**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held September 1, 2016

Commissioners Present:

Gladys M. Brown, Chairman, Joint Statement

Andrew G. Place, Vice Chairman

John F. Coleman, Jr.

Robert F. Powelson

David W. Sweet, Joint Statement; Statement

Pennsylvania Public Utility Commission R-2015-2518438

Office of Consumer Advocate C-2016-2527150

Office of Small Business Advocate C-2016-2528559

UGI Industrial Intervenors C-2016-2529436

Joseph P. Sandoski C-2016-2529638

Vicki L. East C-2016-2534010

Tom Harrison C-2016-2534992

 v.

UGI Utilities, Inc. – Gas Division

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Recommended Decision (R.D.) of Administrative Law Judge (ALJ) Susan D. Colwell, issued on August 5, 2016, in the above-captioned proceeding, in which the ALJ recommended approval of the Joint Petition for Settlement of All Issues (Settlement). No Exceptions were filed. For the reasons stated below, we shall adopt the ALJ’s Recommended Decision as modified.

**I. History of the Proceeding**

On January 19, 2016, UGI Utilities, Inc. – Gas Division (UGI or the Company) filed Tariff Gas – PA P.U.C. Nos. 6 and 6-S to become effective on or after March 19, 2016 (Base Rate Case). The Base Rate Case proposed changes to the Company’s retail distribution base rates calculated to produce $58.6 million in additional annual revenues which would have amounted to a seventeen percent increase. UGI published its notice of filing in nine newspapers of general circulation with proof of publication being filed on February 16, 2016.

On February 1, 2016, counsel for the Commission’s Bureau of Investigation and Enforcement (I&E) entered a Notice of Appearance. On February 2, 2016, the Office of Consumer Advocate (OCA) filed a Formal Complaint and Public Statement, docketed at C-2016-2527150.

Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law on February 11, 2016, until October 19, 2016, unless permitted by Commission Order to become effective at an earlier date. *Pa. PUC v. UGI Utilities, Inc.*, Docket No. R-2015-2518438 (Order entered February 11, 2016).

The matter was assigned to ALJ Colwell and ALJ Steven Haas and a notice of prehearing conference was issued on February 2, 2016.[[1]](#footnote-1)

On February 9, 2016, the Commission on Economic Opportunity (CEO) filed a Petition to Intervene. On February 11, 2016, the Office of Small Business Advocate (OSBA) filed a Formal Complaint and Public Statement at Docket No. C‑2016-2528559.

On February 12, 2016, a group of natural gas suppliers (NGSs) comprised of Dominion Retail, Inc., d/b/a Dominion Energy Solutions, Shipley Choice, LLC d/b/a Shipley Energy, Interstate Gas Supply, Inc. d/b/a IGS Energy, AMERIGreen Energy, and Rhoads Energy (collectively NGS Parties) filed a petition to intervene. Also on February 12, 2016, the Coalition for Affordable Utility Service – PA (CAUSE-PA) filed a petition to intervene. The Retail Energy Supply Association (RESA) filed a petition to intervene on February 15, 2016.

On February 16, 2016, the UGI Industrial Intervenors (UGIII) filed a Formal Complaint at Docket No. C-2016-2529436.

The Parties did not oppose the petitions to intervene of CEO and CAUSE‑PA. However, UGI opposed the petitions to intervene of the NGS Parties and RESA, in part, because of the lack of a membership list for RESA. According to the Company it was unclear whether the NGS Parties were members of RESA and, thus, already represented under the RESA petition. In response, counsel for RESA agreed to provide a membership list. and ALJ Colwell cautioned the counsel for the NGS Parties that his clients could not appear on behalf of RESA even if they are members of RESA because they are already appearing in their own names under the sponsorship of the NGS Parties. Accordingly, the ALJ granted all the petitions to intervene.

The following self-represented individuals also filed Formal Complaints: Joseph P. Sandoski at Docket No. C-2016-2529638; Vicki L. East at Docket No. C‑2016-2534010; and Tom Harrison at Docket No. C-2016-2534992.

Two public input hearings were held in Harrisburg on March 31, 2016, at which five witnesses appeared. Another public input hearing was held in Allentown on April 4, 2016, at which two witnesses provided testimony. An evidentiary hearing was held on June 2, 2016, at which time the Parties moved their respective written testimony, rebuttal testimony and exhibits into the record.

 On June 30, 2016, UGI, OCA, I&E, OSBA, UGIII, CEO, the NGS Parties, RESA, and CAUSE-PA (collectively Joint Petitioners) filed the Settlement. The Joint Petitioners also filed statements in support. By letters dated July 1, 2016, ALJ Colwell provided copies of the Settlement to the individual complainants informing each of the right to join, object, or take no position on the Settlement within ten days. The individual complainants did not appear at the public input hearings or the evidentiary hearing and did not provide responses the ALJ’s letters.

 In her Recommended Decision, issued on August 5, 2016, the ALJ found that the Settlement is just and reasonable and should be approved. According to the ALJ, the Settlement provides, in part, that the Company’s originally proposed annual distribution rate revenue of $56.8 million will be revised to produce an increase of $27 million to become effective for service rendered on or after October 19, 2016.

 As noted previously, no Exceptions were filed.

**II. Settlement Terms**

 The Joint Petitioners agreed to the following terms and conditions regarding UGI’s proposed rate increase.[[2]](#footnote-2)

**A. General**

 15. The following terms of this Settlementreflect a carefully balanced compromise of the interests of all of the active Parties in this proceeding. The Joint Petitioners unanimously agree that the Settlement is in the public interest.

 16. The Joint Petitioners unanimously agree that UGI Gas’s January 19, 2016 distribution base rate increase filing will be approved, including those tariff changes included in and specifically identified in Appendix A attached hereto, subject to the terms and conditions of this Settlement specified below:

**B. Revenue Requirement**

 17. UGI Gas 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 settlement as to revenue requirement shall be a “black box” settlement, except for the items that follow.

 18. 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.

 19. 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.

 20. 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 Gas’s next base rate case in the manner described in the direct testimony of Ann Kelly, UGI Gas Statement No. 2, p. 29.

 21. Billing Determinants:

 (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

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

 23. Accumulated Deferred Income Taxes (“ADIT”): UGI Gas’s ADIT pro-rationing methodology is adopted.

 24. Test Year Plant: The Company shall submit an update to I&E Exhibit No. 6, Schedule 1 as well as UGI Gas’s filing requirement Attachment SDR ROR-14, pages 1‑2 to I&E, OCA, and OSBA no later than January 1, 2017 (I&E Exhibit No. 6, Schedule 2), which update should include actual capital expenditures, plant additions, and retirements by month from October 1, 2015 through September 30, 2016, and an additional update for actuals from October 1, 2016 through September 30, 2017 shall be filed no later than January 1, 2018.

 25. UGI Gas’s Next Information Technology Enterprise (“UNITE”): UGI Gas’s accounting treatment for UNITE as explained in UGI Gas Statement No. 2 and 2-R is adopted.

 26. Other Post-Employment Benefits (“OPEB”) Refund: OPEB credit balance of $10.027 million will be amortized using a 10-year schedule.

