
Garrett P. Lent

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File #: 192362

June 24, 2022

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division
Docket Nos. R-2021-3030218, et al.**

Dear Secretary Chiavetta:

On behalf of UGI Utilities, Inc. – Gas Division, please find attached for filing the Joint Petition for Approval of Settlement of All Issues (“Settlement”) in the above-referenced proceeding. Accompanying the Settlement are the following appendices:

- Appendix A – *Pro Forma* Tariff
- Appendix B – Proof of Revenue
- Appendix C – Proposed Findings of Fact
- Appendix D – Proposed Conclusions of Law
- Appendix E – Proposed Ordering Paragraphs
- Appendix F – Statement in Support of UGI Utilities, Inc. – Gas Division
- Appendix G – Statement in Support of the Bureau of Investigation and Enforcement
- Appendix H – Statement in Support of the Office of Consumer Advocate
- Appendix I – Statement in Support of the Office of Small Business Advocate
- Appendix J – Statement in Support of the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania
- Appendix K – Statement in Support of the Commission on Economic Opportunity
- Appendix L – Statement in Support of NRG Energy, Inc.

Word versions of each party’s Statement in Support will be forwarded to the ALJs by each party. Copies of the Joint Petition for Settlement will be provided per the Certificate of Service.

Rosemary Chiavetta, Secretary
June 24, 2022
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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Garrett P. Lent". The signature is written in a cursive style with a large initial 'G' and a long horizontal stroke at the end.

Garrett P. Lent

GPL/kl
Attachments

cc: Honorable Joel H. Cheskis (*via email; w/att.*)
Honorable Gail M. Chiodo (*via email; w/att.*)
Certificate of Service

CERTIFICATE OF SERVICE

(Docket Nos. R-2021-3030218, et al.)

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL

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VIA FIRST-CLASS MAIL

Sam Galdieri
1162 Division Street
Scranton, PA 18504-2573

Date: June 24, 2022


Garrett P. Lent

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2021-3030218
Office of Consumer Advocate	:	C-2022-3030735
Office of Small Business Advocate	:	C-2022-3030983
Paula Mercuri	:	C-2022-3030898
Francis Riviello	:	C-2022-3031238
Paul Forlennza	:	C-2022-3031285
Elisabeth Lynch	:	C-2022-3031232
Joseph Sohn	:	C-2022-3031476
Annette Miraglia	:	C-2022-3031819
Sam Galdieri	:	C-2022-3031822
	:	
	:	
v.	:	
	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES

TO THE ADMINISTRATIVE LAW JUDGES JOEL H. CHESKIS AND GAIL M. CHIODO:

I. INTRODUCTION

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission on Economic Opportunity (“CEO”), and NRG Energy, Inc. (“NRG”) (collectively, “Joint Petitioners”),¹ hereby file this Joint Petition for Approval of Settlement of All Issues (“Settlement”) and respectfully request that Deputy Chief Administrative Law Judge Joel H. Cheskis (“ALJ Cheskis”) and Administrative Law Judge Gail

¹ Seven individuals filed *pro se* formal complaints opposing the proposed rate increase. None of these complainants were active parties in this proceeding. A complete copy of this Settlement is being served on all formal complainants.

M. Chiodo (“ALJ Chiodo”) (collectively, “ALJs”) and the Pennsylvania Public Utility Commission (“Commission”) approve UGI Gas’s above-captioned distribution base rate increase filing subject to the terms and conditions of the Settlement.

This Settlement represents a full settlement of all issues and concerns raised in the instant proceeding. The Settlement provides for increases in rates, as set forth in the *pro forma* tariff supplement attached hereto as **Appendix A** and the proof of revenues attached hereto as **Appendix B**, designed to produce a net increase in annual distribution operating revenues of \$49.45 million,² based upon a Fully Projected Future Test Year (“FPFTY”) ending September 30, 2023. Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs are provided as **Appendices C-E**, respectively.

In support of the Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. This proceeding was initiated on January 28, 2022, when UGI Gas filed Supplement No. 32 to Gas Tariff PA. P.U.C. Nos. 7 and 7S (“Supplement No. 32”) with the Pennsylvania Public Utility Commission (“Commission”). Supplement No. 32 was issued to be effective for service rendered on or after March 29, 2022. It proposed changes to UGI Gas’s base retail distribution rates designed to produce an increase in revenues of approximately \$82.7 million, based upon data for an FPFTY ending September 30, 2023 (“2022 Gas Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change.

2. On February 3, 2022, OCA filed a Notice of Appearance, Public Statement, and Formal Complaint in the 2022 Gas Base Rate Case, which was docketed at Docket No. C-2022-

² See paragraph 36 *infra*, which explains that the increase will be achieved in two steps.

3030735. Also on February 23, 2022, I&E filed its Notice of Appearance in the 2022 Gas Base Rate Case.

3. On February 15, 2022, UGI Gas was served with a Formal Complaint filed by Paula Mercuri, which was docketed at Docket No. C-2022-3030898.

4. On February 16, 2022, CAUSE-PA filed a Petition to Intervene and Answer.

5. On February 17, 2022, OSBA filed a Notice of Appearance, Public Statement, Verification, and Formal Complaint in the 2022 Gas Base Rate Case, which was docketed at Docket No. C-2022-3030983.

6. On February 23, 2022, CEO filed a Petition to Intervene in this proceeding.

7. On February 24, 2022, the Commission issued an Order Suspending Supplement No. 32 by operation of law until October 29, 2022.

8. Also on February 24, 2022, the Commission issued a Prehearing Conference Notice and a Prehearing Conference Order, which: (1) scheduled a telephonic prehearing conference for March 2, 2022, at 10:00 AM before the ALJs; and (2) directed the parties to file Prehearing Conference Memoranda on or before March 1, 2022.

9. On March 1, 2022, NRG filed a Petition to Intervene.

10. A telephonic prehearing conference was held on March 2, 2022.

11. On March 3, 2022, the ALJs issued a Scheduling Order.

12. Also on March 3, 2022, the Commission issued a Notice scheduling telephonic evidentiary hearings for June 2 and 3, 2022, before the ALJs.

13. Also on March 3, 2022, UGI Gas was served with a Formal Complaint related to the 2022 Gas Base Rate Case filed by Elisabeth Lynch, which was docketed at Docket No. C-2022-3031232.

14. On March 4, 2022, UGI Gas was served with a Formal Complaint related to the 2022 Gas Base Rate Case filed by Francis Riviello, which was docketed at Docket No. C-2022-3031238.

15. On March 7, 2022, UGI Gas was served with a Formal Complaint related to the 2022 Gas Base Rate Case filed by Paul Forlenza, which was docketed at Docket No. C-2022-3031285.

16. On March 18, 2022, UGI Gas was served with a Formal Complaint related to the 2022 Gas Base Rate Case filed by Joseph Sohn, which was docketed at Docket No. C-2022-3031476.

17. On April 11, 2022, UGI Gas was served with a Formal Complaint related to the 2022 Gas Base Rate Case filed by Annette Miraglia, which was docketed at Docket No. C-2022-3031819.

18. Also on April 11, 2022, UGI Gas was served with a Formal Complaint related to the 2022 Gas Base Rate Case filed by Sam Galdieri, which was docketed at Docket No. C-2022-3031822.

19. On April 13, 2022, two telephonic public input hearings were held.

20. On April 15, 2022, a Motion for Protective Order was filed.

21. In accordance with the procedural schedule, I&E, OCA, OSBA, CAUSE-PA, CEO, and NRG submitted the following written direct testimony, including associated exhibits, on April 20, 2022:

- (a) I&E: I&E Statement No. 1, Direct Testimony of Zachari Walker; I&E Statement No. 2, Direct Testimony of Anthony Spadaccio; I&E Statement No. 3, Direct Testimony of Brian J. LaTorre; I&E Statement No. 4, Direct Testimony of Ethan H. Cline; I&E Statement No. 5, Direct Testimony of Esysan A. Sakaya; and I&E Statement No. 6, Direct Testimony of Jessalynn Heydenreich.

- (b) OCA: OCA Statement No. 1, Direct Testimony of Dante Mugrace; OCA Statement No. 2, Direct Testimony of David J. Garrett; OCA Statement No. 3, Direct Testimony of Jerome D. Mierzwa; and OCA Statement No. 4, Direct Testimony of Roger D. Colton.
- (c) OSBA: OSBA Statement No. 1, Direct Testimony of Robert D. Knecht.
- (d) CAUSE-PA: CAUSE-PA Statement No. 1, Direct Testimony of Harry S. Geller.
- (e) CEO: CEO Statement No. 1, Direct Testimony of Eugene M. Brady.
- (f) NRG: NRG Statement No. 1, Direct Testimony of Christopher Reyes.

22. On May 17, 2022, UGI Gas, I&E, OCA, OSBA, and CAUSE-PA submitted the following written rebuttal testimony, including associated exhibits:

- (a) UGI Gas: UGI Gas Statement No. 1-R, Rebuttal Testimony of Christopher R. Brown; UGI Gas Statement No. 2-R, Rebuttal Testimony of Tracy A. Hazenstab; UGI Gas Statement No. 3-R, Rebuttal Testimony of Vivian K. Ressler; UGI Gas Statement No. 5-R, Rebuttal Testimony of Vicky A. Schappell; UGI Gas Statement No. 6-R, Rebuttal Testimony of Paul R. Moul; UGI Gas Statement No. 8-R, Rebuttal Testimony of Sherry A. Epler; UGI Gas Statement No. 9-R, Rebuttal Testimony of Timothy J. Angstadt; UGI Gas Statement No. 10-R, Rebuttal Testimony of Constance E. Heppenstall; UGI Gas Statement No. 11-R, Rebuttal Testimony of John D. Taylor; and UGI Gas Statement No. 12-R, Rebuttal Testimony of Daniel V. Adamo.
- (b) I&E: I&E Statement No. 1-R, Rebuttal Testimony of Zachari Walker.
- (c) OCA: OCA Statement No. 2R, Rebuttal Testimony of David J. Garrett; OCA Statement No. 3R, Rebuttal Testimony of Jerome D. Mierzwa; and OCA Statement No. 4R, Rebuttal Testimony of Roger D. Colton.
- (d) OSBA: OSBA Statement No. 1-R, Rebuttal Testimony of Robert D. Knecht.
- (e) CAUSE-PA: CAUSE-PA Statement No. 1-R, Rebuttal Testimony of Harry S. Geller.

23. On May 19, 2022, an Amended Motion for Protective Order was filed.

24. On May 24, 2022, the ALJs issued an Order Granting the Amended Motion for Protective Order.

25. On May 27, 2022, UGI Gas, I&E, OCA, OSBA, CAUSE-PA, and NRG submitted the following written surrebuttal testimony, including associated exhibits:

- (a) UGI Gas: UGI Gas Statement No. 1-SR, Surrebuttal Testimony of Christopher R. Brown.
- (b) I&E: I&E Statement No. 1-SR, Surrebuttal Testimony of Zachari Walker; I&E Statement No. 2-SR, Surrebuttal Testimony of Anthony Spadaccio; I&E Statement No. 3-SR, Surrebuttal Testimony of Brian J. LaTorre; I&E Statement No. 4-SR, Surrebuttal Testimony of Ethan H. Cline; I&E Statement No. 5-SR, Surrebuttal Testimony of Esyan A. Sakaya; and I&E Statement No. 6-SR, Surrebuttal Testimony of Jessalynn Heydenreich.
- (c) OCA: OCA Statement No. 1SR, Surrebuttal Testimony of Dante Mugrace; OCA Statement No. 2SR, Surrebuttal Testimony of David J. Garrett; OCA Statement No. 3SR, Surrebuttal Testimony of Jerome D. Mierzwa; and OCA Statement No. 4SR, Surrebuttal Testimony of Roger D. Colton.
- (d) OSBA: OSBA Statement No. 1-SR, Surrebuttal Testimony of Robert D. Knecht.
- (e) CAUSE-PA: CAUSE-PA Statement No. 1-SR, Surrebuttal Testimony of Harry S. Geller.
- (f) NRG: NRG Statement No. 1-SR, Surrebuttal Testimony of Christopher Reyes.

26. On June 1, 2022, UGI Gas submitted the following written rejoinder testimony, including associated exhibits.

- (a) UGI Gas: UGI Gas Statement No. 1-RJ, Rejoinder Testimony of Christopher R. Brown; UGI Gas Statement No. 2-RJ, Rejoinder Testimony of Tracy A. Hazenstab; UGI Gas Statement No. 3-RJ, Rejoinder Testimony of Vivian K. Ressler; UGI Gas Statement No. 5-RJ, Rejoinder Testimony of Vicky A. Schappell; UGI Gas Statement No. 6-RJ, Rejoinder Testimony of Paul R. Moul; UGI Gas Statement No. 8-RJ, Rejoinder Testimony of Sherry A. Epler; UGI Gas Statement No. 9-RJ, Rejoinder Testimony of Timothy J. Angstadt; UGI Gas Statement No. 10-RJ, Rejoinder Testimony of Constance E. Heppenstall; UGI Gas Statement No. 11-RJ, Rejoinder Testimony of John D. Taylor; and UGI Gas Statement No. 12-RJ, Rejoinder Testimony of Daniel V. Adamo.

27. Also on June 1, 2022, as a result of settlement discussions held in this proceeding, and the efforts of the Parties to examine the issues raised, UGI Gas and the parties requested that

the June 2, 2022, hearing date be cancelled, that the testimony and exhibits of witnesses not subject to cross examination be admitted via written verification, and that witnesses not subject to cross examination be excused from the hearings. ALJ Chiodo granted the requests to admit the testimony and exhibits of witnesses not subject to cross examination via written verification, and to excuse such witnesses. The June 2, 2022 hearing was not cancelled; after further discussion between the ALJs and the Parties, the start time for the June 2, 2022 hearing was changed from 10:00 AM to 2:00 PM. The June 3, 2022 hearing was cancelled.

28. On June 2, 2022, a telephonic evidentiary hearing was held for the purpose of admitting pre-served testimony and exhibits into the record and for the cross-examination of I&E witness Mr. Sakaya. As a result of further settlement discussions, and additional efforts of the Parties to examine the issues raised, UGI Gas notified the ALJs during the June 2, 2022 hearing that it believed a settlement in principle was achieved with respect to revenue requirement issues.³ The Company therefore waived cross examination of Mr. Sakaya.

29. The ALJs granted the request to cancel the June 3, 2022 hearing date. The ALJs further directed that any settlement and associated proposed findings of fact, proposed conclusions of law, proposed ordering paragraphs, and statements in support of the Settlement be submitted by June 24, 2022.

30. The parties continued to engage in settlement negotiations, attempting to reach a full settlement on all issues in this proceeding.

³ The Company noted that there were open issues remaining with respect to non-revenue requirement issues, and that the parties were continuing to actively negotiate a full settlement of all issues. The parties agreed to promptly notify the ALJs if a full settlement of all issues was achieved.

31. The Parties also engaged in extensive discovery throughout the proceeding. UGI Gas responded to more than 575 interrogatories and requests for production of documents, many of which included multiple subparts.

32. On June 13, 2022, counsel for UGI Gas notified the ALJs via e-mail that the full settlement of all issues had been reached.

33. As a result of the settlement efforts described above, the Joint Petitioners have agreed to a settlement that fully resolves all issues among them. The Joint Petitioners are in full agreement that the Settlement is in the public interest as a reasonable resolution of their respective interests and should be approved without modification. The Settlement agreed to by the Joint Petitioners is set forth in the following Section III.

III. SETTLEMENT

A. GENERAL

34. The following terms of this Settlement reflect a carefully balanced compromise of the Joint Petitioners' positions on various issues. The Joint Petitioners agree that the Settlement is in the public interest.

35. The Joint Petitioners agree that UGI Gas's distribution base rate increase filing should 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 that are specified below.

B. REVENUE REQUIREMENT

36. UGI Gas shall be permitted to implement an increase in base rate revenues of \$49.45 million effective October 29, 2022, in lieu of the originally requested \$82.7 million increase. This increase in overall pro forma annual operating revenue will be achieved in two-steps, as described below:

- Step 1 – UGI Gas shall be permitted to implement a base rate increase of \$38 million, effective October 29, 2022.
- Step 2 – UGI Gas shall be permitted to implement an additional base rate increase of \$11.45 million, effective October 1, 2023.

37. Stay Out. The Company shall not file a Section 1308(d) general rate increase prior to January 1, 2024; provided, however, that the Company shall not be prevented from filing a tariff or tariff supplement proposing a Section 1308(d) general rate increase in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates.

C. REVENUE ALLOCATION AND RATE DESIGN

38. Billing Determinants. For the R/RT class, an additional 325,000 Mcf of R/RT usage under present and proposed rates shall be added to the Company's originally filed proposed customer usage billing determinants. (See UGI Gas Exhibit E.) For all other billing determinants, the use per customer and number of customer billing determinants utilized in the proof of revenue (UGI Gas Exhibit E) as set forth in the Company's initial filing are approved.

39. Uniform Distribution Rates for Rate N/NT and Rate DS.

- a) The Company shall be permitted to unify rates for Rate N/NT, effective October 29, 2022.
- b) The Company shall be permitted to increase the rate for the Rate DS North Rate District by one and one-half-times the system average rate increase approved under this Settlement, effective October 29, 2022. The Company reserves the right to propose uniform distribution rates for Rate DS in a subsequent general base rate increase proceeding.

40. Monthly Customer Charges. The Company's proposed customer charges shall be approved, except as set forth below:

- a) Rate R/RT: \$15.00 (\$19.95 proposed); and
- b) Rate N/NT: \$27.38 (\$30.00 proposed).

41. Revenue Allocation. The increase in base operating revenues provided for by this Settlement shall be allocated among the customer classes in accordance with the following table⁴:

	Revenue Allocation (\$ million)	
	Step 1 (eff. 10/29/2022)	Step 2 (eff. 10/1/2023)
Rate R/RT	\$ 31.88	\$ 9.10
Rate N/NT	\$ 4.59	\$ 1.32
Rate DS	\$ 0.93	\$ 0.24
Rate LFD	\$ 2.60	\$ 0.78
Rate XD-F	\$ (0.96)	\$ -
Rate XD-I/IS	\$ (1.05)	\$ -
Total	\$ 38.00	\$ 11.45

D. WEATHER NORMALIZATION

42. Tariff Rider C - Weather Normalization Adjustment (“WNA”) Pilot.

- a) The Company’s proposed WNA Tariff Rider C is approved as filed as a five-year pilot program effective October 29, 2022, with the exception that the Company shall modify the originally proposed WNA to include a 3% dead band. The parties reserve the right to challenge the continuation of the WNA Pilot, or to propose changes thereto, in any future general rate increase proceeding or petition filed by the Company, including but not limited to the reports to be filed in accordance with subpart d) below.

⁴ A more detailed version of the settled revenue allocation is provided in Appendix B to this Settlement. The numbers provided below replicate the revenue allocation set forth on page 1 of Appendix B, rounded to the nearest cent.

- b) The Company shall submit two WNA reports per year which will provide the following information for each WNA month, by class:
- i) The number of bills to which the WNA applied (i.e., those bills falling outside the dead band of 3%);
 - ii) The total number of bills;
 - iii) The total volume adjustment of the WNA for the month;
 - iv) The total revenue adjustment of the WNA for the month;
 - v) The normal calendar month weather (heating degree days) for each of the Company's customer regions; and
 - vi) The actual calendar month weather (heating degree days) for each of the Company's customer regions.
- c) Beginning July 1, 2023, the above-described WNA reports shall be filed by the Company and served on the Parties to this proceeding on each July 1 (reporting data for the immediately preceding November through March period). In addition, beginning December 1, 2023, the above-described WNA reports shall be filed by the Company on each December 1 (reporting data for the immediately preceding April through October period).
- d) No later than January 31, 2026, the Company shall file, as part of a Section 1308(d) general rate increase filing or a separate petition filing, a request to continue, modify, or terminate the WNA Pilot, with the proposed effective date of any such changes to become effective November 1, 2027. The Company shall provide the available three years of data included in the above-described WNA reports in that filing for all parties to review.

E. TRANSPORTATION BALANCING RATES

43. Rate No-Notice Service (“NNS”). Rate NNS for No-Notice Allowance (“NNA”) elections shall be set at \$0.2200 per Mcf per day of elected NNA (\$0.1860/Mcf proposed, *see* UGI Gas St. No. 8 at 21-22).

F. CUSTOMER ASSISTANCE / UNIVERSAL SERVICE

44. Low-Income Usage Reduction Program (“LIURP”).

- a) UGI Gas will increase its annual LIURP budget by \$250,000 from its current annual budgeted amount of \$3,714,350 to \$3,964,350 beginning January 1, 2023. UGI Gas will then increase the annual LIURP budget by an additional \$250,000 from \$3,964,350, to \$4,214,350, beginning January 1, 2024. The increased LIURP budget effective January 1, 2024, shall remain unchanged until a change is approved by the Commission. If more than 25% of the increased annual budget amount remains unspent on or after January 1, 2025, or in each year thereafter, UGI Gas shall make reasonable efforts to spend the unspent amount within the first six months of the following year. If the full budget is not spent within that six-month period, the remaining unspent funds attributable to this LIURP increase will not roll forward to be included in the subsequent year’s budget. Increases to the annual LIURP budgets contemplated by this provision would be recovered through the Rider F Universal Service Programs (“USP”) from residential customers.
- b) UGI Gas shall be permitted to increase the maximum per-job spend on LIURP projects under its 2020-2025 Universal Service and Energy

Conservation Program (“USECP”), where the project involves a furnace replacement, from \$11,000 to \$14,000.

- c) UGI Gas will expand LIURP access to customers between 151% and 200% of the Federal Poverty Level (“FPL”) to commence no earlier than January 1, 2023. UGI Gas will provide a Warm Referral for customers in this income tier who are rejected from UGI Gas’s Customer Assistance Program (“CAP”) for being over-income.
- d) No later than 90 days after the effective date of rates in this proceeding, UGI Gas will lower its LIURP minimum usage threshold to 73.1 Ccf per month for customers at or below 200% FPL.

45. Conversion of Low-Income Customers To Natural Gas. UGI Gas will provide detailed information regarding its USP, targeted at customers who recently converted to natural gas, in its new customer welcome packet.

46. Low-Income Customer Assessment & Outreach Pilot.

- a) The Company will undertake a pilot program in which it will utilize a third-party consultant (to be selected by a competitive bid and evaluation process) to assess, identify, and engage customers who are in the Company’s Estimated Low-Income (“ELI”) customer population in its service territory (or certain population centers within the Company’s service territory should budgetary constraints require) in order to solicit and attempt to qualify those customers as Confirmed Low-Income (“CLI”). The costs of the pilot will not exceed \$375,000, and the costs will include, but not be limited to third-party consultant fees and other reasonably incurred costs. The Company

shall be permitted to recover the actual costs of this pilot up to \$375,000 through the Company's Rider F USP.

- b) The Company will provide the pilot progress/results with Universal Services Advisory Committee ("USAC") semi-annually.
- c) UGI Gas will prioritize the 50 highest users who have been removed from CAP for reenrollment through this pilot.
- d) UGI Gas agrees to have a discussion with the USAC regarding the creation of measurable outcome objectives and potential plans to implement measurable outcome objectives, such as: (1) the CLI customer identification rate as a percentage of ELI customers; (2) the CAP participation rate as a percentage of CLI customers; and (3) the CAP default rate as a percentage of participants in the lowest poverty level range.

47. CAP Percent of Income Payment ("PIP") Modifications. UGI Gas shall fully comply, in all respects, with the requirements of the Commission's Order entered June 16, 2022 in Docket Nos. M-2019-3014966 and P-2020-3019196.

48. Customer Outreach.

- a) UGI Gas will continue its simplified application process for Low-Income Home Energy Assistance Program ("LIHEAP") recipients seeking to enroll in CAP. UGI Gas will report annually to its USAC about the number of customers who are able to enroll through this process.
- b) UGI Gas will continue its outreach to active customers who have been removed from CAP due to failure to recertify. If these customers submit income documentation, they will be reenrolled, and any arrearage accrued

will be included with their existing pre-program arrearages. UGI Gas will report to its USAC on the number of customers who have been able to reenroll through this process.

49. Operation Share.

- a) The Company shall expand eligibility of the UGI Gas Operation Share grant program to 250% FPL and increase the maximum grant size from \$400 to \$600, to the extent funds are available.
- b) The Company shall provide a one-time payment to Operation Share in the amount of \$500,000 during the winter of 2022-2023.

50. Use of Community Based Organizations (“CBOs”). The Company will continue to use the CBOs it has traditionally used in the administration and implementation of its universal service programs, subject to each individual CBO’s continued performance in conformance with the Company’s USECP rules and its contract with the Company. The Company shall provide notice to any CBO whose performance is not in conformance with the Company’s USECP and/or its contract with the Company, and the Company shall provide the CBO with a reasonable time period to address or cure any issues identified.

51. Reconnection Fees. UGI Gas will initiate a study to determine the feasibility, cost, and benefits of exempting CLI customers from reconnection fees and will present the results of this study to the USAC within 180 days of the date of effective rates established in this proceeding.

G. DSIC REPORTING

52. DSIC-Eligible Plant Balances. As of the effective date of rates established in this proceeding, UGI Gas will continue to be eligible to include plant additions in the Distribution System Improvement Charge (“DSIC”) once the Company’s total net plant in service balances exceed a level of \$3,368,005,000. This 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 an FPFTY filing.

53. DSIC Calculation Return on Equity. For purposes of calculating its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa.C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa.C.S. § 1358(b)(1).

54. Test Year Plant Reporting. The Company shall submit an update to UGI Gas Exhibit A, Schedule C-2 no later than January 2, 2023, which will include actual capital expenditures, plant additions, and retirements by month from October 1, 2021, through September 30, 2022. An additional update for actuals from October 1, 2022, through September 30, 2023, shall be filed no later than January 2, 2024.

H. ACCOUNTING

55. Environmental Cost Recovery.

- a) Normalized Allowance. The Settlement reflects an annual normalized amount of \$5.171 million for prospective environmental expenditures under the Consent Order Agreements (“COAs”) entered into between the Company and the Pennsylvania Department of Environmental Protection (“DEP”). Annual differences between \$5.171 million and actual expenditures will be deferred as a regulatory asset (where expenditures are greater than \$5.171 million per year) or as a regulatory liability (where expenditures are less than \$5.171 million per year) and accumulated for book and ratemaking purposes until the Company’s next base rate case.

b) Amortization of Prior Balances.

- i) The Company will continue to amortize the remaining \$5.898 million balance (as of September 30, 2021) applicable to pre-fiscal year (“FY”) 2020 environmental expenditures for book and ratemaking purposes at \$1.865 million per year, as adopted by the Commission’s October 8, 2020 Final Order at Docket No. R-2019-3015162.
- ii) The Company will amortize the \$2.327 million balance of under-recovered environmental expenditures applicable to fiscal year 2020 and 2021 for book and ratemaking purposes over a two-year period beginning October 1, 2022.

56. COVID-19-Related Costs.

- a) In accordance with this Settlement and the Commission’s October 8, 2020 Final Order at Docket No. R-2019-3015162, the Company shall be permitted to amortize over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking, the regulatory asset balance of \$0.922 million for the Emergency Relief Program (“ERP”) costs that accrued prior to October 1, 2021.
- b) In accordance with this Settlement and the Commission’s October 8, 2020 Final Order at Docket No. R-2019-3015162, the Company shall be permitted to amortize over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and

future ratemaking, the regulatory asset balance of \$1.503 million for uncollectibles that accrued prior to October 1, 2021.

