

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2020-3019680
Office of Consumer Advocate	:	C-2020-3020087
Office of Small Business Advocate	:	C-2020-3020317
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division 1307(f)	:	

RECOMMENDED DECISION

Before
Benjamin J. Myers
Administrative Law Judge

INTRODUCTION

This decision recommends approval and adoption of a full settlement of a natural gas distribution company’s annual purchased gas cost (PGC) tariff. The company has proposed, and all the parties have agreed, to implement a unified PGC rate of \$4.3450/Mcf for the company’s entire service territory to become effective on December 1, 2020. This proposed PGC rate of \$4.3450 per Mcf for the residential class is a decrease from the current PGC rate of \$4.3631 per Mcf. The settlement is supported by substantial evidence, meets all statutory requirements of the Public Utility Code and is in the public interest.

HISTORY OF THE PROCEEDING

Pursuant to the provisions of Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the gas cost recovery regulations of the Pennsylvania Public Utility Commission (Commission) at 52 Pa. Code §§ 53.61-53.69, UGI Utilities, Inc. – Gas Division

(UGI Gas or Company) initiated this annual proceeding to propose a PGC rate to become effective on December 1, 2020.

On May 1, 2020, UGI made its 30-day pre-filing (Book 1) with the Commission (containing data related to the recovery of purchased gas costs) pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and in accordance with the Commission's regulations at 52 Pa. Code §§ 53.64 and 53.65.

On May 29, 2020, the Office of Consumer Advocate (OCA) filed a notice of appearance, formal complaint and public statement in UGI's PGC proceeding docketed at C-2020-3020087.

On June 1, 2020, the Commission's Bureau of Investigation and Enforcement (I&E) filed a notice of appearance.

Also on June 1, 2020, UGI Gas filed with the Commission its definitive PGC filing (Book 2), including supporting information required by the Commission's regulations, the Company's direct testimony and exhibits, and the *Pro Forma* Tariff Supplements reflecting actual and projected changes in natural gas costs.

On June 9, 2020, the Office of Small Business Advocate (OSBA) filed a notice of appearance, formal complaint, public statement and verification in this proceeding docketed at C-2020-3020317.

On June 10, 2020, a prehearing conference was conducted during which the parties agreed to a procedural schedule and modifications to the rules of discovery. On this same date, a scheduling order was issued which adopted the procedural schedule and modifications to the rules of discovery agreed to by the parties at the prehearing conference.

On June 17, 2020, UGI Gas filed a motion for protective order which was subsequently granted by an order issued on June 18, 2020.

In accordance with the procedural schedule, OCA and I&E submitted written direct testimony and exhibits on July 8, 2020. On July 28, 2020, the Company submitted written rebuttal testimony and exhibits responding to the direct testimony of OCA and I&E. On August 5, 2020, I&E submitted written surrebuttal testimony.

The parties held settlement discussions which resulted in a settlement in principle being achieved prior to the date set for evidentiary hearing. On August 4, 2020, the parties requested that the procedural schedule be suspended. The parties also requested that the testimony and exhibits be admitted into the record by joint stipulation with accompanying signed verifications of the sponsoring witnesses, filed concurrently with the proposed settlement. As a result of the settlement in principle, the August 6, 2020 evidentiary hearing was cancelled.

On August 26, 2020, the parties submitted a Joint Petition for Settlement of Section 1307(f) Rate Investigation, as well as a joint stipulation for admission of evidence and statements in support of the proposed settlement. The settlement was signed by all parties including UGI, OCA, OSBA and I&E.

The joint stipulation for admission of evidence requests admission into the record of all the following (paragraph and section numbers are listed as they appear in the original joint stipulation filed with the Commission):

I. Testimony and Exhibits of UGI Gas

14. UGI Gas Exhibit 1: Book 1, filed on May 1, 2020, containing the information submitted pursuant to 52 Pa. Code §§ 53.64(c) and 53.65 of the Commission's regulations and 66 Pa. C.S. 1317(c) in support of 66 Pa. C.S. § 1307(f) Purchased Gas Costs for 2020 for UGI Gas.

15. UGI Gas Exhibit 2: Book 2, filed on June 1, 2020, containing the computation of annual purchased gas cost filing submitted pursuant to 52 Pa. Code §§ 53.61, et. seq., of the Commission's regulations and 66 Pa. C.S. § 1317(c) in support

of 66 Pa. C.S. § 1307(f) Purchased Gas Costs for 2020 for UGI Gas. Book 2 includes the following direct testimony and exhibits:

- UGI Gas Statement No. 1 – Direct Testimony of Tracy A. Hazenstab.
- UGI Gas Statement No. 2 – Direct Testimony of Angelina M. Borelli, including UGI Gas Exhibits AMB-1 through AMB-14. Exhibits AMB-2, AMB-3, AMB-4, AMB-6, AMB-7, AMB-8, and AMB-10 are Confidential.

16. UGI Gas Statement No. 1-R – Rebuttal Testimony of Tracy A. Hazenstab.

17. UGI Gas Statement No. 2-R – Rebuttal Testimony of Angelina M. Borelli, including UGI Gas Exhibits AMB-1R through AMB-5R.

II. Testimony and Exhibits of I&E

18. I&E Statement No. 1 – Non-Confidential and Highly Confidential Direct Testimony of Christopher Keller, including Highly Confidential I&E Exhibit No. 1, and Appendix A.

19. I&E Statement No. 1-SR – Surrebuttal Testimony of Christopher Keller, including I&E Exhibit No. 1-SR.

III. Testimony and Exhibits of OCA

20. OCA Statement No. 1 – Direct Testimony of Jerome D. Mierzwa, including OCA Schedule JDM-1, and a signed verification.

IV. Motion

21. The Joint Petitioners request that the above identified testimony and exhibits be moved into the record without a hearing. All Parties have agreed to waive

cross-examination in light of the settlement and the agreement to stipulate evidence into the record.

22. Consistent with the Protective Order issued in this proceeding, the Parties request that all filings, statements, and exhibits designated as “Confidential” or “Highly Confidential” be placed in non-public folders by the Secretary’s Bureau of the Commission.

23. Verifications for the testimony and exhibits of UGI Gas and I&E are attached hereto as **Appendices A and B**, respectively, whereas OCA’s verification was attached to their pre-served testimony.

This joint stipulation for admission of evidence will be granted as part of the ordering paragraphs below. The parties will be required to provide two copies of all documents referenced in the stipulation to the Commission’s Secretary’s Bureau for inclusion in the official record.

The record in this matter closed on August 26, 2020, the date the parties filed the joint petition for settlement.

