, 2016, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

**Served via First Class and Electronic Mail**

Kent Murphy, Esquire  
Mark Morrow, Esquire  
UGI Corporation  
460 North Gulph Road  
King of Prussia, PA 19406

Darryl Lawrence, Esquire  
Lauren Burge, Esquire  
Amy Hirakis, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor Forum Place  
Harrisburg, PA 17101-1923

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


David MacGregor, Esquire  
Christopher T. Wright, Esquire  
Garrett P. Lent, Esquire  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601

Alessandra L. Hylander, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

Todd S. Stewart, Esquire  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101

Elizabeth R. Marx, Esquire  
Patrick M. Cicero, Esquire  
Joline Price, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101

John F. Povilaitis  
Karen O. Moury  
Buchanan Ingersoll & Rooney  
409 North Second Street  
Suite 500  
Harrisburg, PA 17101-1357



Scott B. Granger  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. No. 63641

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	
Base Rates	:	

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

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**TO: ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Approval of Settlement of All Issues (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of UGI Utilities, Inc., - Gas Division. (“UGI” or “Company”) and its customers.

**I. BACKGROUND**

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

public interest is served. Based upon I&E's analysis of UGI's base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judges and the Commission approve the Settlement in its entirety.

2. On January 19, 2016, UGI filed its proposed UGI Gas Division Proposed Tariff Gas - PA. P.U.C. Nos. 6 and 6-S ("Tariffs 6 and 6-S") requesting an increase in its annual base rate operating revenue of \$58.6 million or 17.5% on a total revenue basis, with a proposed effective date of March 19, 2016.

3. On February 11, 2016, the Commission entered an Order suspending the implementation of proposed Tariffs 6 and 6-S by operation of law until October 19, 2016 (unless permitted by Commission Order to become effective earlier); and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariffs 6 and 6-S.

4. Administrative Law Judge Susan D. Colwell was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

5. I&E entered a Notice of Appearance for I&E generally, and for Prosecutor Scott B. Granger individually, in this proceeding on February 1, 2016.

6. The Office of Consumer Advocate ("OCA"); the Office Small Business Advocate ("OSBA"); the UGI Industrial Intervenors ("UGIII" or "Industrial Intervenors"); the Commission for Economic Opportunity ("CEO"); the NGS parties ("NGS"); the Retail Supply Association ("RESA"); and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") all joined as parties (collectively, the "Joint Petitioners") in the proceeding.

7. The ALJs held a prehearing conference on February 17, 2016, during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings. Also it was recommended that there was a need for public input hearings.

8. Public Input Hearings were held on March 31, 2016 and April 4, 2016. Two public input hearings were held on March 31, 2016 in Hearing Room 1, Keystone Building, Harrisburg, Pennsylvania by webcast and teleconference; one at 1:00 pm and one at 6:00 pm. A third public input hearing was held at the Hilton Garden Inn, Allentown, Pennsylvania on April 4, 2016 at 6:00 pm.

9. All parties undertook comprehensive discovery in this proceeding. I&E commenced discovery within the first two weeks after the filing was made and continued to conduct discovery throughout the litigation process.

10. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following 14 pieces of testimony and accompanying 13 exhibits from 8 I&E witnesses addressing issues including, but not limited to, overall revenue requirement, rate of return, revenue and expenses, cash working capital, rate base, use of the fully projected future test year, future usage projections, cost of service, plant in service, plant retirements, depreciation, customer charges, rate structure, rate shock, gradualism, universal service, energy efficiency and conservation plan, environmental remediation, Rider H, rate case expense, gas safety generally, leak repairs, main replacement, restoration costs, and permitting fees:

I&E Statement No. 1 and I&E Exhibit No. 1 – the Direct Testimony of I&E witness Rachel Maurer;

I&E Statement No. 1-SR and I&E Exhibit No. 1-SR – the Surrebuttal Testimony and Exhibit of I&E witness Rachel Maurer;

I&E Statement No. 2 and I&E Exhibit No. 2 – the Direct Testimony and Exhibit of I&E witness Lisa A Gumby;