- c) In accordance with this Settlement and the Commission's October 8, 2020 Final Order at Docket No. R-2019-3015162, the Company shall be permitted to amortize, over the 10-year period beginning with the effective date of rates established in the Company's next base rate proceeding for purposes of accounting and future ratemaking, the regulatory asset balance that accrues for uncollectibles beginning October 1, 2021, and ending September 30, 2022.

57. ADIT/EDFIT. The Company's Accumulated Deferred Income Tax ("ADIT") and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii) is accepted. (See UGI Gas St. No. 7 at 7-8.) Further, the Company's method to amortize Excess Accumulated Deferred Federal Income Taxes ("EDFIT") according to the Average Rate Assumption Method ("ARAM") is accepted. (See UGI Gas St. No. 7 at 6.) Absent a change in federal or state law, regulation, judicial precedent, or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

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

59. Depreciation Rates. For purposes of this Settlement, the Company's as-filed FPFTY depreciation rates are accepted for the Company's accounting purposes. (See UGI Gas St. No. 4; *see also* UGI Gas Exhibit C (Fully Projected Future).)

60. Rate Case Expense. The Company's revenue increase provided in this Settlement is reflective of a two-year normalization for ratemaking purposes and a two-year amortization for accounting purposes. The Company will not claim any unamortized amount in a future rate case and agrees that normalization (as opposed to amortization) is the proper treatment for ratemaking purposes.

61. IT Capital Cost Treatment. For purposes of this Settlement, UGI Gas's as-filed capital treatment of certain information technology ("IT") costs is accepted. (See UGI Gas St. No. 3 at 22-23.) UGI Gas will capitalize IT costs that include internal labor, external consulting expenses, and other expenses related to the preparation of the vendor and system integrator requests for proposal. Other capitalizable costs include current state assessments, reengineering business processes to adapt to new systems, data conversion, data cleansing, and migration (including field verification and digitization of asset attributes required for accurate data and facility capture), pre-implementation training costs, cloud computing software implementation, and Hypercare.

I. GAS SAFETY

62. Beginning in 2023, UGI Gas will produce a report for pipeline replacements annually on or before March 1. The report will identify UGI Gas's 10 most expensive restoration projects per year over the past three years, and specifically identify costs incurred in excess of the Pennsylvania Department of Transportation restoration standards including: paving, shoulders, sidewalks, etc., and permitting fees. The Company will discuss the results of the annual report on restoration costs with the Commission's Gas Safety Division.

J. TRANSPORTATION

63. Transparency of UGI Gas's Delivery System. In the first supplier collaborative meeting held within 90 days after a final order is entered in this proceeding, UGI Gas will review

delivery requirements and flexibility related to its delivery regions, including the ability to move gas between delivery regions whether physically through pipeline transmission system delivery points or in kind by displacement. Supplier feedback will be encouraged for mutual discussion and follow-up action items.

64. Nomination Notifications. UGI Gas will undertake an investigation of other utility practices with regard to the management of weekend scheduling mismatches and compile a summary for presentation and discussion as part of UGI Gas's 2023 supplier collaborative.

65. Weighted Average Cost of Delivered Gas ("WACOD").

- a) In its 2023 Purchased Gas Cost proceeding, UGI Gas will propose a plan to transition recovery of capacity costs from the current WACOD cost recovery method to recovering those costs directly from Rate LFD customers on their UGI Gas bills.
- b) For all future interstate pipeline company Natural Gas Act ("NGA") general Section 4 base rate filings, UGI Gas will provide information on its Energy Management Website showing how the individual Section 4 rate case is expected to impact the WACOD calculation over a forward-looking 12-month period. This information will be provided twice: (1) when the Federal Energy Regulatory Commission ("FERC") accepts the NGA Section 4 base rate change filing; and (2) when the NGA Section 4 base rate case is settled or otherwise adjudicated. The impact will be reflected in a one-time posting on the Company's Energy Management Website, with the calculation based on a point in time analysis where the future forecast of the WACOD rate is subject to change as a result of other operating

circumstances and FERC filing impacts. As these are estimates based on forecasts, UGI Gas is not, and will not be, responsible for their accuracy.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

66. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See id.* § 69.401. To accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. PUC v. C.S. Water & Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

67. This Settlement was achieved by the Joint Petitioners after an extensive investigation of UGI Gas's filing, including extensive informal and formal discovery and the filing of substantial testimony by the active parties.

68. Approval of the Settlement without modification will reduce the time and expenses that the active parties and the Commission must expend on the proceedings.

69. The Joint Petitioners will further supplement the reasons that the Settlement is in the public interest in their Statements in Support. The Statements in Support are attached to this Settlement as **Appendices F through L**. In their respective Statements in Support, each Joint Petitioner explains why, in its view, the Settlement is fair, just, and reasonable and reflects a reasonable compromise of the disputed issues in this proceeding.⁵

⁵ It is noted that, because certain Joint Petitioners only participated with regard to certain issues in this proceeding, some of the Statements in Support may be limited in the scope of issues addressed.

V. SETTLEMENT CONDITIONS

70. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation, and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission, and served upon all Joint Petitioners within five business days after the entry of an Order modifying the Settlement.

71. If the Commission approves the Settlement without modification, the Joint Petitioners acknowledge and agree that the rates, rules, and proposals set forth in the 2022 Gas Base Rate Case filing, as modified by the Settlement, shall be Commission-made rates.

72. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement without modification and the proceeding continues, the Joint Petitioners reserve their respective procedural rights to evidentiary hearings, submission of additional testimony and exhibits, cross-examination of witnesses, briefing, and argument of their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any Joint Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

73. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Joint Petitioner's position with respect to any issues raised in this proceeding. The terms and conditions of the Settlement are limited to the facts of this specific case and are the product of compromise for the sole purpose of settling this case. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Parties may

advance on the merits of the issues in future proceedings. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308, or any other proceeding.

74. If the ALJs recommend adopting the Settlement without modification, the Joint Petitioners waive their right to file Exceptions.

VI. CONCLUSION

WHEREFORE, the Joint Petitioners respectfully request that the Administrative Law Judges Joel H. Cheskis and Gail M. Chiodo recommend approval of, and the Pennsylvania Public Utility Commission approve, this Joint Petition for Approval of Settlement of All Issues without modification.

Respectfully submitted,



Date: 6/24/2022

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VI. CONCLUSION

WHEREFORE, the Joint Petitioners respectfully request that the Administrative Law Judges Joel H. Cheskis and Gail M. Chiodo recommend approval of, and the Pennsylvania Public Utility Commission approve, this Joint Petition for Approval of Settlement of All Issues without modification.

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Date: June 24, 2022

*Counsel for the Coalition for Affordable Utility
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Date: 6-24-2022

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Date: June 24, 2022

Counsel for NRG Energy, Inc.

APPENDIX A
Pro Forma Tariff

UGI UTILITIES, INC. - GAS DIVISION
GAS TARIFF
INCLUDING THE GAS SERVICE TARIFF NO. 7
AND
THE CHOICE SUPPLIER TARIFF NO. 7S

Rates and Rules
Governing the
Furnishing of
Gas Service and Choice Aggregation Service
in the
Territory Described Herein

Issued:

Effective for service rendered on
and after

Issued By:

Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

<https://www.ugi.com/tariffs>

NOTICE

This tariff makes Increases/Decreases/Changes to existing rates (see page 2-2(b)).

LIST OF CHANGES MADE BY THIS SUPPLEMENT

(Page Numbers Refer to Official Tariff)

Cover Page.

- Updated to remove Supplement Number, Issued and Effective dates.

Table of Contents, Pages 3-4.

- Updated for all Tariff revisions detailed below.

Rule 5, Extension Regulation, Page 35.

- Subsection 5.1(b) (1) language has been modified to replace the "Company's Allowable Investment Amount" with the "Customer contribution amount".

Rule 10, Rider A, State Tax Adjustment Surcharge, Page 48.

- The State Tax Adjustment Surcharge rate has been reset to 0.00%.
- Rate GBM, which no longer exists, was removed from the applicable list of rates.

Rule 11, Rider B, Section 1307(f) Purchased Gas Costs, Page 50.

- Reference to 22A.6 has been renumbered as 22.6.

Rule 12, Rider C, Extended TCJA Temporary Surcharge, Pages 53-54.

- Rider C, Extended TCJA Temporary Surcharge has ended and has been removed and replaced with Rider C, Weather Normalization Adjustment.

Rule 13, Rider D, Merchant Function Charge, Page 55.

- The rate has increased for Residential PGC Customers to 2.27% and for Non-Residential PGC Customers to 0.44%.

Rule 15, Price to Compare, Page 57.

- The Price to Compare has changed as a result of the change to the Merchant Function Charge.

Rule 16, Rider F, Universal Service Program, Page 59.

- Annual Reconciliation - the CAP credit bad debt offset language has been updated and will be applied where CAP enrollment exceeds CAP enrollees as of September 30, 2022.

Rule 19, Distribution System Improvement Charge, Page 63.

- The rate has been reset to 0.00%.

Rule 22, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS, Pages 81(a)-81(i)

- Section 22.A has been renumbered Section 22. All references to 22.A have been renumbered to 22.
- These pages have been repaginated. Previous pages 81(a)-81(i) have been renumbered as 73-81 which were previously intentionally left blank.

Rate R - General Service - Residential, Page 85.

- The Customer Charge and Distribution Charge have been increased.
- Rider C Extended TCJA Temporary Surcharge has ended and has been replaced with Rider C Weather Normalization Adjustment.

LIST OF CHANGES MADE BY THIS SUPPLEMENT - Continued

(Page Numbers Refer to Official Tariff)

Rate RT - General Service - Residential Transportation, Page 86.

- The Customer Charge and Distribution Charge have been increased.
- Rider C Extended TCJA Temporary Surcharge has ended and has been replaced with Rider C Weather Normalization Adjustment.

Rate GL - General Service - Gas Light Service, Page 88.

- The Distribution Charge has been increased.
- Rider C Extended TCJA Temporary Surcharge has ended and has been removed.
- Punctuation was corrected and a period was added following the word "modify" under Surcharges and Riders.

Rate N - General Service - Non-Residential, Page 89.

- The Customer Charge and the Distribution Charge have been increased and have been changed to reflect a unified distribution charge effective October 1, 2023.
- Rider C Extended TCJA Temporary Surcharge has ended and has been replaced with Rider C Weather Normalization Adjustment.

Rate NT - General Service - Non-Residential Transportation, Page 90.

- The Customer Charge and the Distribution Charge have been increased and have been changed to reflect a unified distribution charge effective October 1, 2023.
- Rider C Extended TCJA Temporary Surcharge has ended and has been replaced with Rider C Weather Normalization Adjustment.

Rate DS - Delivery Service, Pages 94.

- The Maximum Distribution Charge has been increased.
- Rider C Extended TCJA Temporary Surcharge has ended and has been removed.

Rate NNS - No-Notice Service, Page 96-97.

- Terms and Conditions - Language that referenced terms prior to November 1, 2020 that was no longer applicable was removed.
- The unit cost per MCF has been recalculated and updated.

Rate MBS - Monthly Balancing Service, Page 98-98(a).

- Terms and Conditions - Language that referenced terms prior to November 1, 2020 that was no longer applicable was removed. In addition, Section 22A.2 has been renamed Section 22.2.
- The Rate MBS charged to Rates DS/IS, LFD, and XD has been recalculated and updated.

Rate LFD - Large Firm Delivery Service, Page 100.

- The Maximum Demand Charge and Distribution Charge have been increased.
- Rider C Extended TCJA Temporary Surcharge has ended and has been removed.

Rate XD - Extended Large Firm Delivery Service, Page 103.

- The Maximum Average Delivery Charge has been increased.
- Rider C Extended TCJA Temporary Surcharge has ended and has been removed.

Rate R/S - Retail and Standby Rider, Page 107.

- Rider C Extended TCJA Temporary Surcharge has ended and has been removed.

Rate IS - Interruptible Service, Page 110.

- Rider C Extended TCJA Temporary Surcharge has ended and has been removed.

LIST OF CHANGES MADE BY THIS SUPPLEMENT - Continued
(Page Numbers Refer to Official Tariff)

Choice Supplier Tariff

Cover Page

- Updated to remove Supplement Number and Issue and Effective dates.

Rule 4, Choice Supplier Obligations, Page 115.

- Subsection 4.12 - The residential and commercial Purchase of Receivable rates have been updated as a result of the change to the Merchant Function Charge.

Rule 7, Nomination Procedure, Page 118-119.

- Subsection 7.3 - Change made to correct capitalization of "Choice supplier" to "Choice Supplier".
- Subsection 7.3 - Language has been removed that referenced a Maximum Daily Bundled Sale Percentages heading on the Company's Energy Management website to reflect changes made to the Company's Energy Management website navigation.
- Subsection 7.3 - Language has been removed that referenced a Must Take Monthly Bundled Sale Percentages heading on the Company's Energy Management website to reflect changes made to the Company's Energy Management website navigation.

Rule 9, Enrollment of Customers into Rate Schedules RT and NT, Page 125.

- Subsection 9.3 - Language was added to include enrollments processed in addition to enrollments received.

Rule 11, Aggregation Agreement for Rate Schedules RT and NT (Pro Forma), Page 136.

- Article XI - For written notice and correspondence to the Company, the Attention line has been updated to reflect the contact as Rates Department - Choice Administrator.
- Article XI - The line following "Attention" has been removed from the written notice and correspondence to Choice Supplier.

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(C) Indicates Change

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(C) Indicates Change

RULES AND REGULATIONS

5. EXTENSION REGULATION

5.1 Obligation to Extend or Expand.

(a) Under the rules set forth below and under normal conditions of construction and installation, upon written application, the Company will extend or expand its facilities within its service territory, provided that (a) the requested extension or expansion will not adversely affect the availability or deliverability of gas supply to existing customers and (b) the Company's investment in facilities is warranted by the Annual Base Revenue to be derived from the extension. The costs of extending or expanding facilities beyond the Company's Allowable Investment Amount shall be paid by the Extension Applicant as a contribution. Extension contributions may be excused, in whole or in part, in accordance with Rule 5.1(b). Upon request, the Company will provide Customers with a written explanation and reasonable detail of the cost-benefit analysis used in clause (b) above including estimated project costs, the Company's maximum allowable investment, and the Company's Annual Base Revenues. In addition, the Company will provide the Customer with a written timetable for the anticipated construction of the upgrade and written notice of completion.

(b) No contribution amount shall be required for an extension of facilities if all of the following conditions, as determined by the Company, are met:

(1) Service location is directly accessible from an existing or proposed (non-high pressure) Company main that would be extended up to one hundred fifty (150) feet;

(2) Service length is one hundred fifty (150) feet or less;

(3) Customer will utilize gas service as their primary heating source and be served under Rates R, RT, N or NT;

(4) Construction does not cross third party non-public property, private right-of-way or complex obstruction (stream, culvert, excessive hillside, etc.) and does not present any abnormal or unusual construction conditions or require unusual permitting requirements.

(5) Extensions not meeting all of the above conditions (1) through (4) shall have the Customer contribution amount determined upon incremental investment amount (C) required beyond those permitted by the construction conditions stated above.

(6) These modified extension provisions shall not be applied to customers along existing GET Gas designated mains nor be permitted as a method to extend existing GET Gas mains where GET Gas surcharge payments remain in effect.

(C) Indicates Change

RULES AND REGULATIONS

10. RIDER A

STATE TAX ADJUSTMENT SURCHARGE

The State Tax Adjustment Surcharge is applicable to the net monthly rates and minimum charges contained in this Tariff. The surcharge shown below will be recomputed when a tax rate used in the calculation changes and/or the Company implements a change in rates.

The recomputation of the surcharge will be submitted to the PUC within 10 days after the occurrence of a reason for surcharge recomputation shown above. If the recomputed surcharge is less than the one in effect the Company will, and if more may, submit a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after the filing.

Rider A - State Tax Adjustment Surcharge is 0.00% (D)

This Rider applies to Rates R, RT, GL, N, NT, DS, and LFD. (C)

(D) Indicates Decrease (C) Indicates Change

Issued: Effective for Service Rendered on and after

RULES AND REGULATIONS

11. RIDER B - Continued

SECTION 1307(F) PURCHASED GAS COSTS

As applicable, to the extent such charges are not directly paid, Purchased Gas Costs shall include credits related to the use of PGC capacity by transportation customers where the Customer or NGS utilizes Company assigned or released pipeline capacity. In addition, revenues related to balancing services provided pursuant to Sections 22.2 and 22.4; Rate NNS; Rate MBS; capacity or commodity gas sales made pursuant to Customer elections under the Retail Standby Rider; Unauthorized Overrun; OFO, DFD and NGS penalty charges and bundled city gas sales made to NGSs shall be credited to the PGC. Such credits shall be reduced annually by the Economic Benefit Peaking Supply (EBPS Credit) reductions calculated pursuant to Rule 22.6 of the Rules and Regulations. (C)

"E" - Experienced net overcollection or undercollection of purchased gas costs ("E-Factor"). Such net overcollection or undercollection statement shall begin with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. Each over-under collection statement shall also provide for refund or recovery of amounts necessary to adjust for over or underrecoveries of E factor amounts under the previous 1307(f) rate.

Interest shall be computed monthly at the rate provided for in Section 1307(f) (5) of the Public Utility Code from the month that the over or undercollection occurs to the effective month such overcollection is refunded or such undercollection is recouped.

Additionally, supplier refunds will be included in the calculation of "E" with interest added at the annual rate of six percent (6%) calculated in accordance with the foregoing procedure, beginning with the month such refund is received by the Company.

Computation and Application of the E-Factor

The E-Factor shall be computed to the nearest one-hundredth cent (0.01¢) per Mcf in accordance with the formula set forth below:

$$E\text{-Factor} = (-E/S)$$

Each E-Factor so computed shall be applied to customer's bill for a one (1) year period during the Computation Year.

"S" - Projected MCF of gas to be billed to Customers during the projected period when rates will be in effect.

(C) Indicates Change

RULES AND REGULATIONS

12. Rider C

(C)

WEATHER NORMALIZATION ADJUSTMENT**Applicability and Purpose:**

A Weather Normalization Adjustment ("WNA") shall be applied to bills of Residential and Non-Residential customers under Rate Schedules R, RT, N and NT, for any bills rendered during the heating season October through May. The WNA shall commence with bills rendered on and after November 1, 2022 and shall continue as a five-year pilot unless otherwise modified by Commission Order.

WNA is a distribution charge adjustment and is considered a basic service charge.

Calculated WNA amounts shall be subject to Rider A - State Tax Adjustment Surcharge and Rider I - Distribution System Improvement Charge. No additional riders or surcharges will be applied to the calculated WNA.

Calculation of Adjustment Amount:

The WNA will be applied to October through May billing cycles and shall be calculated on a customer account specific basis in accordance with the formula below:

$$\text{WNBC} = \text{BLMC} + [((\text{NHDD} +/\text{-} (\text{NHDD} * 3\%)) / \text{AHDD}) * (\text{AMC} - \text{BLMC})]$$

$$\text{WNAC} = \text{WNBC} - \text{AMC}$$

$$\text{WNA} = \text{WNAC} * \text{Distribution Charge}$$

- (a) Weather Normalized Billing Ccfs ("WNBC") will be calculated as the Base Load Monthly Ccfs ("BLMC") added to the product of the Normal Heating Degree Days ("NHDD", adjusted for a 3% deadband as further discussed in subparts (i) and (j) below), divided by the Actual Heating Degree Days ("AHDD") and the Actual Monthly Ccfs ("AMC") less the BLMC. Weather Normalized Billing Ccfs (WNBC) will only be calculated if the AMC exceeds the BLMC. WNA will not be applicable for the billing period if AMC is less than the BLMC.
- (b) BLMC shall be established for each customer using the customer's actual average daily consumption from the billing system, measured in Ccfs, using bills with read dates of June 21st thru September 20th over a thirty-six-month period multiplied by the number of days in the billing period. The average daily base load is recalculated monthly using the most recent thirty-six months of bill history. If less than twelve months of bill history is available for the premise, an average base load for the related customer class will be applied.
- (c) AMC shall be measured for each customer and billing cycle and will be inclusive of any heating value corrections.
- (d) NHDD shall be applied on a Delivery Region specific basis as determined by the customer's geographical location and, for any given day within a billing period, shall be based upon the Delivery Region's 15-year average for the given day. NHDD shall be updated every 5 years using the methodology established in the Company's general rate case proceeding at R-2021-3030218 with the next scheduled update of the NHDD to be effective on October 1, 2025, and thereafter every five years.

(C) Indicates Change

RULES AND REGULATIONS

12. Rider C - Continued

WEATHER NORMALIZATION ADJUSTMENT

(C)

- (e) AHDD shall be the actual experienced heating degree days during the billing cycle for the customer's assigned Delivery Region, as determined by the customer's geographical location. A Delivery Region's AHDD shall be based upon experienced actual Gas Day temperatures as reported by the National Oceanic and Atmospheric Administration (NOAA) for weather stations located within that Delivery Region pursuant to the application of the Company's established Delivery Region calculation methodology.
- (f) The period for which both NHDD and AHDD will be measured for each billing period used for the WNA calculation will be based on the starting day of the customer's billing cycle minus one day through last day of billing cycle minus one day. If AHDD is unavailable for any day(s) during that period, the respective NHDD for the same day(s) will also be excluded from the calculation, thereby excluding any days missing AHDD from the WNBC calculation.
- (g) AMC will be subtracted from the WNBC to compute the Weather Normalized Adjustment Ccfs ("WNAC").
- (h) The WNAC shall then be multiplied by the applicable Rate Schedule Distribution Charge based on service rendered to compute the WNA amount that will be charged or credited to each Residential and Non-Residential customer served under Rate Schedules R, RT, N and NT.
- (i) A deadband of 3% shall apply. The WNA for a billing cycle will apply only if the AHDD for the billing cycle are lower than 97% or higher than 103% of the NHDD for the billing cycle.
- (j) The WNA factor shall be calculated by first adjusting the NHDD for the billing cycle by the deadband percentage of 3%. The deadband percentage shall be multiplied by the NHDD and then added to NHDD for the billing period when the weather is colder than normal (i.e., AHDD>NHDD) or subtracted from NHDD for the billing period when the weather is warmer than normal (i.e., AHDD<NHDD).
- (k) In the event a customer's bill needs to be canceled and rebilled at any time, the WNA will be recalculated using the most recently available data for the billing period. In some cases, updates in data used in the calculation, may result in a different WNA for the billing period. Bills requiring manual processing shall not have WNA applied.
- (l) The Company will file reporting detailing weather normalization information with the Commission as outlined in the Final Order at the Company's Base Rate Proceeding at Docket No. R-2021-3030218.

(C) Indicates Change

RULES AND REGULATIONS

13. RIDER D

MERCHANT FUNCTION CHARGE

Applicability and Purpose

This Rider shall be applied to rates for each MCF (1,000 cubic feet) of gas supplied under Rate Schedules R and N of this Tariff and shall be reflected in the Price to Compare. The Rider is equal to the fixed percentage, established by the PUC in Company's last general base rate proceeding, of purchased gas costs which are expected to be uncollectible, and shall not be reconciled to reflect actual results. Rider D is intended to make Company's Price to Compare more comparable to the gas supply service prices offered of other Natural Gas Suppliers that presumably reflect anticipated uncollectible expenses.

Rider D Charge

Rider D charges shall be equal to 2.27% for Residential PGC Customers and 0.44% (I) Non-Residential PGC Customers of Rider B (Purchased Gas Costs).

The collection of the Rider D charges will be summarized by Rate Schedule sub-accounts in the Gas Operating Revenue FERC Account No. 480000 for Rate R and 481000 for Rates N. The associated costs are recorded in FERC Account Nos. 904001 and 904002.

(I) Indicates Increase

Issued:

Effective for Service Rendered on and after

RULES AND REGULATIONS

15. PRICE TO COMPARE

The Price to Compare ("PTC") is composed of the Annual C-Factor, Annual E-Factor, Gas Procurement Charge and Merchant Function Charge. The PTC rate will change whenever any components of the PTC change. The current PTC rate is detailed below:

Price to Compare

	Rate R (CCF)	Rate N (MCF)	
Annual C-Factor	\$ 0.59486	\$ 5.9486	
Annual E-Factor	\$ 0.03281	\$ 0.3281	
Gas Procurement Charge	\$ 0.00660	\$ 0.0660	
Merchant Function Charge	\$ 0.01425	\$ 0.0276	(I)
Total Price to Compare	<u>\$ 0.64852</u>	<u>\$ 6.3703</u>	(I)

(I) Indicates Increase

RULES AND REGULATIONS

16. RIDER F - Continued

UNIVERSAL SERVICE PROGRAM

QUARTERLY ADJUSTMENT

Any time that the Company makes a change in base rates or PGC rate affecting residential customers, the Company shall recalculate the Rider USP rate pursuant to the calculation described above to reflect the Company's current data for the components used in the USP rate calculation. The Company shall file the updated rate with the PUC to be effective one (1) day after filing.

ANNUAL RECONCILIATION

(C)

On or before November 1 of each year, the Company shall file with the PUC data showing the reconciliation of actual revenues received under this Rider and actual recoverable costs incurred for the preceding twelve months ended September. The resulting over/undercollection (plus interest calculated at 6% annually) will be reflected in the CAP quarterly rate adjustment to be effective December 1. Actual recoverable costs shall reflect actual CAP costs, actual application costs, actual pre-program arrearage forgiveness, actual LIURP and actual Hardship Administrative costs. Actual recoverable CAP credit costs and pre-program arrearage forgiveness shall be based upon actual CAP credits granted and pre-program arrearage forgiveness granted less a 9.2% adjustment for amounts granted to participants in excess of the number of CAP enrollees as of September 30, 2022. The 9.2% adjustment related to CAP credits and pre-program arrearage forgiveness will be based on the following:

For each reconciliation period, the average annual CAP credit per participant will be determined by dividing the total actual CAP credits granted during the reconciliation period by the average monthly number of participants receiving CAP credits during the reconciliation period. The average monthly number of participants receiving CAP credits exceeding the number of CAP enrollees as of September 30, 2022 will be multiplied by the average annual CAP credit granted per participant and then multiplied by 0.0920 in order to determine the amount of the CAP Credits which will not be recovered through Rider USP.

For each reconciliation period, the average pre-program arrearage forgiveness per participant will be determined by dividing the total actual pre-program arrearage forgiven during the reconciliation period by the number of participants receiving pre-program arrearage forgiveness. The number of participants receiving pre-program arrearage forgiveness exceeding the number of CAP enrollees as of September 30, 2022 will be multiplied by the average pre-program arrearage forgiveness per participant and then multiplied by 0.0920 in order to determine the amount of the pre-program arrearage forgiveness which will not be recovered through Rider USP.

(C) Indicates Change

Issued:

Effective for Service Rendered on and after

RULES AND REGULATIONS

19. Rider I

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply. (D)

19.A.1 Purpose. To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

19.A.2 Eligible Property.

The DSIC-eligible property will consist of the following:

- Piping, Couplings, Valves, Excess Flow Valves, Risers - Distribution & Transmission. (374, 376, 365, 367)
- Measuring & Regulator Stations - Distribution & Transmission (375, 378, 379, 366, 369, 370)
- Gas Service Lines and Insulated and Non-Insulated Fittings (378, 380)
- Meters, Meter Bars, Meter Installations (381, 382)
- House Regulators & Installations (383, 384)
- Industrial & Farm Tap Measuring & Regulator Station Equipment (385, 386)
- Miscellaneous Equipment and Material- Distribution & Transmission (387, 371)
- Equipment - Electronic Systems & Software (391)
- Vehicles, Power Equipment, Tools, Shop & Garage Equipment (392, 394, 396)
- Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities.
- Gathering lines (332)
- Storage lines (353)
- Other related capitalized costs.