TERMS OF THE SETTLEMENT

In the settlement, the parties agreed to resolve all outstanding issues and to seek Commission approval for the matters settled. The relevant terms of the settlement are as follows – subsections and paragraph numbers are listed as they appear in the original settlement filed with the Commission:

II. TERMS OF SETTLEMENT

A. CAPACITY RESERVE

13. Given the increased frequency of pipeline incidents and the significant risk associated with such incidents, the Joint Petitioners agree that UGI Gas will be permitted to increase its capacity reserves for its PGC and Retail Choice customer markets from 2.5% to 5%, in advance of the upcoming winter (2020-2021). These increased reserves will provide the Company with additional flexibility to ensure the safe and reliable delivery of natural gas supplies to its customers. The Joint Petitioners reserve their right to challenge prospective acquisitions or renewals of capacity reserves in a future PGC proceeding.

B. WEIGHTED AVERAGE COST OF DEMAND (“WACOD”) MODIFICATIONS

14. The Joint Petitioners agree that UGI Gas will modify its WACOD calculation so that Retail Choice customers bear a proportionate share of the capacity reserve margin costs. The Company will include the full 5% capacity reserve in the WACOD calculation for Choice transportation customers and their suppliers and collect their share of the capacity costs through the WACOD charged to those Retail Choice suppliers effective December 1, 2020.

C. DESIGN DAY

15. The Joint Petitioners agree that UGI Gas will be permitted to use a design day figure of 2.02 BCF, which includes 1.137 BCF of design cold firm requirements and 0.054 BCF of capacity reserves for the Company’s firm core market needs (PGC and Choice Customer markets).

D. AWARD OF APRIL 2020 REQUEST FOR PROPOSAL (“RFP”)

16. The Joint Petitioners agree that, consistent with the Company’s primary firm requirements and least-cost fuel procurement obligations, UGI Gas will acquire 3,813 dth of capacity from Tennessee Gas Pipeline and accept the offer from UGI Energy Services, LLC that provides 38,469 dth of capacity and consolidates the new service with the Company’s three existing agreements PNG-CO-1006, PNG-CO-1007, and PNG-CO-1009 (referenced at pages 31 to 35 of UGI Statement No. 2, the Direct Testimony of Angelina M. Borelli).

E. PEAKING CONTRACT RFP MODIFICATIONS

17. The Joint Petitioners agree that the Company will continue to use the RFP format agreed to in the 2019 PGC Settlement at Docket No. R-2019-3009647 on a prospective basis. The Company’s bid form will request, at a minimum, that suppliers provide bids based on (a) payment terms that exclude a November payment and (b) payment terms that include a November payment. The Company will evaluate RFP responses in a manner, which is inclusive of projected PGC over/under collection and PGC interest impacts with regard to fixed charges in live Excel format. UGI Gas will make the RFP responses available in future PGC proceedings to the statutory parties.

III. STANDARDS AND FINDINGS

18. This proceeding involves Commission review pursuant to Sections 1307 and 1318 of the Public Utility Code. Under Section 1307(f), the Commission, after hearing, must determine what portion of the gas costs UGI Gas may recover for a previous 12-month period under the standards set forth in Section 1318. In addition, the Commission must determine whether the requirements of Section 1318 can be met. This determination must precede

Commission approval of the Company's proposed rates. The historic period reviewed in this proceeding is the 12-month reconciliation period ending March 31, 2020. The proposed rates are intended to become effective December 1, 2020.

A. HISTORIC RECONCILIATION PERIOD STANDARDS

19. With respect to UGI Gas's gas purchases and gas purchasing practices during the 12-month historic reconciliation period ending March 31, 2020, the Joint Petitioners agree that UGI Gas has met the standards set forth in Section 1318 of the Public Utility Code, as required by Section 1307(f)(5) of the Public Utility Code. As a result, the Joint Petitioners request that the Commission find, pursuant to Section 1307(f)(5) of the Public Utility Code, and based upon the evidence presented by the Joint Petitioners in this case, that during the 12-month period ended March 31, 2020, UGI Gas has pursued a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers, as required by Section 1318 of the Public Utility Code. Information submitted by UGI Gas in support of the required statutory findings can be found in the following sections of UGI Gas Exhibit 1 and UGI Gas Exhibit 2:¹

- (a) FERC Participation (66 Pa. C.S. §§ 1317(a)(1), 1318(a)(1); 52 Pa. Code § 53.64(c)(4)): Prefiling, Section 3
- (b) Supplier Negotiations/Renegotiations (66 Pa. C.S. §§ 1317(a)(2), 1318(a)(2); 52 Pa. Code §§ 53.64(c)(3), (c)(6)): Prefiling, Sections 1, 2 and 5.
- (c) Efforts to Obtain Lower Cost Supplies (66 Pa. C.S. §§ 1317(a)(3), 1318(a)(3); 52 Pa. Code §§ 53.64(c)(1), (c)(3), (c)(6)): Prefiling, Sections 1, 2, and 5.

¹ UGI Gas Exhibit 1 and 2 are fully described in the Joint Stipulation for Admission of Evidence, which is being filed concurrently with the Settlement.

- (d) Withheld Supplies (66 Pa. C.S. §§ 1317(a)(4), 1318(a)(4); 52 Pa. Code § 53.64(c)(6)): Prefiling, Section 5.
- (e) Affiliated Purchases (66 Pa. C.S. §§ 1317(b), 1318(b); 52 Pa. Code § 53.65): Prefiling, Section 13.
- (f) Least Cost Fuel Procurement Policy (66 Pa. C.S. §§ 1317(a), 1318(a); 52 Pa. Code §§ 53.64(c)(1), (c)(3), (c)(6)): Prefiling, Section 1, 2 and 5.
- (g) Calculation of 2020 PGC Rates:
 - i) June 1, 2020, Filing, Schedule A – Computation of Purchased Gas Cost Rate effective December 1, 2020;
 - ii) June 1, 2020, Filing, Schedule B (page 1) – Development of Projected Cost of Gas (C-factor);
 - iii) June 1, 2020, Filing, Schedule B (pages 2-13) – Projected Supply Volumes, Rates, Costs April 2020 through November 2021;
 - iv) June 1, 2020, Filing, Schedule C – Development of Experienced Cost of Gas (E-factor);
 - v) June 1, 2020, Filing, UGI Statement No. 1, Written Direct Testimony of Tracy A. Hazenstab, Principal Analyst – Rates.
- (h) Reliability (66 Pa. C.S. §1317(c)): Prefiling, Section 14, and June 1, 2020, Filing, UGI Statement No. 2, Written Direct Testimony of Angelina M. Borelli, Director – Energy Supply and Planning.