 27. For purposes of this settlement, UGI Gas’s as-filed end-of-year rate base methodology is accepted.

 28. As of the effective date of rates in this proceeding, UGI Gas will be eligible to include plant additions in the Distribution System Improvement Charge (“DSIC”) once DSIC-eligible account balances exceed the levels projected by UGI Gas at September 30, 2017 on SDR-ROR-14. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

 29. The $27 million increase includes $2.659 million for the first year spending of UGI Gas’s [Energy Efficiency & Conservation Plan (EE&C Plan)].

 30. For purposes of this settlement, UGI Gas’s as-filed depreciation rates are accepted.

 31. The current returned check fee will remain at $20.00 as set forth on Page No. 31 of the Tariff included in Appendix A.

 **C. Revenue Allocation/Rate Design**

 32. The Parties agree to the following Revenue Allocation:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Total | R/RT | N/NT | DS | LFD | XD Firm | Interruptible |
| Current Rates Revenue | 238,983,720 | 112,503,941 | 57,321,011 | 13,003,988 | 25,013,284 | 11,785,496 | 19,356,000 |
| Revenue Allocation | 27,000,000 | 19,000,000 | 5,681,249 | 924,514 | 1,754,237 | 0 | -360,000 |
| Percent Increase | 11.3% | 16.9% | 9.9% | 7.1% | 7.0% | 0.0% | -1.9% |
| Share of Increase | 100% | 70.4% | 21.0% | 3.4% | 6.5% | 0.0% | -1.3% |

 33. Customer Charges:

(a) Rate R/RT: $11.75;

(b) Rate N/NT: $16.00;

(c) Rate DS: $290.00 (as-filed, unchanged from current);

(d) Rate LFD: $700.00 (as-filed, unchanged from current).

 34. Block Design:

(a) Rate R/RT: eliminate blocked design;

(b) Rate N/NT: eliminate blocked design;

(c) Rate DS: consolidate to two block design (500 Mcf interval);

(d) Rate LFD: consolidate to two block design (1,000 Mcf interval).

 35. Universal Service Plan (“USP”) Rider: Actual recoverable costs shall also reflect actual Customer Assistance Program (“CAP”) Credits and actual pre-program arrearages, provided that CAP participation on an average annual basis for the preceding year did not exceed 8,700 participants. In the event that CAP participation in the preceding year exceeded 8,700 on an average annual basis, actual recoverable costs shall reflect actual CAP Credits and actual pre­program arrearages for all customers up to the 8,700 participation level. For any and all CAP customers exceeding the 8,700 participation level on an average annual basis, UGI Gas shall offset the CAP Credits and actual pre-program arrearages by 9.4%.

 36. Technology and Economic Development (“TED”) Rider: The TED Rider is approved as a three-year pilot program. Six months before the end of the three-year pilot program, UGI Gas will report on the economics of the TED Rider. UGI Gas will add language to the TED Rider tariff clarifying that the overall economics of the arrangement with the customer receiving the TED Rider must meet the economic tests applicable to line extensions. UGI Gas will maintain records of all TED Rider investments and TED Rider negotiated rates. In the event that UGI Gas files a general base rate case during the three-year TED Rider pilot program following the effective date of rates established in this proceeding, UGI Gas will provide information, as part of its initial filing, showing the pro forma rate of return on incremental investment for TED Rider customers as a sub-class in its filed cost of service study.

 **D. Energy Efficiency and Conservation Plan**

 37. A five-year total spending cap for the Energy Efficiency and Conservation (“EE&C”) Plan shall be $27 million based on UGI Gas’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.

 38. UGI Gas 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.

 39. UGI Gas agrees to develop targeted EE&C Plan marketing materials for existing residential [multifamily] customers and new [multifamily] residential construction, including master-metered multifamily residences, with such materials focusing on targeting of property management companies and landlords. The materials will be applicable to both residential and commercial class multifamily structures. UGI Gas agrees to coordinate with the Pennsylvania Housing Alliance and the Pennsylvania Housing Finance Agency. UGI Gas agrees to track participation for buildings with more than one unit.

 40. UGI Gas agrees that customers who contact UGI Gas or its EE&C Conservation Service Providers (“CSPs”) with interest in participating in the EE&C Plan will be informed that they might qualify for [the Low Income Usage Reduction Program (LIURP)] if they are income qualified and will refer such customers to the LIURP program. UGI Gas will also refer confirmed low-income customers to UGI Gas’s LIURP.

 41. UGI Gas will submit an annual report to the Commission relating to the results of the EE&C Plan within UGI Gas’s service territory. The report shall include: (1) documentation of program expenditures and program participation; (2) measurement and verification of energy savings under the Plan; and (3) total resource cost test results for individual programs and overall Plan with and without the economic effects of carbon taxes and [demand reduction induced price effects (DRIPE)] in the evaluations of the cost effectiveness of the programs.

 42. Recoverable utility costs (including incentives, program administration, marketing, inspections and evaluation but excluding portfolio-wide costs) for the non-residential prescriptive (“NP”) program, the non-residential retrofit (“NR”) program and the non-residential new construction (“NC”) program over the five-year life of the EE&C plan shall be limited to 55 percent of the overall costs for these three programs in the aggregate. Grant funding will be considered a source of participant funding. To the extent that UGI Gas deems that utility contributions in excess of 55 percent of overall program cost are required to achieve UGI Gas’s desired participation levels, UGI Gas may voluntarily make the necessary contributions without EE&C cost recovery. EE&C programs targeted at multifamily customers who take service under non-residential rate classes will be comparable to similar programs targeted at multi­family customers who take service under residential rate classes, in terms of the levels of participant contributions, incentive, program administration, marketing, inspection, and evaluation costs.

 43. All appliances and equipment qualifying for rebates or incentives under the EE&C plan must meet or exceed U.S. Department of Energy “EnergyStar” Minimum Standards to the extent such standards exist.

 44. Incentives, rebates, or credits under the EE&C Plan are primarily intended to provide incentives to cover the cost difference between baseline gas and more efficient gas appliances.

 45. UGI Gas shall hold an annual stakeholder meeting (Parties to this proceeding and other entities that express interest) to review and discuss the EE&C Plan’s progress, as well as receive input from stakeholders on potential modifications to the EE&C Plan, if any. Each annual stakeholder meeting shall be held: (1) at a time and place chosen by UGI Gas; and (2) within three months after UGI Gas submits its annual EE&C Plan report to the Commission. UGI Gas will provide a copy of its annual EE&C Plan report to the stakeholders at the time it is submitted to the Commission, and will review and discuss the report at the stakeholder meeting.

 **E. Universal Services**

 46. Unless specifically noted below, UGI Gas agrees to implement the following Universal Service program changes within ninety (90) days of the effective date of the rate increase. After this period, UGI Gas will hold a one-time collaborative meeting with the Parties to provide the Parties the opportunity to review and comment on UGI Gas’s implementation of those changes. UGI Gas will file a status report with the Commission certifying that the agreed-upon policy changes have been implemented within one hundred and fifty (150) days of the effective date of the rate increase.