19.A.3 Computation of the DSIC. The DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update.

(D) **Indicates Decrease**

Issued:

Effective for Bills Rendered on and after

RULES AND REGULATIONS

22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS (C)
Effective November 1, 2020

22.1 Application of Rates (C)

- (a) Applicable Rates: DS, LFD, XD and IS.
- (b) Notification of Delivery; Nomination Procedures. Customer shall notify the Company of any and all gas deliveries to the Company's system, including, but not limited to, the provision of nomination, revised nomination and scheduling information, in accordance with the Company's *Nomination Procedure*, as may be amended from time to time, and made available on the Company's Gas Management Website ("Nomination Procedure"). The quantity of gas received on behalf of the Customer shall be determined by allocation or other method by the Company if required in its sole discretion. It is the Customer's responsibility to arrange that any necessary billing information be provided to the Company and/or delivery gas source.
- (c) Nominating Agents. A Customer shall notify the Company of its designated nominating agent ("Agent") for purposes of nominating the volumes of natural gas to be delivered to the Company's system on the Customer's behalf in accordance with the Nomination Procedures. Customer shall notify Company, on a form designated by the Company in the Nomination Procedures, of the responsibilities of the Agent, and shall provide Company with the Agent's valid e-mail address and valid 24-hour contact information. Customer shall remain liable for all charges and penalties notwithstanding Customer's designation and use of an Agent in accordance with the provisions herein.
- (d) Penalties for Customer's Default. Customers failing to provide nomination, billing, scheduling, agent, supplier and/or other required information to the Company or pipeline(s) in accordance with the provisions of the Tariff, or otherwise failing to comply with the Company's *Nomination Procedure*, shall be subject to applicable imbalance charges and, in addition, be charged an Administrative Scheduling Fee in an amount no greater than \$1,000 per day for every day such required information is delayed. If a Customer default of these provisions occurs and is occurring for a period of 90 days, the Company may impose retail or standby rates on the Customer's account beginning the first day after such 90-day period through and until such time as the Company deems the Customer default to have been resolved.
- (e) Sequencing for Billing. Unless otherwise agreed by the Company and the Customer, customer-owned gas delivered under the transportation rate schedules shall be sequenced for billing as the first gas through the meter, and gas purchased under the Retail and Standby Rider shall be sequenced for billing purposes as the last gas through the meter. Gas billed under firm rate schedules shall be billed prior to gas billed under interruptible rate schedules. In lieu of otherwise specified tariff provisions, where the Company and Customer agree, Company shall use pipeline metering facilities for measuring and billing total deliveries to the Customer's facility.

(C) Indicates Change

RULES AND REGULATIONS

22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS (C)
Effective November 1, 2020 - Continued

- (f) Payment of Charges, Penalties. The Customer shall pay the Company for any and all additional charges incurred on the Customer's behalf or resulting from the Customer's actions or inactions which the Company can demonstrate arise out of the provision of transportation service including, but not limited to, pipeline transportation and service charges. Any such charge, penalty or obligation imposed by a pipeline transporter or supplier as result of balancing of gas delivered to the Customer shall be paid by the Customer in addition to otherwise applicable charges.
- (g) The Billing Pool Agent is required to notify Company at least ten days prior to dropping a Customer from a Billing Pool. If adequate advance notice is not provided, the Company reserves the right to not drop the Customer from the Billing Pool.
- (h) Billing Pools. One or more transportation Customers may join together in pooled transactions for the purchase and delivery of gas. The Company may allocate among all such customers the volumes of gas or imbalances for purposes of determining responsibility for charges, rates, penalties or other obligations imposed by the Company, or in connection with operation of the pool. A Supplier to a Billing Pool must notify the Company prior to initiating gas deliveries. A Customer is required to submit in writing a request for entry into a Billing Pool.
- (1) Each Billing Pool shall appoint an Agent who will coordinate nomination, billing, reconciliation, allocation and any other necessary communication between the Billing Pool and the Company.
- (2) All members of a Billing Pool shall be of like balancing service election. The Company may restrict formation or operation of any Billing Pool in order to meet like balancing service election or pipeline imposed eligibility requirements.
- (3) Automated Meter Reading. The Company has the right as a condition of being a pool member, to install, at the Customer's expense, automated meter reading ("AMR") equipment for the purposes of daily collection or monitoring, and billing Customer volumes at each related service meter. Where AMR equipment is installed, the Customer shall maintain, at its expense, unless otherwise directed by the Company, a dedicated phone connection and electric service to the AMR equipment which will allow the Company unlimited remote access to the AMR device at all times. Failure to maintain a required phone and/or electric service may result in Customer being removed from a Billing Pool and being placed on a rate schedule not requiring daily measurement capability.
- (4) Service under Rate NNS is required by, and shall be individually billed to, any and all members of a Billing Pool except when all pool members are monitored on a daily basis through the use of Company owned AMR equipment at all meter locations. Additionally, service under Rate MBS is required by, and shall be individually billed to, any and all members of a Billing Pool when the billing month for each pool member does not end on the same calendar date; Billing Pools having all customers monitored and billed through the use of Company owned AMR equipment at all meter locations shall be exempt from this requirement.

(C) Indicates Change

RULES AND REGULATIONS

**22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
Effective November 1, 2020 - Continued (C)**

- (i) Recognition of Supplies. Volumes transported on behalf of the Customer will be recognized in the Customer's current billing month based on nominated or scheduled volumes information and may be adjusted after notification is received from the pipeline supplier(s) of the volumes transported on behalf of the Customer. Volumes scheduled shall be determined on the basis of best available actual or confirmed pipeline and/or Company information at the time of billing.
- (j) Unless otherwise negotiated under Rate XD, the Company shall retain for Company use gas, and lost and unaccounted for gas, 1.0% of the total volume of gas delivered into its system for the Customer's account.

22.2 Balancing and No-Notice Service. (C)

- (a) Each Customer shall use best efforts to balance purchases, deliveries and receipts of gas at all times. Except as specified in 22.1(f), for the purposes of balancing excess deliveries and shortfalls and purchasing services under Rates NNS and MBS, Billing Pools may be treated as a single entity. Subject to the terms and conditions set forth below, the Company shall provide no-notice and monthly balancing services under Rate Schedules NNS and MBS. Service under Rate Schedules NNS and MBS is available only for inadvertent fluctuations, limited by the terms and conditions of each Rate Schedule, and is not available to speculate as to fuel prices or otherwise to permit imbalances which reasonably could have been avoided. In the event the Customer fails to use best efforts to balance deliveries and receipts, or otherwise misuses no-notice or balancing services as determined by the Company in its sole discretion, Section 22.4 shall apply for the period of such default or misuse.
- (b) Daily Balancing. The Company shall allow Customer's daily demand to inadvertently vary from daily scheduled deliveries by +/-4.5% without imposing Daily Balancing Charges, provided the total daily quantity taken does not exceed Customer's Daily Firm Requirement, MDQ or otherwise specified contract demand limit. Daily imbalances in excess of the +/-4.5% tolerance, unless otherwise provided by service elected under Rate NNS, shall be assessed a Maximum Daily Excess Balancing Charge in accordance with Section 22.4 under Critical Day and Non-Critical Day criteria unless otherwise specified in Customer's contract, in addition to the charges specified in Rates DS, LFD, XD and IS, on all such quantities.
- (c) Imbalance Resolution. Customer's monthly imbalances will be calculated at the end of each billing period to determine if any overdelivery (excess) or underdelivery (shortfall) condition exists for volumes scheduled versus volumes metered. If the Customer is determined to be in an imbalance condition, and has not elected service under Rate MBS or has exceeded the 10% imbalance allowance provided under Rate MBS, then the Company shall sell and the Customer shall buy, subject to the 5 percent limitation under Rate MBS, any shortfall amount according to the following cash-out pricing:

(C) Indicates Change

RULES AND REGULATIONS

**22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
 Effective November 1, 2020 - Continued (C)**

<u>Shortfall Percent</u>	<u>Cash-Out Price</u>
Up to 5%	Shortfall Monthly Index ("SMI")
Greater than 5%, but not greater than 15%	SMI x 1.1
Greater than 15%, but not greater than 25%	SMI x 1.3
Greater than 25%	SMI x 1.5

Likewise, the Customer shall sell, and the Company shall buy any excess amount according to the following cash-out pricing:

<u>Excess Percent</u>	<u>Cash-Out Price</u>
Up to 5%	Excess Monthly Index ("EMI")
Greater than 5%, but not greater than 15%	EMI x 0.9
Greater than 15%, but not greater than 25%	EMI x 0.7
Greater than 25%	EMI x 0.5

The SMI (Shortfall Monthly Index) shall be the average of the published *Gas Daily* Midpoint index prices corresponding to the Customer's Delivery Region during the Customer's billing month as listed below:

<u>Delivery Region</u>	<u>Index</u>
North	Tennessee, zone 4-300 leg PLUS the applicable transportation costs from Tennessee, zone 4 to zone 4.
Central	The higher of Transco, zone 6 non-N.Y. or Transco, Leidy Line receipts plus the applicable transportation costs from Transco zone 6 to zone 6.
South	The higher of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.
West	The higher of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.

The EMI (Excess Monthly Index) shall be the average of the published *Gas Daily* Midpoint index prices corresponding to the Customer's Delivery Region during the Customer's billing month as listed below:

<u>Delivery Region</u>	<u>Index</u>
North	Tennessee, zone 4-300 leg
Central	The lower of Transco, zone 6 non-N.Y. or Transco, Leidy Line receipts plus the applicable transportation costs from Transco zone 6 to zone 6.
South	The lower of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.
West	The lower of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.

(C) Indicates Change

RULES AND REGULATIONS

**22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
 Effective November 1, 2020 - Continued (C)**

Customer Delivery Region shall be assigned to each Customer in accordance with Customer's delivery location within the Company's distribution system.

The SMI and EMI are applicable to the above tables only for inadvertent monthly imbalances. The HMI (Highest Monthly Index) or the LMI (Lowest Monthly Index) as defined below shall apply respectively to shortfall and excess conditions in those situations where intentional imbalances are involved.

The HMI shall be calculated as the highest of the published *Gas Daily* Absolute index prices for the Customer's Delivery Region during the Customer's billing month as listed below:

<u>Delivery Region</u>	<u>Index</u>
North	Tennessee, zone 4-300 leg PLUS the applicable transportation costs from Tennessee, zone 4 to zone 4.
Central	The higher of Transco, zone 6 non-N.Y. or Transco, Leidy Line receipts plus the applicable transportation costs from Transco zone 6 to zone 6.
South	The higher of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.
West	The higher of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.

The LMI shall be calculated as the lowest published *Gas Daily* Absolute prices for the Customer's Delivery Region during the Customer's billing month as listed below:

<u>Delivery Region</u>	<u>Index</u>
North	Tennessee, zone 4-300 leg PLUS the applicable transportation costs from Tennessee, zone 4 to zone 4.
Central	The lower of Transco, zone 6 non-N.Y. or Transco, Leidy Line receipts plus the applicable transportation costs from Transco zone 6 to zone 6.
South	The lower of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.
West	The lower of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.

(C) Indicates Change

RULES AND REGULATIONS

**22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
Effective November 1, 2020 - Continued (C)**

- (d) The Company may extend the balancing period for gas volumes and may increase volumes eligible for balancing in its discretion, but only if it determines that such action is consistent with its obligations to other customers.
- (e) Supply Transfers. In order to facilitate Monthly balancing related to inadvertent imbalances in Company's sole discretion, the Company shall allow Supply Transfers among Customers and Billing Pools, Customers-to-Billing Pools and Billing Pools-to-Customers at a fee of \$125 per transaction, provided however: (1) such transfer is requested prior to the end of the billing month for both the transferee and the transferor, (2) such transfer is physically possible given pipeline interconnection and delivery point limitations which require transfers to be between parties located on the same segment of the Company's distribution system, and system supplies, and reliability are not adversely affected.
- (f) Competitive Volume Customers. In the case of Customers or applicants seeking service for facilities with a design volume capability allowing for direct connection to transmission or gathering lines for bypass of Company facilities, Company shall have the right to establish daily and monthly balancing tolerances at levels other than those specified in subsections (b) and (c) of this Section 22.2 to reflect specific operational limitations or to protect the interests of other Customers, as determined by the Company in its sole discretion. Additionally, the Company may establish special nomination rules, imbalance resolution rules and communication protocols that reflect the Customer's or applicant's commercial alternatives, and which are consistent with its obligations to other Customers.

22.3 Service Agreement and General. (C)

- (a) Limitation on Liability.
 - (1) The Company shall not be liable for curtailment of service under Rates DS, LFD, XD and IS, or loss of the Customer's gas as a result of any steps taken to comply with any law, regulation or order of any governmental agency with jurisdiction to regulate, allocate or control gas supplies or the rendition of service hereunder, and regardless of any defect in such law, regulation or order.
 - (2) Gas transported and delivered by the Company to the Customer hereunder shall be and remain the property of the Customer. The Customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such gas before, during and after receipt by the Company.
 - (3) The Company shall not be liable for any loss to the Customer arising from or out of service hereunder, including loss of gas in the possession of the Company or any other cause, except gross or willful negligence of the Company's own employees or agents. The Company reserves the right to commingle gas of the Customer with other supplies.

(C) Indicates Change

RULES AND REGULATIONS

**22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LED, XD, AND IS
Effective November 1, 2020 - Continued (C)**

- (b) Warranty, indemnity and special provisions. The receipt of service constitutes Customer's agreement to the following representations and warranties, together with related provisions in the service agreement:
- (1) clear and marketable title to the Customer's gas;
 - (2) delivery points, pressure, quality and other specifications acceptable to gas transmission pipeline(s) and the Company;
 - (3) eligibility of the Customer for service;
 - (4) existence of lawful authority for sale, transportation and delivery;
 - (5) agreement to pay all excise, sales, use, gross receipts, or other taxes (other than income taxes), all tariff charges and all penalties, charges, fees for transportation, balancing etc., associated with delivered gas, which may be levied upon or incurred by the Company at any time;
 - (6) agreement to indemnify and hold the Company harmless from breach of representations or warranties, and any liability associated with Customer's gas while on the Company's system.

Copy of Gas Purchase Agreements, Other Documents. When requested by the Company, the Customer shall provide the Company with a copy of Customer's gas purchase contract and any related transportation, marketing and brokerage contracts, or, in lieu of providing such contracts, certify pertinent information as required by the Company, and, in order to meet state or federal requirements, provide a sworn affidavit setting forth the Customer's cost of gas for the period requested by the Company. The Company shall endeavor to protect the confidentiality of information provided by the customer in accordance with this provision. The Company will provide such information to third parties only when required to do so by law, regulation or order and in such case, will attempt to maintain confidentiality to the extent possible.

22.4 Maximum Daily Excess Balancing Charge (C)

The Daily Excess Balancing Charge that occurs on Critical Days shall be as follows:

The charge for exceeding daily balancing limits shall be ten times the highest price as published in *Gas Daily* on the table "Daily Price Survey." For each delivery region as listed in the table below. This rate shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of the interstate pipelines which deliver gas into Pennsylvania.

(C) Indicates Change

RULES AND REGULATIONS

**22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS
Effective November 1, 2020 - Continued (C)**

<u>Delivery Region</u>	<u>Index</u>
North	Tennessee, zone 4- 300 leg plus the applicable transportation costs from Tennessee Zone 4 to Zone 4.
Central	The higher of 1) Transco, zone 6 non-N.Y. or 2) Transco, Leidy Line receipts plus the applicable transportation costs from Transco Zone 6 to Zone 6.
South	The higher of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.
West	The higher of Texas Eastern, M-3 or Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.

The Daily Excess Balancing Charge that occurs on Non-Critical Days shall be as follows:

<u>Daily Imbalance Percent</u>	<u>Penalty</u>
Up to 15%	GDI
Greater than 15%, but not greater than 30%	GDI x 2
Greater than 30%, but not greater than 45%	GDI x 3
Greater than 45%, but not greater than 60%	GDI x 4
Greater than 60%	GDI x 5
Intentional imbalances	GDI x 5

The GDI (Gas Daily Index) shall be equal to the difference in price between the highest published *Gas Daily* index price and the lowest published *Gas Daily* index price for the Customer's Delivery Region as listed below but shall not be lower than \$0.25/Mcf.

<u>Delivery Region</u>	<u>Highest Index Price</u>	<u>Lowest Index Price</u>
North	Tennessee, zone 4- 300 leg plus the applicable transportation costs from Tennessee Zone 4 to Zone 4.	Tennessee, zone 4- 300 leg
Central	Transco zone 6, non-N.Y.	Transco, Leidy line receipts plus the applicable transportation costs from Transco zone 6 to zone 6.
South	Texas Eastern, M3	Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.
West	Texas Eastern, M3	Texas Eastern, M-2 receipts plus the applicable transportation costs from Texas Eastern M-2 to M-3.

(C) Indicates Change

RULES AND REGULATIONS

22. GENERAL TERMS FOR DELIVERY SERVICE FOR RATE SCHEDULES DS, LFD, XD, AND IS (C)
Effective November 1, 2020 - Continued

The Company shall not charge any Maximum Daily Excess Balancing Charges if the Customer's Excess Daily Imbalance is anticipated to benefit the distribution systems daily balancing position as determined by Company in its sole discretion.

22.5 Operational Flow Orders and Daily Flow Directives (C)

The Company has the right to issue Operational Flow Orders and Daily Flow Directives at any time. Failure to comply with any OFO or DFD shall result in a penalty charge of Twenty-Five (\$25) per Mcf or the charge calculated in compliance with Section 22.4 Maximum Daily Excess Balancing Charge, whichever is greater.

22.6 Cost of Assigned Capacity. (C)

In addition to applicable interstate pipeline demand charges, the associated demand charges to customers, or their NGS, served under Rates DS and LFD, and who utilize assigned PGC capacity, will include 100% and 50% pro rata allocation of annual Peaking Supply service demand costs, respectively. The associated demand charges will be reduced by a pro rata share of the Economic Benefit of Peaking Supply (EBPS Credit). The EBPS Credit shall mean a pro rata share of (a) the value of Peaking Supply utilized in off system sales transactions and included in the PGC share of the Revenue Sharing Incentive Mechanism revenues, plus (b) the Commodity Price Differential, which shall be, as measured for the date of Peaking Supply delivery, the aggregate difference, if positive, between the Gas Daily price applicable to the zone of delivery (i.e., Texas Eastern M3 for deliveries in the South and West Delivery Regions with the exception of deliveries from Mt. Bethel and Transco Z6 NNY for deliveries made in the North and Central Delivery Regions and deliveries from Mt. Bethel) and the actual price paid for actual Peaking Supply deliveries into the UGI distribution system. The EBPS Credit shall be applied in the calculation of associated demand charges in the second billing month after the credit has accrued (e.g., December accrued credits will be used to reduce the February associated demand charges) and shall not, on an annual basis, exceed the annual incremental demand charges for Peaking Services charged to Rate DS and LFD customers, or their NGS, as described above.

(C) Indicates Change

RATE R

GENERAL SERVICE - RESIDENTIAL

AVAILABILITY

This rate applies to all Residential Customers in the entire gas service territory of the Company and available at one location, for the total requirements of any residential Customer. Residential Customers are customers receiving the Company's gas service to a single-family dwelling or building, or through one meter to four or fewer units in a multi-family dwelling or premises used as a single family.

MONTHLY RATE TABLE

Customer Charge: \$15.00 per customer (I)

Plus Distribution Charge:
\$0.50024/Ccf (effective Oct. 29, 2022 - Sept. 30, 2023) (C, I)
\$0.51764/Ccf (effective on and after October 1, 2023)

Plus SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider B - Section 1307 (f) Purchased Gas Cost
Rider C - Weather Normalization Adjustment (C)
Rider D - Merchant Function
Rider E - Gas Procurement Charge
Rider F - Universal Service Program
Rider G - Energy Efficiency and Conservation
Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

PAYMENT

In accordance with Section 8.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

(I) Indicates Increase (C) Indicates Change

RATE RT

GENERAL SERVICE - RESIDENTIAL TRANSPORTATION

AVAILABILITY

This Rate applies to all Residential Customers in the entire gas service territory who are served by a qualified Choice Supplier receiving service under Rate AG and available at one location, for the total requirements of any residential Customer. Residential Customers are customers receiving the Company's gas service to a single-family dwelling or building, or through one meter to four or fewer units in a multi-family dwelling or premises used as a single family.

MONTHLY RATE TABLE

Customer Charge: \$15.00 per customer (I)

Plus Distribution Charge:
\$0.50024/Ccf (effective Oct. 29, 2022 - Sept. 30, 2023) (C, I)
\$0.51764/Ccf (effective on and after October 1, 2023)

Plus SURCHARGES and RIDERS

Rider A - State Tax Adjustment Surcharge
Rider C - Weather Normalization Adjustment (C)
Rider F - Universal Service Program
Rider G - Energy Efficiency and Conservation
Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

(I) Indicates Increase (C) Indicates Change

Issued:

Effective for Service Rendered on and after

RATE GL

GENERAL SERVICE - GAS LIGHT SERVICE

AVAILABILITY

This service is available for street, highway, driveway or other lighting or sign illumination, where measurement by meter of the gas consumed is not practicable or economical. As used herein, "light" means a single lamp or sign having one (1) gas-flow orifice and one (1) or more mantles, and of a type approved by the Company.

MONTHLY RATE TABLE

Distribution Charge:
\$0.50024/Ccf (effective Oct. 29, 2022 - Sept. 30, 2023) (C, I)
\$0.51764/Ccf (effective on and after October 1, 2023)

Plus

SURCHARGES and RIDERS (C)

Rider A - State Tax Adjustment Surcharge
Rider B - Section 1307(f) Purchased Gas Cost
Rider I - Distribution System Improvement Charge

Monthly usage is assumed to be 1.8 Mcf, however, for larger consumption input fixtures, the Company reserves the right to modify. (C)

BILLS DUE

All bills for continuing service are due each month when rendered, and the final due date stated on the bill shall be no less than fifteen (15) days from the date of presentation. Upon discontinuance of service, bills are due and payable upon presentation.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

SPECIAL TERMS AND CONDITIONS

Gas will be supplied to lights furnished, erected and maintained by the customer only when equipped with regulators and such devices as the Company considers necessary for turning lights on and off for maintenance and safety purposes.

(I) Indicates Increase (C) Indicates Change

RATE N

GENERAL SERVICE - NON-RESIDENTIAL

AVAILABILITY

This Rate applies in the entire territory served by the Company and is available to all Non-Residential Customers, using gas for any purpose including gas purchased by another public utility for resale. Service will be supplied only where the Company's facilities and the available quantity of gas are suitable to the service desired. Rate N service may not be applied to supplement or back up any transportation service.

MONTHLY RATE TABLE

Customer Charge: \$27.38 per customer

(I)

Plus Distribution Charge:

(C, I)

	Former South/Central Districts	Former North District
Effective Oct. 29, 2022 - Sept. 30, 2023	\$3.8202/Mcf	\$3.7086/Mcf
Effective on and after Oct. 1, 2023	\$3.8378/Mcf	\$3.8378/Mcf

Plus SURCHARGES and RIDERS

- Rider A - State Tax Adjustment Surcharge
- Rider B - Section 1307(f) Purchased Gas Cost
- Rider C - Weather Normalization Adjustment
- Rider D - Merchant Function Rider
- Rider E - Gas Procurement Charge
- Rider G - Energy Efficiency and Conservation
- Rider H - Technology and Economic Development
- Rider I - Distribution System Improvement Charge

(C)

MINIMUM CHARGE

The Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

(I) Indicates Increase (C) Indicates Change

RATE NT

GENERAL SERVICE - NON-RESIDENTIAL TRANSPORTATION

AVAILABILITY

This Rate applies in the entire territory served by the Company and is available to all Customers who are served by a Choice Supplier receiving service under Rate AG, except residential Customers, using gas for any purpose. Service will be supplied only where the Company's facilities and the available quantity of gas are suitable to the service desired. Rate NT service may not be applied to supplement or back up any transportation or retail service.

MONTHLY RATE TABLE

Customer Charge: \$27.38 per customer (I)

Plus Distribution Charge: (C, I)

	Former South/Central Districts	Former North District
Effective Oct. 29, 2022 - Sept. 30, 2023	\$3.8202/Mcf	\$3.7086/Mcf
Effective on and after Oct. 1, 2023	\$3.8378/Mcf	\$3.8378/Mcf

Plus SURCHARGES and RIDERS

- Rider A - State Tax Adjustment Surcharge
- Rider C - Weather Normalization Adjustment (C)
- Rider G - Energy Efficiency and Conservation
- Rider H - Technology and Economic Development
- Rider I - Distribution System Improvement Charge

MINIMUM CHARGE

The Customer Charge as set forth above.

MINIMUM BILL PROVISION

If natural gas service is discontinued at the request of the Customer, the Company shall not be under any obligation to resume service to the same Customer at the same premise within twelve months unless it shall receive an amount equal to the minimum charge for each month up to a maximum of twelve months of the intervening period.

Customer at the same premise who requires seasonal service and has gas shut off and turned on within twelve-month period billed in an amount equal to the minimum charge under the applicable rate for each month service was shut off up to the 12-month intervening period.

(I) Indicates Increase (C) Indicates Change

RATE DS

DELIVERY SERVICE

AVAILABILITY

This service applies in the entire territory served by the Company. Firm Delivery Service shall be provided for all volumes supplied by the Customer for which the Company has available on system delivery capacity, subject to Section 21 - Gas Emergency Planning provisions of the Company's tariff, applicable rules and regulations of the PUC and any other governmental mandates.

The Customer must execute a Service Agreement for not less than (1) one year. The contract shall continue in force for consecutive (1) year periods unless cancelled by the Customer upon ninety (90) days written notice to Company prior to the expiration of a contract term.

Gas service in excess of volumes delivered by the Customer shall only be provided in accordance with applicable delivery service balancing provisions or in accordance with optionally elected and approved balancing or standby services.

Service under Rate DS is subject to the terms set forth under Section 22, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

MONTHLY RATE TABLE

The charge for each monthly billing period shall be the sum of the Customer Charge, the Capacity Charge if applicable, and the Distribution Charge as described below. The following are maximum rates.

Customer Charge: \$260.00 per month

Plus Capacity Charge: The Company's unitized weighted average cost of firm transportation capacity per elected MDQ.

Plus Maximum Distribution Charge: (C, I)

	Former South/Central Districts	Former North District
Effective Oct. 29, 2022 - Sept. 30, 2023	\$3.1971/Mcf	\$2.5319/Mcf
Effective on and after Oct. 1, 2023	\$3.2045/Mcf	\$2.6070/Mcf

Plus

SURCHARGES and RIDERS

(C)

- Rider A - State Tax Adjustment Surcharge
- Rider G - Energy Efficiency and Conservation
- Rider H - Technology and Economic Development
- Rider I - Distribution System Improvement Charge
- Rider J - Gas Delivery Enhancement Rider

(I) Indicates Increase (C) Indicates Change

RATE NNS

NO-NOTICE SERVICE

AVAILABILITY

This Rate is available upon request to any Customer served on Rate DS, LFD, XD or IS who, after review and acceptance of such request by Company, has entered into a service agreement with Company for service under Rate NNS. The term of the service agreement shall be concurrent with that of the Customer's underlying Delivery Service Schedule.

Service under this Rate is available for inadvertent fluctuations only and is not available to speculate as to fuel prices or otherwise to permit imbalances which reasonably could have been avoided.