B. PROJECTED PERIOD FINDINGS

20. With respect to the 12-month period beginning December 1, 2020, the period of time during which the proposed rates would be in effect, the Joint Petitioners agree and request the Commission find that UGI Gas has satisfied each of the standards for a least cost procurement policy set forth in Section 1318 of the Public Utility Code, including the standards set forth in Sections 1318(a)(1), 1318(a)(2), 1318(a)(3), 1318(a)(4), 1318(b)(1), 1318(b)(2), and 1318(b)(3), based upon the evidence of record in this proceeding. Nevertheless, it is expressly understood and agreed that such findings, relating to the rates to become effective

December 1, 2020, are made solely for the purpose of setting prospective rates and shall be subject to further review in an appropriate future proceeding. This Section of the Settlement, Section III.B, is not intended to limit or prevent any party from challenging projected gas purchases that actually have been made, including those made during the interim period of April 1, 2020 through November 30, 2020 and future gas purchasing practices that have been implemented, or from reviewing whether these gas purchases and gas purchasing practices have, in fact, complied with the standards of Section 1318, except as provided in Section II above.

21. If in an appropriate future proceeding, gas purchases and gas purchasing practices relating to the period December 1, 2020 through November 30, 2021 are challenged, the Commission's findings made pursuant to Section III.B of this Settlement shall pose no bar to the examination of such purchases and practices including, but not limited to, disallowance of or reductions to, such costs during the one-year period commencing December 1, 2020, except as provided in Section II above.

22. The Joint Petitioners also agree that future examination of the gas costs relating to the period April 1, 2020 through November 30, 2020, to determine whether UGI Gas's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, shall be permitted and that the Commission's adoption of the findings under Section III.B of this Settlement shall not be construed to limit or prevent any disallowance or reduction of such costs, except as provided in Section II above.

IV. GENERAL PROVISIONS

23. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification, addition or

deletion. If the Commission modifies the Settlement or fails to approve, by December 1, 2020, the terms and conditions of this Settlement, then any of the Joint Petitioners may elect to withdraw from this Settlement and may proceed with litigation. In such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying or disapproving the Settlement.

24. If the Commission modifies or does not approve the Settlement and the proceeding continues to hearing on the issues that are the subjects of this Settlement, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing and argument on these subjects.

25. If the ALJ approves this Settlement without modification, the Joint Petitioners waive their rights to file exceptions.

26. Except as otherwise specifically provided in this Settlement, this Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding and is made without any admission against, or prejudice to: (1) any position that any Party may adopt during any subsequent litigation of this proceeding if the Commission disapproves or modifies this Settlement; or (2) any position that any Party may adopt in any other proceeding.

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

28. This Settlement is being presented only in the context of this Section 1307(f) proceeding in an effort to resolve certain outstanding issues in a

manner that is fair and reasonable. Except as otherwise specifically provided in this Settlement, the Settlement reflects compromises on all sides and is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the positions that any of the Joint Petitioners may advance in the future on the merits of the issues.

29. The Joint Petitioners acknowledge and agree that this Settlement shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding with regard to the historic period ended March 31, 2020.

30. This Settlement may be executed in counterparts.

DISCUSSION

Legal Standard

It is the Commission's policy to encourage settlements, which are often preferable to the results of a fully litigated proceeding. 52 Pa.Code §§ 5.231, 69.401.

In order to approve a settlement, the Commission must determine that it is in the public interest. *Pa. Pub. Util. Comm'n v. The York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. Pub. Util. Comm'n v. C S Water and Sewer Assocs.*, 74 Pa. PUC 767 (1991); *Pa. Pub. Util. Comm'n v. Philadelphia Electric Co.*, 6 Pa. PUC 1, 22 (1985). After extensive discovery and negotiations, the parties have signed an agreement that fully resolves all outstanding issues in this proceeding.

In addition to the obvious benefits of avoiding the expense of full litigation, the public interest is met by a determination that the statutory requirements of the Public Utility Code have been met. For the reasons set forth in more detail in the following discussion, approval of the settlement is recommended because this settlement resolves the issues in this case, fairly balances the interests of UGI Gas and its ratepayers, is in the public interest and is

consistent with the requirements of Sections 1307 and 1318 of the Public Utility Code, 66 Pa.C.S. §§ 1307, 1318.

Statutory Requirements

Before the Commission can find that the proposed rates are just and reasonable, the Commission must find that UGI Gas is pursuing a least cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers. To make this determination, the Public Utility Code requires the Commission to make seven specific findings. Four are in Section 1318(a):

(1) The utility has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission.

(2) The utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to the interest of the utility's ratepayers.

(3) The utility has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies.

(4) The utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

66 Pa.C.S.A. § 1318(a)(1)-(4).

Because UGI Gas purchases part of its gas from affiliated interests, Section 1318(b) requires the Commission to make the following additional three findings:

(1) That the utility has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from non-affiliated interests.

(2) That each contract for the purchase of gas from its affiliated interest is consistent with a least cost fuel procurement policy.

(3) That neither the utility nor its affiliated interest has withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

66 Pa.C.S.A. § 1318(b)(1)-(3).

1. Whether UGI Gas has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission. 66 Pa.C.S. § 1308(a)(1).

Section 3 of the Company's pre-filing information, which was admitted into the record via stipulation, contains the Company's response to the Commission regulation at 52 Pa.Code § 53.64(c)(4), indicating that UGI Gas is an active local distribution company before the Federal Energy Regulatory Commission (FERC) in all relevant pipeline regulatory proceedings. Its participation is designed to minimize the purchased gas cost and/or improve the level or quality of service provided to UGI Gas by its interstate pipeline suppliers. A listing of FERC proceedings is included in the pre-filing information at Section 3. UGI Gas states:

Since the FERC has jurisdiction over the pipeline transportation and storage services included in UGI's supply portfolio, UGI is an active local distribution company before the FERC in all relevant pipeline regulatory proceedings.

UGI actively monitors many different FERC proceedings or initiatives either individually or through the American Gas Association. UGI will intervene in, file comments regarding, protest, or otherwise participate in specific pipeline proceedings or FERC initiatives as necessary. This activity is designed to minimize the purchased gas cost and/or improve the level or quality of service provided to UGI by its interstate pipeline suppliers.

No party to this proceeding questioned or otherwise challenged UGI Gas' efforts and activities in representing the interests of its ratepayers in proceedings before FERC. The information submitted by UGI Gas adequately addresses and satisfies this statutory requirement.

2. Whether UGI Gas has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the utility's ratepayers. 66 Pa.C.S. § 1318(a)(2).