I&E Statement No. 2-R – the Rebuttal Testimony of I&E witness Lisa A Gumby;

I&E Statement No. 2-SR and I&E Exhibit No. 2-SR – Surrebuttal Testimony and Exhibit of I&E witness Lisa A. Gumby;

I&E Statement No. 3 and I&E Exhibit No. 3 – the Direct Testimony and Exhibit of I&E witness Christopher Keller;

I&E Statement No. 3-SR and I&E Exhibit No. 3-SR – the Surrebuttal Testimony and Exhibit of I&E witness Christopher Keller;

I&E Statement No. 4 and I&E Exhibit No. 4 – the Direct Testimony and Exhibit of I&E witness Joseph Kubas;

I&E Statement No. 4-SR and I&E Exhibit No. 4-SR – the Surrebuttal Testimony and Exhibit of I&E witness Joseph Kubas;

I&E Statement No. 5 and I&E Exhibit No. 5 – the Direct Testimony of I&E witness Ethan Kline;

I&E Statement No. 5-SR and I&E Exhibit No. 5-SR – the Surrebuttal Testimony and Exhibit of I&E witness Ethan Kline;

I&E Statement No. 6 and I&E Exhibit No. 6 – the Direct Testimony and Exhibit of I&E witness Kokou Apetoh;

I&E Statement No. 7 and I&E Exhibit No. 7 – the Direct Testimony and Exhibit (both PROPRIETARY and PUBLIC versions) of I&E witness Sunil Patel;

I&E Statement No. 8 and I&E Exhibit No. 8 – the Direct Testimony and Exhibit (both PROPRIETARY and PUBLIC versions) of I&E witness Robert Horensky.

11. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple in-person and telephonic settlement discussions with the Company and other parties to the proceeding. Following extensive settlement

negotiations, the Joint Petitioners reached a full settlement of all of the issues as set forth in detail in the Joint Petition for Settlement.

## **II. TERMS AND CONDITIONS OF SETTLEMENT**

### **A. General (Joint Petition ¶¶ 15-16):**

I&E submits that the Settlement balances the interests of the Company, its customers, and the Joint Petitioners in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest.

Accordingly, for the specific reasons articulated below, and in order to achieve the full scope of benefits addressed in the Settlement, I&E requests that the Settlement be recommended by the ALJ and approved by the Commission without modification.

### **B. Revenue Requirement (Joint Petition ¶¶ 17-31):**

#### **1. Overall Revenues and Expenses**

In the Settlement, the Joint Petitioners agree that UGI will be permitted to submit a revised tariff supplement designed to produce an annual distribution rate revenue increase of \$27 million, to become effective for service rendered or and after October 19, 2016. The increase in annual operating revenue is in lieu of the as filed net increase of approximately \$58.6 million. The Joint Petitioners also agree that the Settlement as to revenue requirement shall be a "black box" settlement, except for the items identified in paragraphs 18 through 31 of the Joint Petition.

Regarding the settled upon overall revenue requirement, the following Billing Determinants were agreed to by the Joint Petitioners:

- (a) Use per customer billing determinants utilized will be:



- (i) Residential Heating - 73.0 Mcf
- (ii) Commercial Heating - 526.74 Mcf
- (b) Class billing determinants will be:
  - (i) R/RT: 23,942,863 Mcf
  - (ii) N/NT: 14,753,373 Mcf
  - (iii) DS: 3,431,371 Mcf
  - (iv) LFD: 14,564,585 Mcf
  - (v) Interruptible: 50,276,404 Mcf
  - (vi) XD 17,418,626 Mcf

Additionally, proof of revenue will include \$2.348 million of additional revenues for deleted charges in present rate revenue and \$0 in proof of revenue for settlement rates for these charges. Also, proof of revenue will include a total of \$19.356 million of Interruptible revenue in present rates and \$18.996 million of revenue for settlement rates. Further, this Settlement includes an annual amount of \$2.0 million for environmental costs. Annual differences between \$2.0 million and actual expenditures shall be deferred as a regulatory asset (where expenditures are greater than \$2.0 million per year) or as a regulatory liability (where expenditures are less than \$2.0 million on an annual basis) and accumulated for book and ratemaking purposes until UGI's next base rate case in the manner described in the direct testimony of Ann Kelly, UGI Gas Statement No. 2, p. 29. Finally, the \$27 million increase includes \$2.659 million for the first year spending of UGI's EE&C Plan.