Service to large volume users, such as electric generation facilities, may be limited as determined by the Company. Service under Rate NNS is subject to the terms and conditions set forth under Section 22 General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS.

TERMS AND CONDITIONS

(C)

Customers shall elect a specific level of no-notice service under this Rate. Such election shall be made through the specification of a No-Notice Allowance ("NNA"), in MCF per day, of an amount no less than 4.5% and no greater than 100% of Customer's Daily Firm Requirement, Maximum Daily Quantity or otherwise specified daily contract limit. The elected NNA shall be effective for a fixed period equal to the lesser of one year or the remaining balance of the Customer's service agreement or, a lesser time period mutually agreeable to both the Customer and the Company. In no instance shall a NNA be effective for a period of less than one month. Rate NNS service elections in excess of 4.5%, are interruptible.

No-notice service shall be provided under this Rate whereby the Company shall forward or bank no-notice supplies to the Customer on a daily basis in such amounts necessary to balance the Customer's daily deliveries with the Customer's daily consumption. Forwarded amounts shall be limited in amount by the lesser of the sum of the Customer's daily nomination plus elected NNA or, the Customer's DFR, MDQ or otherwise specified contract limit except as allowed. Banked amounts shall be limited to an amount no greater than the Customer's NNA election.

Customer electing an NNA shall be billed for no-notice service according to that specific level of service.

Volumes in excess of the daily limits shall be subject to Daily Excess Imbalance Charges as set forth in Section 22.4 General Terms For Delivery Service for Rate Schedules DS, LFD, XD and IS on all such excess quantities, in addition to the charges specified in the Customer's Delivery Service Schedule.

(C) Indicates Change

RATE NNS - Continued

NO-NOTICE SERVICE

EXCESS REQUIREMENT OPTION

The Excess Requirement Option is available on an interruptible basis to any delivery service Customer served under Rates XD, LFD. This Option shall extend the no-notice provisions of Rate NNS, on solely a best efforts basis, during periods where Customer's daily requirements exceed transportation contract service limits.

Customer must nominate a Daily Excess Requirement ("DER") under this Option in an amount no less than 5 Mcf per day and no greater than 25% of Customer's DFR or otherwise specified contract limit. On days where service under the Excess Requirement Option is required, Customer will have the right, subject to the terms and conditions set forth herein, to take gas in excess of Customer's DFR or otherwise specified contract limit provided such excess is no greater than the nominated DER amount.

Service taken in excess of the sum of Customer's DFR and DER on any day shall be considered Excess Take or Unauthorized Overrun as determined by Customer's Delivery Service Schedule and service agreement.

Unauthorized gas forwarded or returned to the Company by the Customer shall be considered imbalance gas and shall be subject to either the balancing provisions set forth under Section 22.2 of General Terms for Delivery Service for Rate Schedules DS, LFD, XD and IS or the Customer's otherwise applicable transportation balancing service.

MONTHLY RATE TABLE (Basic NNS Service)

\$0.2200 per Mcf per day of elected NNA **(C, D)**

plus

MONTHLY RATE TABLE (Excess Requirement Option)

\$4.50 per Mcf per day of elected DER.

(C) Indicates Change (D) Indicates Decrease

RATE MBS

MONTHLY BALANCING SERVICE

AVAILABILITY

This Rate is available upon request to any Customer served on Rate DS, LFD, XD or IS who, after review and acceptance of such request by Company, has entered into a Service Agreement with Company for service under Rate MBS. The term of the Service Agreement shall be concurrent with that of the Customer's underlying Rate Schedule.

Service under Rate MBS is available for inadvertent fluctuations only, limited to an amount not to exceed 10% of the customer's total scheduled deliveries for the month, and is not available to speculate as to fuel prices or otherwise to permit imbalances which reasonably could have been avoided. Service under Rate MBS is subject to the terms set forth in Section 22 General Terms For Delivery Service for Rate Schedules DS, LFD, XD, and IS.

Rate MBS is available as a monthly banking service for Customer transportation deliveries. Service under Rate MBS allows Customer transportation imbalances (metered volumes less total scheduled nominations) which are within 10% of Customer's total scheduled nominations for the month to be carried forward in the Customer's MBS Account ("Balance Account") for redelivery of excesses or receipt of shortfalls in subsequent months.

TERMS AND CONDITIONS

Balance Account Operation. To the extent Customer's total deliveries exceed Customer's total consumption at the end of a Billing Month, the excess volumes shall be added to the Customer's Balance Account. To the extent Customer's total consumption exceeds Customer's total deliveries at the end of a Billing Month, the shortfall volumes shall be subtracted from the Customer's Balance Account.

Balance Account Limits. At no time, as calculated at the end of a Billing Month, shall a Customer exceed a Balance Account excess or shortfall balance greater than 10% of the Customer's total scheduled deliveries for the month, as determined by the Company in its sole discretion. Any such imbalance over 10% (excess or shortfall) shall be subject to the Cash-in/Cash-out pricing set forth in Section 22.2 for (C) monthly imbalance volumes in excess of 5%, with the remaining imbalance volumes to be carried over into the calculation of the Customer's imbalance volumes for the following month.

The Company, in its sole discretion, may zero out the Customer's Balance Account at the end of any Billing Month by purchasing or selling such net imbalance volumes in the Customer's Balance Account at the prevailing month's Cash-In/Cash-Out pricing at set forth in Section 22.2, provided such zero out may occur only if necessitated by operational needs of the Company or as a result of a requirement of an applicable interstate pipeline.

(C) Indicates Change

RATE MBS - Continued

MONTHLY BALANCING SERVICE

MONTHLY RATE TABLE

Monthly Transportation Volume

Rate DS/IS	\$0.0437/Mcf x Monthly Billed Volumes	(I)
Rate LFD	\$0.0263/Mcf x Monthly Billed Volumes	(I)
Rate XD	\$0.0221/Mcf x Monthly Billed Volumes	(I)

The Company will update the average monthly imbalance utilized in the development of Rate MBS charges annually with the actual average monthly imbalance for the 12-month period ending September to determine the new Rate MBS charges effective December 1 each year. The Company shall include the new Rate MBS charges as part of its annual PGC compliance filing.

(I) Indicates Increase

Issued:

Effective for Service Rendered on and after

RATE LFD - Continued

LARGE FIRM DELIVERY SERVICE

MONTHLY RATE TABLE

The charge for each monthly billing period shall be the sum of the Customer Charge, the Demand Charge, the Distribution Charge and any Excess Take Charge as described below. The following are maximum rates.

<u>Customer Charge:</u>	\$670.00	
Plus		
<u>Maximum Demand Charge:</u>	\$5.9965/Mcf of Customer's elected DFR.	(I)
Plus		
<u>Maximum Distribution Charge (all volumes):</u>		
	\$1.2838/Mcf (effective Oct. 29, 2022 - Sept. 30, 2023)	(C, I)
	\$1.3169/Mcf (effective on and after October 1, 2023)	
Plus		
<u>SURCHARGES and RIDERS</u>		(C)
Rider A - State Tax Adjustment Surcharge		
Rider G - Energy Efficiency and Conservation		
Rider H - Technology and Economic Development		
Rider I - Distribution System Improvement Charge		
Rider J - Gas Delivery Enhancement Rider		

RETAINAGE RATE

Company Use and Unaccounted For gas shall be retained in accordance with Section 22, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, AND IS, paragraph 22.1(j).

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

EXCESS TAKE CHARGE

Except as provided in the Company's *Nomination Procedure*, for authorized usage on any day in excess of the Daily Firm Requirement there will be a charge of \$6.00 per MCF in addition to the charges specified in the rate table.

(C) Indicates Change (I) Indicates Increase

UGI UTILITIES, INC. - GAS DIVISION

RATE XD -Continued

EXTENDED LARGE FIRM DELIVERY SERVICE

MONTHLY RATE TABLE

The charge for each monthly billing period shall be negotiable and shall be the sum of the Customer Charge, Distribution Charge, Demand Charge if applicable, and the Minimum Annual Bill as described below.

The following are maximum rates.

Customer Charge: Charge as determined by negotiation.

Plus

Maximum Demand Charge: Charge as determined by negotiation.

Plus

Maximum Average Delivery Charge:

\$1.2838/Mcf (effective Oct. 29, 2022 - Sept. 30, 2023) (C, I)
\$1.3169/Mcf (effective on and after October 1, 2023)

Plus

SURCHARGES and RIDERS

(C)

Rider I - Distribution System Improvement Charge

RETAINAGE RATE

Unless otherwise agreed between the Customer and the Company, Company Use and Unaccounted For gas shall be retained in accordance with Section 22, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, and IS, paragraph 22.1(j)

MINIMUM BILL

Minimum Bill Volumes and terms shall be defined in the Service Agreement and determined by negotiation.

CHARGE FOR OTHER TRANSPORTATION

If the Customer chooses to use the Company as agent in regard to transportation service by others, any costs calculated by or billed to the Company, with regard to such agency, shall be billed to the Customer by the Company and may include an applicable administrative fee as agreed by the Customer and Company.

(C)Indicates Change (I) Indicates Increase

Issued:

Effective for Service Rendered on and after

RATE R/S - Continued

RETAIL AND STANDBY RIDER

The minimum monthly bill under this rate schedule shall be the sum of the Customer and Capacity/Reservation Charges plus any commodity reservation costs per MCF of NSR.

SURCHARGES

(C)

Rider I - Distribution System Improvement Charge

Any charges or penalties imposed by pipeline suppliers as a result of usage under this rider shall, at the Company's sole discretion, be allocated to Customers according to each Customer's contractual obligation or be assigned to the Customer responsible for the incurrence of the charges or penalties.

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

(C) Indicates Change

RATE IS - ContinuedINTERRUPTIBLE SERVICE

Unless the Company otherwise agrees, the Minimum Annual Bill shall be calculated at the end of any Service Agreement period, anniversary, or termination of service in accordance with terms of the Service Agreement. Volumes of natural gas taken under Standby Service during the Service Agreement period shall be credited to the Minimum Annual Bill volumes.

SURCHARGES and RIDERS

(C)

Rider I - Distribution System Improvement Charge

PAYMENT

In accordance with Section 8 of this Tariff.

LATE PAYMENT CHARGE

Late Payment Charges shall be billed in accordance with Section 8, Billing and Payment, paragraph 8.7.

CHARGE FOR UNAUTHORIZED OVERRUN

Whenever it is necessary to restrict gas supplied under this Rate, the Company will provide due notice of such restriction. If a Customer, after having received due notice of restriction, shall take gas in excess of the amount made available by such notice, then Customer shall be billed for such excess gas at the rate of Fifty Dollars (\$50.00) per MCF, or the charge calculated in compliance with Section 22.4 Maximum Daily Excess Balancing Charge, whichever is greater, plus the charge specified in the monthly rate table. Customer shall indemnify Company from any claims by third parties resulting from Customer's unauthorized overrun.

Gas delivered under the Rate IS or purchased under the Cash-Out provisions of Section 22.2 or the Retail and Standby Rider or taken under Rate NNS shall be included in the determination of Unauthorized Overrun gas.

RETAINAGE RATE

Company Use and Unaccounted For gas shall be retained in accordance with Section 22, General Terms for Delivery Service for Rate Schedules DS, LFD, XD, AND IS, paragraph 22.1(j).

(C) Indicates Change

UGI UTILITIES, INC. - GAS DIVISION
GAS CHOICE SUPPLIER TARIFF NO. 7S

Rates and Rules
Governing the
Furnishing of
Gas Aggregation Service

Issued: Effective for service rendered on and
after

Issued By:

Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

<https://www.ugi.com/tariffs>

NOTICE

This supplement makes changes to existing rates(see page 2).

RULES AND REGULATIONS

4. CHOICE SUPPLIER OBLIGATIONS

- 4.12 If a Choice Supplier elects to participate in the Company's POR Program, the Choice Supplier must enter into a POR Agreement for the rate classes that it serves that will be included in the POR. The elected Rate Classes shall be one of the following: (1) RT only, (2) NT only, or (3) RT and NT. All receivables associated with basic natural gas supply services in the specific rate class, subject to the rate class elections made above, must be sold by the participating Supplier to the Utility. For the purposes of this provision, the phrase "basic natural gas supply services" shall include charges directly related to the physical delivery of natural gas to a retail customer but shall not include charges for "carbon-neutral" products, appliance maintenance service, energy efficiency services, termination or cancellation fees, security deposits or other products or services not directly related to the physical delivery of natural gas to a retail customers. Customer accounts that are billed for non-basic natural gas supply services will not be eligible for UGI's POR program. All of the NGS' customer accounts within the elected Rate Classes (subject to the volumetric limits contained in section 5.4) must be POR eligible accounts, with the exception of customers that purchase carbon-neutral products. NGSs may choose to use UGI consolidated billing for Non-POR eligible customers who are purchasing bundled "carbon-neutral" product offerings. The termination and reconnection provisions of Chapters 14 and 56 of the Public Utility Code and PUC regulations shall not be applicable to unpaid NGS charges for non-POR eligible accounts on consolidated billing. NGSs will be responsible for collecting unpaid NGS charges on non-POR eligible accounts on consolidated billing. UGI shall support rate-ready billing, and all NGS rates must conform to supported rate designs. For Purchased Customer Accounts, Company shall pay Choice Supplier an amount equal to 97.59% for residential amounts billed (C) (inclusive of associated sales taxes) and 99.42% of non-residential amounts (C) billed (also inclusive of taxes). Customer participation for NT shall be subject to Volumetric Eligibility pursuant to Section 5.4.
- 4.13 All existing customers of Choice Suppliers who elect to participate in the Company's optional Purchase of Receivables program shall be provided notice by the Choice Supplier and Company that (a) the Company will be providing one bill for all Company and Choice Supplier charges, (b) all payments should be made to the Company, (c) any unpaid amounts shall be subject to late payment charges, (d) the Company may request a security deposit for amounts which include Choice Supplier charges and (e) the Company maintains the right to terminate service for any unpaid Company or Choice Supplier charges, pursuant to Pennsylvania Public Utility Code regulations.

All new customers enrolling with Choice Suppliers who are participating in Company's optional Purchase of Receivables program shall be provided notice by the Choice Supplier prior to enrollment, and by Company upon enrollment, that (a) the Company will be providing one bill for all Company and Choice Supplier charges, (b) all payments should be made to the Company, (c) any unpaid amounts shall be subject to late payment charges, (d) the Company may request a security deposit for amounts which include Choice Supplier charges and (e) the Company maintains the right to terminate service for any unpaid Company or Choice Supplier charges, pursuant to Pennsylvania Public Utility Code regulations.

(C) Indicates Change

RULES AND REGULATIONS

7. NOMINATION PROCEDURE

- 7.1 Customer Choice Nomination Procedure. The Nomination Procedure specifies requirements for nominating, scheduling, balancing, and communicating information relating to Choice Supplier's gas deliveries for customers served under Rates RT and NT.
- 7.2 Contact Persons. A list of Company contact persons will be posted on the Company's Web Site, located at https://ugi.outsystemsenterprise.com/UGIContacts_FO/, or its successor, along with their department affiliation, email address, and telephone number.
- 7.3 Mandatory Assignment. As used in this tariff the term "Firm Commodity Supply Alternative" shall mean a Company purchase of natural gas, delivered directly to its distribution system or at points along Company pipeline capacity routes (Commodity Delivery Points), constituting a component of Company's PGC supply portfolio and an alternative to pipeline capacity contracts upstream of the Commodity Delivery Points or other firm sources of PGC supply. Firm Commodity Supply Alternative contractual arrangements may require the payment of demand charges or minimum take requirements. Except as provided below, Choice Supplier (C) shall be required to accept releases of Company pipeline capacity combined with bundled city gate sales and, as applicable, peaking sales of gas from Company and sales of gas associated with Firm Commodity Supply Alternative arrangements, in accordance with the following assignments:

A monthly release of interstate pipeline capacity or allocation of Firm Commodity Supply Alternative in an amount equal to forty-three percent (43%) of the Peak Day Delivery Requirement ("PDDR") of the Choice Customers served by the Choice Supplier during the month shall be released or allocated at a price equal to the projected weighted average demand cost of all PGC capacity, storage, peaking and Firm Commodity Supply Alternative assets, divided by .283. Effective November 1, 2020, to the extent the full Firm Commodity Supply Alternative is not fully nominated by Choice Supplier to satisfy its DDR, the remaining daily quantity may be nominated to a non-Choice transportation customer or pool of non-Choice transportation customers.

The Company shall also provide Choice Suppliers with a must-take Monthly Bundled Sale Quantity ("MBSQ") during each winter month of November through March, and the Choice Supplier would be permitted to nominate and purchase gas at the Company's city gates throughout each winter month, subject to the Maximum Daily Quantity ("MDQ") limits, up to the MBSQ. The MDQ equals twenty-one percent (21%) of the PDDR of the Choice Customers served by the Choice Supplier during the month multiplied by the percentage shown on the Company's Energy Management website. The minimum daily quantity is zero. Choice Suppliers are required to (C) nominate to the Company a daily quantity for bundled sales no later than 2:00 P.M. Eastern Prevailing Time on each Intercontinental Exchange ("ICE") trading day for deliveries applicable to the ICE flow dates. If no nomination is received, the nomination quantity would default to zero. The Company reserves the right to issue Operational Flow Orders ("OFO") that can modify the daily bundled sale MDQ or require certain levels of deliveries from the released firm transportation contracts. These OFOs would be issued for operational reasons only. MBSQs would be based on the Company's storage withdrawal plan, to be updated annually, and communicated as a percentage of each Choice Supplier's pre-month normalized

(C) Indicates Change

Issued:

Effective for Service Rendered on and after

RULES AND REGULATIONS

7. NOMINATION PROCEDURE - CONTINUED

delivery requirements, which will be shown on the Company's Energy Management website. (C)

If the full MBSQ is not nominated and purchased by the end of each such winter month, the shortfall ("Bundled Sale Cash-In quantity") would be purchased by the PGC ("Bundled Sale Cash-In amount") as follows:

- a. The DDR Variation Percentage is the sum of the actual DDRs experienced by a Choice Supplier divided by the sum of the pre-month average DDRs that was used to calculate the MBSQ, converted to a percentage. For any month where the DDR Variation Percentage is greater than ninety percent (90%), the Bundled Sale Cash-In amount would equal (1) the product of (a) 0.90 times the lowest absolute low for the Texas Eastern, M-2 receipts index price as published in Platts' Gas Daily for the applicable month of flow minus (b) the summer index price used for bundled sales (the "Bundled Sale Cash-In index") times (2) the Bundled Sale Cash-In quantity. If the resulting amount is positive, it would be credited to the Choice Supplier, or if negative, would be billed to the Choice Supplier.
- b. In recognition of the effects of extreme warm weather conditions, shortfall amounts would be purchased as follows under such conditions:
 - i. For any month where (a) the DDR Variation Percentage is less than or equal to ninety percent (90%) and (b) the Bundled Sale Cash-In quantity is less than or equal to the MBSQ minus the product of the DDR Variation Percentage times the MBSQ, then the Bundled Sale Cash-In amount would equal (1) the First of the Month Price called "Columbia Gas Transmission Corp., Appalachia" as published in Platts' Gas Daily Price Guide ("Inside FERC") for the month subsequent to the applicable month in which the Bundled Sale Cash-In quantity was created minus the summer index price used for bundled sales (the "Alternate Bundled Sale Cash-In Index") times (2) the Bundled Sale Cash-In quantity. If the resulting amount is positive, it would be credited to the Choice Supplier, or if negative, would be billed to the Choice Supplier.
 - ii. For any month where (a) the DDR Variation Percentage is less than or equal to ninety percent (90%) and (b) the Bundled Sale Cash-In quantity is greater than the MBSQ minus the product of the DDR Variation Percentage times the MBSQ, then the Bundled Sale Cash-In amount would equal (1) the Alternate Bundled Sale Cash-In Index, as defined in Section 7.3.b.i, times the DDR Variation Percentage times the MBSQ plus (2) the Bundled Sale Cash-In Index, as defined in Section 7.3.a, times the difference of the Bundled Sale Cash-In quantity minus the product of the DDR Variation Percentage times the MBSQ. If the resulting amount is positive, it would be credited to the Choice Supplier, or if negative, would be billed to the Choice Supplier.

(C) Indicates Change

RULES AND REGULATIONS

9. ENROLLMENT OF CUSTOMERS INTO RATE SCHEDULES RT AND NT

- 9.1 To be served under Rate Schedules RT and NT, a Customer must be enrolled by the Choice Supplier elected by the Customer. Such enrollment by the Choice Supplier must be provided in an electronic file to the Company via an approved internet-based EDI transaction. The requirement filed shall include:
- a. The customer's name;
 - b. The customer's address;
 - c. The customer's Company account number;
 - d. The specific transaction;
 - e. The elected billing option.
- 9.2 Company Confirmation. Company will electronically confirm receipt of the enrollment information and within one (1) business day and subsequently provide an electronic validation of the Choice Supplier's transmitted information.
- 9.3 Determination of Gas Flow Date. For enrollments received and processed on or (C) before the 15th of any calendar month, the customer will be switched to Rate Schedule RT and NT, where the customer does not respond within 5 days from the Company's mailing of a letter confirming the election to be served by the Choice Supplier, on the Customer's regularly scheduled meter reading date in the calendar month immediately following the month the enrollment information was received and processed. For enrollments received and processed after the 15th (C) of any calendar month, the customer will be switched to Rate Schedule RT and NT, where the customer does not respond within 5 days from the Company's mailing of a letter confirming the election to be served by the Choice Supplier, on the Customer's regularly scheduled meter reading date in the second calendar month following the month the enrollment information was received and processed. (C)

(C) Indicates Change

Issued:

Effective for Service Rendered on and after

ARTICLE XI. NOTICES AND CORRESPONDENCE

Written notice and correspondence to Company shall be addressed as follows:

UGI Utilities, Inc. - Gas Division

1 UGI Drive

Denver, PA 17517

Attention: Rates Department - Choice Administrator (C)

Email: EDI-GAS@UGI.COM

Written notices and correspondence to Choice Supplier shall be addressed as follows:

Name

Address

Attention: (C)

Telephone:

Email:

Either party may change its address for receiving notices effective upon receipt, by written notice to the other party.

(C) Indicates Change

APPENDIX B
Proof of Revenue

UGI Utilities, Inc. - Gas Division
 Proof of Revenue Summary - Total Revenue
 for the 12-Months Ending September 30, 2023

Phase 1 - Effective October 29, 2022								
Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase	
R/RT	616,132	52,331,983	\$ 665,756,720	\$ 697,637,735	\$ 31,881,014	4.8%	83.9%	
N/NT	70,125	31,109,619	\$ 250,912,698	\$ 255,502,410	\$ 4,589,712	1.8%	12.1%	
DS	1,392	9,612,403	\$ 33,778,394	\$ 34,711,619	\$ 933,225	2.8%	2.5%	
LFD	602	23,639,324	\$ 44,861,623	\$ 47,461,347	\$ 2,599,724	5.8%	6.8%	
XD - Firm	56	208,576,268	\$ 36,697,802	\$ 35,735,967	\$ (961,834)	-2.6%	-2.5%	
Interruptible	363	15,451,980	\$ 24,012,357	\$ 22,963,170	\$ (1,049,187)	-4.4%	-2.8%	
Total	688,670	340,721,577	\$ 1,056,019,593	\$ 1,094,012,248	\$ 37,992,655	3.6%		
Other Operating Revenue			\$ 9,284,000	\$ 9,284,000	\$ -			
Total	688,670	340,721,577	\$ 1,065,303,593	\$ 1,103,296,248	\$ 37,992,655	3.6%		
Revenue Requirement					38,000,000	\$	(7,345)	

Phase 2 - Effective October 1, 2023								
Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase	
R/RT	616,132	52,331,983	\$ 697,637,735	\$ 706,743,500	\$ 9,105,765	1.3%	79.5%	
N/NT	70,125	31,109,619	\$ 255,502,410	\$ 256,829,988	\$ 1,327,578	0.5%	11.6%	
DS	1,392	9,612,403	\$ 34,711,619	\$ 34,949,399	\$ 237,780	0.7%	2.1%	
LFD	602	23,639,324	\$ 47,461,347	\$ 48,243,809	\$ 782,462	1.6%	6.8%	
XD - Firm	56	208,576,268	\$ 35,735,967	\$ 35,735,967	\$ -			
Interruptible	363	15,451,980	\$ 22,963,170	\$ 22,963,170	\$ -			
Total	688,670	340,721,577	\$ 1,094,012,248	\$ 1,105,465,832	\$ 11,453,584	1.0%		
Other Operating Revenue			\$ 9,284,000	\$ 9,284,000	\$ -			
Total	688,670	340,721,577	\$ 1,103,296,248	\$ 1,114,749,832	\$ 11,453,584	1.0%		
Revenue Requirement					11,450,000	\$	3,584	

Total								
Rate Class	Customers	Sales	Present Revenue	Proposed Revenue	Revenue Change	Percent Change from Present Revenue	Percent of Total Rate Increase	
R/RT	616,132	52,331,983	\$ 665,756,720	\$ 706,743,500	\$ 40,986,779	6.2%	82.9%	
N/NT	70,125	31,109,619	\$ 250,912,698	\$ 256,829,988	\$ 5,917,289	2.4%	12.0%	
DS	1,392	9,612,403	\$ 33,778,394	\$ 34,949,399	\$ 1,171,005	3.5%	2.4%	
LFD	602	23,639,324	\$ 44,861,623	\$ 48,243,809	\$ 3,382,186	7.5%	6.8%	
XD - Firm	56	208,576,268	\$ 36,697,802	\$ 35,735,967	\$ (961,834)	-2.6%	-1.9%	
Interruptible	363	15,451,980	\$ 24,012,357	\$ 22,963,170	\$ (1,049,187)	-4.4%	-2.1%	
Total	688,670	340,721,577	\$ 1,056,019,593	\$ 1,105,465,832	\$ 49,446,239	4.7%		
Other Operating Revenue			\$ 9,284,000	\$ 9,284,000	\$ -			
Total	688,670	340,721,577	\$ 1,065,303,593	\$ 1,114,749,832	\$ 49,446,239	4.6%		
Revenue Requirement					49,450,000	\$	(3,761)	

UGI Utilities, Inc. - Gas Division
 Residential Service - Rate Schedules R & RT
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2023

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective October 29, 2022				Phase 2 - Effective October 1, 2023			
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)
Customer Charge	7,393,584		\$ 14.60	\$ 107,946,326	\$ 15.00	\$ 110,903,760	\$ 2,957,434		\$ 15.00	\$ 110,903,760	\$ -	
GET Gas Customer Charge	5,988		\$ 28.25	\$ 169,164	\$ 28.25	\$ 169,164	\$ -		\$ 28.25	\$ 169,164	\$ -	
Distribution Charges		52,331,983	\$ 4.1104	\$ 215,105,383	\$ 5.0024	\$ 261,785,512	\$ 46,680,129		\$ 5.1764	\$ 270,891,277	\$ 9,105,765	
State Tax Adjustment Surcharge (STAS) - Rider A			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -	
Purchased Gas Costs (PGC) - Rider B		45,700,042	\$ 6.2767	\$ 286,845,454	\$ 6.2767	\$ 286,845,454	\$ -		\$ 6.2767	\$ 286,845,454	\$ -	
Merchant Function Charge (MFC) - Rider D		45,700,042	2.17%	\$ 6,224,546	2.27%	\$ 6,511,392	\$ 286,845		2.27%	\$ 6,511,392	\$ -	
Gas Procurement Charge (GPC) - Rider E		45,700,042	\$ 0.0660	\$ 3,016,203	\$ 0.0660	\$ 3,016,203	\$ -		\$ 0.0660	\$ 3,016,203	\$ -	
Universal Service Program (USP) - Rider F		49,233,290	\$ 0.3562	\$ 17,536,898	\$ 0.3562	\$ 17,536,898	\$ -		\$ 0.3562	\$ 17,536,898	\$ -	
Energy Efficiency & Conservation Rider (EEC) - Rider G		52,331,983	\$ 0.2077	\$ 10,869,353	\$ 0.2077	\$ 10,869,353	\$ -		\$ 0.2077	\$ 10,869,353	\$ -	
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 18,043,394	0.00%	\$ -	\$ (18,043,394)		\$ -	\$ -	\$ -	
Total - Rates R/RT	7,393,584	52,331,983		\$ 665,756,720		\$ 697,657,735	\$ 31,881,014	4.8%		\$ 706,743,500	\$ 9,105,765	6.2%