The parties agree that UGI Gas has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the utility's ratepayers. Support for this finding is found in Sections 2 and 5 of the pre-filing information. In Sections 2 and 5 respectively, UGI Gas states:

. . . The choice to maintain or terminate a contract is based on the performance of the supplier, price changes, fixed charges, location of the gas, capacity or cost changes on the connecting pipeline, the competitive nature of the commodity provisions, the ability to deliver the gas at pooling receipt points and the supply purchase requirements.

. . . UGI's fuel procurement practices are designed to meet the natural gas capacity requirements of its core market customers, which include Purchase Gas Costs ("PGC") and Choice customers. The Company follows a least cost procurement strategy, which provides secure and reliable capacity and supplies and promotes price stability.

The information submitted by UGI Gas adequately addresses and satisfies this statutory requirement.

3. Whether UGI has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies. 66 Pa.C.S. § 1318(a)(3).

Support for this requirement is found in Sections 1, 2 and 5 of UGI Gas' pre-filing information.

UGI Gas reports as follows:

UGI Gas's fuel procurement practices are designed to meet the natural gas supply and capacity requirements of its core market customers, which include Purchase Gas Cost ("PGC") and Choice customers. The Company follows a least cost procurement strategy, which provides secure and reliable capacity and supplies and promotes price stability.

Pre-filing information, Section 5.

The response is applicable to the 12-month period ended March 31, 2020. UGI Gas implements its least cost procurement strategy while balancing reliability and price stability by managing a portfolio of supplies from a diverse set of sources. During the 12-month historic period, April 2019 through March 2020, UGI Gas purchased its supplies, including those utilized for storage injection, from producers and marketers. The purchases were delivered via firm transportation on Columbia Gas, Dominion, Texas Eastern, Tennessee, Transco, and UGI Storage, direct supply from UGI Energy Services ("UGIES") Supplier A, and Supplier B, local production wells, and peaking facilities directly connected to the distribution system.

Supplies not selected in 2019-2020 do not meet the criteria specified in the following two categories:

- (1) Each month, UGI Gas receives bids from producers and marketers for purchases. Purchases are evaluated using least cost economic dispatch based on the incremental cost of the gas delivered to the city gate via each pipeline route. UGI Gas first buys gas from the lowest cost reliable bidder. If the volume offered at that price is insufficient to meet full requirements or the take away capacity available from that receipt point is insufficient, then the remaining requirements are acquired at the next higher

price. This incremental process continues until all requirements are met.

In making least cost supply decisions, all variable cost components including the cost of gas, the cost of transportation, and fuel costs are figured into the decision. Some judgment is required in these bid acceptances in matters such as transportation availability, delivery flexibility, producer reliability, available credit of the counterparty, and operational requirements. Attachment 2-A-1 is a listing of the transactions for firm purchases including the purchase location, quantity, and cost of gas. The table shows the transactions for the 12-month period ending March 31, 2020, as recorded in the gas management system of UGI Gas. In addition, Attachment 2-A-2 is a summary of all transportation activities scheduled by UGI Gas on the interstate pipelines each month, including the receipt and delivery locations, quantity, and cost of transportation.

Pre-filing information, Section 1.

(2) UGI Gas continually evaluates the market competitiveness of its term contracts. UGI Gas regards term contracts as those having multiple months. The choice to maintain or terminate a contract is based on the performance of the supplier, price changes, fixed charges, location of the gas, capacity or cost changes on the connecting pipeline, the competitive nature of the commodity provisions, the ability to deliver the gas at pooling receipt points and the supply purchase requirements. These contracts are subject to firm deliverability requirements because they supply gas to firm residential and commercial customers with no alternative energy source.

UGI Gas's criteria for firm supply contract selection include, among other measures, competitive prices, prudent price renegotiation provisions, market-out provisions, deliverability warranties or contingencies, and to the extent possible, acceptable creditworthiness assurances and indemnification for liabilities beyond UGI Gas's control.

Pre-filing information, Section 2.

The information submitted by UGI Gas adequately addresses and satisfies this statutory requirement.

4. The utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy. 66 Pa.C.S. § 1318(a)(4).

UGI Gas' evidence regarding this issue appears in Section 5 of the pre-filing information. No party has opposed the information submitted by UGI Gas. This information adequately addresses and satisfies this statutory requirement.

5. Whether the utility has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from non-affiliated interests. 66 Pa.C.S. § 1318(b)(1).

UGI Gas' evidence in support of this finding is set forth in Sections 1, 2 and 5 of the pre-filing information. UGI Gas' claim that it has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from non-affiliated interests in accordance with Section 1318(b)(1) is accepted. The information submitted by UGI Gas adequately addresses and satisfies this statutory requirement.

6. Whether each contract for the purchase of gas from its affiliated interest is consistent with a least cost fuel procurement policy. 66 Pa.C.S. § 1318(b)(2).

This finding requires an examination of UGI Gas' supply arrangements with its affiliated suppliers to determine whether they satisfy its obligation to pursue a least-cost fuel procurement policy consistent with its obligation to provide safe, adequate, and reliable service. The evidence supporting the requirement is contained in Section 13 of the pre-filing information and shows that UGI's contractual relationships with its affiliates are consistent with the standards required by 66 Pa.C.S. § 1318(b)(2). The information submitted by UGI Gas adequately addresses and satisfies this statutory requirement.

7. Whether the utility or its affiliated interest has withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy. 6 Pa.C.S. § 1318(b)(3).

UGI Gas' evidence in support of this finding is set forth in Section 5 of the pre-filing information. There is no evidence indicating that either it or its affiliates have withheld from market any gas supplies that should have been utilized as part of a least cost gas procurement policy and no party has opposed or otherwise challenged the information presented by it. The information submitted by UGI Gas adequately addresses and satisfies this statutory requirement.

UGI Gas has demonstrated that it is pursuing a least cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers. In addition to the statutory requirements above, the following settlement terms have been addressed and agreed upon by the parties.

CAPACITY RESERVE

UGI Gas noted that capacity reserves were a necessary part of its reliability plans for providing continuous, safe and reliable service as required under the Public Utility Code. In order to fulfill its firm peak day requirements, UGI Gas stated that it acquires sufficient gas supply to meet demand, and sufficient pipeline capacity to deliver gas to its customers. (UGI Gas St. 2-R, p. 6). In addition, UGI Gas has contingency plans to address service disruptions (*e.g., force majeure* curtailment events), which depend, in part, on a sufficient amount of reserved capacity that can be called upon as needed. (UGI Gas St. 2-R, p. 6). An inability to deliver firm supply during a *force majeure* event could lead the Company to implement its Gas Emergency Planning process (Rule 21 to UGI Gas Tariff – Pa. P.U.C. No 7) and curtail customer usage. (UGI Gas St. 2-R, p. 6). This is a result that should be avoided and mitigated, to the greatest extent possible, by reserved capacity.