 47. UGI Gas will increase LIURP funding by the percentage distribution rate increase for the residential customer classes reflected in the Revenue Allocation set forth in Paragraph 32 above (16.9% x $1.1 million, or by $185,900). This increase in LIURP funding is conditioned on full recovery of LIURP as proposed through USP Rider mechanism per UGI Gas’s proposal. The Parties agree that this funding increase will take effect on January 1, 2017. Annual funds not expended will rollover and be added to the funds available for expenditure in the following year(s). The Parties retain the right to review and file testimony/comments concerning any such proposals as permitted by the normal Commission process for review of Universal Service and Energy Conservation Plans (“USECP”). The Parties agree that UGI Gas’s LIURP funding level will not be challenged by the Parties to this settlement prior to the termination of UGI Gas’s current triennial Universal Service Proceeding Plan period ending December 31, 2017.

 48. UGI Gas agrees to modify proposed Tariff Rule 9.1(b) to state that “UGI Gas will use financial information from the customer provided within the most recent twelve (12) month period to determine if a customer exceeds the 250% federal poverty level threshold.” UGI Gas will not require customer information to verify income if the customer has established income verification through receipt of Low-Income Home Energy Assistance Program (“LIHEAP”) within the past 12 months or if the customer is currently participating in CAP.

 49. To enhance UGI Gas’s CAP solicitation efforts, UGI Gas will encourage Community Based Organizations (“CBOs”) to conduct additional outreach to these customers. UGI Gas agrees to include CAP outreach as an agenda item at its biannual Universal Service committee meetings, and will propose measures for enhanced CAP enrollment in its next triennial Universal Service filing.

 50. To enhance UGI Gas’s CAP efforts to identify and track its low-income customers, UGI Gas will inform applicants and customers of the opportunity for security deposit waiver for income qualified households, and will request income information on the initial call to establish new service and/or to restore previously terminated service. Once the customer confirms he/she is low-income (by verifying low-income status to a CBO or by receiving LIHEAP), any deposit will be waived and any previously collected deposit will be applied to the account.

 51. UGI Gas agrees to continue to screen for eligibility and/or refer all individuals calling about a payment arrangement or similar credit-related issue to appropriate Universal Service programs.

 52. To improve the reporting of customers enrolled in deferred payment plans, UGI Gas will include in applicable reports to the Commission those customers who are in default of their payment arrangements, but who are still active customers.

 53. UGI Gas agrees to revise its training materials to clarify that UGI Gas does not require a low-income customer to enroll in a Universal Service program to qualify for waiver of a security deposit, and that the only requirement for such a waiver is income verification.

 54. UGI Gas will clarify its tariff language to reflect that it does not require annual income to establish eligibility for cold weather shutoff protections and that it does accept annualized income (i.e. 30-days, 90-days) to establish winter shutoff protections.

 55. UGI Gas agrees to consult with its CBOs and investigate the feasibility of using alternative communication means (including but not limited to telephone, tax [sic], email, and web-based alternatives) to process applications and verify income for the purposes of security deposit wavier [sic] and enrollment in Universal Service programs. Alternative methods determined to be feasible will be described in UGI Gas’s next triennial Universal Service filing, and implemented with the start of that USECP. If no alternatives are determined to be feasible, UGI Gas will include an explanation of its investigation and conclusions in its next Universal Service filing.

 56. UGI Gas intends to continue to use CBOs to assist in the implementation of its Universal Service programs, subject to changes ordered by the Commission in UGI Gas’s future Universal Service proceedings. The Parties retain the right to review and file testimony concerning any such proposals as permitted by the normal Commission processes for review of USECPs.

 **F. Language and Access Issues**

 57. To enhance Spanish Speaking customers’ ability to understand the availability of UGI Gas’s Universal Service programs UGI Gas agrees:

(a) To translate the two remaining program documents (one for LIURP, one for Operation Share) into Spanish; and

(b) To require UGI Gas’s CBOs to have access to Spanish language interpretation services if 5% or more of the residents in portion of the service territory serviced by the CBO speak Spanish as based on US census data.

 58. UGI Gas’s form of identification policy shall be revised to provide that before initiating service, an applicant must provide: (1) one valid government issued photo identification; (2) two valid alternative forms of identification (one of which must include a photo of the individual) if a government issued photo identification is unavailable; or (3) the applicant’s Social Security Number. The term “government issued photo identification” includes photo identifications issued by foreign governments.

 **G. Medical Certificate**

 59. UGI Gas agrees that it will clarify its medical certificate procedures to reflect its practice of faxing the medical certificate form directly to a physician’s office when provided the fax number by the customer.

 60. UGI Gas agrees that it will clarify its medical certificate procedures to state that UGI Gas’s medical certificate form is not the only means of obtaining a medical certificate and that UGI Gas will accept any writing that contains the information required by Chapter 14 of the Public Utility Code and Chapter 56 of the Commission’s regulations. UGI Gas will continue to use the two examples of a letter on physician letterhead and writing on a physician’s prescription pad; however, it will clarify its procedures to reflect that these two examples are not exhaustive.

 **H. Protection from Abuse Procedures**

 61. UGI Gas 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.

 62. UGI Gas will clarify its PFA procedures to state how the validity of non-PFA orders that otherwise provide clear evidence of domestic violence against the applicant or customer will be confirmed by UGI Gas.

 63. Currently UGI Gas’s PFA policy states that “if a PFA is delivered to UGI, and it falls outside the scope of the standard Defendant is husband, Plaintiff is wife, seek assistance of the PFA team or manager to verify the PFA Rules apply.” CAUSE-PA contends that this creates an assumption that the typical PFA involves a heterosexual spousal relationship. UGI Gas agrees to update its UGI Gas training documents to remove any suggestion that PFAs are only applicable to traditional husband-wife spousal relationships and to clarify that anyone who submits a PFA or order of a court of competent jurisdiction of the Commonwealth of Pennsylvania which provides clear evidence of domestic violence will be granted the protections available under Chapter 14 of the Public Utility Code and Chapter 56 of the Commission’s regulations.

 64. UGI Gas agrees to generally update its PFA policy language to clarify the applicable statutory and regulatory protections for victims of abuse as demonstrated by submission of a PFA or an order of competent jurisdiction of the Commonwealth of Pennsylvania which provides clear evidence of domestic violence.

 65. UGI Gas agrees to institute use of externally-sourced domestic violence training such as training by a local domestic violence program or the Pennsylvania Coalition Against Domestic Violence, for UGI Gas’s management and training department. UGI Gas will then institute annual trainings on domestic violence for customer service representatives.

 66. UGI Gas will clarify its procedure to reflect that receipt of a valid PFA will prevent a balance transfer into the name of the PFA holder unless that PFA holder is the customer, as defined in the Commission’s applicable regulations, for that account.

 67. UGI Gas agrees that if a balance is accrued jointly in a PFA plaintiff and third-party’s name that the third-party will first be assigned the debt and billed. However, the PFA plaintiff, as the customer, may be held ultimately responsible for that accrued debt if, after 90 days, collection attempts are unsuccessful against the third-party. This process will be implemented with UGI Gas’s implementation of a new computer information system (“CIS”) anticipated for fall of 2017.