UGI Utilities, Inc. - Gas Division
Non-Residential Service - Rate Schedules N & NT
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2023

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective October 25, 2022				Phase 2 - Effective October 1, 2023				
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)	
Customer Charges													
Rate N/NT - Rate N/NT	841,500		\$ 23.50	\$ 19,775,250	\$ 27.38	\$ 23,040,270	\$ 3,265,020		\$ 27.38	\$ 23,040,270	\$ -		
Rate DS - Rate NT			\$ 260.00	\$ -	\$ 27.38	\$ -	\$ -		\$ 27.38	\$ -	\$ -		
Total Customer Charges	841,500			\$ 19,775,250		\$ 23,040,270	\$ 3,265,020			\$ 23,040,270	\$ -		
GET Gas Charges													
Customer	72		\$ 28.25	\$ 2,034	\$ 28.25	\$ 2,034	\$ -		\$ 28.25	\$ 2,034	\$ -		
Distribution		1,212	\$ 1.20	\$ 1,460	\$ 1.20	\$ 1,460	\$ -		\$ 1.20	\$ 1,460	\$ -		
Total GET Gas Charges				\$ 3,495		\$ 3,495	\$ -			\$ 3,495	\$ -		
Distribution Charges													
Rate N/NT - Rate N/NT (Former South & Central Districts)		24,119,939	\$ 3.6271	\$ 87,485,431	\$ 3.8202	\$ 92,142,991	\$ 4,657,560		\$ 3.8378	\$ 92,567,502	\$ 424,511		
Rate N/NT - Rate N/NT (Former North District)		6,989,660	\$ 3.2653	\$ 22,823,402	\$ 3.7086	\$ 25,921,927	\$ 3,098,525		\$ 3.8378	\$ 26,824,994	\$ 903,067		
Rate DS - Rate NT (Former South & Central Districts)			\$ 2.9730	\$ -	\$ 3.8202	\$ -	\$ -		\$ 3.8378	\$ -	\$ -		
Rate DS - Rate NT (Former North District)			\$ 2.1515	\$ -	\$ 3.8202	\$ -	\$ -		\$ 3.8378	\$ -	\$ -		
Total Distribution Charges		31,109,619		\$ 110,308,833		\$ 118,064,918	\$ 7,756,085			\$ 119,392,496	\$ 1,327,578		
State Tax Adjustment Surcharge (STAS) - Rider A			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Purchased Gas Costs (PGC) - Rider B		17,857,660	\$ 6.2767	\$ 112,087,300	\$ 6.2767	\$ 112,087,300	\$ -		\$ 6.2767	\$ 112,087,300	\$ -		
Merchant Function Charge (MFC) - Rider D		17,857,660	0.26%	\$ 313,844	0.44%	\$ 493,184	\$ 179,340		0.44%	\$ 493,184	\$ -		
Gas Procurement Charge (GPC) - Rider E		17,857,660	\$ 0.0660	\$ 1,178,607	\$ 0.0660	\$ 1,178,607	\$ -		\$ 0.0660	\$ 1,178,607	\$ -		
Energy Efficiency & Conservation Rider (EEC) - Rider G													
Rate N/NT - Rate N/NT		31,109,619	\$ 0.0204	\$ 634,636	\$ 0.0204	\$ 634,636	\$ -		\$ 0.0204	\$ 634,636	\$ -		
Rate DS - Rate NT			\$ 0.0556	\$ -	\$ 0.0204	\$ -	\$ -		\$ 0.0204	\$ -	\$ -		
Total EEC Charges		31,109,619		\$ 634,636		\$ 634,636	\$ -			\$ 634,636	\$ -		
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 6,610,733	0.00%	\$ -	\$ (6,610,733)		0.00%	\$ -	\$ -		
Gas Delivery Enhancement Rider (GDE) - Rider J (Rate DS - Rate N)			\$ 0.0056	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Total - Rates N/NT	841,500	31,109,619		\$ 250,912,698		\$ 255,502,410	\$ 4,589,712	1.8%		\$ 256,829,988	\$ 1,327,578	2.4%	

UGI Utilities, Inc. - Gas Division
Delivery Service - Rate Schedule DS
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2023

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective October 29, 2022				Phase 2 - Effective October 1, 2023				
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)	
Customer Charges													
Rate DS - Rate DS	16,704		\$ 260.00	\$ 4,343,040	\$ 260.00	\$ 4,343,040	\$ -		\$ 260.00	\$ 4,343,040	\$ -		
Rate H/HT - Rate DS	-		\$ 23.50	\$ -	\$ 260.00	\$ -	\$ -		\$ 260.00	\$ -	\$ -		
Total Customer Charges	16,704			\$ 4,343,040		\$ 4,343,040	\$ -			\$ 4,343,040	\$ -		
Distribution Charges													
Rate DS - Rate DS (Former South & Central Districts)		7,150,837	\$ 2.9730	\$ 21,259,438	\$ 3.1971	\$ 22,861,941	\$ 1,602,503		\$ 3.2045	\$ 22,914,857	\$ 52,916		
Rate DS - Rate DS (Former North District)		2,461,566	\$ 2.1515	\$ 5,296,059	\$ 2.5319	\$ 6,232,439	\$ 936,380		\$ 2.6070	\$ 6,417,303	\$ 184,864		
Rate H/HT - Rate DS (Former South & Central Districts)		-	\$ 3.6271	\$ -	\$ 3.1971	\$ -	\$ -		\$ 3.2045	\$ -	\$ -		
Rate H/HT - Rate DS (Former North District)		-	\$ 3.2653	\$ -	\$ 2.5319	\$ -	\$ -		\$ 2.6070	\$ -	\$ -		
Total Distribution Charges		9,612,403		\$ 26,555,498		\$ 29,094,380	\$ 2,538,882			\$ 29,332,160	\$ 237,780		
State Tax Adjustment Surcharge (STAS) - Rider A			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Purchased Gas Costs (PGC) - Rider B (Rate H - Rate DS)			\$ 6.2767	\$ -	\$ 6.2767	\$ -	\$ -		\$ 6.2767	\$ -	\$ -		
Merchant Function Charge (MFC) - Rider D (Rate H - Rate DS)			0.28%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Gas Procurement Charge (GPC) - Rider E (Rate H - Rate DS)			\$ 0.0660	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Energy Efficiency & Conservation Rider (EEC) - Rider G													
Rate DS - Rate DS		9,612,403	\$ 0.0556	\$ 534,450	\$ 0.0556	\$ 534,450	\$ -		\$ 0.0556	\$ 534,450	\$ -		
Rate H/HT - Rate DS		-	\$ 0.0204	\$ -	\$ 0.0556	\$ -	\$ -		\$ 0.0556	\$ -	\$ -		
Total EEC		9,612,403		\$ 534,450		\$ 534,450	\$ -			\$ 534,450	\$ -		
Technology and Economic Development Rider (TED) - Rider H				\$ 483,927		\$ 483,927	\$ -			\$ 483,927	\$ -		
Distribution System Improvement Charge (DSK) - Rider I			5.00%	\$ 1,605,657	0.00%	\$ -	\$ (1,605,657)		0.00%	\$ -	\$ -		
Gas Delivery Enhancement Rider (GDE) - Rider J													
Rate DS - Rate DS		9,612,403	\$ 0.0062	\$ 59,597	\$ 0.0062	\$ 59,597	\$ -		\$ 0.0062	\$ 59,597	\$ -		
Rate H/HT - Rate DS		-	\$ -	\$ -	\$ 0.0062	\$ -	\$ -		\$ 0.0062	\$ -	\$ -		
Total GDE		9,612,403		\$ 59,597		\$ 59,597	\$ -			\$ 59,597	\$ -		
Minimum Charges				\$ 196,225		\$ 196,225	\$ -			\$ 196,225	\$ -		
Total - Rate DS	16,704	9,612,403		\$ 33,778,394		\$ 34,711,619	\$ 933,225	2.8%		\$ 34,949,399	\$ 237,780	3.5%	

UGI Utilities, Inc. - Gas Division
Large Firm Delivery Service - Rate Schedule LFD
Calculation of the Effect of Proposed Rates
12-Months Ending September 30, 2023

Description	Number of Bills (1)	Pro Forma Consumption Mfd (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective October 29, 2022				Phase 2 - Effective October 1, 2023				
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)	
Customer Charge													
LFD - LFD	7,224		\$ 670.00	\$ 4,840,080	\$ 670.00	\$ 4,840,080	\$ -		\$ 670.00	\$ 4,840,080	\$ -		
DS - LFD	-		\$ 260.00	\$ -	\$ 670.00	\$ -	\$ -		\$ 670.00	\$ -	\$ -		
N/HT - LFD	-		\$ 23.50	\$ -	\$ 670.00	\$ -	\$ -		\$ 670.00	\$ -	\$ -		
Total Customer Charge	7,224			\$ 4,840,080		\$ 4,840,080	\$ -			\$ 4,840,080	\$ -		
Distribution Charge													
LFD - LFD		23,639,324	\$ 1.1380	\$ 26,901,551	\$ 1.2838	\$ 30,348,164	\$ 3,446,613		\$ 1.3169	\$ 31,130,626	\$ 782,462		
DS - LFD (Former South & Central Districts)		-	\$ 2.9730	\$ -	\$ 1.2838	\$ -	\$ -		\$ 1.2838	\$ -	\$ -		
DS - LFD (Former North District)		-	\$ 2.1515	\$ -	\$ 1.2838	\$ -	\$ -		\$ 1.2838	\$ -	\$ -		
N/HT - LFD (Former South & Central Districts)		-	\$ 3.6271	\$ -	\$ 1.2838	\$ -	\$ -		\$ 1.2838	\$ -	\$ -		
N/HT - LFD (Former North District)		-	\$ 3.2653	\$ -	\$ 1.2838	\$ -	\$ -		\$ 1.2838	\$ -	\$ -		
Total Distribution Charges		23,639,324		\$ 26,901,551		\$ 30,348,164	\$ 3,446,613			\$ 31,130,626	\$ 782,462		
Demand Charge													
LFD - LFD		1,385,030	\$ 5.0706	\$ 7,022,933	\$ 5.9965	\$ 8,305,332	\$ 1,282,399		\$ 5.9965	\$ 8,305,332	\$ -		
DS - LFD		-	\$ 5.0706	\$ -	\$ 5.9965	\$ -	\$ -		\$ 5.9965	\$ -	\$ -		
N/HT - LFD		-	\$ 5.0706	\$ -	\$ 5.9965	\$ -	\$ -		\$ 5.9965	\$ -	\$ -		
Total Demand Charges		1,385,030		\$ 7,022,933		\$ 8,305,332	\$ 1,282,399			\$ 8,305,332	\$ -		
State Tax Adjustment Surcharge (STAS) - Rider A			0.00%	\$ -	0.00%	\$ -	\$ -		0.00%	\$ -	\$ -		
Purchased Gas Costs (PGC) - Rider B (Rate II - Rate LFD)			\$ 6.2767	\$ -	\$ 6.2767	\$ -	\$ -		\$ 6.2767	\$ -	\$ -		
Merchant Function Charge (MFC) - Rider D (Rate II - Rate LFD)			\$ 0.28%	\$ -	\$ 0.00%	\$ -	\$ -		\$ 0.00%	\$ -	\$ -		
Gas Procurement Charge (GPC) - Rider E (Rate II - Rate LFD)			\$ 0.0660	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Energy Efficiency & Conservation Rider (EEC) - Rider G													
LFD - LFD		23,639,324	\$ 0.0316	\$ 747,003	\$ 0.0316	\$ 747,003	\$ -		\$ 0.0316	\$ 747,003	\$ -		
DS - LFD		-	\$ 0.0556	\$ -	\$ 0.0316	\$ -	\$ -		\$ 0.0316	\$ -	\$ -		
N/HT - LFD		-	\$ 0.0204	\$ -	\$ 0.0316	\$ -	\$ -		\$ 0.0316	\$ -	\$ -		
Total EEC		23,639,324		\$ 747,003		\$ 747,003	\$ -			\$ 747,003	\$ -		
Technology and Economic Development Rider (TED) - Rider H				\$ 182,456		\$ 182,456	\$ -			\$ 182,456	\$ -		
Minimum Bills				\$ 2,282,417		\$ 2,282,417	\$ -			\$ 2,282,417	\$ -		
Excess Requirement Option				\$ 609,331		\$ 609,331	\$ -			\$ 609,331	\$ -		
Excess Take				\$ -		\$ -	\$ -			\$ -	\$ -		
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 2,129,289	0.00%	\$ -	\$ (2,129,289)		0.00%	\$ -	\$ -		
Gas Delivery Enhancement Rider (GDE) - Rider J													
LFD - LFD		23,639,324	\$ 0.0062	\$ 146,564	\$ 0.0062	\$ 146,564	\$ -		\$ 0.0062	\$ 146,564	\$ -		
DS - LFD		-	\$ 0.0062	\$ -	\$ 0.0062	\$ -	\$ -		\$ 0.0062	\$ -	\$ -		
N/HT - LFD		-	\$ -	\$ -	\$ 0.0062	\$ -	\$ -		\$ 0.0062	\$ -	\$ -		
Total GDE		23,639,324		\$ 146,564		\$ 146,564	\$ -			\$ 146,564	\$ -		
Total - Rate LFD	7,224	23,639,324		\$ 44,651,623		\$ 47,461,347	\$ 2,599,724	5.8%		\$ 48,243,809	\$ 782,462		7.5%

UGI Utilities, Inc. - Gas Division
 Extended Large Firm Delivery Service - Rate Schedule XD
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2023

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective October 29, 2022				Phase 2 - Effective October 1, 2023			
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)
Customer Charge	672		\$ 34,007.35	\$ 22,852,939	\$ 34,007.35	\$ 22,852,939	\$ -		\$ 34,007.35	\$ 22,852,939	\$ -	
Distribution Charge		208,576,268	\$ 0.0548	\$ 11,422,313	\$ 0.0548	\$ 11,422,313	\$ -		\$ 0.05	\$ 11,422,313	\$ -	
Excess Requirement Option		2,100	\$ 4.5000	\$ 9,450	\$ 4.5000	\$ 9,450	\$ -		\$ 4.50	\$ 9,450	\$ -	
Demand Charges		224,364	\$ 5.3539	\$ 1,201,214	\$ 5.3539	\$ 1,201,214	\$ -		\$ 5.35	\$ 1,201,214	\$ -	
Minimum Charges			\$ -	\$ 250,051	\$ -	\$ 250,051	\$ -		\$ -	\$ 250,051	\$ -	
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 961,834	0.00%	\$ -	\$ (961,834)		0.00%	\$ -	\$ -	
Total - Rate XD	672	208,576,268		\$ 36,697,602		\$ 35,735,967	\$ (961,834)	-2.6%		\$ 35,735,967	\$ -	-2.6%

UGI Utilities, Inc. - Gas Division
 Interruptible Service - Rate Schedule IS
 Calculation of the Effect of Proposed Rates
 12-Months Ending September 30, 2023

Description	Number of Bills (1)	Pro Forma Consumption Mcf (2)	Current Rate (3)	Current Revenue (4)	Phase 1 - Effective October 29, 2022				Phase 2 - Effective October 1, 2023			
					Proposed Rate (5)	Proposed Revenue (6)	Proposed Revenue Change (7)	% Change (8)	Proposed Rate (9)	Proposed Revenue (10)	Proposed Revenue Change (11)	Total % Change (12)
Customer Charge	4,356		\$ 1,077.48	\$ 4,693,512	\$ 1,077.48	\$ 4,693,512	\$ -		\$ 1,077.48	\$ 4,693,512	\$ -	
Distribution Charge		15,451,980	\$ 1.1615	\$ 17,946,863	\$ 1.1615	\$ 17,946,863	\$ -		\$ 1.1615	\$ 17,946,863	\$ -	
Minimum Charges				\$ 322,795		\$ 322,795	\$ -			\$ 322,795	\$ -	
Distribution System Improvement Charge (DSIC) - Rider I			5.00%	\$ 1,049,187	0.00%	\$ -	\$ (1,049,187)		0.00%	\$ -	\$ -	
Total - Rate IS	4,356	15,451,980		\$ 24,012,357		\$ 22,963,170	\$ (1,049,187)	-4.4%		\$ 22,963,170	\$ -	-4.4%

APPENDIX C
Proposed Findings of Fact

APPENDIX C

PROPOSED FINDINGS OF FACT

1. UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) is a “public utility” and “natural gas distribution company” (“NGDC”) as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2202, subject to the regulatory jurisdiction of the Pennsylvania Public Utility Commission (“Commission”), and provides natural gas distribution services to customers located in its certificated service territory.

2. On January 28, 2022, UGI Gas filed Supplement No. 32 to Gas Tariff PA. P.U.C. Nos. 7 and 7S (“Supplement No. 32”) with the Pennsylvania Public Utility Commission (“Commission”). Supplement No. 32 was issued to be effective for service rendered on or after March 29, 2022. It proposed changes to UGI Gas’s base retail distribution rates designed to produce an increase in revenues of approximately \$82.7 million, based upon data for a fully projected future test year (“FPFTY”) ending September 30, 2023 (“2022 Gas Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change.

3. On June 1, 2022, the parties notified the presiding Administrative Law Judges by email that the parties agreed to waive cross examination for all but one witness. Accordingly, the parties requested that the June 2, 2022 hearing date be canceled, and that the cross examination of the one witness occur on June 3, 2022. The ALJs responded and decided to hold the hearing on June 2, 2022 and canceled the June 3, 2022 hearing.

4. On June 2, 2022, an evidentiary hearing was held for the purposes of admitting all pre-served testimony and exhibits into the record via written verifications, and for the cross-examination of one witness by UGI Gas. As a result of further settlement discussions, and

additional efforts of the Parties to examine the issues raised, UGI Gas notified Deputy Chief Administrative Law Judge Joel H. Cheskis (“ALJ Cheskis”) and Administrative Law Judge Gail M. Chiodo (“ALJ Chiodo”) (collectively, “ALJs”) during the June 2, 2022 evidentiary hearing that it believed a settlement in principle was achieved with respect to revenue requirement issues.¹ The Company therefore waived cross examination of the scheduled witness.

5. The ALJs granted the request to waive cross examination of the witness by UGI Gas. The ALJs further directed that any settlement and associated proposed findings of fact, proposed conclusions of law, proposed ordering paragraphs, and statements in support of the settlement be submitted on June 24, 2022.

6. On June 13, 2022, UGI Gas informed the ALJs that a full settlement of all issues was achieved.

7. The Settlement is supported by the active parties in this case: UGI Gas, the Commission’s Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission on Economic Opportunity (“CEO”), and NRG Energy, Inc. (“NRG”) (collectively, “Joint Petitioners”).

8. I&E is the prosecutory bureau within the Commission established for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance with the state and federal motor carrier

¹ The Company noted that there were open issues remaining with respect to non-revenue requirement issues, and that the parties were continuing to actively negotiate a full settlement of all issues. The parties agreed to promptly notify the ALJs if a full settlement of all issues was achieved.

safety and gas safety laws and regulations. *Implementation of Act 129 of 2008 Organization of Bureau and Offices*, Docket No. M-2008-20071852 (Order entered August 11, 2011).

9. The OCA is authorized to represent the interests of consumers before the Commission. Act 161 of 1976, 71 P.S. § 309-2.

10. The OSBA is authorized to represent the interests of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act. Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

11. CAUSE-PA is an unincorporated association of low-income representatives that advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunications services.

12. CEO is a not-for-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania which serves as an advocate for the low-income population of Luzerne County.

13. NRG is an integrated energy and home services company built on dynamic retail brands and diverse generation assets, powered by its customer-focused strategy, strong balance sheet, and comprehensive sustainability framework. NRG's subsidiaries include several natural gas suppliers ("NGSs") that are actively providing natural gas products and services to residential, commercial, industrial and institutional customers in the Company's service territory and throughout Pennsylvania.

14. Seven customers filed *pro se* formal complaints opposing the proposed rate increase: (1) Paula Mercuri at Docket No. C-2022-3030898; (2) Francis Riviello at Docket No. C-2022-3031238; (3) Paul Forlenza at Docket No. C-2022-3031285; (4) Elisabeth Lynch at Docket No. C-2022-3031232; (5) Joseph Sohn at Docket No. C-2022-3031476; (6) Annette Miraglia at

Docket No. C-2022-3031819; and (7) Sam Galdieri at Docket No. C-2022-3031822. None of the *pro se* complainants have been active parties to this proceeding.

A. GENERAL

15. The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. (Settlement ¶ 34.)

16. The Joint Petitioners agree that the Settlement is in the public interest. (Settlement ¶ 34.)

B. REVENUE REQUIREMENT

17. Under the Settlement, UGI Gas will be permitted to increase annual distribution rate revenue by \$49.45 million, to become effective October 29, 2022, for service rendered thereafter. (Settlement ¶ 36.)

18. This increase in overall pro forma annual operating revenue will be achieved in two-steps, as described below:

- Step 1 – UGI Gas shall be permitted to implement a base rate increase of \$38 million, effective October 29, 2022.
- Step 2 – UGI Gas shall be permitted to implement an additional base rate increase of \$11.45 million, effective October 1, 2023.

19. Under the Settlement, the Company shall not file a Section 1308(d) general rate increase prior to January 1, 2024; provided, however, that the Company shall not be prevented from filing a tariff or tariff supplement proposing a Section 1308(d) general rate increase in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates. (Settlement ¶ 37.)

20. The agreed upon revenue requirement is a "black box" settlement, under which the parties do not specifically identify or resolve all of the individual rate base, revenue, expenses, and rate of return issues. (Settlement ¶¶ 34-37.)

21. The total distribution rate revenue increase of \$49.45 million is 59.8% of the proposed revenue increase of \$82.7 million requested in UGI Gas's January 28, 2022 filing. (Settlement ¶ 44; UGI Gas St. No. 1 at 6.)

22. The Company argued that its current rates do not provide it with a reasonable opportunity to earn a fair rate of return on its investments made to serve the public in the provision of safe and reliable natural gas distribution service. (UGI Gas St. No. 1 at 8-9.)

23. Absent rate relief, UGI Gas projected that, for the 12 months ending September 30, 2032, its operations would produce an overall return on rate base of just 6.13%, which equates to a return on common equity of only 7.89%. (UGI Gas St. No. 1 at 9.)

24. UGI Gas argued that without its requested rate relief, the Company's returns would continue to decline, deny the Company an opportunity to earn a fair and reasonable rate of return, and jeopardize the Company's ability to attract the capital needed to make the system investments necessary to support and ensure continued system reliability, safety, and customer service performance. (See UGI Gas St. No. 1 at 9-10.)

25. During the course of the proceeding, the differences between the parties' litigation positions changed. In direct testimony, I&E proposed a revenue increase of \$18,072,000 to its proposed present rate revenues of \$1,076,369,000 (I&E St. No. 1 at 3), and OCA proposed a revenue decrease of \$38,674,000 (OCA St. No. 1 at 4). In its rebuttal testimony, UGI Gas explained that its originally proposed revenue increase was justified, even though its most recent data and updates justified an annual revenue increase of \$87,619,000. (UGI Gas St. No. 2-R at 6.) In surrebuttal testimony, I&E updated its recommended revenue requirement to a revenue increase of \$25,923,000, and the OCA updated its recommended revenue decrease to \$24,754,635. (I&E St. No. 1-SR at 3; OCA St. No. 1SR, at 2.)

26. The revenue increase under the Settlement represents a compromise of the parties' competing litigation positions. The increase under the Settlement is within the range proposed by the parties, is in the public interest, and should be adopted without modification.

C. REVENUE ALLOCATION AND RATE DESIGN

27. Under the Settlement, an additional 325,000 Mcf of R/RT usage under present and proposed rates shall be added to the Company's originally filed proposed customer usage billing determinants for the Rate R/RT class. (Settlement ¶ 38.)

28. For all other billing determinants, the Settlement provides that the use per customer and number of customer billing determinants utilized in the proof of revenue (UGI Gas Exhibit E – Proof of Revenue) as set forth in the Company's initial filing are approved. (Settlement ¶ 38.)

29. UGI Gas initially proposed an adjustment to normalize and annualize customer usage levels, based upon the use of an econometric regression model to develop usage projections. (UGI Gas St. No. 8 at 9-12.)

30. UGI Gas projected declining use per customer values during the FPFTY, based upon an ongoing base trend in declining use per customer. (UGI Gas St. No. 8 at 12.)

31. I&E opposed the Company's projections with respect to the average usage per Rate R/RT heating customer. (I&E St. No. 4 at 7-13.)

32. The billing determinants for the Rate R/RT class established under the Settlement represents a compromise of the parties' competing litigation positions. This proposal is within the range proposed by the parties, is in the public interest, and should be adopted without modification.

33. Under the Settlement, the Company shall be permitted to unify rates for Rate N/NT, effective October 29, 2022. (Settlement ¶ 39(a).)

34. In addition, the Company shall be permitted to increase the rate for the Rate DS former North Rate District by one and one-half-times the system average rate increase approved

under this Settlement, effective October 29, 2022. The Company reserved the right to propose uniform distribution rates for Rate DS in a subsequent general base rate increase proceeding. (Settlement ¶ 39(b).)

35. In its initial filing, the Company proposed to unify the former North Rate District's Rate N/NT class rates with the form South and Central Rate Districts' Rate N/NT class rates. (UGI Gas St. No. 8 at 18.)

36. The Company also initially proposed to unify Rate DS classes in the former North Rate District with those from the former South and Central Rate Districts. (UGI Gas St. No. 8 at 18-19.)

37. OSBA opposed the Company's rate unification proposals for Rate N/NT and Rate DS. (OSBA St. No. 1 at 20-21.)

38. The unification of Rate N/NT class rates established under the Settlement represents a compromise of the parties' competing litigation positions. This proposal is in the public interest and should be adopted without modification.

39. The increase to Rate DS class rates established under the Settlement also represents a compromise of the parties' competing litigation positions. This proposal continues to move Rate DS class rates towards unification, is in the public interest, and should be adopted without modification.

40. The Company originally proposed increasing the Rate R/RT customer charge to \$19.95, which was an increase of \$5.35 from the current charge of \$14.60, and increasing the Rate N/NT customer charge to \$30.00, which was an increase of \$6.50 from the current charge of \$23.50. (UGI Gas St. No. 8 at 19-20.)

41. The Company's proposed increase for the Rate R/RT customer charge was opposed by OCA, CAUSE-PA, and CEO. (*See* OCA St. No. 3 at 38; CAUSE-PA St. No. 1 at 35; CEO St. No. 1 at 5-7.)

42. Under the Settlement, the parties have reached a reasonable compromise of their respective positions on the proposed increases to the monthly customer charges, under which the monthly customer charges for Rate R/RT and Rate N/NT will increase from their current levels of \$14.60 and \$23.50, respectively, to \$15.00 and \$27.38, respectively. (*See* UGI Gas St. No. 8 at 19-20; Settlement ¶ 40.)