It was also noted that in recent years, the Company has seen an increase in the frequency of *force majeure* incidents on the pipelines supplying the Company's service territory.

(UGI Gas St. 2-R, p. 7). Transcontinental Gas Pipe Line Company, LLC (Transco), Texas Eastern Transmission, L.P. (Texas Eastern), Tennessee Gas Pipeline, L.L.C (Tennessee), and Columbia Pipeline Group, Inc. (Columbia), all issued Operational Flow Orders during the winter period between November 2019 through March 2020. These flow orders lasted a total of 146 days on Transco, 70 days on Texas Eastern and 12 days on both Tennessee and Columbia. (UGI Gas St. 2, p. 10). As noted in the Company's direct case, some of these limitations are ongoing and have extended beyond the winter season. (UGI Gas St. 2, p. 10). Columbia also issued several critical day notices during the 2019-2020 winter, which limited the Company's operational flexibility. (UGI Gas St. 2, p. 10). During each of the last four years, UGI Gas experienced *force majeure* events with the potential to curtail primary firm capacity from 13,000 dth to 72,000 dth per day. (UGI Gas St. 2-R, p. 7). UGI Gas was able to continue providing service to its customers during these events by scheduling sufficient deliveries to its city gates through contracts for sufficient primary firm capacity and capacity reserves on each pipeline to meet the peak day demand requirements of its Core Market customers. (UGI Gas St. 2, p. 10). With the Company's current capacity and reserves, a significant disruption on an interstate pipeline during winter conditions would likely require UGI Gas to curtail service. However, to continue meeting its delivery obligations in the face of increasing *force majeure* events on interstate pipelines, UGI Gas proposed in its direct case to increase its capacity reserve margin from 2.5% to 5%. (UGI Gas St. 2, p. 10).

OCA's witness, Mr. Mierzwa, initially challenged the Company's proposal to increase its capacity reserve margin from 2.5% to 5% in his direct testimony. (OCA Statement No 1). Mr. Mierzwa opined that additional capacity was not needed to meet UGI Gas's obligations to provide safe and reliable service during *force majeure* events and/or peak conditions (OCA St. 1, pp 8-9). Mr. Mierzwa compared UGI Gas to PECO Energy Company (PECO) and Philadelphia Gas Works (PGW). He noted that PECO and PGW were "similarly situated" and "in close proximity to UGI and are both primarily served by Texas Eastern and Transco." (OCA St. 1, pp. 8-9).

UGI Gas explained in rebuttal testimony that *force majeure* events can limit the amount of operational capacity available for pipelines to make natural gas supply deliveries.

Specifically, pipelines rank nominations according to priority, with the lowest priority being assigned to interruptible nominations, followed by secondary, and lastly primary firm deliveries. (UGI Gas St. 2-R, p. 8). When a pipeline has insufficient capacity to facilitate all nominated volumes, the pipeline will reduce nominations from lowest priority to highest. (UGI Gas St. 2-R, p. 8). After all interruptible and secondary nominations are reduced to zero, and where the pipeline is still oversubscribed based on the reduced operating capacity, the pipeline will then make reductions to primary firm capacity on a pro-rata basis. (UGI Gas St. 2-R, p. 8). Capacity reserves enable UGI Gas to receive a larger allocation of the operationally available capacity on a pipeline during a *force majeure* event, which limits the Company's risk of a financial penalty (for deliveries consumed in excess of scheduled quantities) and in severe instances avoids physical curtailment of service to customers. (UGI Gas St. 2-R, p. 8). Having a larger amount of primary firm capacity during a *force majeure* event will significantly enhance the Company's ability to serve discrete and constrained portions of the distribution system that lack redundancy. (UGI Gas St. 2-R, p. 8). The large geographic footprint of UGI Gas, the lack of interconnections and redundancy, and the significant impacts of recent *force majeure* events on the Company all distinguish UGI Gas from PGW and PECO. (UGI Gas St. 2-R, p. 14).

UGI Gas also disclosed in rebuttal testimony that during the pendency of this proceeding, it received notice of another *force majeure* event that will impact capacity on the Texas Eastern interstate pipeline. This restriction will be more severe with the potential for a higher-level of reductions to primary firm capacity than prior events. (UGI Gas St. 2-R, p. 7). In conjunction with this latest *force majeure* event, the Company noted that capacity providing access to supply sources for UGI Gas (beyond the reserve sought in this proceeding) is not currently available without the construction of an expansion project. (UGI Gas St. 2-R, p. 7). A winter-occurring *force majeure* event would not provide UGI Gas with the time needed to go out into the market and obtain capacity and flow gas to meet ongoing demand. (UGI Gas St. 2-R, p. 11). Further, the Company operates in various capacity constrained areas where there are few supply/delivery options available in the market. (UGI Gas St. 2-R, p. 11). The Company has seen this to be the case as it typically has few respondents to its Request for Proposals (RFPs) and has acquired much of the capacity that was made available in prior bid responses. (UGI Gas St. 2-R, p. 12). Accordingly, a winter-occurring *force majeure* event would make it even more

difficult to obtain capacity on an urgent basis, as the Company would be competing with other shippers for little, if any, available amounts of capacity, and the cost would likely be higher under emergency circumstances. (UGI Gas St. 2-R, p. 12).

UGI Gas has indicated that to address this issue the parties have agreed that due to the increased frequency of pipeline incidents and the significant risk associated with such incidents, UGI Gas will be permitted to increase its capacity reserves for its PGC and Retail Choice customer markets from 2.5% to 5%, in advance of the upcoming winter (2020-2021). OCA agrees that this will provide the Company with additional flexibility to provide safe and reliable delivery of natural gas supplies to its customers. (Settlement ¶ 13).

OCA acknowledged Mr. Mierzwa's initial concern with the Company's proposal to increase its capacity reserves for its PGC and Retail Choice customer markets from 2.5% to 5% in advance of the upcoming winter (2020-2021). However, when the Company provided evidence of new, additional pipeline disruptions that would have an impact on UGI's operations, OCA agreed that the requested increase from 2.5% to 5% is in the public interest. (UGI St. No. 2-R at 5-8).