 68. UGI Gas agrees to modify its PFA handling procedures to further ensure the confidentiality of PFA information. UGI Gas will:

(a) Discontinue the practice of retaining a pdf copy of the PFA or otherwise applicable order, on UGI Gas’s servers. Once UGI Gas has validated that a PFA has not expired, a UGI Gas employee will shred the PFA and UGI Gas will only retain the coded PFA fields on UGI Gas’s CIS; and

(b) Limit access to the confidential excel file that tracks PFA expiration data to a work group comprised of three (3) individuals, until planned CIS updates allow for UGI Gas’s CIS to track PFA expiration dates.

 **I. Industrial Intervenor Issues**

 69. Combined Billing (Proposed Tariff Rule 1.4): UGI Gas will add language permitting consideration of combined billing in instances where a customer owns contiguous properties so long as the economics of the arrangement provide a revenue stream that justifies the arrangement, including any necessary investments by UGI Gas. UGI Gas agrees that it will provide customers with a written explanation regarding its analysis of the arrangement’s economics.

 70. Facilities and System Access (Rule 2.3):

(a) UGI Gas will revise the introductory phase of Rule 2.3 to read, “Facilities and System Access. Each Customer with a Daily Firm Requirement (“DFR”) or peak usage capability of 1,000 MCF per day or greater shall provide UGI Gas with the opportunity to review plans for the development of all gas facilities to the Customer’s premises (including pipelines, mains, service lines and appurtenances), in order to assure safety and reliability, as follows:”

(b) UGI Gas will delete the last sentence of Rule 2.3(a) and will revise Rule 2.3(a) to shorten the notice period from 60 days to 30 days.

(c) UGI Gas will revise Rule 2.3(b) to shorten UGI Gas’s review and approval period from 90 days to 45 days and to provide that if UGI Gas fails to respond in writing within the 45 day time period the customer may move forward with its project.

(d) UGI Gas will revise Rule 2.3(c) to read, “If the full 30-day notice required in Rule 2.3(a) is not given by the Customer, then the Customer shall be deemed to have granted UGI Gas full authority to discontinue service upon discovery of any safety or reliability concerns. UGI Gas will provide 24 hours’ notice unless there are reliability or safety issues that must be addressed immediately. UGI Gas shall not be liable for any costs or damages caused by such service discontinuance.” UGI Gas also agrees to provide all customers with a DFR or peak usage of 1,000 Mcf per day or greater with written notice of this tariff rule change within 30 days of PUC approval.

 71. Bypass (Proposed Tariff Rule 2.6): UGI Gas will add tariff language confirming that UGI Gas: (a) will serve customers returning from a total bypass on the same basis as a new customer; (b) will continue to serve the un-bypassed portion of a bypassing customer’s load consistent with the terms of any existing service agreement; and (c) will negotiate new service agreements to continue service so-long as the anticipated revenues justify any costs of providing the service. Rule 2.6 will also be modified to provide that the “competitive market conditions” used to develop a customer’s negotiated standby charge will reflect the costs of the customer’s alternatives.

 72 Facilities Ownership (Proposed Tariff Rule 4.1): UGI Gas will work with impacted UGIII members to confirm the ownership status of any facilities in question before UGI Gas may claim ownership. UGI Gas will modify Rule 4.1 to state it applies unless the customer and UGI Gas agree in writing that particular facilities are owned by the customer.

 73. Special Utility Service (Proposed Tariff Rule 5.7): UGI Gas will delete this rule so-long as the economic test is preserved for all non-residential line extensions.

 74. Obligation to Extend or Expand (Proposed Tariff Rule 5.1): UGI Gas will revise Rule 5.1 to add language that provides that, upon request, UGI Gas will provide customers with a written explanation and reasonable detail of the cost-benefit analysis used to determine if UGI Gas’s investment in facilities is warranted including estimated project costs, UGI Gas’s maximum allowable investment, and UGI Gas’s Annual Base Revenues. Rule 5.1 will also be revised to include language obligating UGI Gas to provide customer with a written time table for the anticipated construction of the upgrade and written notice of completion.

 75. Pressure Correction (Proposed Rule 7.3): UGI Gas will revise to state the method for determining the cost of pressure correction devices shall be estimated costs, inclusive of overhead amounts, however, UGI Gas and the customer may negotiate cost responsibility for installation of pressure mechanisms upon mutual agreement.

 76. Method of delivering Daily Flow Directive (“DFD”) and Operational Flow Orders (“OFO”) notices: UGI Gas agrees to deliver DFD and OFO notices via e-mail to customer-supplied e-mail addresses and to prominently post such notices on UGI Gas website. It shall be the customer’s responsibility to provide notice to UGI Gas of any e-mail address changes or updates. OFO and DFD notices will include an explanation of the cause of the OFO and DFD.

 77. OFO and DFD Definitions: UGI Gas will remove the following language from pages 8-9 of its proposed tariff “including UGI Gas’s obligations pursuant to 1307(f) gas procurement activities, but not solely for other economic reasons.”

 78. Maximum Daily Excess Balancing Charge (Proposed Rule 20.4): UGI Gas will revise the penalty structure that applies on Non-Critical Days to be a maximum of five times the Gas Daily Index for intentional imbalances.

 79. Continuity of Service (Proposed Rule 6.5) and Rule 1.5 (Liability and Legal Remedies): UGI Gas will withdraw proposed tariff rule changes regarding continuity of service and limits on liability.

 80. Winter Planning Meetings: UGI Gas will commence annual winter planning meetings with its large transportation customers, with meetings to occur on or before October 1 of each year, to discuss system needs for the upcoming winter. UGI Gas will provide its large transportation customers with advance written notice of the annual winter planning meetings and an opportunity to provide input on the meeting agenda. At the meeting scheduled for October 2016, UGI Gas will hold a special training session to explain, answer questions, and obtain comments about UGI Gas’s new tariff provisions, including Operational Flow Directive, Daily Flow Directive, Balancing and No-Notice Service tariff provisions.

 81. With respect to the concerns regarding the interrelationship among the Operational Flow Directive, Daily Flow Directive, Balancing and No-Notice Service provisions in the proposed UGI Tariff (i.e., Definitions, Rule 20, Rule 20 [sic], and relevant provisions cross-referenced therein), UGI Gas will expand its existing operational and capacity council to address these issues pursuant to 52 Pa. Code § 69.19. The operational and capacity council will convene at least 2 meetings per year until UGI Gas’s next base rate proceeding. UGIII members will be invited participants and may be joined by their consultant or legal counsel if they choose to do so. The next meeting of the operational and capacity council will occur by October 31, 2016.

 82. UGI Gas will continue to fully support its proposal in the DSIC filing that the DSIC shall be applied equally to all customer classes, except that UGI Gas may reduce or eliminate the Rider DSIC to any customer with competitive alternatives who are paying flexed or discounted rates and customers having negotiated contracts with UGI Gas, if it is reasonably necessary to do so.

 **J. Competitive Supplier Issues**

 83. Modified financial security provisions (Choice Tariff Section 8.2): UGI Gas agrees to add back into its tariff the call option method of providing security found in its existing tariff. In addition, UGI Gas agrees to modify its security requirements as follows: (i) the financial security to be provided for each residential Choice customer served by a Choice supplier shall be $60 per customer; and (ii) the financial security for each non-residential Choice customer served by a Choice supplier shall be $94.24/Dth times the Design Day Requirement of the customer; provided, however, UGI Gas and any other interested party reserve their rights to file to change those security levels after the effective date of new rates established in this proceeding if the security levels prove to be unreasonable.