43. UGI Gas relied upon a class cost of service study to allocate its proposed total revenue and costs to each of the retail customer classes. (UGI Gas St. No. 10 at 4-10; UGI Gas Exh. D – Cost of Service Study; *see also* UGI Gas St. No. 8 at 16-25.)

44. While UGI Gas, OCA, and OSBA took differing positions on revenue allocation, all of these parties agreed that the majority of the revenue increase should be allocated to the residential customer class. (*See, e.g.*, UGI Gas St. No. 6 at 17; OCA St. No. 3 at 32-34; OSBA St. No. 1 at 15-16.)

45. Appendix B to the Settlement sets forth the proof of revenues, which reflects the agreed-upon revenue allocation, incorporates the changes to monthly customer charges for Rates R/RT and N/NT, and shows how all of the changes in customer charges and distribution rates by class are designed to produce the net increase in distribution operating revenues provided for in the Settlement. (Settlement Appx. B; Settlement ¶ 41.)

D. WEATHER NORMALIZATION

46. Paragraph 42 of the Settlement provides for the approval of the Company's proposed Tariff Rider C – Weather Normalization Adjustment (“WNA”) as a five-year pilot program effective October 29, 2022, with the exception that the Company shall modify the

originally proposed WNA to include a 3% dead band, and also establishes certain reporting requirements that the Company must satisfy as a part of the pilot. (Settlement ¶ 41.)

47. The Company originally proposed a WNA mechanism that adjusts billings on a monthly billing basis as the bill is being calculated and issued and did not include a dead band. (See UGI Gas St. No. 11 at 6-9, 11.)

48. I&E recommended that the WNA be approved, subject to the condition that it include a 3% dead band. (I&E St. No. 4 at 5.) OCA, OSBA, and CAUSE-PA each opposed the Company's originally proposed WNA. (I&E St. No. 4 at 5; OCA St. No. 3 at 50; OSBA St. No. 1 at 24-25; CAUSE-PA St. No. 1 at 36-37.) However, if the Commission were to approve the WNA, OCA recommended that the WNA be modified to include a 3% dead band. (OCA St. No. 3 at 53.) OSBA noted that the originally proposed WNA was not a pilot program and would not include a dead band. (OSBA St. No. 1 at 24-25.)

49. The Rider C – WNA Pilot contemplated by the Settlement is a reasonable compromise of the parties' positions regarding the WNA and integrates feedback received from the parties into the Company's original proposal.

E. TRANSPORTATION BALANCING RATES

50. Under the Settlement, Rate No-Notice Service ("NNS") for No-Notice Allowance ("NNA") elections shall be set at \$0.2200 per Mcf per day of elected NNA (\$0.1860/Mcf proposed). (Settlement ¶ 43.)

51. The Company originally proposed to decrease the NNA rate to \$0.1860. (UGI Gas St. No. 8 at 21-22.)

52. OCA disagreed with the Company's original proposal. (OCA St. No. 3 at 39-40.)

53. The NNA election charge of \$0.2200 per Mcf per day established under the Settlement also represents a compromise of the parties' competing litigation positions. This

proposal is within the range of positions proposed by the parties, is in the public interest, and should be adopted without modification.

F. CUSTOMER ASSISTANCE/UNIVERSAL SERVICE

54. The Company undertook several efforts to assist customers impacted by the economic effects of the COVID-19 pandemic, such as: (1) ceasing to remove customers from its Customer Assistance Program (“CAP”) for failure to recertify; (2) instructing community-based organizations (“CBOs”) to accept telephonic “signature” for CAP authorizations; (3) waiving all late payment charges; (4) proposing changes to its Universal Service and Energy Conservation Plan (“USECP”); and (5) launching an extensive information and outreach campaign associated with its COVID-19 response. (UGI Gas St. No. 1 at 12-13.)

55. As a result of the Company’s information and outreach campaign, UGI Gas experienced an increase in Operation Share grants of 605%, a 34% increase in LIHEAP grants, and a 16% increase in CAP enrollments between fiscal year (“FY”) 2019 and FY 2021. (UGI Gas St. No. 1 at 13-15.)

56. Under the Settlement, UGI Gas will increase its annual Low-Income Usage Reduction Program (“LIURP”) budget by \$250,000 from its current annual budgeted amount of \$3,714,350 to \$3,964,350 beginning January 1, 2023. UGI Gas will then increase the annual LIURP budget by an additional \$250,000 from \$3,964,350, to \$4,214,350, beginning January 1, 2024. The increased LIURP budget effective January 1, 2024, shall remain unchanged until a change is approved by the Commission. (Settlement ¶ 44(a).)

57. The Settlement also provides that if more than 25% of the increased annual budget amount remains unspent on or after January 1, 2025, or in each year thereafter, UGI Gas shall make reasonable efforts to spend the unspent amount within the first six months of the following year. If the full budget is not spent within that six-month period, the remaining unspent funds

attributable to this LIURP increase will not roll forward to be included in the subsequent year's budget. (Settlement ¶ 44(a).)

58. Increases to the annual LIURP budgets contemplated by Paragraph 44(a) of the Settlement would be recovered through the Rider F Universal Service Programs ("USP") from residential customers. (Settlement ¶ 44(a).)

59. In addition, the Settlement permits UGI Gas to increase the maximum per-job spend on LIURP projects under its 2020-2025 USECP, where the project involves a furnace replacement, from \$11,000 to \$14,000. (Settlement ¶ 44(b).)

60. The Settlement further provides that UGI Gas will expand LIURP access to customers between 151% and 200% of the Federal Poverty Level ("FPL") to commence no earlier than January 1, 2023. UGI Gas will provide a Warm Referral for customers in this income tier who are rejected from UGI Gas's CAP for being over-income. (Settlement ¶ 44(c).)

61. Finally, the Settlement states that no later than 90 days after the effective date of rates in this proceeding, UGI Gas will lower its LIURP minimum usage threshold to 73.1 Ccf per month for customers at or below 200% FPL. (Settlement ¶ 44(d).)

62. OCA, CAUSE-PA, and CEO each recommended that the Company increase its LIURP spending. (OCA St. No. 4 at 6, 41-43; CAUSE-PA St. No. 1 at 27-29; CEO St. No. 1 at 8-9.)

63. UGI Gas and I&E each opposed the expansion of the Company's LIURP budget that was proposed by OCA, CAUSE-PA, and CEO. (UGI Gas St. No. 12-R at 28-32; I&E St. No. 1-R; I&E St. No. 1-SR at 31-33.)

64. The modifications to the Company's LIURP established under the Paragraph 44 of the Settlement represent a compromise of the parties' competing litigation positions. This proposal

is within the range of positions proposed by the parties, is in the public interest, and should be adopted without modification.

65. Paragraph 45 of the Settlement provides that UGI Gas will provide detailed information regarding its USP, targeted at customers who recently converted to natural gas, in its new customer welcome packet. (Settlement ¶ 45.)

66. OCA recommended that the Company be required to screen customers whom it assists with conversions to natural gas, so that UGI Gas can see if they are confirmed low-income customers and enroll them in CAP where appropriate. (OCA St. No. 4 at 4, 15-20.)

67. The Company opposed this recommendation and argued that the recommendation was not necessary. (UGI Gas St. No. 12-R at 26-28.)

68. Paragraph 45 of the Settlement represents a compromise of the parties' competing litigation positions. This proposal is in the public interest and should be adopted without modification.

69. Under the Settlement, UGI Gas has agreed to undertake a low-income customer assessment and outreach pilot. (See Settlement ¶ 46.)

70. OCA witness Mr. Colton argued that UGI Gas has enrolled a fraction of its confirmed Low-Income customers in CAP. (OCA St. No. 4 at 7.)

71. OCA witness Mr. Colton also recommended that the Company implement three measurable outcome objectives that UGI Gas should seek to accomplish with respect to its CAP. (OCA St. No. 4 at 5, 25-26, 32.)

72. The Company opposed Mr. Colton's recommendations for several reasons explained by UGI Gas witness Mr. Daniel Adamo. (UGI Gas St. No. 12-R at 13-26.)

73. The Low-Income Customer Assessment and Outreach Pilot contemplated by the Settlement represent a compromise of the parties' competing litigation positions. This proposal is reasonable in light of those competing positions, is in the public interest, and should be adopted without modification.

74. The Company has agreed to fully comply, in all respects, with the requirements of the Commission's Order entered June 16, 2022 in Docket Nos. M-2019-3014966 and P-2020-3019196. (Settlement ¶ 47.)

75. CAUSE-PA recommended that UGI Gas be required to implement the reduced maximum energy burden standards proposed in the Company's Petitions at Docket Nos. M-2019-3014966 and P-2020-3019196 to modify its USECP as a condition to approval of any rate increase granted in this proceeding. (CAUSE-PA St. No. 1 at 22.)

76. UGI Gas opposed this recommendation and argued that this proposal was already the subject of another proceeding pending before the Commission, which was not consolidated with this base rate case proceeding. (UGI Gas St. No. 12-R at 41.)

77. Paragraph 47 of the Settlement is reasonable in light of these competing positions, is in the public interest, and should be adopted without modification.

78. The Settlement also provides that UGI Gas will continue its simplified application process for LIHEAP recipients seeking to enroll in CAP. UGI Gas will report annually to its Universal Service Advisory Committee ("USAC") about the number of customers who are able to enroll through this process. (Settlement ¶ 48(a).)

79. Relatedly, UGI Gas will continue its outreach to active customers who have been removed from CAP due to failure to recertify. If these customers submit income documentation, they will be reenrolled, and any arrearage accrued will be included with their pre-program

arrearages. UGI Gas will report to its USAC on the number of customers who have been able to reenroll through this process. (Settlement ¶ 48(b).)

80. CAUSE-PA recommended changes to the Company's CAP, including modifying non-CAP LIHEAP customers' enrollment in CAP and conducting outreach to all customers removed from CAP for failure to recertify income since the expiration of the Commission's Emergency COVID-19 Order. (CAUSE-PA St. No. 1 at 22-26.)

81. The Company explained that these recommendations are not necessary because the Company already works on each of the issues identified by CAUSE-PA, in order to maintain or increase CAP enrollments. (UGI Gas St. No. 12-R at 11-13.)

82. Under the Settlement, UGI Gas will expand eligibility of the UGI Gas Operation Share grant program to 250% FPL and increase the maximum grant size from \$400 to \$600, to the extent funds are available. The Company will also provide a one-time payment to Operation Share in the amount of \$500,000 during the winter of 2022-2023. (Settlement ¶ 49(a)-(b).)

83. CAUSE-PA and CEO both made recommendations to modify the Company's Operation Share. (CAUSE-PA St. No. 1 at 30-32; CEO St. No. 1 at 11-12.)

84. The Company opposed the recommendations of CAUSE-PA and CEO for a number of reasons. (*See* UGI Gas St. No. 12-R at 32-35.)

85. Paragraph 49 of the Settlement is reasonable in light of these competing positions, is in the public interest, and should be adopted without modification.

86. Regarding the use of CBOs, the Settlement provides that the Company will continue to use the CBOs it has traditionally used in the administration and implementation of its universal service programs), subject to each individual CBO's continued performance in conformance with the Company's USECP rules and its contract with the Company. The Company

shall provide notice to any CBO whose performance is not in conformance with the Company's USECP and/or its contract with the Company, and the Company shall provide the CBO with a reasonable time period to address or cure any issues identified. (Settlement ¶ 50.)

87. CEO recommended that the Company be directed to continue using CBOs in the administration and implementation of its Universal Service Programs. (CEO St. No. 1 at 10-11.)

88. The Company explained that it will continue using CBOs assuming that CBOs fulfill contract obligations, consistent with the Company's Commission-approved USECP. (UGI Gas St. No. 12-R at 35.)

89. Paragraph 50 of the Settlement is a reasonable compromise of the competing litigation positions of UGI Gas and CEO. It is in the public interest and should be adopted without modification.

90. The Settlement also states that UGI Gas will initiate a study to determine the feasibility, cost, and benefits of exempting confirmed low-income customers from reconnection fees and will present the results of this study to the USAC within 180 days of the date of effective rates established in this proceeding. (Settlement ¶ 51.)

91. CAUSE-PA witness Geller recommended that the Company should no longer assess reconnection fees on low-income customers. (CAUSE-PA St. No. 1 at 6, 37.)

92. UGI Gas explained that the Company assesses reconnection fees to best address the direct cost incurred by the Company when it sends personnel out to reconnect a customer's service. (UGI Gas St. No. 12-R at 47-48.)

93. Paragraph 51 of the Settlement is a reasonable compromise of the competing litigation positions of UGI Gas and CAUSE-PA. It is in the public interest and should be adopted without modification.

G. DSIC REPORTING

94. Regarding the Company's Distribution System Improvement Charge ("DSIC"), the Settlement provides that, as of the effective date of rates in this proceeding, UGI Gas will be eligible to include plant additions in the DSIC once the Company's total net plant balances exceed \$3,368,005,000. (Settlement ¶ 52.)

95. The Settlement further states that, for purposes of calculating its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa.C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa.C.S. § 1358(b)(1). (Settlement ¶ 53.)

96. The Settlement also provides that the Company shall submit an update to UGI Gas Exhibit A, Schedule C-2 no later than January 2, 2023, which will include actual capital expenditures, plant additions, and retirements by month from October 1, 2021, through September 30, 2022. (Settlement ¶ 54.) An additional update for actuals from October 1, 2022, through September 30, 2023, shall be filed no later than January 2, 2024. (Settlement ¶ 54.)

97. I&E proposed these reporting requirements in its direct testimony. (I&E St. No. 5 at 17-19.) UGI Gas did not oppose these reporting requirements and, therefore, Paragraph 54 is in the public interest and should be approved.

H. ACCOUNTING

98. Consistent with the methodology the Company has used in past rate cases, the Company proposed adjustments to its operating expenses designed to reconcile past Environmental Remediation expense rate recoveries with actual incurred costs and to recover a projected annual level of Environmental Remediation expense. (UGI Gas St. No. 3 at 16-17.)

99. The Company proposed to: (1) normalize ratemaking recovery of ongoing annual cash expenditures for environmental remediation projects made pursuant to Consent Order Agreements (“COAs”) entered into between the Company and the Pennsylvania Department of Environmental Protection (“DEP”); (2) not make an adjustment related to under-recovered manufactured gas plant (“MGP”) remediation expenses for FY 2019 and prior periods; and (3) recover the under-recovered MGP remediation expense for FY 2020 and 2021 over a one-year amortization period through FY 2023. (UGI Gas St. No. 3 at 16-19.)

100. I&E recommended that the Company be required to provide a full line-by-line account of yearly amortizations of unrecovered expense in its next base rate case. (I&E St. No. 3 at 9.) The Company agreed with this recommendation. (UGI Gas St. No. 3-R at 8.)

101. Both I&E and OCA recommended that a five-year amortization period should be used for purposes of the recovery of under-recovered MGP remediation expense for FY 2020 and FY 2021. (I&E St. No. 3 at 12-13; OCA St. No. 1 at 37-38.)

102. The Company opposed the use of a five-year amortization period for purposes of the recovery of under-recovered MGP remediation expense for FY 2020 and FY 2021. (UGI Gas St. No. 3-R at 9-12.)

103. OCA also recommended that the Company should be required to use a five-year average, instead of a three-year average, to normalize its projected spending. (OCA St. No. 1 at 15-16.)

104. The Company opposed this adjustment. (UGI Gas St. No. 3-R at 13.)

105. The Settlement resolves these competing litigation positions by reflecting a normalized allowance of \$5.171 million for prospective environmental remediation expenditures under the COAs between UGI Gas and the DEP and by permitting the deferral of the annual

difference between this allowance and actual expenditures for book and ratemaking purposes until the Company's next base rate case. The Settlement also provides for the amortization of prior under-recovered balances incurred before FY 2020 and during FY 2020 and FY 2021. (Settlement ¶ 55.) This proposal is within the range of positions proposed by the parties, is in the public interest, and should be adopted without modification.

106. UGI Gas has experienced increased uncollectible accounts expenses due to the COVID-19 pandemic. (UGI Gas St. No. 3 at 19-20; UGI Gas St. No. 3-R at 59-60.)

107. The Company proposed to: (1) adjust budgeted uncollectible accounts expense to reflect a three-year average rate of uncollectible accounts expense for FY 2019-2021, where the baseline amounts for FY 2020 and FY 2021 include \$0.607 million and \$0.896 million, respectively, of amounts recorded as a regulatory asset; and (2) amortize the regulatory asset balance of \$1.5093 million for COVID-19 Pandemic Costs over a 10-year amortization period in accordance with Ordering Paragraph 29 in the Commission's Order entered October 8, 2020 at Docket No. R-2019-3015162. (UGI Gas St. No. 3 at 19-20.)

108. I&E disagreed with the Company's proposal to continue tracking incremental uncollectibles expense related to COVID-19 in future years. (I&E St. No. 1 at 9-11.)

109. The Company explained that, as agreed to in the settlement approved by the Commission's Order entered October 8, 2020 at Docket No. R-2019-3015162, it will amortize the regulatory asset balance of \$1.503 million for uncollectibles that accrued prior to October 1, 2021, over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking. (UGI Gas St. No. 3-R at 59.)

110. In addition, also pursuant to the settlement approved by the Commission's Order entered October 8, 2020 at Docket No. R-2019-3015162, the Company explained that it will defer

as a regulatory asset balance the amount that accrues for uncollectibles (above the \$12.8 million built into current rates) beginning October 1, 2021, and ending September 30, 2022 (FY 2022). Furthermore, the Company will amortize this FY 2022 regulatory asset over the 10-year period beginning with the effective date of rates established in the Company's next base rate proceeding for purposes of accounting and future ratemaking. (UGI Gas St. No. 3-R at 59.)

111. Under the Settlement, and in accordance with this Settlement and the Commission's October 8, 2020 Final Order at Docket No. R-2019-3015162, the Company shall be permitted to: (1) amortize over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking, the regulatory asset balance of \$0.922 million for the Emergency Relief Program ("ERP") costs that accrued prior to October 1, 2021; (2) amortize over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking, the regulatory asset balance of \$1.503 million for uncollectibles that accrued prior to October 1, 2021; and (3) amortize, over the 10-year period beginning with the effective date of rates established in the Company's next base rate proceeding for purposes of accounting and future ratemaking, the regulatory asset balance that accrues for uncollectibles beginning October 1, 2021, and ending September 30, 2022. (Settlement ¶ 56.)

112. Paragraph 56 of the Settlement is in the public interest and should be approved.

113. In its initial rate filing, UGI Gas included a FPFTY Accumulated Deferred Income Tax ("ADIT") calculation, based upon a pro-rationing methodology required under Treasury Regulation 1.167(l)-1(h)(6)(ii) that is necessary to be in compliance with Internal Revenue Service ("IRS") normalization requirements. (UGI Gas St. No. 7 at 7-8.) No parties opposed the Company's proposal.

114. Under the Settlement, the Company's ADIT and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii) is accepted. (Settlement ¶ 57); *see* 26 C.F.R. § 1.167(l). The Settlement also provides that the Company's method to amortize Excess Accumulated Deferred Federal Income Taxes ("EDFIT") according to the Average Rate Assumption Method ("ARAM") is accepted. (Settlement ¶ 57.)

115. Paragraph 57 of the Settlement is in the public interest and should be approved.

116. In its tax return for the year ended September 30, 2009, UGI Gas adopted a tax accounting method to expense as repairs certain items capitalized for book purposes in accordance with federal tax regulations. (UGI Gas St. No. 7 at 8.)

117. As it did in the Company's previous base rate case at Docket No. R-2019-3015162, UGI Gas chose to normalize its federal income tax expense claim, inclusive of the repairs tax deduction. (UGI Gas St. No. 7 at 8.)

118. This difference between accelerated tax depreciation versus book depreciation in the calculation of federal tax expense creates ADIT. (UGI Gas St. No. 7 at 8.) Therefore, the Company reduced its rate base by the sum of the federal ADIT balance and the state repair regulatory liability. (UGI Gas St. No. 7 at 8.)

119. No parties opposed the Company's proposed treatment of the tax repairs allowance.

120. The Settlement states that, 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 treated similarly to ADIT as a reduction to UGI Gas's rate base. (Settlement ¶ 58.)

121. Paragraph 58 of the Settlement is in the public interest and should be approved.

122. UGI Gas presented detailed depreciation studies on the Company's gas plant for the Historic Test Year ("HTY"), Future Test Year ("FTY"), and FPFTY. (See UGI Gas Exhibit C – Fully Projected, UGI Gas Exhibit C – Future, and UGI Gas Exhibit C – Historic.) The depreciation studies were sponsored by, and supported by the direct testimony of, UGI Gas witness Mr. Wiedmayer. (See UGI Gas St. No. 4.)

123. Under the Settlement, the Joint Petitioners accept UGI Gas's as-filed depreciation rates. (Settlement ¶ 59.) Paragraph 59 of the Settlement is in the public interest and should be approved.

124. UGI Gas proposed to recover rate case expenses totaling \$1.055 million over a one-year period. (UGI Gas St. No. 2 at 20.)

125. I&E recommended that the rate case expenses be normalized over a 20-month period, thereby reducing the Company's claim for the FPFTY by \$422,000. (I&E St. No. 3 at 4.)

126. OCA recommended a two-year normalization, thereby reducing the Company's claim by \$527,000. (OCA St. No. 1 at 38-39.)

127. The Settlement provides that the Company's revenue increase reflects a two-year normalization for ratemaking purposes and a two-year amortization for accounting purposes. (Settlement ¶ 60.) Further, the Company will not claim any unamortized amount in a future rate case and agrees that normalization of rate case expense (as opposed to amortization) is the proper treatment for ratemaking purposes. (Settlement ¶ 60.)

128. Paragraph 60 of the Settlement is in the public interest and should be approved.

129. Since 2016, the Company has capitalized certain information technology ("IT") costs associated with software implementation projects, including preliminary-stage project and

business and technology reengineering expenses. (UGI Gas St. No. 3 at 22-23.) No parties opposed the Company's proposed treatment of these IT costs.

130. The Settlement provides that, for purposes of the Settlement, UGI Gas's as-filed capital treatment of certain IT costs is accepted. (Settlement ¶ 61.)

131. Paragraph 61 of the Settlement is in the public interest and should be approved.

I. GAS SAFETY

132. Under the Settlement, beginning in 2023, UGI Gas will produce a report for pipeline replacements annually on or before March 1. (Settlement ¶ 62.) The report will identify UGI Gas's 10 most expensive restoration projects per year over the past three years, and specifically identify costs incurred in excess of the Pennsylvania Department of Transportation restoration standards including: paving, shoulders, sidewalks, etc., and permitting fees. (Settlement ¶ 62.) The Company will discuss the results of the annual report on restoration costs with the Commission's Gas Safety Division. (Settlement ¶ 62.)

133. I&E recommended that the Company provide the reports contemplated by Paragraph 62 of the Settlement as a part of its direct testimony. (I&E St. No. 6 at 12.) UGI Gas agreed to this recommendation in its rebuttal testimony. (UGI Gas St. No. 9-R at 10.)

134. Paragraph 62 of the Settlement is in the public interest and should be approved.

J. TRANSPORTATION

135. Under the Settlement, UGI Gas will review delivery requirements and flexibility related to its delivery regions, including the ability to move gas between delivery regions whether physically through pipeline transmission system delivery points or in kind by displacement, in the first supplier collaborative meeting held within 90 days after a final order is entered in this proceeding. Supplier feedback will be encouraged for mutual discussion and follow-up action items. (Settlement ¶ 63.)

136. NRG recommended that the Commission should direct UGI Gas to provide information to NGSs that outline the full capabilities of its delivery system. (NRG St. No. 1 at 3.)

137. The Company opposed this recommendation and argued that it readily offers this information to suppliers on its system on the Company's Energy Management Website. (UGI Gas St. No. 1-R at 22.)

138. UGI Gas also stated that it has regularly scheduled supplier collaboratives to review its system demands, address any new or changed circumstances, and provide suppliers with an opportunity to ask the Company questions or seek additional information or insight into the Company's distribution system and delivery regions. (UGI Gas St. No. 1-R at 22-23.)

139. Paragraph 63 of the Settlement addresses NRG's concerns and re-affirms UGI Gas's commitment to providing information to NGSs that outline the full capabilities of its delivery system. This provision is reasonable and in the public interest and should be adopted without modification.

140. The Settlement also provides that UGI Gas will undertake an investigation of other utility practices with regard to the management of weekend scheduling mismatches and compile a summary for presentation and discussion as part of UGI Gas's 2023 supplier collaborative. (Settlement ¶ 64.)

141. NRG alleged there has been a lack of timely notifications about a mismatch in nominated supply between an interstate pipeline and the receiving utility, resulting in a failure to meet the obligation to the utility. (NRG St. No. 1 at 11-12.)

142. NRG recommended UGI Gas be directed to implement automated programming for such notifications or implement weekend staffing. (NRG St. No. 1 at 11-12.)

143. The Company opposed these recommendations. (UGI Gas St. No. 1-R at 24-25.)

144. Paragraph 64 of the Settlement is a reasonable compromise of competing litigation positions. It is in the public interest and should be adopted without modification.

145. The Settlement further contemplates that: (1) in its 2023 Purchased Gas Cost proceeding, UGI Gas will propose a plan to transition recovery of capacity costs from the current Weighted Average Cost of Delivered Gas (“WACOD”) cost recovery method to recovering those costs directly from Rate LFD customers on their UGI Gas bills; and (2) for all future interstate pipeline company Natural Gas Act (“NGA”) general Section 4 base rate filings, UGI Gas will provide information on its Energy Management Website showing how the individual Section 4 rate case is expected to impact the WACOD calculation over a forward-looking 12-month period. (See Settlement ¶ 65.)

146. NRG argued that the WACOD does not show the individual impacts of a specific rate case and recommended that UGI Gas be required to include more detailed information concerning the effect of pipeline rate changes on its Electronic Bulletin Board or through other means, including providing the information by electronic mail to suppliers. (NRG St. No. 1 at 13-15.)

147. The Company disagreed with these claims and recommendations and stated that the Company identifies when FERC rate changes are first included in the WACOD. UGI Gas also explained why the Company does not separately itemize FERC rate impacts in the overall calculation of WACOD. (UGI Gas St. No. 1-R at 25-26.)

148. Paragraph 65 of the Settlement is a reasonable compromise of competing litigation positions. It is in the public interest and should be adopted without modification.

APPENDIX D
Proposed Conclusions of Law

APPENDIX D

PROPOSED CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 1301, 1308(d).

2. Under Section 1301 of the Public Utility Code, a public utility's rates must be just and reasonable. 66 Pa.C.S. § 1301.

3. The Commission possesses a great deal of flexibility in its ratemaking function. *See Popowsky v. Pa. PUC*, 665 A.2d 808, 812 (Pa. 1995). "In determining just and reasonable rates, the [Commission] has discretion to determine the proper balance between the interests of ratepayers and utilities." *Id.*

4. The term "just and reasonable" is not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulae; rather, the Commission is granted the power to balance the prices charged to utility customers and returns on capital to utility investors. *Pa. PUC v. Pa. Gas & Water Co.*, 424 A.2d 1213, 1219 (Pa. 1980), *cert. denied*, 454 U.S. 824, 102 S. Ct. 112, 70 L. Ed. 2d 97 (1981).