Likewise, I&E agreed given the increased frequency of pipeline incidents and the significant risk associated with such incidents, the Company would be permitted to increase its capacity reserves for its PGC and Retail Choice customer markets from 2.5% to 5%, in advance of the upcoming winter (2020-2021). I&E acknowledged that these increased reserves will provide the Company with additional flexibility to ensure the safe and reliable delivery of natural gas supplies to its customers. I&E did not submit testimony regarding the merits of the agreed upon capacity reserve increase; however, I&E stated that its technical staff had analyzed both the claims made by the Company and the testimony of OCA witness Mierzwa and it supports the settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

Given the increased frequency of pipeline incidents, and the significant risk associated with such incidents, it is agreed that an increase in capacity reserves for PGC and Retail Choice customer markets from 2.5% to 5% will provide UGI Gas with the additional flexibility to ensure the safe and reliable delivery of natural gas supplies to its customers in advance of the upcoming winter (2020-2021). The ability of UGI Gas to ensure the safe and reliable delivery of natural gas supplies to its customers in advance of the upcoming winter is clearly in the public interest and these settlement provisions are therefore reasonable.

WEIGHTED AVERAGE COST OF DEMAND (WACOD) MODIFICATIONS

UGI Gas acknowledged that in OCA's direct testimony, Mr. Mierzwa argued that UGI Gas's WACOD should be adjusted to reflect the capacity reserve margin, whether it is at 2.5% or 5%, so that firm transportation customers are responsible for a proportionate share of the incremental costs associated with the capacity reserve margin. (OCA St. 1, pp 9-11). In the Company's rebuttal, UGI Gas noted that the increased capacity reserves would not result in a significant impact to customer bills, at an estimated additional cost of \$0.47 per customer bill per month. (UGI Gas St. 2-R, p. 15). As a result, the Company considered the additional reserves to have a low-cost impact for customers, while providing significant reliability benefits, particularly in light of the increasing number of *force majeure* events. (UGI Gas St. 2-R, p. 15).

The Company stated that to resolve the OCA's cost allocation concern, and in light of the agreement described previously to expand UGI Gas's capacity reserve margin, the parties had agreed that UGI Gas will modify its WACOD calculation so that Retail Choice customers bear a proportionate share of the capacity reserve margin costs. The Company will include the full 5% capacity reserve in the WACOD calculation for Choice transportation customers and their suppliers and collect their share of the capacity costs through the WACOD charged to those Retail Choice suppliers. (Settlement ¶ 14).

OCA acknowledged that as a result of settlement discussions regarding distribution of capacity reserve margin costs across customers classes, the Company had agreed to include the full 5% capacity reserve in the WACOD calculation for Choice transportation

customers and their suppliers and collect their share of the capacity costs through the WACOD charged to those Retail Choice suppliers effective December 1, 2020. (Settlement ¶ 14). This addressed OCA's concerns by ensuring that capacity reserve margin costs are distributed appropriately and OCA submitted that this resolution was reasonable and in the public interest.

I&E again noted that it did not submit testimony regarding the merits of the agreed upon WACOD calculation modification but its technical staff did analyze the proposal made by OCA witness Mierzwa. I&E supports the settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

The Joint Petitioners have agreed that UGI Gas will modify its WACOD calculation so that Retail Choice customers bear a proportionate share of the capacity reserve margin costs. The Company will include the full 5% capacity reserve in the WACOD calculation for Choice transportation customers and their suppliers and collect their share of the capacity costs through the WACOD charged to those Retail Choice suppliers effective December 1, 2020. This settlement term is in this public interest because Retail Choice customers may be served using the additional capacity secured through the increased capacity reserve margin. Therefore, it is appropriate for them to contribute to the cost of obtaining the additional capacity.

DESIGN DAY

UGI Gas indicated that based upon its direct testimony and the proposal to increase the capacity reserve margin, it identified that it projected a firm peak-day demand and reserve requirement of 2.02 BCF. (UGI Gas St. 2, p. 17). This peak-day demand reflected 1.97 BCF of design-cold firm requirements and 0.05 BCF of capacity reserve requirements. (UGI Gas St. 2, p. 17). The Company's methodology for developing the firm peak-day demand, and its associated capacity needs, is fully described in UGI Gas St. 2, pages 17 through 19.

UGI Gas argued that in light of the settlement terms previously discussed which adopted the Company's proposal to increase the capacity reserve margin to 5%, the Joint Petitioners had agreed that UGI Gas will be permitted to use a design day figure of 2.02 BCF, which includes 1.137 BCF of design cold firm requirements and 0.054 BCF of capacity reserves for the Company's firm core market needs (PGC and Choice Customer markets). (Settlement ¶ 15). It was further argued that this settlement term was necessary to quantify the impact of the proposal to increase the Company's capacity reserve margin by 2.5%.

OSBA indicated that it had conducted an independent evaluation of design day demand levels, based on statistical analysis of load data. It found in general that the Company's proposed design day demand levels were reasonably consistent with its own analysis. OSBA therefore accepted the design day forecast of UGI without affirmatively endorsing the Company's methodology.

I&E did not submit testimony regarding the merits of the agreed upon design day figures. I&E technical staff again analyzed the Company's proposal and supporting testimony. I&E submitted that after a full and complete review of the testimony and exhibits I&E supported this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

The Joint Petitioners have agreed that UGI Gas will be permitted to use a design day figure of 2.02 BCF, which includes 1.137 BCF of design cold firm requirements and 0.054 BCF of capacity reserves for the Company's firm core market needs (PGC and Choice Customer markets). This increase is in the public interest as it provides the Company with additional capacity to respond to customer needs on peak winter days and in the face of *force majeure* events.

AWARD OF APRIL 2020 REQUEST FOR PROPOSAL (RFP)²

UGI Gas noted that as part of its direct case, it had anticipated a 44,816 dth shortfall in its peak-day capacity for the winter of 2020-2021. To address this shortfall, the Company issued an RFP seeking delivered service into UGI Gas that would provide it with the option to call upon the service from zero up to the maximum daily quantity of: a) 41,633 dth per day on Transco;³ and b) up to 3,813 dth per day on Tennessee. (UGI Gas St. 2, p. 31). On April 30, 2020, the Company issued the RFP, and received responses from two suppliers on each of the two interstate pipelines. (UGI Gas St. 2, p. 33). For Transco, UGI Gas received a bid from UGI Energy Services, LLC (UGIES) that met all of the criteria for the bid and consolidated three of the Company's existing service agreements with UGIES at an overall significantly reduced price. The details of this proposal are fully described in UGI Gas St. 2, pages 33 through 36. For the responses UGI Gas received from Tennessee, one of the two responses did not provide a primary firm delivery point, and the other was offered at a higher price than capacity that was otherwise directly available from Tennessee. (UGI Gas St. 2, p. 33).