 84. Merchant Function Charge (“MFC”): UGI Gas will adjust its Rate N MFC to 0.36% and its Rate N Purchase of Receivables (“POR”) discount to 0.50%.

 85. Gas Procurement Charge (“GPC”): UGI Gas will increase the GPC from the proposed level of 1.46 cents to 9.0 cents per Mcf.

 86. Customer Choice Switching Fee: UGI Gas will eliminate the switching fee.

 87. Monthly Balancing:

(a) By November 1, 2016, UGI Gas shall transfer all XD, LFD and IL customers to calendar month billing and balancing whereby a Natural Gas Supplier (“NGS”) may have one or more pools in the calendar month bill cycle based on “like services” of its customer contracts. For these pools, there will be four possible “like services” combinations: (i) No Notice Service; (ii) No Notice Service with Monthly Balancing Service; (iii) Basic Balancing; and (iv) Basic Balancing with Monthly Balancing Service.

(b) By no later than June 1, 2017, UGI Gas shall make a filing with the Commission that proposes a requirement for all transportation customers under Rates DS and IS to have installed operable AMR/Metretek equipment by a date certain. As part of that proposal, UGI Gas will include: (i) an estimate of the cost of such installed equipment; (ii) a proposed means of recovering the costs of such installations; and (iii) a provision to transfer all Rate DS and IS customers to calendar month billing and balancing pools when all such customers have installed operable AMR/Metretek equipment in a manner consistent with the transfer of Rate XD, LFD, and IL customers described in Paragraph 87(a) above. All Parties reserve the right to participate in and challenge the filing contemplated by this subparagraph. UGI Gas agrees to serve the Parties to this proceeding with a copy of the filing contemplated by this subparagraph at the time of its filing with the Commission.

 88. Balancing Charges:

(a) UGI Gas will reduce the $50 per Mcf charge to $25 per Mcf for imbalances that occur on OFO dates.

(b) For transactions larger than 750 Mcf, UGI Gas will waive the $125 fee per imbalance trade that is imposed when one pool is out of balance and NGSs arrange a trade with another NGS.

(c) For transactions larger than 750 Mcf, UGI Gas will waive pool-to-pool transfer fees that are imposed when an NGS is transferring between its own customer pools.

 89. Compliance with Standards of Conduct: UGI Gas commits to: (i) informing all NGSs of the availability of any special discounted rates that are offered to its affiliated NGSs; and (ii) revising its training materials to make it clear that UGI Gas employees may not represent that an NGS affiliate or its service is superior to other NGSs.

**III. Discussion**

1. **Applicable Law**

 The purpose of this investigation is to establish rates for UGI customers which are “just and reasonable” pursuant to Section 1301 of the Public Utility Code (Code), 66 Pa. C.S. § 1301. This Commission possesses a great deal of flexibility in the ratemaking function.

In determining just and reasonable rates, the [Commission] has discretion to determine the proper balance between interests of ratepayers and utilities. [*Pennsylvania Public Utility Commission v. Philadelphia Electric Co.*, 522 Pa. 338, 342-43, 561 A.2d 1224, 1226 (1989)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=1989108734&pubNum=162&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)). As this Court stated in [*Pennsylvania Public Utility Commission v. Pennsylvania Gas and Water Co.*, 492 Pa. 326, 337, 424 A.2d 1213, 1219 (1980)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=1980194813&pubNum=162&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)#co_pp_sp_162_1219), cert. denied, [454 U.S. 824, 102 S. Ct. 112, 70 L. Ed. 2d 97 (1981)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&pubNum=708&cite=102SCT112&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)),

There is ample authority for the proposition that the power to fix “just and reasonable” rates imports a flexibility in the exercise of a complicated regulatory function by a specialized decision-making body and that the term “just and reasonable” was not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulation but rather to confer upon the regulatory body the power to make and apply policy concerning the appropriate balance between prices charged to utility customers and returns on capital to utility investors consonant with constitutional protections applicable to both.

[*Popowsky v. Pa. PUC*, 542 Pa. 99, 108, 665 A.2d 808, 812 (1995)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=1995190393&pubNum=162&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)).

 Commission policy promotes settlements, 52 Pa. Code §§ 5.231 and 69.401. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. Rate cases are expensive to litigate and the cost of such litigation at a reasonable level is an operating expense recovered in the rates approved by the Commission. This means that a settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission’s decision, yields significant savings for the company’s customers. That is one reason why settlements are encouraged by long-standing Commission policy.

 In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered January 7, 2004).

Section 315(a) of the Code reads as follows:

§ 315. Burden of proof

(a) Reasonableness of rates.--In any proceeding upon the motion of the commission, involving any proposed or existing rate of any public utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility. The commission shall give to the hearing and decision of any such proceeding preference over all other proceedings, and decide the same as speedily as possible.

66 Pa. C.S. § 315(a). Consequently in this proceeding, UGI has the burden to prove that the rate increase it has proposed through the Settlement is just and reasonable. The Petitioners have reached an accord on the issues and claims that arose in this proceeding and submitted a Settlement for Commission review. In reviewing the Settlement, the question which must be answered is whether it is in the public interest. The Petitioners have the burden to prove that the Settlement is in the public interest. *Pa. PUC, et al. v. Pike County Light & Power (Electric)*, Docket Nos. R-2013-2397237, C‑2014-2405317, *et al.* (Order entered September 11, 2014) at 9.

1. **Public Interest Considerations**

The Joint Petitioners assert their unanimous agreement that the Settlement is in the public interest. Settlement at ¶ 15. According to UGI, the Settlement was achieved only after comprehensive investigation of its January 19, 2016, distribution base rate increase filing. UGI states that it responded to over 1,000 formal discovery requests and the active Parties filed four rounds of testimony. Following numerous settlement discussions and negotiations, the Joint Petitioners entered into the Settlement which UGI contends is just, reasonable and in the public interest. UGI Statement in Support of the Settlement at 3.

In its Statement in Support, I&E proffers that the Settlement maintains the proper balance of the interests of all the Parties and is satisfied that no further investigation or action is necessary in this proceeding. Moreover, I&E explains that the resolution of this case by settlement rather than litigation avoids the substantial time, effort and expense of preparing for and conducting evidentiary hearings and potential appeals. Instead, I&E contends, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of the case which the Joint Petitioners agree benefits their discrete interests. I&E Statement in Support of Settlement at 23-24.[[3]](#footnote-3)

1. **Disposition**

Based on our review of the record, we find that the Settlement is in the public interest. Consequently, we shall adopt the ALJ’s recommendations to the extent they are consistent with this Opinion and Order.