As stated above *supra*, UGI's as proposed Tariff Gas – PA. P.U.C. Nos. 6 and 6-S proposed changes to UGI Gas's retail distribution base rates designed to produce an increase in revenues of approximately \$58.6 million or 17.5% on a total revenue basis, based upon data for a fully projected future test year ending September 30, 2017.

Further, UGI proposed the following Customer Charges:

Rate R:	an increase to \$17.50 from the present \$8.55
Rate N:	an increase to \$32.00 from the present \$8.55
Rate DS:	No increase from the present \$290.00
Rate LFD:	No increase from the present \$700.00
Rate XD Firm:	No increase from the present \$26,702
Interruptible:	No increase from the present \$124.00

According to UGI's calculations, if the Company's entire request would have been approved, the total bill for a residential customer using 57.3 Ccf per month would have increased from \$51.77 to \$61.97 per month or by 19.7%. The total bill for a commercial customer using 32.3 Mcf per month would have increased from \$270.71 to \$290.71 per month or by 7.4%. Rates for an industrial customer using 132.7 Mcf per month would have increased from \$1,062.77 to \$1,096.30 per month or by 3.2%.

I&E fully supports the negotiated level of overall revenue and the negotiated billing determinants as compared to UGI's original proposal. While the overall revenue requirement achieved in the Settlement is a "black box compromise," the overall revenue and billing determinant levels are well within the levels advanced on the evidentiary record and reflect a full compromise of all revenue-related issues raised by the parties. As a black box settlement, unless specifically addressed, the Settlement does not reflect agreement upon individual issues.

For example, the Company projected usage in the Fully Projected Future Test Year (“FPFTY”) for Residential Heating (Residential Transportation included) (“RH”) customers as 69.3 Mcf per customer and projected the usage for Residential Non-heating (Residential Transportation included) (“RG”) customers as 18.8 Mcf per customer. (UGI Gas Ex. DEL – 6(a)). Further, the Company’s projected usage in the FPFTY for Commercial Heating (Rate DS and Rate NT included) (“CH”) customers was 503.6 Mcf per customer and the projected usage for Commercial Non-heating (Rate DS and Rate NT included) (“CG”) customers was 307.9 Mcf per customer. (UGI Gas Ex. DEL – 6(a)). UGI arrived at these projected usage numbers by performing a 21 year regression analysis of actual usage and degree day information for the period January 1995 through September 2015. (UGI Gas St. No. 6, p. 7).

I&E, on the other hand, projected the usage for Residential Heating (“RH”) customers as 76.9 Mcf per year and projected the usage for Residential Non-heating (“RG”) customers as 22.15 Mcf per year for the FPFTY ending September 30, 2017. (I&E St. No. 5, p. 6). Further, the I&E analysis showed that the usage per CH customer is projected to be 565 Mcf per year and the usage per CG customer is projected to be 373 Mcf per year for the FPFTY ending September 30, 2017. (I&E St. No. 5, p. 10.) I&E arrived at these projected usage numbers by using the data provided in Company responses to I&E interrogatory’s and by performing a regression analysis of that data using a more reasonable five-year period, from September 2010 to September 2015. (I&E St. No. 5, pp. 3-15, *see also* I&E Ex. No. 5, Sch. 2, pp. 1-2).

The negotiated and settled upon weighted average of 73.0 Mcf for Residential Heating and the settled upon weighted average for Commercial Heating of 526.74 Mcf (Joint Petition ¶ 21(a)) represent fair and equitable compromises of the positions argued by the parties.

Regarding Interruptible revenues, UGI proposed a level of interruptible revenue in its revenue allocation based on a cost of service allocation methodology, or \$4.9 million. (UGI Gas St. No. 6, p. 26). The Company argued that a declining price spread in alternate fuel sources could impact future negotiations and potentially lead to a decline in Interruptible revenues. UGI argued further that due to an increase in actual interruptions experienced, customers could use alternative heating sources instead of natural gas service even during periods when there is no interruption. (UGI Gas St. No. 6, pp. 25-26).