Based on the results of the RFP, UGI Gas indicated that the parties had agreed that it will acquire 3,813 dth of capacity from Tennessee Gas Pipeline, and will accept the offer from UGIES that provides 38,469 dth of capacity and consolidates the new service with the Company's three existing UGIES agreements. (Settlement ¶ 16). It was further indicated that the Joint Petitioners had agreed that this was consistent with the Company's primary firm requirements and least-cost fuel procurement obligations. (Settlement ¶ 16).

None of the other parties submitted testimony regarding the merits of the awarding of the April 2020 RFP. I&E technical staff analyzed the Company's proposal and supporting testimony. After a full and complete review, I&E supported this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue, all of

² The settlement includes three additional provisions that OCA did not address in testimony: Design Day, Award of April 2020 Request for Proposal (RFP) and Peaking Contract RFP Modifications. Settlement ¶¶ 15-17. The OCA indicated that it did not address these issues as it found these provisions to be reasonable.

³ During the settlement discussions, UGI Gas discovered that the 41,633 dth included an error in the calculation of the necessary capacity. As a result, the Settlement includes the corrected total of 38,469 dth.

which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest. The Joint Petitioners have agreed that, consistent with the Company's primary firm requirements and least-cost fuel procurement obligations, UGI Gas will acquire 3,813 dth of capacity from Tennessee Gas Pipeline and accept the offer from UGI Energy Services, LLC that provides 38,469 dth of capacity and consolidates the new service with the Company's three existing agreements PNG-CO-1006, PNG-CO-1007, and PNG-CO-1009 (referenced at pages 31 to 35 of UGI Statement No. 2, the Direct Testimony of Angelina M. Borelli). This settlement provision is consistent with the Company's primary firm requirements and least-cost fuel procurement obligations and is therefore in the public interest and should be approved.

Peaking Contract RFP Modifications

The Company noted that it holds a portfolio of supply assets in order to meet the design-cold firm requirements of its core market customers. Included in the portfolio are a number of peaking service contracts which allow the Company to call on firm supplies for a specific number of days during the winter heating period. The annual reservation charge for the majority of these services is paid in equal installments over the service period (*i.e.*, the winter period in which UGI Gas may call upon these supplies, or November through March). (UGI Gas St. No. 2-R p. 2). In UGI Gas's 2018 and 2019 PGC proceedings, and as part of comprehensive settlements, the Company agreed to modify its peaking service RFPs to request payment terms of: 1) November through March; and 2) December through March. The Company complied with this condition. (UGI Gas St. No. 2-R pp. 2-3).

I&E witness Christopher Keller argued that the Company should continue to seek revised payment schedules for its peaking service contracts to remove November payments. (I&E St. No. 1, p. 7). According to Mr. Keller, the Company's usage data for November shows that the usage levels are too low to justify peaking services that extend to the month of November. (I&E St. No. 1, p. 7). Mr. Keller argued that a payment for peak winter usage coverage in November is not appropriate because it results in an under-collection, which must eventually be recovered in the E-factor with associated interest due from ratepayers. (I&E St.

No. 1, p. 7). Therefore, Mr. Keller recommended removing the November payment for peaking service contracts. (I&E St. No. 1, p. 7).

In response to I&E's position, as well as the Company's recent experience with the 2019 RFP,⁴ the Company supported using the same peaking RFP process that was agreed upon in the 2018 and 2019 PGC settlements for any RFPs the Company may issue on a prospective basis. (UGI Gas St. No. 2-R, p. 4). The settlement provides that the Company will continue to use the RFP format agreed to in the 2019 PGC Settlement at Docket No. R-2019-3009647 on a prospective basis. (Settlement ¶ 17). The Company's bid form will request, at a minimum, that suppliers provide bids based on (a) payment terms that exclude a November payment and (b) payment terms that include a November payment. (Settlement ¶ 17). The Company will evaluate RFP responses in a manner, which is inclusive of projected PGC over/under collection and PGC interest impacts with regard to fixed charges in live Excel format. (Settlement ¶ 17). UGI Gas will make the RFP responses available in future PGC proceedings to the statutory parties. (Settlement ¶ 17).

UGI Gas argues that the settlement will enable the Company to fully evaluate the pricing impact of excluding and including the November payment in peaking service contracts (on a going forward basis), and allow it to select the contract that provides the best terms for customers. Specifically, as 2019 was the first year where the Company received a bid that included a four-month term, UGI Gas felt it was important to continue to request bids for both the four-month period and the five-month period in pursuit of least cost procurement opportunities. (UGI Gas St. No. 2-R, p. 4). If the Company were to only request four-month payment options, it argued that it would be unable to properly evaluate any cost differences, or price premiums that bidders may include in their proposals (due to delaying payment for services provided in November, with payments for those service only beginning in December). (UGI Gas St. No. 2-R, pp. 4-5). In this way, the Company asserts the methodology reflected in the settlement will provide the Company with the most comprehensive information and options so

⁴ 2019 was the first year that UGI Gas received any responses that included 4-month terms. However, UGI Gas did not select the RFP with the 4-month term, because it was not the least cost option. (UGI Gas St. 2-R, p. 4).

that the Company may select the least cost option consistent with its obligations under the Public Utility Code.

I&E submitted extensive testimony regarding the payment terms specified in UGI's RFP's.⁵ I&E continues to recommend that the Company alter future peaking contract payment schedules to eliminate payments in November and revise the payment schedule to a shorter four-month schedule (December through March) to more appropriately match gas costs and revenues and to reduce the large under collection in the final month of the PGC year.⁶ Nevertheless, I&E indicated that it supports this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue and that the settlement term represents a continuation of the format agreed to in the 2019 UGI Gas PGC settlement.

The Joint Petitioners agree that the Company will continue to use the RFPs format as agreed to in the 2019 PGC Settlement at Docket No. R-2019-3009647 on a prospective basis. The Company's bid form will request, at a minimum, that suppliers provide bids based on (a) payment terms that exclude a November payment and (b) payment terms that include a November payment. The Company will evaluate RFP responses in a manner, which is inclusive of projected PGC over/under collection and PGC interest impacts with regard to fixed charges in live Excel format. The Company will make the RFP responses available in future PGC proceedings to the statutory parties. The agreed upon settlement terms reflect the amicable agreement of the parties, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

Statements in Support

All of the parties indicated their support for the terms of the settlement which has been reached in this matter and agreed that the settlement satisfies the public interest requirement.

⁵ See I&E St. No. 1, pp. 5-9; I&E St, No. 1-SR, pp. 2-8.

⁶ See I&E St. No. 1, p. 9; I&E St, No. 1-SR, p. 8.