5. Commission policy promotes settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources.

6. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

7. The Commission encourages black box settlements. *Pa. PUC v. Aqua Pa., Inc.*, Docket No. R-2011-2267958, pp. 26-27 (Order entered June 7, 2012); *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 27 (Order entered Dec. 19, 2013); Statement of Chairman

Robert F. Powelson, *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Public Meeting, August 2, 2012.

8. To accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket Nos. R-2015-2518438, *et al.* (Order entered Oct. 14, 2016); *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered Jan. 7, 2004).

9. The Joint Petitioners have the burden to prove that the Settlement is in the public interest. *Pa. PUC v. Pike Cnty. Light & Power (Electric)*, Docket Nos. R-2013-2397237, C-2014-2405317, *et al.* (Order entered Sept. 11, 2014).

10. The decision of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704.

11. “Substantial evidence” is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & Western Ry. Co. v. Pa. PUC*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Review*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm., Dept. of Public Welfare, White Haven Center*, 480 A.2d 382 (Pa. Cmwlth. 1984).

12. The rates and terms of service set forth in the Settlement are supported by substantial evidence and are in the public interest. Therefore, consistent with the terms and conditions set forth in the Settlement, UGI Gas’s proposed rate increase, as modified by this Settlement, should be granted.

APPENDIX E

**Proposed Ordering
Paragraphs**

APPENDIX E

PROPOSED ORDERING PARAGRAPHS

1. That the Pennsylvania Public Utility Commission approve this Settlement, including all the terms and modifications thereof, without modification;
2. That the formal complaints of the Office of Consumer Advocate at Docket No. C-2022-3030735, and the Office of Small Business Advocate at Docket No. C-2022-3030983 be denied;
3. That the *pro se* formal complaints opposing the proposed rate increase of Paula Mercuri at Docket No. C-2022-3030898, Francis Riviello at Docket No. C-2022-3031238, Paul Forlenza at Docket No. C-2022-3031285, Elisabeth Lynch at Docket No. C-2022-3031232, Joseph Sohn at Docket No. C-2022-3031476, Annette Miraglia at Docket No. C-2022-3031819, and Sam Galdieri at Docket No. C-2022-3031822 be denied;
4. That the investigation into this matter be terminated and the matter marked closed; and
5. That the Commission issue an Opinion and Order terminating the proceeding, and authorizing UGI Gas to file the *pro forma* tariff supplements attached to the Settlement as **Appendix A** to become effective on or before October 29, 2022, for service rendered thereafter.

APPENDIX F

Statement in Support of UGI Utilities, Inc. – Gas Division

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2021-3030218
Office of Consumer Advocate	:	C-2022-3030735
Office of Small Business Advocate	:	C-2022-3030983
Paula Mercuri	:	C-2022-3030898
Francis Riviello	:	C-2022-3031238
Paul Forlennza	:	C-2022-3031285
Elisabeth Lynch	:	C-2022-3031232
Joseph Sohn	:	C-2022-3031476
Annette Miraglia	:	C-2022-3031819
Sam Galdieri	:	C-2022-3031822
	:	
	:	
v.	:	
	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

UGI UTILITIES, INC. – GAS DIVISION

**STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES**

Date: June 24, 2022

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I. INTRODUCTION

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Approval of Settlement of All Issues (“Settlement”) entered into by UGI Gas, the Pennsylvania Public Utility Commission’s (“Commission” or “PUC”) Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Commission on Economic Opportunity (“CEO”), and NRG Energy, Inc. (“NRG”) (collectively, “Joint Petitioners”).¹ The Settlement represents a full resolution of all issues raised in the instant proceeding.

The Joint Petitioners unanimously agree that UGI Gas’s January 28, 2022 distribution base rate increase filing (“2022 Gas Base Rate Case”) should be approved, subject to the terms and conditions of the Settlement. The Settlement provides for increases in rates, as set forth in the *pro forma* tariff supplement attached as **Appendix A** to the Settlement and the proof of revenues attached as **Appendix B** to the Settlement, designed to produce a net increase in annual distribution operating revenues of \$49.45 million,² to become effective October 29, 2022.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners, who represent a broad array of residential, commercial, and other important customer interests. UGI Gas submits that the Settlement is in the public interest, just and reasonable, and supported by substantial evidence.

For these reasons, and as explained in further detail below, UGI Gas respectfully requests that Deputy Chief Administrative Law Judge Joel H. Cheskis (“ALJ Cheskis”) and Administrative

¹ Seven customers filed *pro se* formal complaints opposing the proposed rate increase. None of these complainants were active parties in this proceeding. A complete copy of this Settlement is being served on all formal complainants.

² See Settlement ¶ 36, which explains that the increase will be achieved in two steps.

Law Judge Gail M. Chiodo (“ALJ Chiodo”) (collectively, “ALJs”) and the Commission approve the Settlement without modification.

II. STANDARD FOR APPROVAL OF SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements reduce the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401.

The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013). To approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water & Sewer Assocs.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered July 22, 1991).

As explained in the next section of this Statement in Support, the Settlement is just and reasonable and in the public interest and, therefore, should be approved without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. GENERAL

The Joint Petitioners agree that the Settlement is in the public interest. (Settlement ¶ 34.) The Settlement was achieved only after a comprehensive investigation of UGI Gas’s proposals set

forth in its 2022 Gas Base Rate Case. In addition to informal discovery, UGI Gas responded to over 575 formal discovery requests, many of which included multiple subparts. The active parties submitted several rounds of written testimony, including UGI Gas's direct testimony, other parties' direct testimony, rebuttal testimony, surrebuttal testimony, and rejoinder testimony. Further, the parties engaged in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

The Joint Petitioners undertook a tremendous effort to reach a full settlement of all issues. The Joint Petitioners each had to compromise on many different and competing issues and proposals raised in this case. In some instances, and in exchange for reaching an agreement on other issues, the Joint Petitioners collectively agreed to accept or reject a certain party's litigation position or to meet somewhere in between competing litigation positions. As such, when determining whether the Settlement is reasonable and in the public interest, the Commission should view the Settlement as a whole instead of focusing on individual terms and conditions.

As noted previously, the Settlement reflects a carefully balanced compromise of the competing and broad array of interests of the Joint Petitioners in this proceeding. The Joint Petitioners, their counsel, and their expert consultants have considerable experience in base rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding. The fact that the Settlement is supported by parties representing a diversity of constituents and interests, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest, particularly given the active role of the parties in this proceeding as well as the many negotiations required to achieve the Settlement.

The Joint Petitioners have agreed that UGI Gas's distribution base rate increase filing should be approved, including those tariff changes included in and specifically identified in **Appendix A** attached thereto, subject to the terms and conditions of the Settlement. (Settlement ¶ 35.) Thus, the terms and conditions of the Settlement, as detailed and supported in the following sections, should be approved without modification.

B. REVENUE REQUIREMENT

1. "Black Box" Revenue Requirement

The Settlement provides for an increase in UGI Gas's base rate revenues of \$49.45 million effective October 29, 2022, in lieu of the originally requested \$82.7 million increase. This increase in overall *pro forma* annual operating revenue will be achieved in two-steps: (1) UGI Gas shall be permitted to implement a base rate increase of \$38 million, effective October 29, 2022; and (2) UGI Gas shall be permitted to implement an additional base rate increase of \$11.45 million, effective October 1, 2023. (Settlement ¶ 36.) The two-step distribution rate revenue increase of \$49.45 million is 59.8% of the proposed revenue increase of \$82.7 million requested in UGI Gas's January 28, 2022 filing.

The agreed upon revenue requirement is a "black box" settlement, with certain exceptions discussed below. (Settlement ¶ 36.) Under a "black box" settlement, parties do not specifically identify or resolve individual rate base, revenue, expenses, and rate of return issues. This "black box" concept often facilitates settlement agreements because it permits parties to retain their positions on important ratemaking issues for the proceeding at hand as well as for future proceedings. The Commission encourages black box settlements. *See, e.g., Pa. PUC v. Aqua Pa., Inc.*, Docket No. R-2011-2267958, pp. 26-27 (Order entered June 7, 2012); *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, pp. 27-28 (Order entered Dec. 19, 2013); Statement of Chairman Robert F. Powelson, Implementation of Act 11 of 2012, Docket No. M-2012-2293611

(Public Meeting, Aug. 2, 2012). Under a “black box” settlement, it is not necessary for the ALJs to decide individual rate base or revenue and expense adjustments proposed by the parties or determine the return on equity under the Settlement in order to ascertain the reasonableness of the proposed revenue increase under the Settlement.

The settled revenue increase is essential to UGI Gas’s continued ability to attract capital on reasonable terms and provide safe and reliable service to customers. The Company’s current rates do not provide it with a reasonable opportunity to earn a fair rate of return on its investments made to serve the public in the provision of safe and reliable natural gas distribution service. (UGI Gas St. No. 1 at 8-9.) Absent rate relief, UGI Gas projected that, for the 12 months ending September 30, 2023, its operations would produce an overall return on rate base of just 6.13%, which equates to a return on common equity of only 7.89%. (UGI Gas St. No. 1 at 9.) Those returns are not adequate based upon the applicable financial analyses and the risks confronted by the Company, as detailed by UGI Gas witness Paul R. Moul. (UGI Gas St. No. 1 at 9.) Unless UGI Gas receives the requested rate relief, those returns will continue to decline and potentially jeopardize UGI Gas’s ability to attract the capital needed to make system investments that support enhancing the reach and capacity of its distribution system. (UGI Gas St. No. 1 at 9.)

In this proceeding, UGI Gas, I&E, and OCA presented testimony on the overall revenue requirement. In its initial filing, UGI Gas proposed a revenue increase of \$82.7 million (UGI Gas St. No. 1 at 6), which included a proposed return on equity of 11.20% (UGI Gas St. No. 6 at 1). In its rebuttal testimony, UGI Gas explained that its originally proposed revenue increase was justified, even though its most recent data and updates supported an annual revenue increase of \$87.6 million. (UGI Gas St. No. 2-R at 6; UGI Gas Exhibit A – Fully Projected (REBUTTAL).)

By comparison, I&E initially recommended a revenue requirement increase of approximately \$18.072 million (I&E St. No. 1 at 3) with a return on equity of 9.92% (I&E St. No. 2 at 5) in its direct testimony. Subsequently, in I&E's surrebuttal testimony, I&E updated its recommended revenue requirement to a revenue increase of \$25.923 million. (I&E St. No. 1-SR, at 3.) The OCA, on the other hand, initially recommended a revenue requirement decrease of \$38.674 million (OCA St. No. 1 at 4), based on a hypothetical capital structure of 50% debt and 50% equity and a return on equity of 8.50% (OCA St. No. 2 at 3). In its surrebuttal testimony, the OCA updated its recommended revenue requirement decrease to \$24.754 million. (OCA St. No. 1-SR, p. 2.)

Through extensive negotiations, the Joint Petitioners were able to reach a compromise within a range of their competing litigation positions. The two-step \$49.45 million settlement increase falls within the range of the parties' overall revenue requirement proposals, is just and reasonable, in the public interest, and supported by substantial evidence. Thus, the Commission should approve the "black box" \$49.45 million revenue requirement increase without modification.

2. Base Rate Case Stay Out

As a part of the comprehensive Settlement, the parties have agreed that UGI Gas shall not file a Section 1308(d) general rate increase prior to January 1, 2024; provided, however, that the Company shall not be prevented from filing a tariff or tariff supplement proposing a Section 1308(d) general rate increase in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates. (Settlement ¶ 37.) This Settlement provision provides UGI Gas customers with a stable rate once the final incremental step (the deferred revenue recovery step) of the proposed increase goes into effect on October 1, 2023 for a twelve-month period. The parties have also provided protection for the

Company, which shall not be prevented from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates. This provision strikes a reasonable compromise between the interests of consumers and the Company and should be adopted without modification.

C. REVENUE ALLOCATION AND RATE DESIGN

1. Revenue Allocation

UGI Gas relied upon a class cost of service study to allocate its proposed total revenue to each of the retail customer classes. (UGI Gas St. No. 10 at 4-10; UGI Gas Exh. D – Cost of Service Study; *see also* UGI Gas St. No. 8 at 16-25.) UGI Gas, OCA, and OSBA all presented evidence regarding revenue allocation. However, all parties agreed that the majority of the revenue increase should be allocated to the residential customer class, in order to move all rate classes closer to the overall system rate of return in a fair manner. (*See, e.g.*, UGI Gas St. No. 6 at 17; OCA St. No. 3 at 32-34; OSBA St. No. 1 at 15-16.) This outcome is consistent with the Commonwealth Court's decision in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006) ("*Lloyd*") and prior judicial precedent regarding revenue allocation.

OCA and OSBA took differing positions on how the revenue increase should be allocated to the various classes. (OCA St. No. 3 at 32-34; OSBA St. No. 1 at 15-16.) Despite these differences, the Joint Petitioners were able to reach a full settlement that allocated the revenue in a manner that will move all classes closer to the cost of service. (Settlement ¶ 41.) The rate impact of the settled revenue allocation is provided in the "Customer Class Rate Impact Analyses" attached hereto as **Attachment 1**.

UGI Gas believes that the revenue allocation under the Settlement is fully consistent with the Commonwealth Court's decision in *Lloyd* and prior Appellate Court precedent regarding

revenue allocation. In addition, in considering the *Lloyd* decision, it is important to recognize that *Lloyd* did not overturn prior judicial precedent regarding revenue allocation and the applicability of cost of service studies. When allocating revenues to the rate classes, the Commission is not required to adopt a single cost of service study or strictly allocate revenues according to the study's results. In *Executone of Philadelphia, Inc. v. Pa. PUC*, 415 A.2d 445, 448 (Pa. Cmwlth. 1980), the Court stated as follows:

[T]here is no single correct cost study or methodology that can be used to answer all questions pertaining to costs; there are only appropriate and inappropriate cost analyses depending upon the type of service under study and the management and regulatory decision in question.

Likewise, in *Peoples Natural Gas Co. v. Pa. PUC*, 409 A.2d 446, 456 (Pa. Cmwlth. 1979), the Court stated as follows with respect to rate design:

. . . there is no set formula for determining proper ratios among the rates of different customer classes. *Natona Mills v. Pennsylvania Public Utility Commission*, 179 Pa. Super. 263, 116 A.2d 876 (1955). What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the commission to decide. This court's scope of review is limited.

As *Lloyd* and the other cases cited above demonstrate, the Commission retains considerable discretion in designing rates, is not required to follow any particular cost of service study, and can consider other factors, including gradualism and extenuating economic circumstances, in designing just and reasonable rates, as long as cost of service is the primary guiding factor. The agreed-upon revenue allocation under the Settlement provides movement towards cost of service for all rate classes under UGI Gas's class cost of service study. As such, UGI Gas submits that the Settlement's proposed revenue allocation is fully consistent with the *Lloyd* decision and other relevant precedent regarding revenue allocation.

2. Rate Design

The primary objective of the Company's proposed rate design was to develop rate schedules that would produce the requested revenues when applied to forecasted conditions for the Fully Projected Future Test Year ("FPFTY") ending September 30, 2023. Under the comprehensive Settlement, the parties have agreed that the pro forma annual revenue increase will be incorporated through increases to the Company's monthly customer charges and volumetric distribution charges for the affected classes, and will be based on the Company's filed usage billing determinants as increased for the R/RT class by Paragraph 38 of the Settlement. (Settlement ¶¶ 38-40.)

a. Billing Determinants

The Settlement provides that for the R/RT class, an additional 325,000 Mcf of R/RT usage under present and proposed rates shall be added to the Company's originally filed proposed customer usage billing determinants. (See UGI Gas Exhibit E.) For all other billing determinants, the use per customer and number of customer billing determinants utilized in the proof of revenue (UGI Gas Exhibit E) as set forth in the Company's initial filing are approved.

UGI Gas initially proposed an adjustment to normalize and annualize customer usage levels, based upon the use of an econometric regression model to develop usage projections. (UGI Gas St. No. 8 at 9-12.) UGI Gas projected declining use per customer values during the FPFTY, based upon an ongoing base trend in declining use per customer. (UGI Gas St. No. 8 at 12.) I&E opposed the Company's projections with respect to the average usage per Rate R/RT heating customer. (I&E St. No. 4 at 7-13.) The billing determinants for the Rate R/RT class established under the Settlement represent a compromise of the parties' competing litigation positions. This proposal is within the range proposed by the parties, is in the public interest, and should be adopted without modification.

b. Uniform Distribution Rates For Rate N/NT and Rate DS

Under the Settlement, the Company shall be permitted to unify rates for Rate N/NT, effective October 29, 2022. (Settlement ¶ 39(a).) In addition, the Company shall be permitted to increase the rate for the Rate DS former North Rate District by one and one-half-times the system average rate increase approved under this Settlement, effective October 29, 2022. The Company reserved the right to propose uniform distribution rates for Rate DS in a subsequent general base rate increase proceeding. (Settlement ¶ 39(b).)

In its initial filing, the Company proposed to unify the former North Rate District's Rate N/NT class rates with the former South and Central Rate Districts' Rate N/NT class rates, consistent with its past unification of rate structures, tariffs and rate classes of three former separate natural gas distribution companies ("NGDCs"). (UGI Gas St. No. 1 at 16-19.) Specifically, the Company proposed to take the final step to merge both Rates N/NT and Rate DS in this proceeding. (UGI Gas St. No. 1 at 19; UGI Gas St. No. 8 at 18-19.) OSBA opposed the Company's rate unification proposals for Rate N/NT and Rate DS. (OSBA St. No. 1 at 20-21.)

UGI Gas believes that the Settlement provides a path to fully unified rates for all of the Company's customers, and achieves this process with respect to Rate N/NT. However, the Settlement also recognizes that, in some instances, maintaining intra-class rate differences can be reasonable to serve the principle of gradualism. This provision of the Settlement is in the public interest because it achieves further gains in administrative efficiency, and further uniformity in intra-class rates while mitigating the impact of rate shock.

c. Monthly Customer Charges

The Company originally proposed increasing the Rate R/RT customer charge to \$19.95, which was an increase of \$5.35 from the current charge of \$14.60. (UGI Gas St. No. 8 at 19-20.)

The Company's proposed increase for the Rate R/RT customer charge was opposed by OCA, CAUSE-PA, and CEO. (See OCA St. No. 3 at 38; CAUSE-PA St. No. 1 at 35; CEO St. No. 1 at 5-7.) The OCA argued that the Company's proposed Rate R/RT customer charge ignores the ratemaking concept of gradualism, and CAUSE-PA and CEO argued that the Company's proposal would harm low-volume and low-income customers as well as energy conservation. (See OCA St. No. 3 at 38; CAUSE-PA St. No. 1 at 35; CEO St. No. 1 at 5-7.)

In its response, UGI Gas provided extensive support for its proposal from a cost of service perspective. (UGI Gas St. No. 8-R at 16-21; UGI Gas St. No. 11-R at 29-34.) UGI Gas also explained why an increase in the customer charge will not negatively impact conservation. (UGI Gas St. No. 8-R at 17-19; UGI Gas St. No. 11-R at 30-32.) UGI Gas further stressed that adopting OCA's proposed \$16.00 customer charge at proposed rates will result in a corresponding increase to the variable per Mcf distribution charge. (UGI Gas St. No. 11-R at 33-34.) As a result, the Company's proposal would save the average Customer Assistance Program ("CAP") customer approximately \$11.63 per year, and the average low-income customer approximately \$10.38 per year, as compared to the OCA's proposal. (UGI Gas St. No. 11-R at 33-34.)

The Joint Petitioners were able to resolve this issue through settlement by agreeing to a Rate R/RT customer charge of \$15.00 per month. (Settlement ¶ 40.) The Company believes this charge represents a fair compromise among the competing proposals of the various parties.

UGI Gas also originally proposed a Rate N/NT customer group customer charge of \$30.00 per month, which was an increase of \$6.50 from the current charge of \$23.50. (UGI Gas St. No. 8 at 20.) OSBA opposed both a unified Rate N/NT customer charge and the proposed increase to this charge. (OSBA St. No. 1 at 19-20.)

In rebuttal testimony, the Company provided further support for the unified increase to the Rate N/NT customer charge. (UGI Gas St. No. 8-R at 15.) However, UGI Gas also indicated that it would advocate for a small reduction in the proposed Rate N/NT customer charge, if such a reduction were needed to achieve final unification. (UGI Gas St. No. 8-R at 15.)

In the Settlement, the Joint Petitioners agree to a Rate N/NT customer charge of \$27.38 per month. (Settlement ¶ 40.) This resolution for the Rate N/NT customer charge is a reasonable compromise of competing litigation positions and is within the range of positions taken by the parties in this proceeding.

The Company also originally proposed to maintain the current Rate DS customer charge, and did not propose any changes to the Rate LFD or Rate XD customer charges. (See UGI Gas St. No. 8 at 20-25.) None of the other parties recommended any adjustments to the customer charges for these rate classes. Therefore, the customer charges associated with these rate classes should be approved. (See Settlement ¶ 35; see also Settlement, Appendix A.)

The overall rate design reflects a gradual increase in rates over the course of the FPPTY, moves all customer classes toward the overall cost of service, and strikes a reasonable balance between the interests of customers and the Company. For these reasons, the revenue allocation and rate design are just and reasonable, and should be approved as reflected in the unopposed Settlement.

D. WEATHER NORMALIZATION ADJUSTMENT

Paragraph 42 of the Settlement provides for the approval of the Company's proposed Tariff Rider C – Weather Normalization Adjustment (“WNA”) as a five-year pilot program effective October 29, 2022, with the exception that the Company shall modify the originally proposed WNA to include a 3% dead band, and also establishes certain reporting requirements that the Company must satisfy as a part of the pilot. (Settlement ¶ 42.)

The Company originally proposed a WNA mechanism that adjusts billings on a monthly billing basis as the bill is being calculated and issued and did not include a dead band. (See UGI Gas St. No. 11 at 6-9, 11.) UGI Gas witness Mr. John Taylor testified that a WNA mechanism is designed to adjust a customer's bill due to variations from normal weather, in order to have the bill reflect normal weather conditions. (UGI Gas St. No. 11 at 6.) In this regard, WNAs reduce the amount of variation in both customer bills and utility revenues—and therefore benefit both customers and utilities—by making a compensating adjustment for the difference between actual and normal weather. (UGI Gas St. No. 11 at 6.) UGI Gas further demonstrated that the proposed WNA aligned with the Commission's Statements of Policy outlined in the alternative rate making Docket. No. M-2015-2518883. (UGI Gas St. No. 11 at 15-18.)

Other parties either recommended modifications to the proposed WNA or opposed it. Specifically, I&E recommended that the WNA be approved, subject to the condition that it include a 3% dead band. (I&E St. No. 4 at 5.) OCA, OSBA, and CAUSE-PA each opposed the Company's originally proposed WNA. (I&E St. No. 4 at 5; OCA St. No. 3 at 50; OSBA St. No. 1 at 24-25; CAUSE-PA St. No. 1 at 36-37.) However, if the Commission were to approve the WNA, OCA recommended that it be modified to include a 3% dead band. (OCA St. No. 3 at 53.) OSBA noted that the originally proposed WNA was not a pilot program and would not include a dead band. (OSBA St. No. 1 at 24-25.)

UGI Gas rebutted the parties' concerns and proposals regarding the implementation of a dead band. Specifically, the application of a dead band adds complexity, which is a concern for customer education and outreach, and the WNA's intended goal is to stabilize billings and distribution revenues from readily-identified weather-related variances. (UGI Gas St. No. 11-R at 6-7.) However, the Company argued that, if the Commission sought to include a dead band, it

should be a 1% dead band similar to that in place at Philadelphia Gas Works. (UGI Gas St. No. 11-R at 8 (citing Philadelphia Gas Works Gas Service Tariff, Supplement No. 148 to Gas Service Tariff – Pa P.U.C. No 2, Weather Normalization Adjustment Clause, pp. 149-150).)

OCA and CAUSE-PA also raised concerns regarding the impact of the WNA on low-income customers. (OCA St. No. 3 at 50; OCA St. 4 at 15; CAUSE-PA St. No. 1 at 36-37.) The Company responded to these concerns. (UGI Gas St. No. 11-R at 8-14.) Importantly, the Company explained that a fundamental principle and benefit of a WNA is that it works in a reciprocal manner: customer bills are protected during colder-than-normal weather and utility revenues are protected during warmer-than-normal weather. (UGI Gas St. No. 11-R at 12-13.) Furthermore, UGI Gas highlighted that the proposed WNA mechanism would increase average bill stability for CAP customers, providing an additional benefit to these low-income customers. (UGI Gas St. No. 11-R at 14.)

Finally, OCA raised several specific critiques in opposition to the Company's proposed WNA. (OCA St. No. 3 at 50.) UGI Gas witness Mr. Taylor fully rebutted each of these critiques. (UGI Gas St. No. 11-R at 15-27.)

The Settlement provides for the implementation of a WNA that balances the benefits and goals of the Company's initial proposal, with other parties' positions regarding the application of a dead band and the duration of its implementation. Moreover, the implementation of a WNA that is consistent with the Commission's stated policy goals that have, in part, justified the Commission's approval of other utilities' WNA mechanisms. Indeed:

I commend the parties for their commitment to this mechanism. ... The Weather Normalization Adjustment works bi-directionally to insulate customers from high bills during the extremely cold months, while also limiting the decline in revenue for Columbia during unseasonably warm heating months. This...stabilizes Columbia's cash flow, and in turn, allows Columbia to more acutely

focus on operational items within its control; namely infrastructure upgrades and repairs. Further, since this decoupling mechanism is only applied to the distribution component of the bill, and not the natural gas commodity charge, incentives for efficient consumption are maintained.

Weather normalizations are not a novel concept, as Philadelphia Gas Works and other natural gas distribution companies throughout the country also utilize iterations of this rate design...I further encourage other natural gas distribution companies in the Commonwealth to consider utilization of weather [normalization adjustment]...distribution charge mechanisms.

Pa. PUC v. Columbia Gas of Pa., Inc., Docket Nos. R-2018-2647577, et al. (Statement of Chairman Gladys Brown Dutrieuille dated Dec. 6, 2018). Moreover, implementing the Company's proposed WNA as a pilot program with specific reporting requirements (*see* Settlement ¶ 42) will allow stakeholders an opportunity to re-evaluate the WNA in the future based off the information provided by the Company. The adoption of the proposed WNA as a pilot program with a 3% dead band is in the public interest and should be approved.

E. TRANSPORTATION BALANCING RATES

Under the Settlement, Rate No-Notice Service ("NNS") for No-Notice Allowance ("NNA") elections shall be set at \$0.2200 per Mcf per day of elected NNA (\$0.1860/Mcf proposed). (Settlement ¶ 43.) The Company originally proposed to decrease the NNA rate to \$0.1860. (UGI Gas St. No. 8 at 21-22.) OCA disagreed with the Company's original proposal. (OCA St. No. 3 at 39-40.) The NNA election charge of \$0.2200 per Mcf per day established under the Settlement represents a compromise of the parties' competing litigation positions. This proposal is within the range of positions proposed by the parties, is in the public interest, and should be adopted without modification.

F. CUSTOMER ASSISTANCE / UNIVERSAL SERVICE

UGI Gas did not propose any changes regarding the administration or services provided by the universal service programs in this distribution base rate proceeding. However, the Company detailed the numerous efforts to assist customers impacted by the economic effects of the COVID-19 pandemic, such as: (1) ceasing to remove customers from its CAP for failure to recertify; (2) instructing community-based organizations (“CBOs”) to accept telephonic “signature” for CAP authorizations; (3) waiving all late payment charges; (4) proposing changes to its Universal Service and Energy Conservation Plan (“USECP”); and (5) launching an extensive information and outreach campaign associated with its COVID-19 response. (UGI Gas St. No. 1 at 12-13.) As a result of the Company’s information and outreach campaign, UGI Gas experienced an increase in Operation Share grants of 605%, a 34% increase in LIHEAP grants, and a 16% increase in CAP enrollments between FY 2019 and FY 2021. (UGI Gas St. No. 1 at 13-15.)