 Although we find that the Settlement should be approved without modification, we note that there are two aspects that require clarification. In order to reach agreement, the Joint Petitioners did not identify a specific return on equity (ROE) for Distribution System Improvement Charge (DSIC) computation purposes. However, Act 11 of 2012 requires that companies using a DSIC calculate depreciation using the ROE calculated in the utility’s most recent base rate proceeding or, if the proceeding was over two years ago, using the rate calculated by the Commission in the most recent Quarterly Report of the Earnings of Jurisdictional Utilities (Quarterly Report). *See, e.g., Bureau of Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities for the Year Ended March 31, 2016,* Docket No. M-2016-2555791 (Public Meeting held July 21, 2016) at Attachment D.

 Because there is no clear statement of ROE for DISC computation within this base rate proceeding, we recommend that, to the extent applicable, the Company use the ROE rate stipulated in the most current staff Quarterly Report. Also, for clarification, on a going forward basis, UGI should update its ROE for DSIC purposes consistent with any changes in the ROE in the Quarterly Report.

 In addition, parties to rate case proceedings are reminded that, in accordance with Section 1357(b)(2) of the Code, 66 Pa. C.S. § 1357(b)(2), and consistent with our DSIC Implementation Order, it is strongly suggested that rate case settlements include a stipulated ROE for the calculation of the DSIC.[[4]](#footnote-4) This stipulation may simply be a reference to use the most current staff Quarterly Report.

 Secondly, UGI proposes to include a Combined Heat & Power (CHP) program as part of its Energy Efficiency and Conservation (EE&C) program. This program is essentially the only natural gas EE&C program targeted for large customers (rate schedule LFD). The program will target large commercial and industrial customers with high thermal and electric loads, such as hospitals, college campuses and multi-shift industrial customers. Due to the current state of avoided costs, UGI anticipates that it will be difficult to find cost-effective projects that are below 1,000 kW. Budgeted projects include five 3,326 kW projects and three 7,038 kW projects.

 Previously, the Commission has rejected the inclusion of CHP programs in natural gas EE&C programs. In general, natural gas EE&C programs are designed to reduce the usage of natural gas. CHP programs, to the contrary, usually result in higher natural gas usage, but produce an overall reduction in total energy usage. As such, CHP programs are more akin to market development projects, in addition to being energy efficient. Thus, the Commission had rejected CHP programs in natural gas EE&C plans.

 However, in this instance, and under the additional conditions below, we support this proposal. Several unique conditions exist in this case. First, the CHP program is targeted to LFD customers. This customer segment will fund these proposals and receive the benefits. Thus, no other rate classes will be impacted. Secondly, the Company has agreed to track these projects separately because the fuel-switching program will result in an increase in gas usage that should not be conflated with the savings from the energy efficiency programs. Lastly, it is important for the Company to offer programs that may be attractive to this larger customer segment, and that can enhance the long term competitiveness of our commercial and industrial sector.

 Our support for this CHP program is, however, conditioned as follows. As noted above, CHP programs are most appropriately categorized as market development projects. The economic tests for market expansion/extension vary substantially from the Total Resource Cost (TRC) test and the proposed Program Administrator Cost (PAC) test proposed for this EE&C plan. As such, UGI should develop an economic test consistent with the Company’s new business extension tariff. The economic test will permit the incremental revenue benefits to the Company to be compared with the CHP program costs, including the incentive costs of the program paid by customers. This method will help ensure that CHP program participants are not being subsidized by non-participants in the long run. Thus, UGI should include this information in its annual EE&C reports.

 Lastly, there is one administrative correction to page 71 of the Recommended Decision. More specifically, the Recommended Decision states:

In Settlement Paragraph 84, UGI agrees to adjust its Rate N Merchant Function Charge (MFC) to 9.36% and its Rate N Purchase of Receivables (POR) discount to 0.50%.

This sentence should be corrected to state:

In Settlement Paragraph 84, UGI agrees to adjust its Rate N Merchant Function Charge (MFC) to 0.36% and its Rate N Purchase of Receivables (POR) discount to 0.50%.

This change is not a modification to the Settlement and should not be viewed as such. Rather, it simply corrects the Recommended Decision to conform to the terms of the Settlement.

**IV. Conclusion**

Based upon the foregoing discussion, we shall adopt the ALJ’s recommendations, as modified, to the extent consistent with this Opinion and Order; **THEREFORE,**

**IT IS ORDERED:**

1. That the Recommended Decision of Administrative Law Judge Susan D. Colwell, issued on August 5, 2016, is adopted, as modified, consistent with this Opinion and Order.

 2. That the rates, rules and regulations contained in Tariff Gas – PA P.U.C. Nos. 6 and 6-S are not permitted to be placed into effect.

 3. That the rates, terms and conditions contained in the Joint Petition for Settlement of All Issues at Docket No. R-2015-2518438 submitted by UGI Utilities, Inc. – Gas Division, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the UGI Industrial Intervenors, the Commission on Economic Opportunity, the Coalition for Affordable Utility Service – PA, the Retail Energy Supply Association, Dominion Retail, Inc., d/b/a Dominion Energy Solutions, Shipley Choice, LLC d/b/a Shipley Energy, Interstate Gas Supply, Inc. d/b/a IGS Energy, AMERIGreen Energy, and Rhoads Energy, be approved and adopted without modification.

 4. That the *pro forma* tariff attached to the Joint Petition for Settlement of All Issues as Appendix A is approved.

 5. That the proof of revenues attached to the Joint Petition for Settlement of All Issues as Appendix B is approved.

 6. That UGI Utilities, Inc. – Gas Division is authorized to file tariffs, tariff supplements and/or tariff revisions on one (1) day’s notice, and pursuant to the provisions of 52 Pa. Code §§ 53.1, *et seq*., and 53.101, to become effective for service rendered on and after October 19, 2016. The tariffs shall be designed to produce an annual distribution rate revenue increase of $27 million.

 7. That UGI Utilities, Inc. – Gas Division shall file detailed calculations with its tariff filing, which shall demonstrate to the parties’ satisfaction that the filed tariffs with the adjustments comply with the provisions of this Opinion and Order.

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

 9. That annual differences between $2.0 million and actual expenditures for environmental costs 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 Utilities, Inc. – Gas Division’s next base rate case, consistent with Settlement Paragraph 20.

 10. That the Billing Determinants in Settlement Paragraph 21 are approved.

 11. That UGI Utilities, Inc. – Gas Division shall submit an update to Exhibit No. 6, Schedule 1 of the Commission’s Bureau of Investigation & Enforcement, as well as to UGI Utilities, Inc. – Gas Division’s filing requirement Attachment SDR ROR-14, pages 1-2, to the Commission’s Bureau of Investigation & Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate, no later than January 1, 2017 per Settlement Paragraph 24.

 12. That UGI Utilities, Inc. – Gas Division’s proposed accounting treatment for its Next Information Technology Enterprise is approved.

 13. That UGI Utilities, Inc. – Gas Division’s Other Post-Employment Benefits credit balance of $10.027 million be amortized using a 10-year schedule.

 14. That for purposes of this base rate case, UGI Utilities, Inc. – Gas Division’s as-filed end-of-year rate base methodology is approved.

 15. That, as of the effective date of the Commission’s Final Order in this case, UGI Utilities, Inc. – Gas Division is eligible to include plant additions in the Distribution System Improvement Charge once DSIC-eligible account balances exceed the levels projected by UGI Gas at September 30, 2017 on SDR-ROR-14, consistent with Settlement Paragraph 28.