I&E rejected the Company's arguments and recommended that UGI reflect \$20,379,000 in Interruptible revenue under present rates in the FPFTY ending September 30, 2017. (I&E St. No. 5, p. 19). I&E's recommendation was based on the \$20,379,000 of actual Interruptible revenue UGI received and recorded in the Historic Test Year ("HTY") ended September 30, 2015. (UGI Gas Ex. A-Historic, Sch. D-2).

The negotiated and settled upon inclusion in the proof of revenue of \$19.356 million of interruptible revenue in present rates and \$18.996 million of revenue for settlement rates (Joint Petition ¶ 19) represents a fair and equitable compromise of the positions argued by the parties.

Finally, the Joint Petitioners discussed and negotiated the merits of the contested issues regarding overall revenue and expenses. Ultimately, and in consideration of the Company's rebuttal testimony, I&E's surrebuttal testimony, as well as the testimony submitted by OCA and the other parties; the Joint Petitioners reached a compromise on the overall total revenue number and the billing determinants. Further line-by-line identification and ultimate resolution of each and every revenue-related issue raised in the proceeding beyond those addressed in the Settlement is not necessary as I&E believes that the Settlement maintains the proper balance of the interests of all parties. Ratepayers will continue to receive safe and reliable service at reasonable rates while allowing UGI sufficient additional revenues to meet its operating expenses and address its infrastructure needs while providing the opportunity to earn a reasonable rate of return. Furthermore, the overall revenue increase agreed to in the Settlement effectively moderates the increase initially proposed by the Company. Accordingly, I&E submits that the proposed overall revenue and rate increase is in the public interest.

**C Revenue Allocation/Rate Design (Joint Petition ¶¶ 32-36):**

In the Settlement, the Joint Petitioners agreed to the Revenue Allocation set forth in the table in the Joint Petition at ¶32. The overall distribution revenue increase of \$27,000,000 represents an 11.3% overall increase. The increase of \$19,000,000 allocated to the R/RT rate class represents a 16.9% increase. The increase of 5,681,249 allocated to the N/NT rate class represents an increase of 9.9%. The increase of 924,514 to the DS rate class represents a 7.1% increase and the increase of 1,754,237 allocated to the LFD rate class represents an increase of 7.0%. There was no increase allocated to the XD

Firm rate class. And, there was a revenue reduction of (\$360,000) to the Interruptible rate class.

Further, the Joint Petitioners agreed to the following Customer charges:

Rate R/RT:	\$11.75
Rate N/NT:	\$16.00
Rate DS:	\$290.00 (as-filed, unchanged from current)
Rate LFD:	\$700.00 (as-filed, unchanged from current)

Regarding the Block Designs, the Joint Petitioners agreed that the block design will be eliminated from the Rate R/RT and the Rate N/NT. Further, Rate DS will be consolidated into a two block design (500 Mcf interval), and Rate LFD will be consolidated into a two block design (1,000 Mcf interval).

Also, the Joint Petitioners negotiated settlement terms regarding UGI's Universal Service Plan ("USP") Rider (Joint Petition ¶35). The parties agreed to terms regarding the Customer Assistance Program ("CAP") Credits and arrearages. Finally, the parties agreed to settlement terms regarding designating the Technology and Economic Development ("TED") Rider as a three-year pilot program (Joint Petition ¶36).

In its initial filing for a rate increase, UGI proposed the following Customer Charges:

Rate R:	an increase to \$17.50 from the present \$8.55
Rate N:	an increase to \$32.00 from the present \$8.55
Rate DS:	No increase from the present \$290.00
Rate LFD:	No increase from the present \$700.00
Rate XD Firm:	No increase from the present \$26,702
Interruptible:	No increase from the present \$124.00