UGI Gas noted that the settlement was achieved only after considerable investigation of the Company's gas procurement practices, through both discovery and submission of testimony by a number of parties, and if approved, will reduce the amount of expense and effort required to bring this matter to a conclusion, including preparation for and participation in hearings, preparation of briefs, reply briefs, exceptions, and replies to exceptions. UGI Gas asserts that each of the terms set forth in the settlement resolves a dispute fairly and without the expense and uncertainty associated with litigation.

OCA indicated that the settlement terms had satisfactorily addressed the issues it had raised during this proceeding and that the terms and conditions of the settlement were in the public interest.

OSBA indicated in its statement in support that although it did not serve testimony in this proceeding, it had conducted a review of a number of issues affecting small business customers and determined that its analysis did not justify submission of testimony in this proceeding, but may merit attention in future proceedings. OSBA, however, supported the settlement and requested approval of it in its entirety.

I&E represented that all issues raised in testimony have been satisfactorily resolved through discovery and negotiations with the Company or are incorporated or considered in the resolution proposed in the settlement. I&E argued that the settlement exemplifies the benefits to be derived from a negotiated approach and that the parties have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this settlement. I&E also argued that any further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the settlement was not necessary as the settlement maintains the proper balance of the interests of all parties. I&E indicated that it was satisfied that no further action is necessary and considers its investigation of this Section 1307(f) filing complete.

Conclusion

All of the parties fully support the settlement and request that the Commission approve the settlement without modification. For all the reasons set forth above, it is concluded that the settlement is in the public interest and the proposed rates under the stipulation are just and reasonable because the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers. Therefore, this decision recommends that the Commission approve the Joint Petition for Settlement of Section 1307(f) Rate Investigation without modification.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties to and subject matter of this proceeding. 66 Pa.C.S. §§ 1307(f), 1317-18 and 501 *et seq.*

2. To determine whether a settlement should be approved, the Commission must decide whether the settlement promotes the public interest. *Pa. Pub. Util. Comm'n v. York Co.*, Docket No. R-00049165 (Opinion and Order entered October 4, 2004); *Pa. Pub. Util. Comm'n v. C S Water and Sewer Assoc.*, 74 Pa. PUC 767 (1991).

3. UGI Utilities, Inc. – Gas Division has met the requirements of Section 1318 of the Public Utility Code by pursuing a least cost fuel procurement policy, consistent with its obligations to provide safe, adequate and reliable service to their customers. 66 Pa.C.S. § 1318.

4. UGI Utilities, Inc. – Gas Division's rates for purchased gas costs, as the parties have agreed upon in this proceeding, during the relevant time period are just and reasonable and in compliance with 66 Pa.C.S. § 1318.

5. UGI Utilities, Inc. – Gas Division has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission and

other relevant non-PUC proceedings during the relevant time period in compliance with 66 Pa.C.S. § 1318(a)(1).

6. UGI Utilities, Inc. – Gas Division has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with their gas suppliers which are or may be adverse to the interests of the utility’s ratepayers in compliance with 66 Pa.C.S. § 1318(a)(2).

7. UGI Utilities, Inc. – Gas Division has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies in compliance with 66 Pa.C.S. § 1318(a)(3).

8. UGI Utilities, Inc. – Gas Division has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa.C.S. § 1318(a)(4).

9. UGI Utilities, Inc. – Gas Division has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests in compliance with 66 Pa.C.S. § 1318(b)(1).

10. UGI Utilities, Inc. – Gas Division has demonstrated that each contract for the purchase of gas from its affiliated interest is consistent with a least cost fuel procurement policy in compliance with 66 Pa.C.S. § 1318(b)(2).

11. Neither UGI Utilities, Inc. – Gas Division nor its affiliated interests have withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa.C.S. § 1318(b)(3).

12. The joint stipulation of settlement of the Section 1307(f) rate investigation is in the public interest.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the following documents be admitted into the record as set forth in the stipulation for admission of evidence filed August 26, 2020 (subsections and paragraph numbers are listed as they appear in the original settlement filed with the Commission):

I. Testimony and Exhibits of UGI Gas

14. UGI Gas Exhibit 1: Book 1, filed on May 1, 2020, containing the information submitted pursuant to 52 Pa. Code §§ 53.64(c) and 53.65 of the Commission's regulations and 66 Pa. C.S. 1317(c) in support of 66 Pa. C.S. § 1307(f) Purchased Gas Costs for 2020 for UGI Gas.

15. UGI Gas Exhibit 2: Book 2, filed on June 1, 2020, containing the computation of annual purchased gas cost filing submitted pursuant to 52 Pa. Code §§ 53.61, et. seq., of the Commission's regulations and 66 Pa. C.S. § 1317(c) in support of 66 Pa. C.S. § 1307(f) Purchased Gas Costs for 2020 for UGI Gas. Book 2 includes the following direct testimony and exhibits:

- UGI Gas Statement No. 1 – Direct Testimony of Tracy A. Hazenstab.
- UGI Gas Statement No. 2 – Direct Testimony of Angelina M. Borelli, including UGI Gas Exhibits AMB-1 through AMB-14. Exhibits AMB-2, AMB-3, AMB-4, AMB-6, AMB-7, AMB-8, and AMB-10 are Confidential.

16. UGI Gas Statement No. 1-R – Rebuttal Testimony of Tracy A. Hazenstab.

17. UGI Gas Statement No. 2-R – Rebuttal Testimony of Angelina M. Borelli, including UGI Gas Exhibits AMB-1R through AMB-5R.

II. Testimony and Exhibits of I&E

18. I&E Statement No. 1 – Non-Confidential and Highly Confidential Direct Testimony of Christopher Keller, including Highly Confidential I&E Exhibit No. 1, and Appendix A.

19. I&E Statement No. 1-SR – Surrebuttal Testimony of Christopher Keller, including I&E Exhibit No. 1-SR.

III. Testimony and Exhibits of OCA

20. OCA Statement No. 1 – Direct Testimony of Jerome D. Mierzwa, including OCA Schedule JDM-1, and a signed verification.

2. That the Joint Petition for Settlement of Section 1307(f) Rate Investigation submitted by UGI Utilities, Inc. – Gas Division, the Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate at Docket No. R-2020-3019680 be approved without modification.

3. That on not less than one day’s notice of the final Commission order approving the settlement, UGI Utilities, Inc. – Gas Division shall file tariff supplements implementing rates consistent with the proposed rates contained in the settlement, as modified to reflect updates and tariff modifications traditionally performed as part of UGI Utilities, Inc. – Gas Division 's December 1st PGC compliance filings, to become effective on and after December 1, 2020.