 16. That the $27 million increase permitted by this Order includes $2.659 million for the first year’s spending for UGI Utilities, Inc. – Gas Division’s Energy Efficiency and Conservation Plan.

 17. That, for purposes of this rate case, UGI Utilities, Inc. – Gas Division’s as-filed depreciation rates are accepted.

 18. That the current returned check fee of $20.00 is retained consistent with Settlement Paragraph 31.

 19. That the revenue allocations in Settlement Paragraph 32 are approved.

 20. That the customer charges in Settlement Paragraph 33 are approved.

 21. That the block design in Settlement Paragraph 34 is approved.

 22. That Customer Assistance Program costs are recoverable using the Universal Service Plan Rider up to and including 8,700 customers. For costs incurred for customers over the 8,700 participation level, UGI Utilities, Inc. – Gas Division shall offset the CAP credits and actual pre-program arrearages by 9.4%, consistent with Settlement Paragraph 35.

 23. That the Technology and Economic Development Rider is approved as a three-year pilot program, consistent with Settlement Paragraph 36. Six (6) months before the end of the three-year pilot program, UGI Utilities, Inc. – Gas Division will report on the economics of the Technology and Economic Development Rider. If UGI Utilities, Inc. – Gas Division files a general base rate case during the three-year pilot period, UGI Utilities, Inc. – Gas Division will provide information, as part of its initial filing, showing the pro forma rate of return on incremental investment for Technology and Economic Development Rider customers as a sub-class in its filed cost of service study.

 24. That a five-year total spending cap for the Energy Efficiency and Conservation Plan shall be $27 million. Rate Schedule LFD customers shall be responsible for no more than $1.1 million in costs over the life of the Energy Efficiency and Conservation Plan. UGI Utilities, Inc. – Gas Division shall establish its Energy Efficiency and Conservation Plan consistent with the Settlement terms.

 25. That UGI Utilities, Inc. – Gas Division establish four EE&C rate classes: (1) R/RT; (2) N/NT; (3) DS; and (4) LFD. Each rate class will have costs allocated to it for the programs for which that rate class is eligible, consistent with Settlement Paragraph 38.

 26. That UGI Utilities, Inc. – Gas Division develop targeted EE&C Plan marketing materials for existing residential multifamily and new multifamily residential construction consistent with Settlement Paragraph 39.

 27. That UGI Utilities, Inc. – Gas Division inform customers who contact it or its EE&C Conservation Service Providers with interest in participating in the EE&C Plan that they might qualify for the Low Income Usage Reduction Program (LIURP) and be referred accordingly, consistent with Settlement Paragraph 40.

 28. That UGI Utilities, Inc. – Gas Division submit an annual report to the Commission relating to the results of the EE&C Plan, including documentation of program expenditures and participation, measurement and verification of energy savings under the Plan, and total resource cost test results for individual programs and overall Plan with and without the economic effects of carbon taxes and the demand reduction induced price effects (DRIPE) in the evaluations of cost effectiveness of the programs. Such annual report should also include information acquired from the application of the economic test developed by UGI Utilities, Inc. – Gas Division, to its proposed Combined Heat & Power program, as discussed in this Opinion and Order.

 29. That recoverable utility costs for the non-residential prescriptive program, the non-residential retrofit program, and the non-residential new construction program over the five-year life of the EE&C Plan shall be limited to 55% of the overall costs for these three programs in the aggregate, consistent with Settlement Paragraph 42. Grant funding will be considered a source of participant funding. To the extent that UGI Utilities, Inc. – Gas Division deems that utility contributions in excess of 55% of overall program cost are required to achieve desired participation levels, UGI Utilities, Inc. – Gas Division may voluntarily make the necessary contributions without EE&C cost recovery. EE&C programs targeted at multifamily customers who take service under non-residential rate classes will be comparable to similar programs targeted at multifamily customers who take service under residential rate classes, in terms of the levels of participant contributions, incentive, program administration, marketing, inspection, and evaluation costs.

 30. That all appliances and equipment qualifying for rebates or incentives under the EE&C plan must meet or exceed U.S. Department of Energy “EnergyStar” Minimum Standards to the extent such standards exist.

 31. That UGI Utilities, Inc. – Gas Division shall hold an annual stakeholder meeting to discuss the EE&C plan’s progress and potential modifications, consistent with Settlement Paragraph 45.

 32. That UGI Utilities, Inc. – Gas Division implement the Universal Service program changes within ninety (90) days of the effective date of the rate increase arising from the present proceeding.

 33. That UGI Utilities, Inc. – Gas Division shall hold a collaborative meeting with the parties to this proceeding to review and comment on the implementation of the Universal Service program changes, after which UGI Utilities, Inc. – Gas Division shall file a status report with the Commission no later than one hundred and fifty (150) days after the effective date of the rate increase arising from the present proceeding, consistent with Settlement Paragraph 46.

 34. That UGI Utilities, Inc. – Gas Division shall increase LIURP funding by the percentage distribution rate increase for the residential customer classes reflected in Settlement Paragraph 32, conditioned on full recovery of LIURP as proposed through USP Rider mechanism per the proposal of UGI Utilities, Inc. – Gas Division, consistent with Settlement Paragraph 47.

 35. That UGI Utilities, Inc. – Gas Division modify proposed Tariff Rule 9.1(b) to state that “UGI Gas will use financial information from the customer provided within the most recent twelve (12) month period to determine if that customer exceeds the 250% federal poverty level threshold.” UGI Gas will not require customer information to verify income if the customer has established income verification through receipt of Low-Income Home Energy Assistance Program (LIHEAP) within the past twelve (12) months or if the customer is currently participating in CAP.

 36. That UGI Utilities, Inc. – Gas Division will encourage Community Based Organizations to conduct additional outreach to customers to enhance CAP solicitation efforts, consistent with Settlement Paragraph 49.

 37. That UGI Utilities, Inc. – Gas Division inform applicants and customers of the opportunity for security deposit waiver for income-qualified households, and will request income information on the initial call to establish new service and/or to restore previously terminated service. Once the customer confirms low-income eligibility, the deposit will be waived and any previously collected deposit applied to the account, consistent with Settlement Paragraph 50.

 38. That UGI Utilities, Inc. – Gas Division screen for eligibility and/or refer all individuals calling regarding a payment arrangement or similar credit-related issue to appropriate Universal Service programs.

 39. That UGI Utilities, Inc. – Gas Division include in applicable reports to the Commission those customers who are in default of their payment arrangements but are still active customers, to improve reporting of customers enrolled in deferred payment plans, consistent with Settlement Paragraph 52.

 40. That UGI Utilities, Inc. – Gas Division revise its training materials to clarify that it does not require a low-income customer to enroll in a Universal Service program to qualify for waiver of a security deposit, and that the only requirement for such a waiver is income verification.

 41. That UGI Utilities, Inc. – Gas Division clarify its tariff language to reflect that it does not require annual income to establish eligibility for cold weather shutoff protections and that it does accept annualized income (*i.e.*, 30-days, 90-days) to establish winter shutoff protections.