UGI presented three cost of service studies ("COSS"). A cost of service study is a formalized analysis that attempts to assign to each customer or rate class its proportionate

share of the company’s total cost of service. (I&E St. No. 5, p. 21). The three cost of service studies utilized by UGI used the Average and Extra Demand Method (“Average/Extra”). (I&E St. No 5, p. 21). The first cost of service study used the Average/Extra method and allocated mains to the interruptible class on the basis of average daily volumes. (UGI Gas Ex. D, Sch. C). The second study used the Average/Extra method but did not allocate any mains investment to the interruptible class, except for directly assigned mains for one customer. (UGI Gas Ex. D, Sch. C-1). And the third study used by the Company relied on the average of the first two cost of service studies. (UGI Gas Ex. D-2, Sch. C-2). The Company, in its base rate filing, employed the third cost of service study, that relied on the average of the first two cost of service studies. (UGI Gas Ex. D-2, Sch C-2; *see* UGI Gas St. No. 4, p. 4).

The Company then performed a customer cost analysis using its chosen cost of service study to determine the appropriate customer charges for the various classes. As determined by the Company’s customer cost analysis, the direct customer costs for each rate class were as follows:

Rate R:	\$21.50
Rate N:	\$49.79
Rate DS:	\$119.50
Rate LFD:	\$182.31
Rate XD Firm:	\$397.78
Interruptible:	\$114.83

All of the negotiated and agreed upon customer charges set forth in the Settlement at ¶34 are substantially lower than the direct customer costs as calculated by UGI.

I&E relied on and recommended that the Commission rely on the first cost of service study discussed by the Company that utilizes the Average/Extra methodology

and properly allocates mains investment to the Interruptible class as shown on UGI Gas Ex. D, Sch. C. (I&E St. No. 5, pp. 22-23). This method resulted in calculated customer charges for Rate R of \$17.63 and for Rate N of \$47.17. (I&E St. No. 5, p. 29). Both of these calculated customer charges are significantly higher than the current customer charges and, if implemented, would violate the ratemaking concept of “gradualism.” (I&E St. No. 5, p. 29). Therefore, I&E recommended a customer charge for Rate R of \$11.40; and a customer charge for Rate N of \$14.00. (I&E St. No. 5, p. 30).

Finally, I&E fully supports the negotiated revenue allocations and rate design set forth in the Joint Petition as compared to UGI’s original proposal. The final negotiated revenue allocations and rate design are well within the levels advanced on the evidentiary record and reflect a full and fair compromise of all revenue allocation and rate design related issues raised by the parties. I&E believes that the Settlement maintains the proper balance of the interests of all parties. Furthermore, the agreed upon Settlement revenues allocation and rate design rates effectively moderates the increases initially proposed by the Company. Accordingly, I&E submits that the proposed revenue allocation and rate design is in the public interest.

**D. Energy Efficiency & Conservation Plan (“EE&C”) (Joint Petition ¶¶ 37-45):**

In the Joint Petition for Settlement the Joint Petitioners agreed that UGI will implement a five year EE&C Plan. The five-year total spending cap for the EE&C Plan shall be \$27 million based on UGI’s proposed five-year EE&C Plan. Rate Schedule LFD customers shall be responsible for no more than \$1.1 million in EE&C costs over the



five-year EE&C Plan. The agreed to settlement terms are set forth in detail in the Joint Petition at paragraphs 37 through 45. UGI will establish four EE&C rate classes: (1) R/RT; (2) N/NT; (3) DS; and (4) LFD. Each rate class will only have costs allocated to it for the programs for which that rate class is eligible, as further described in UGI Gas Exhibit DEL-30. The final agreed to Settlement terms regarding UGI's EE&C Plan represent a fair compromise within the parameters advanced in UGI's proposed EE&C Plan and in the evidentiary record. The Settlement reflects a compromise of the issues and arguments raised by the parties.

In its base rate filing UGI proposed to implement an energy efficiency and conservation program. As proposed, UGI planned to implement a comprehensive portfolio of six natural gas efficiency programs and a combined heat and power ("CHP") program to capture energy efficiency and conservation opportunities available through four distinct types of market transactions. The following six natural gas energy efficiency programs were proposed for the five-year portfolio: residential prescriptive (RP), nonresidential prescriptive (NP), new construction (NC), residential retrofit (RR), nonresidential retrofit (NR), and behavior and education (BE). The CHP program proposed is a separate fuel switching program. The Company argued that, although not statutorily mandated for natural gas distribution companies, it believed that the implementation of an EE&C Plan similar to those mandated for electric distribution companies in Act 129 could have similar beneficial impacts.

The Company concluded that implementation of the proposed EE&C Plan will yield lifetime savings of 7,385 BBtu's and reduce carbon dioxide emissions by 101,000

tons per year. UGI proposed a five year cost of \$30,640,208 of which \$3,627,208 applies to the combined heat and power program. The company anticipated costs to increase from \$2,769,500 in fiscal year 2017 to a level of \$8,747,821 in the final year of the proposed plan, fiscal year 2021. UGI proposed to recover the EE&C Plan costs from ratepayers via a rider initially set at \$0.0778\Mcf for residential customers and \$0.0278\Mcf for nonresidential customers.

However, after completing her review of the Company's proposed EE&C Plan, I&E witness Lisa Gumby recommended that the Company's proposed EE&C Plan be rejected. (I&E St. No. 2, p. 6). Ms. Gumby based her recommendation to reject UGI's proposed EE&C Plan on several factors. First, NGDC's are under no mandate to develop an EE&C program. (I&E St. No.2, p. 6). Therefore, it is unreasonable to ask ratepayers to fund this program. Second, the introduction of an EE&C program is not required for the provision of safe and reliable utility service. (I&E St. No. 2, p. 6). Third, the current cost of natural gas service may not encourage participation in conservation measures. (I&E St. No. 2, p. 6).

I&E witness Gumby reasoned further that Act 129 mandated EE&C programs for electric distribution companies require mandated specific usage reductions. And further, the electric distribution companies are subject to possible fines of up to \$20 million if they did not meet the mandated usage reductions. (I&E St. No. 2, p. 7). By contrast, UGI proposed a voluntary EE&C program with no mandated goals, no financial repercussions for poor performance, but with full cost recovery from ratepayers. UGI's

proposed EE&C Plan is clearly not comparable to the Act 129 mandated electric distribution company programs. (I&E St. No. 2, p.7).

I&E witness Gumby's review of UGIs proposed EE&C Plan also included reviewing the testimony submitted by OCA witness Glen Watkins and OSBA witness Robert Knecht. (I&E St. No. 2-R, p. 2). Mr. Watkins reviewed the four plans applicable to residential customers: residential prescriptive, residential retrofit, new construction, and behavior in education. Mr. Watkins also evaluated the Company's Total Resource Cost ("TRC") test. As a result of Ms. Gumby's review of Mr. Watkins' testimony, she continued to have concerns regarding the actual participation levels that UGI's EE&C program will achieve and those which UGI projects. (I&E St. No. 2-R, p.5).

Furthermore, since the Company made no offer of any self-funding or reimbursement to ratepayers for program costs should the plan fail to achieve participation projections, gas savings, and the associated positive cost-benefit analysis result, the Company has no incentive not to project participation levels that assure it a positive cost-benefit result. (I&E ST. No. 2-R, pp. 5-6). As a result, I&E witness Gumby recommended in her rebuttal testimony that if the proposed EE&C plan is allowed, Ms. Gumby would then recommend that all of Mr. Watkins proposed recommendations and modifications be included in any final plan. (I&E St. No. 2-R, p. 6).

I&E witness Gumby also reviewed the direct testimony of OSBA witness Robert Knecht. Mr. Knecht reviewed the four plans applicable to nonresidential customers: nonresidential prescriptive, nonresidential retrofit, new construction, and combined heat and power. (I&E St. No. 2-R, p. 7). Mr. Knecht emphasized that conservation programs

are fundamentally inequitable and that all ratepayers pay for the improvements received by those ratepayers who participate in the plan. (I&E St. No. 2-R, p. 8, *citing* OSBA St. No. 1, p. 40). Finally, Mr. Knecht pointed out that the Company has virtually no risk that it will not fully recover the costs it incurs, nor has it proposed extending any contribution of Company funds for the program. (I&E St. No. 2-R, p. 8, *citing* OSBA St. No. 1, p. 39).