 42. That UGI Utilities, Inc. – Gas Division consult with its Community-Based Organizations and investigate the feasibility of using alternative communication means, such as telephone, fax, email, and web-based alternatives, to process applications and verify income for the purposes of security deposit waiver and enrollment in Universal Service programs, consistent with Settlement Paragraph 55. Chosen alternatives will be described in UGI Utilities, Inc. – Gas Division’s next triennial Universal Service filing.

 43. That UGI Utilities, Inc. – Gas Division translate the two remaining program documents pertaining to the Universal Service programs into Spanish and require Community Based Organizations to have access to Spanish language interpretation services if 5% or more of the residents in the portion of the utility’s service territory served by the Community Based Organization speak Spanish as based on U.S. Census data.

 44. That UGI Utilities, Inc. – Gas Division revise its form of identification policy to provide that before initiating service, an applicant must provide: (1) one valid government issued photo identification; (2) two valid alternative forms of identification, including one with a photo if the government-issued photo identification is not available; or (3) the applicant’s Social Security Number. The term “government issued photo identification” includes photo identifications issued by foreign governments.

 45. That UGI Utilities, Inc. – Gas Division clarify its medical certificate procedures to reflect its practice of faxing the medical certificate form directly to a physician’s office when provided the fax number by the customer.

 46. That UGI Utilities, Inc. – Gas Division clarify its medical certificate procedures to state that its medical certificate form is not the only means of obtaining a medical certificate and that it will accept any writing that contains the information required by 66 Pa. C.S. Chapter 14, and 52 Pa. Code Chapter 56, consistent with Settlement Paragraph 60.

 47. That UGI Utilities, Inc. – Gas Division revise its Protection From Abuse (PFA) procedures to clarify that the 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.

 48. That UGI Utilities, Inc. – Gas Division update its training documents to remove any suggestion that PFAs are only applicable to traditional husband-wife spousal relationships and to clarify that anyone who submits a PFA or order of a court of competent jurisdiction of the Commonwealth of Pennsylvania which provides clear evidence of domestic violence will be granted the protections available under 66 Pa. C.S. Chapter 14 and 52 Pa. Code Chapter 56.

 49. That UGI Utilities, Inc. – Gas Division update its PFA policy language to clarify the applicable statutory and regulatory protections for victims of abuse as demonstrated by submission of a PFA or an order of competent jurisdiction of the Commonwealth of Pennsylvania which provides clear evidence of domestic violence.

 50. That UGI Utilities, Inc. – Gas Division institute the use of externally-sourced domestic violence training such as training by a local domestic violence program or the Pennsylvania Coalition Against Domestic Violence, for its management and training department, followed by annual training on domestic violence for its customer service representatives.

 51. That UGI Utilities, Inc. – Gas Division clarify its procedure to reflect that receipt of a valid PFA will prevent a balance transfer into the name of the PFA holder unless that PFA holder is the customer, as defined in the Commission’s applicable regulations, for that account.

 52. That UGI Utilities, Inc. – Gas Division shall, where the balance is accrued jointly in a PFA plaintiff and third-party’s name, assign and bill the debt first to the third-party. The PFA plaintiff may be held ultimately responsible for the accrued debt if, after 90 days, collection attempts are unsuccessful against the third-party. This process will be implemented with UGI Utilities, Inc. – Gas Division’s implementation of its new computer system scheduled for fall 2017.

 53. That UGI Utilities, Inc. – Gas Division modify its PFA handling procedures to further ensure the confidentiality of PFA information, consistent with Settlement Paragraph 68.

 54. That the proposed modification to Tariff Rule 1.4 is approved consistent with Settlement Paragraph 69.

 55. That the proposed modification to Tariff Rule 2.3 is approved consistent with Settlement Paragraph 70.

 56. That the proposed modification to Tariff Rule 2.6 is approved consistent with Settlement Paragraph 71.

 57. That the proposed modification to Tariff Rule 4.1 is approved consistent with Settlement Paragraph 72.

 58. That the proposed modification to Tariff Rule 5.1 approved consistent with Settlement Paragraph 74.

 59. That the proposed modification to Tariff Rule 5.7 is approved consistent with Settlement Paragraph 73.

 60. That the proposed modification to Tariff Rule 7.3 is approved consistent with Settlement Paragraph 75.

 61. That the proposed modifications to the definitions of Daily Flow Directive and Operational Flow Order are approved consistent with Settlement Paragraphs 76 and 77.

 62. That the proposed modification to Tariff Rule 20.4 is approved consistent with Settlement Paragraph 78.

 63. That the withdrawal of the proposed tariff rule changes regarding continuity of service and limits on liability is approved consistent with Settlement Paragraph 79.

 64. That the proposed winter planning meetings with large transportation customers is approved consistent with Settlement Paragraph 80.

 65. That the proposed expansion of the existing operational and capacity council is approved consistent with Settlement Paragraph 81.

 66. That the proposal pertaining to the DSIC filing is approved consistent with Settlement Paragraph 82.

 67. That the proposed modification to Choice Tariff Section 8.2 is approved consistent with Settlement Paragraph 83.

 68. That the proposed modification to the Rate N Merchant Function Charge and Rate N Purchase of Receivables discount is approved consistent with Settlement Paragraph 84.

 69. That the proposed increase in the Gas Procurement Charge is approved consistent with Settlement Paragraph 85.

 70. That the proposal to eliminate the Customer Choice Switching Fee is approved consistent with Settlement Paragraph 86.

 71. That the proposed adjustments to monthly balancing for applicable customers is approved consistent with Settlement Paragraphs 87 and 88.

 72. That the investigation at Docket No. R-2015-2518438 is terminated upon the filing of the approved tariffs.

 73. That the formal Complaint filed by the Office of Consumer Advocate at Docket No. C-2016-2527150, is closed as satisfied.

 74. That the formal Complaint filed by the Office of Small Business Advocate at Docket No. C-2016-2528559, is closed as satisfied.

 75. That the formal Complaint filed by the UGI Industrial Intervenors at Docket No. C-2016-2529436, is closed as satisfied.

 76. That the formal Complaint filed by Joseph Sandoski at Docket No.
 C-2016-2529638, is dismissed.

 77. That the formal Complaint filed by Vicki L. East at Docket No.
 C-2016-2534010, is dismissed.

 78. That the formal Complaint filed by Tom Harrison at Docket No.
C-2016-2534992, is dismissed.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: September 1, 2016

ORDER ENTERED: October 14, 2016

1. On February 15, 2016, ALJ Haas recused himself from the proceeding. [↑](#footnote-ref-1)
2. We have taken the following terms directly from the Settlement and retained the original language and numbering for ease of reference. [↑](#footnote-ref-2)
3. The remaining Joint Petitioners also filed statements in support of the Settlement. [↑](#footnote-ref-3)
4. **(b) Depreciation calculation.--**Depreciation shall be calculated by applying the original cost of the eligible property to the annual accrual rates employed in the utility’s most recent base rate case for the plant accounts in which each retirement unit of distribution system improvement charge eligible property is recorded. The following shall apply:

 (2) The cost of equity shall be the equity return rate approved in the utility’s most recent fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the distribution system improvement charge.

66 Pa. C.S. § 1357(b). [↑](#footnote-ref-4)