After reviewing Mr. Knecht's direct testimony, I&E witness Gumby again concluded and recommended that if the proposed EE&C Plan is allowed, she would recommend that all of Mr. Knecht's proposed recommendations and modifications be included in any final EE&C Plan. (I&E St. No. 2-R, p. 9).

Finally, even in her surrebuttal testimony, I&E witness Gumby continued to recommend, as she did in her direct and rebuttal testimony, that UGIs proposed EE&C Plan be disallowed. (I&E St. No. 2-SR, p.38). Ms. Gumby however did once again offer in the alternative that, if the EE&C Plan is allowed in this proceeding, she recommends the modifications proposed and the improvements requested by both OCA witness Watkins and OSBA witness Knecht should be set forth as requirements to the plan. (I&E St. No. 2-SR, p. 43).

In consideration of all of the above, I&E supports the negotiated EE&C Plan as described by the terms set forth in the Joint Petition. The Joint petitioners discussed and negotiated the merits of the contested issues and reached a compromise within the parameters advanced in the evidentiary record that reflects a full and fair compromise of

the issues raised by the parties. Accordingly, I&E submits that the settled upon EE&C Plan is in the public interest.

**E. Universal Service (Joint Petition ¶¶ 46-56):**

The Company, in the Settlement, agrees to implement changes to its Universal Service program within 90 days of the effective date of the rate increase. The Settlement terms are set forth in detail in paragraphs 46 through 56 in the Joint Petition. The Company further agrees to hold a one-time collaborative meeting with the parties to provide the parties the opportunity to review and comment on UGI's implementation of the agreed to changes. The changes include an increase in LIURP funding; modifications to Tariff Rule 9.1(b); enhancements to UGI's CAP solicitation efforts; enhancements to UGI's CAP efforts to identify and track low income customers; and to continue UGI's use of Community Based Organizations ("CBO") to assist in its implementation of its Universal Service programs.

I&E monitored and reviewed the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E shares the interests and concerns regarding these issues raised by some of the Joint Petitioners. I&E also has interests and concerns regarding these issues as it pertains to the effect they may have on the entire base of UGI ratepayers.

Nevertheless, in consideration of all of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected UGI ratepayers, the remaining UGI ratepayers, the Company, and the interested Joint Petitioners with resolution of these issues, all of which is in the public interest.

**F. Language and Access Issues (Joint Petition ¶¶ 57-58):**

The Company, in the Settlement, agrees that, in order to enhance Spanish Speaking customers' ability to understand the availability of UGI's Universal Service programs; UGI agreed to translate the two remaining program documents into Spanish, and to require UGI's CBO's to have access to Spanish language interpretation services if 5% or more of the residents in any portion of the service territory serviced by the CBO speak Spanish as based on U.S. Census data.

I&E monitored and reviewed the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E shares the interests and concerns regarding these issues raised by some of the Joint Petitioners. I&E also has interests and concerns regarding these issues as it pertains to the effect they may have on the entire base of UGI ratepayers.

Nevertheless, in consideration of all of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected UGI ratepayers, the remaining UGI ratepayers, the Company, and the interested Joint Petitioners with resolution of this issue, all of which is in the public interest.

**G Medical Certificate (Joint Petition ¶¶ 59-60):**

The Company, in the Settlement, agrees to make certain changes and clarifications in its medical certificate procedures as they pertain to UGI's compliance with Chapter 14 of the Public Utility Code and Chapter 56 of the Commission's regulations.

I&E monitored and reviewed the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E shares the

interests and concerns regarding these issues raised by some of the Joint Petitioners. I&E also has interests and concerns regarding these issues as it pertains to the effect they may have on the entire base of UGI ratepayers.

Nevertheless, in consideration of all of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected UGI ratepayers, the remaining UGI ratepayers, the Company, and the interested Joint Petitioners with resolution of this issue, all of which is in the public interest.

**H Protection from Abuse Procedures (Joint Petition ¶¶ 61-68):**

UGI, in the Settlement, agrees to revise its Protection From Abuse (“PFA”) procedures to clarify that the PFA protections apply to applicants and customers who are PFA plaintiffs as well as applicants or customers who are subject to a court order issued by a court of competent jurisdiction in the Commonwealth of Pennsylvania where that order provides clear evidence of domestic violence against the applicant or customer. Further, UGI will clarify its PFA procedures to state how the validity of a non-PFA orders that otherwise provide clear evidence of domestic violence against the applicant customer will be confirmed by UGI.

I&E monitored and reviewed the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E shares the interests and concerns regarding these issues raised by some of the Joint Petitioners. I&E also has interests and concerns regarding these issues as it pertains to the effect they may have on the entire base of UGI ratepayers.

Nevertheless, in consideration of all of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected UGI ratepayers, the remaining UGI ratepayers, the Company, and the interested Joint Petitioners with resolution of this issue, all of which is in the public interest.

**E. UGI Industrial Intervenor Issues (Joint Petition ¶¶ 69-82):**

The Company, in the Settlement, negotiated settlement terms with the Industrial Intervenors on a variety of issues raised by the Industrial Intervenors. The Settlement terms are set forth in detail in the Joint Petition at paragraphs 69 through 82. The Company and the Industrial Intervenors agreed to settlement terms on issues that included Combined Billing (Proposed Tariff Rule 1.4); Facilities and System Access (Rule 2.3); Bypass (Proposed Tariff Rule 2.6); Facilities Ownership (Proposed Tariff Rule 4.1); Special Utility Service (Proposed Tariff Rule 5.7); Obligation to Extend or Expand (Proposed Tariff Rule 5.1); Pressure Correction's (Proposed Rule 7.3); Method of delivering Daily Flow Directive and Operational Flow Orders notices; Maximum Daily Excess Balancing Charge (Proposed Rule 20.4); Continuity of Service (Proposed Rule 6.5); Winter Planning Meetings; and DSIC related issues.

I&E monitored, but did not play an active role, regarding the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E's interests and concerns regarding these issues pertain to the effect they may have on the entire base of UGI ratepayers.

Nevertheless, in consideration of all of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the



Industrial Intervenors, the remaining UGI ratepayers, the Company, and other interested Joint Petitioners with resolution of these issues, all of which is in the public interest.

**F. Competitive Supplier Issues (Joint Petition ¶¶ 83-89):**

The Company, in the Settlement, negotiated settlement terms with the Retail Energy Supply Association on a variety of issues raised by RESA. The Settlement terms are set forth in detail in the Joint Petition at paragraphs 83 through 89. The Company and RESA agreed to Settlement terms on issues that included modified financial security provisions (Choice Tariff Section 8.2); Merchant Function Charge (“MFC”); Gas Procurement Charge (“GPC”); Customer Choice Switching Fee; Monthly Balancing; Balancing Charges; and compliance with Standards of Conduct.

I&E monitored, but did not play an active role, regarding the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E’s interests and concerns regarding these issues pertain to the effect they may have on the entire base of UGI ratepayers.

Nevertheless, in consideration of all of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides RESA, the UGI ratepayers, the Company, and other interested Joint Petitioners with resolution of these issues, all of which is in the public interest.

### **III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST**

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

13. Based upon I&E's analysis of the filing, acceptance of this Settlement is in the public interest. Resolution of this case by settlement rather than litigation avoids the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty.

14. I&E further submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all

customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

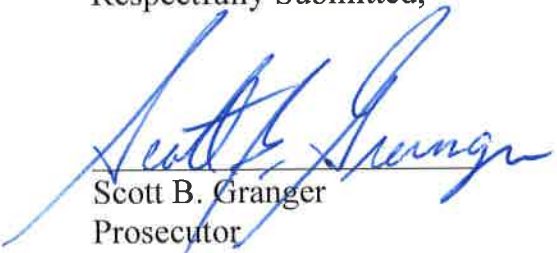
15. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

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

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

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

Respectfully Submitted,



Scott B. Granger  
Prosecutor  
PA Attorney I.D. # 63641

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Post Office Box 3265  
Harrisburg, Pennsylvania 17105-3265  
(717) 787-1976

Dated: June 30, 2016