Several Parties to this proceeding recommended structural changes to UGI Gas’s Universal Service Programs (“USP”). OCA, CAUSE-PA and CEO made several proposals to the Company’s universal service offerings that the Company believes are largely unrelated to the proposed rate increase and could have been raised in the Company’s pending USECP filing. (*See* UGI Gas St. No. 12-R at 10-35.)

The Universal Services provisions of the Settlement represents the results of the Joint Petitioners’ extensive settlement discussions and good-faith compromises. While UGI Gas believes that these issues would be more appropriately addressed in its next triennial Universal

Service Program filing,³ in settlement, the Company agreed to address and adopt certain proposed changes to UGI Gas's Universal Service programs.

1. Low-Income Usage Reduction Program ("LIURP")

UGI Gas did not propose any modifications to LIURP or the budget for LIURP in its initial filing. However, OCA, CAUSE-PA, and CEO each recommended that the Company increase its LIURP spending. (OCA St. No. 4 at 6, 41-43; CAUSE-PA St. No. 1 at 27-29; CEO St. No. 1 at 8-9.) OCA recommended that UGI Gas expand LIURP spending by approximately \$1.425 million per year, sufficient to serve 231 additional Confirmed Low-Income ("CLI") customers per year. (OCA St. 4 at 6, 41-43.) CAUSE-PA recommended that UGI Gas increase its annual LIURP budget by a percentage at least equal to the average residential bill impact of any approved residential rate increase. (CAUSE-PA St. No. 1 at 27-29.) CEO recommended that LIURP funding be increased by \$750,000 per year. (CEO St. No. 1 at 8.) Conversely, I&E opposed the recommended expansions of the LIURP budget advanced by OCA, CAUSE-PA and CEO. (I&E St. No. 1-SR at 31-33.)

In rebuttal, the Company explained that LIURP funding should not be increased as a part of this base rate proceeding. The Company further explained that any proposed increase in LIURP funding is better evaluated in the context of the review of the Company's USECP. (UGI Gas St. No. 12-R at 28-32.) Importantly, none of the factors set forth in 52 Pa. Code § 58.4(c), which govern the considerations made by the Commission when revising a utility's LIURP funding, were complied with by the proposals of OCA, CAUSE-PA or CEO. (See UGI Gas St. No. 12-R at 29-

³ By design, the Commission has established an entirely separate process to evaluate issues regarding universal service and energy conservation programs. See 52 Pa. Code § 54.74. The Commission has declared that "Commission practice is to address all aspects of [Universal Service Programs] through the triennial filing process and to collect all revenues through a rider to base rates." *Pa. PUC v. PPL Elec. Utils. Corp.*, Docket Nos. R-2012-2290597, et al., at p. 51 (Order Entered Dec. 28, 2012).

30.) Moreover, the Company demonstrated that it is already adhering to the Commission-approved LIURP minimum usage thresholds and annual budgets in its USECP. (See UGI Gas St. No. 12-R at 28-32.)

In the Settlement, the Joint Petitioners agree that:

- a) UGI Gas will increase its annual LIURP budget by \$250,000 from its current annual budgeted amount of \$3,714,350 to \$3,964,350 beginning January 1, 2023. UGI Gas will then increase the annual LIURP budget by an additional \$250,000 from \$3,964,350, to \$4,214,350, beginning January 1, 2024. The increased LIURP budget effective January 1, 2024, shall remain unchanged until a change is approved by the Commission. If more than 25% of the increased annual budget amount remains unspent on or after January 1, 2025, or in each year thereafter, UGI Gas shall make reasonable efforts to spend the unspent amount within the first six months of the following year. If the full budget is not spent within that six-month period, the remaining unspent funds attributable to this LIURP increase will not roll forward to be included in the subsequent year's budget. Increases to the annual LIURP budgets contemplated by this provision would be recovered through the Rider F Universal Service Programs ("USP") from residential customers.
- b) UGI Gas shall be permitted to increase the maximum per-job spend on LIURP projects under its 2020-2025 Universal Service and Energy Conservation Program ("USECP"), where the project involves a furnace replacement, from \$11,000 to \$14,000.
- c) UGI Gas will expand LIURP access to customers between 151% and 200% of the Federal Poverty Level ("FPL") to commence no earlier than January 1, 2023. UGI Gas will provide a Warm Referral for customers in this income tier who are rejected from UGI Gas's Customer Assistance Program ("CAP") for being over-income.
- d) No later than 90 days after the effective date of rates in this proceeding, UGI Gas will lower its LIURP minimum usage threshold to 73.1 Ccf per month for customers at or below 200% FPL.

(Settlement ¶ 44.) This Settlement provision will allow UGI Gas to continue to increase the annual number of LIURP weatherization jobs it performs, increase the maximum per-job spend for those

projects, and expand access to LIURP to a broader range of customers, while fully recovering the costs of administering these program changes. Moreover, this Settlement provision is a reasonable compromise of the parties' competing litigation positions. As such, it is in the public interest and should be approved.

2. Conversion Of Low-Income Customers To Natural Gas

The Settlement also provides that UGI Gas will provide detailed information regarding its USP, targeted at customers who recently converted to natural gas, in its new customer welcome packet. (Settlement ¶ 45.) OCA recommended that the Company be required to screen customers it assists with conversions to natural gas to determine if they are CLI customers and enroll them in CAP if appropriate. (OCA St. No. 4 at 4, 15-20.) UGI Gas opposed this recommendation, as OCA's recommendation does not account for the limitations of the Company's current customer information system ("CIS"). (UGI Gas St. No. 12-R at 26-27.) In addition, UGI Gas demonstrated that this recommendation was not necessary. (UGI Gas St. No. 12-R at 27-28.) Paragraph 45 of the Settlement represents a compromise of the parties' competing litigation positions. This proposal is in the public interest and should be adopted without modification.

3. Low-Income Customer Assessment & Outreach Pilot

As noted above, the Company has engaged in extensive customer assessment, education and outreach regarding its USP. The Company did not propose to modify its assessment, education and/or outreach efforts as a part of its initial filing.

However, OCA witness Mr. Colton argued that UGI Gas has enrolled a fraction of its CLI customers in CAP. (OCA St. No. 4 at 7.) OCA witness Mr. Colton also recommended that the Company implement three measurable outcome objectives that UGI Gas should seek to accomplish with respect to its CAP. (OCA St. No. 4 at 5, 25-26, 32.) He argued that:

1. UGI Gas should achieve a confirmed low-income identification rate, as a percentage of estimated low-income customers, no less than the confirmed low-income identification rate of Pennsylvania natural gas utilities as a whole (excluding UGI Gas);
2. UGI Gas should achieve a CAP participation rate, as a percentage of confirmed low-income customers, no less than the CAP participation rate of Pennsylvania natural gas utilities as a whole (excluding UGI Gas); and
3. UGI Gas should achieve a CAP default rate as a percentage of participants in the lowest poverty level range that is no more than the CAP default rate in that poverty level range for Pennsylvania natural gas utilities as a whole.

(UGI Gas St. No. 12-R at 14.)

The Company opposed Mr. Colton's recommendations for several reasons explained by UGI Gas witness Mr. Daniel Adamo. (UGI Gas St. No. 12-R at 13-26.) UGI Gas witness Mr. Adamo initially explained that OCA's recommendations attempt to promulgate and impose upon the Company new regulatory standards related to the Company's CAP outside of a Commission-initiated rulemaking, which would subject UGI Gas to different regulations than every other NGDC in Pennsylvania. (UGI Gas St. No. 12-R at 14-15.) Mr. Adamo further explained that OCA's recommendations appeared to contemplate "performance-based rates," which are a form of alternative ratemaking that the Commission can only approve upon "an application by a utility in a base rate proceeding." (UGI Gas St. No. 12-R at 15 (quoting 66 Pa.C.S. § 1330(b)(1)).) Mr. Adamo also detailed why each of the three performance objectives advanced by OCA was flawed and should be rejected by the Commission. (UGI Gas St. No. 12-R at 15-26.)

In order to resolve these competing litigation positions, the Joint Petitioners have agreed that UGI Gas will undertake a low-income customer assessment and outreach pilot. (*See* Settlement ¶ 46.) The pilot contemplates the use of a third-party consultant to identify customers who are in the Company's Estimated Low-Income ("ELI") customer population in its service

territory (or certain population centers within the Company's service territory should budgetary constraints require) in order to solicit and attempt to qualify those customers as CLI. (Settlement ¶ 46(a).) The pilot further authorizes UGI Gas to recover actual costs up to \$375,000 through its Rider F USP (Settlement ¶ 46(a)), and requires UGI Gas to provide progress/result updates to the Universal Service Advisory Committee ("USAC") semi-annually (Settlement ¶ 46(b)). This proposal is reasonable in light of those competing positions and is in the public interest. It strikes a balance between the implementation of a new customer outreach pilot program, with the need to recover the reasonably incurred costs necessary to implement this pilot. Therefore, it should be adopted without modification.

4. CAP Percent of Income Payment ("PIP") Modifications

Under the Settlement, the Joint Petitioners agree that the UGI Gas shall fully comply, in all respects, with the requirements of the Commission's Order entered June 16, 2022 in Docket Nos. M-2019-3014966 and P-2020-3019196. (Settlement ¶ 47.)

CAUSE-PA recommended that UGI Gas be required to implement the reduced maximum energy burden standards proposed in the Company's pending petition to modify its USECP as a condition for approval of any rate increase granted in this proceeding. (CAUSE-PA St. No. 1 at 22.) UGI Gas opposed this recommendation, and highlighted the fact that this proposal was already the subject of another proceeding pending before the Commission, which was not consolidated with this base rate case proceeding. (UGI Gas St. No. 12-R at 41.)

Now that the Commission has approved the Company's petitions in Docket Nos. M-2019-3014966 and P-2020-3019196, it is appropriate to recognize the requirements of that Order in this Settlement. This provision is in the public interest because it recognizes the binding effect of the Commission's June 16th Order and is otherwise reasonable. This provision is in the public interest.

5. Customer Outreach

During this proceeding, CAUSE-PA recommended changes to the Company's CAP, including modifying non-CAP LIHEAP customers' enrollment in CAP and conducting outreach to all customers removed from CAP for failure to recertify income since the expiration of the Commission's Emergency COVID-19 Order. (CAUSE-PA St. No. 1 at 22-26.) The Company explained that these recommendations are not necessary because it already works on each of the issues identified by CAUSE-PA, in order to maintain or increase CAP enrollments. (UGI Gas St. No. 12-R at 11-13.) Specifically, the Company already uses a simplified enrollment approach for LIHEAP recipients seeking to enroll in CAP (UGI Gas St. No. 12-R at 11-13), and the Company has already conducted extensive recertification outreach to attempt to ensure customers recertified their income after the expiration of the Commission's Emergency COVID-19 Order (UGI Gas St. No. 12-R at 22-24).

Under the Settlement, the Joint Petitioners agree that UGI Gas will continue its simplified application process for LIHEAP recipients seeking to enroll in CAP. (Settlement ¶ 48(a).) Relatedly, it was agreed that UGI Gas will continue its outreach to active customers who have been removed from CAP due to failure to recertify. (Settlement ¶ 48(b).) If these customers submit income documentation, they will be reenrolled, and any arrearage accrued will be included with their pre-program arrearages. (Settlement ¶ 48(b).) These provisions of the Settlement also require UGI Gas to report annually to its USAC about (a) the number of customers who are able to enroll through the simplified CAP application process and (b) the number of customers who have been able to reenroll in CAP by submitting income documentation in response to the Company's recertification outreach. (See Settlement ¶ 48(a), (b).)

Paragraph 48 of the Settlement balances the interests of UGI Gas's customers and the Company, and is therefore in the public interest. The simplified CAP enrollment process

contemplated by the Settlement will continue to ensure customers receiving LIHEAP funds are able to quickly and easily enroll in the Company's CAP. In addition, the Company's continued commitment to reaching out to CAP participants to attempt to re-certify them for the program furthers the utilization of the benefits available under the program. Finally, the reporting requirements contemplated by Paragraph 48 will ensure that stakeholders are provided information regarding the efficacy of UGI Gas's efforts taken pursuant to the Settlement.

6. Operation Share

UGI Gas did not initially propose any modifications or changes to its Operation Share grant program. CAUSE-PA recommended that the Company increase the maximum grant amount for customers at or below 150% FPL, and increase its annual Operation Share contribution by an amount that is at least proportional to its residential rate increase. (CAUSE-PA St. No. 1 at 30-32.) CEO similarly recommended that UGI Gas increase its donations to Operation Share by \$1 million. (CEO St. No. 1 at 11-12.) The Company opposed the recommendations of CAUSE-PA and CEO for a number of reasons, including recent instances in which the Company had increased funding to the Operation Share program and concerns with tax implications surrounding the recommendations. (*See* UGI Gas St. No. 12-R at 32-35.)

Under the Settlement, UGI Gas will expand eligibility of the UGI Gas Operation Share grant program to 250% FPL and increase the maximum grant size from \$400 to \$600, to the extent funds are available. (Settlement ¶ 49(a).) This will expand the number of customers who can obtain Operation Share assistance and will help eligible customers avoid accruing significant arrearages. In addition, the Settlement provides that the Company will also provide a one-time payment to Operation Share in the amount of \$500,000 during the winter of 2022-2023. (Settlement ¶ 49(b).)

7. Use of Community Based Organization (“CBOs”)

In its initial filing, UGI Gas did not propose any changes to the manner in which it utilizes CBOs as a part of its Universal Service Programs. CEO raised concerns about the continued use of CBOs, and recommended that the Company be directed to continue using CBOs in the administration and implementation of its Universal Service Programs. (CEO St. No. 1 at 10-11.) The Company explained that it will continue using CBOs assuming that CBOs fulfill contract obligations, consistent with the Company’s Commission-approved USECP. (UGI Gas St. No. 12-R at 35.)

In the Settlement, UGI Gas commits to maintaining its existing business relationship with CBOs, subject to each individual CBO’s continued performance in conformance with the Company’s USECP rules and its contract with the Company. (Settlement ¶ 50.) This Settlement provision is in the public interest because it will continue the Company’s use of these organizations as an important link between the Company’s low-income programs and the low-income customers served by those programs.

8. Reconnection Fees

UGI Gas did not propose any changes to its tariff rules associated with the assessment of late fees and/or reconnection fees on low-income customers. CAUSE-PA witness Mr. Geller recommended that the Company should no longer assess reconnection fees on low-income customers. (CAUSE-PA St. No. 1 at 6, 37.) UGI Gas explained that the Company assesses reconnection fees to best address the direct cost incurred by the Company when it sends personnel out to reconnect a customer’s service. (UGI Gas St. No. 12-R at 47-48.) Paragraph 51 of the Settlement states that the Company will initiate a study to determine the appropriateness of exempting Confirmed Low Income customers from reconnection fees. This provision is a

reasonable compromise of the competing litigation positions of UGI Gas and CAUSE-PA. It is in the public interest and should be adopted without modification.

G. DSIC REPORTING

The Settlement provides that, 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 the total net plant balances exceed a level of \$3,368,005,000. (Settlement ¶ 52.) The Joint Petitioners agree that this 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. (Settlement ¶ 52.) This provision fully complies with the requirements of 66 Pa.C.S. § 1358 and the Commission’s Model Tariff that the DSIC be set to zero as of the effective date of new base rates that include the DSIC-eligible plant.

This threshold provides UGI Gas a reasonable opportunity to recover its capital costs incurred to repair, improve, or replace its aging distribution infrastructure that is placed in service between base rate cases, which, in turn, provides customers with enhanced gas service safety and reliability benefits. UGI Gas also notes that this settlement provision is similar to other settlement provisions the Commission has adopted in recent proceedings. *See, e.g., Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2014-2406274 (Opinion and Order entered Dec. 10, 2014); *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2015-2518438 (Opinion and Order entered Oct. 14, 2016). For these reasons, UGI Gas submits that this settlement provision should be approved without modification.

The Settlement further provides that, for purposes of calculating its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities as updated each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings

Report, consistent with 66 Pa.C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa.C.S. § 1358(b)(1). (Settlement ¶ 53.) This Settlement provision is in the public interest because it satisfies the Commission’s request that parties to a rate case settlement identify a return on equity for DSIC computation purposes. *See Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2015-2518438, p. 27 (Opinion and Order entered Oct. 14, 2016).

In addition, the Settlement provides that the Company will submit an update to UGI Gas Exhibit A, Schedule C-2 no later than January 2, 2023, which will include actual capital expenditures, plant additions, and retirements by month from October 1, 2021 through September 30, 2022. (Settlement ¶ 54.) An additional update for actuals from October 1, 2022 through September 30, 2023 shall be filed no later than January 2, 2024. (Settlement ¶ 54.) This will enable the parties and interested stakeholders to track the Company’s actual capital expenditures, plant additions, and retirements for the FPFTY and evaluate to what extent the actual figures match the Company’s projections in this case. Accordingly, the Commission should approve this Settlement provision without modification.

H. ACCOUNTING

1. Environmental Cost Recovery

UGI Gas’s environmental remediation expense claim enables the Company to fully recover the costs incurred in connection with its obligations under Consent Orders and Agreements (“COAs”) with the Pennsylvania Department of Environmental Protection (“DEP”) to remediate former manufactured gas plants (“MGPs”). Consistent with the methodology the Company has used in past rate cases, the Company proposed adjustments to its operating expenses designed to reconcile past Environmental Remediation expense rate recoveries with actual incurred costs and to recover a projected annual level of Environmental Remediation expense. (UGI Gas St. No. 3 at 16-17.) The Company proposed to: (1) normalize ratemaking recovery of ongoing annual cash

expenditures for environmental remediation projects made pursuant to COAs entered into between the Company and DEP; (2) not make an adjustment related to under-recovered MGP remediation expenses for FY 2019 and prior periods; and (3) recover the under-recovered MGP remediation expense for FY 2020 and 2021 over a one-year amortization period through FY 2023. (UGI Gas St. No. 3 at 16-19.)

While none of the parties challenged the prospective environmental remediation expense in the Company's filed case, OCA recommended that the Company should be required to use a five-year average, instead of a three-year average, to normalize its projected spending. (OCA St. No. 1 at 15-16.) The Company opposed this adjustment. (UGI Gas St. No. 3-R at 13.)

The Settlement resolves these competing litigation positions by reflecting a normalized allowance of \$5.171 million for prospective environmental remediation expenditures under the COAs between UGI Gas and the DEP. (Settlement ¶ 55(a).) The \$5.171 million annual remediation expense is consistent with the unchallenged amount set forth by UGI Gas in its direct case and is reasonable. The Settlement also provides that annual differences between \$5.171 million and actual expenditures will be deferred as a regulatory asset (where expenditures are greater than \$5.171 million per year) or as a regulatory liability (where expenditures are less than \$5.171 million per year) and accumulated for book and ratemaking purposes until the Company's next base rate case. (Settlement ¶ 55(a).) This cost treatment should protect customers from over-recoveries and UGI Gas from under-recoveries for this non-revenue producing and non-expense reducing category of expense. UGI Gas submits that this Settlement provision is in the public interest because it is consistent with the Company's method for calculating prospective remediation costs and, as discussed below, the historic ratemaking treatment of its annual remediation expense differences.

In prior cases, the Commission approved a reconciliation mechanism that permitted the Company to accumulate, defer and obtain ratemaking recovery for environmental costs incurred in compliance with the COAs that exceeded established annual ratemaking levels less any cost shortfall in years where actual expenditures fell below that level. In this proceeding, UGI Gas proposed to recover \$2.327 million of deferred costs applicable to FY 2020 and FY 2021 over a one-year amortization period. (UGI Gas St. No. 3 at 18.)

Both I&E and OCA proposed modifications to the Company's proposed amortization of unrecovered expenses. I&E recommended that the Company be required to provide a full line-by-line account of yearly amortizations of unrecovered expense in its next base rate case. (I&E St. No. 3 at 9.) The Company agreed with this recommendation. (UGI Gas St. No. 3-R at 8.) Both I&E and OCA recommended that a five-year amortization period should be used for purposes of the recovery of under-recovered MGP remediation expense for FY 2020 and FY 2021. (I&E St. No. 3 at 12-13; OCA St. No. 1 at 37-38.) However, the Company opposed the use of a five-year amortization period for purposes of the recovery of under-recovered MGP remediation expense for FY 2020 and FY 2021. (UGI Gas St. No. 3-R at 9-12.)

The Settlement also provides for the amortization of prior under-recovered balances incurred before FY 2020 and during FY 2020 and FY 2021. (Settlement ¶ 55(b).) Specifically, the Company will continue to amortize the remaining \$5.898 million balance (as of September 30, 2021) applicable to pre-fiscal year ("FY") 2020 environmental expenditures for book and ratemaking purposes at \$1.865 million per year, as adopted by the Commission's October 8, 2020 Final Order at Docket No. R-2019-3015162. (Settlement ¶ 55(b)(i).) In addition, the Company will amortize the \$2.327 million balance of under-recovered environmental expenditures applicable to FY 2020 and 2021 for book and ratemaking purposes over a two-year period

beginning October 1, 2022. (Settlement ¶ 55(b)(ii).) UGI Gas submits that this Settlement provision is in the public interest because it is consistent with the deferral reconciliation mechanism authorized by the Commission. In addition, this cost treatment should protect customers from over-recoveries and UGI Gas from under-recoveries for this non-revenue producing and non-expense reducing category of expense. Finally, this proposal is within the range of positions proposed by the parties.

2. COVID-19 Related Costs

UGI Gas has experienced increased uncollectible accounts expenses due to the COVID-19 pandemic. (UGI Gas St. No. 3 at 19-20; UGI Gas St. No. 3-R at 59-60.) As a result of these increased costs, the Company proposed to: (1) adjust budgeted uncollectible accounts expense to reflect a three-year average rate of uncollectible accounts expense for FY 2019-2021, where the baseline amounts for FY 2020 and FY 2021 include \$0.607 million and \$0.896 million, respectively, of amounts recorded as a regulatory asset; and (2) amortize the regulatory asset balance of \$1.5093 million for COVID-19 Pandemic Costs over a 10-year amortization period in accordance with Ordering Paragraph 29 in the Commission's Order entered October 8, 2020 at Docket No. R-2019-3015162. (UGI Gas St. No. 3 at 19-20.)

I&E disagreed with the Company's proposal to continue tracking incremental uncollectibles expense related to COVID-19 in future years. (I&E St. No. 1 at 9-11.) The Company rebutted I&E and explained that, as agreed to in the settlement approved by the 2020 Base Rate Case Order, it will amortize the regulatory asset balance of \$1.503 million for uncollectibles that accrued prior to October 1, 2021, over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking. (UGI Gas St. No. 3-R at 59.) In addition, also pursuant to the settlement approved by the 2020 Base Rate Case Order, the Company explained that it will defer as a regulatory asset

balance the amount that accrues for uncollectibles (above the \$12.8 million built into current rates) beginning October 1, 2021, and ending September 30, 2022 (i.e., FY 2022). Furthermore, the Company will amortize this FY 2022 regulatory asset over the 10-year period beginning with the effective date of rates established in the Company's next base rate proceeding for purposes of accounting and future ratemaking. (UGI Gas St. No. 3-R at 59.)

The Commission has allowed public utilities to defer costs for accounting and financial reporting purposes on numerous occasions. More specifically, the Commission has repeatedly authorized public utilities to defer incremental uncollectibles expenses incurred due to the COVID-19 pandemic, including in its approval of the settlements in the Company's last gas base rate proceeding and the last base rate proceeding by UGI Utilities, Inc. – Electric Division.⁴ *See, e.g., Pa. PUC, et al v. Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc.*, Docket Nos. R-2021-3027385, R-2021-3027386, et al., at pp. 399-400 (Opinion and Order entered May 16, 2022) (declining to set a hard cut-off date for the accumulation of deferred expenses related increased uncollectibles expenses incurred due to the COVID-19 pandemic); *Pa. PUC, et al. v. UGI Utilities, Inc. – Electric Division*, Docket Nos. R-2021-3023618, et al., at pp. 44-45 (Opinion and Order entered Oct. 28, 2021).

⁴ Recovery of these costs is also consistent with prior Commission orders wherein the Commission has granted deferred accounting for expenses that are extraordinary, not reasonably foreseeable, and non-recurring. *See, e.g., Petition of PPL Electric Utilities Corporation for Authority to Defer, for Accounting Purposes, Certain Unanticipated Expenses Relating to Storm Damage*, Docket No. P-2012-2338996 (Feb. 14, 2013) (authorizing the deferral and amortization of certain expenses related to extraordinary and non-recurring storm damage); *Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes Certain Losses from Extraordinary Winter Storm Damage and to Amortize Such Losses*, Docket No. P-00052148 (August 25, 2005) (authorizing deferral and amortization of extraordinary winter storm damage); *Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses*, 231 P.U.R.4th 521 (2004) (Commission approved deferral of expenses associated with storm related damages); *Petition of Mechanicsburg Water Co.*, Docket No. P-910500 (September 25, 1991) (Approved deferral for accounting purposes of capital and other costs associated with water treatment plant expansion.); *Petition of Pennsylvania Gas & Water Co.*, Docket No. P-900454 (September 5, 1990) (Approved deferral of costs of four water treatment plants that were nearing completion.); and *Petition of Pennsylvania Gas & Water Co.*, Docket No. P-920586 (October 21, 1992) (Approved deferral for accounting purposes of water treatment plant costs.).

Under the Settlement, the Joint Petitioners agree that the Company is authorized to:

- (1) amortize over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking, the regulatory asset balance of \$0.922 million for the Emergency Relief Program (“ERP”) costs that accrued prior to October 1, 2021;
- (2) amortize over the 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking, the regulatory asset balance of \$1.503 million for uncollectibles that accrued prior to October 1, 2021; and
- (3) amortize, over the 10-year period beginning with the effective date of rates established in the Company’s next base rate proceeding for purposes of accounting and future ratemaking, the regulatory asset balance that accrues for uncollectibles beginning October 1, 2021, and ending September 30, 2022.

(Settlement ¶ 56.) This provision is a reasonable compromise of the parties’ positions, and balances the interests of the Company in recovering the costs of the ERP it implemented in response to the COVID-19 pandemic, as well as incremental uncollectibles expenses incurred due to the pandemic, with customers’ interests in having these extraordinary and unforeseeable costs be recovered over a reasonable period of time. Thus, this Settlement provision is just, reasonable, and in the public interest and should be approved without modification.

3. ADIT/EDFIT

Under the Settlement, the Joint Petitioners agree the Company’s Accumulated Deferred Income Tax (“ADIT”) and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii) is accepted. (Settlement ¶ 57); *see* 26 C.F.R. § 1.167(l). The Settlement also provides that the Company’s method to amortize Excess Accumulated Deferred Federal Income Taxes (“EDFIT”) according to the Average Rate Assumption Method (“ARAM”) is accepted. (Settlement ¶ 57.)

UGI Gas explained in its initial filing that in its tax return for the year ended September 30, 2009, UGI Gas adopted a tax accounting method to expense as repairs certain items capitalized

for book purposes in accordance with federal tax regulations. (UGI Gas St. No. 7 at 8.) As it did in the Company's previous base rate case at Docket No. R-2019-3015162, UGI Gas chose to normalize its federal income tax expense claim, inclusive of the repairs tax deduction. (UGI Gas St. No. 7 at 8.) This difference between accelerated tax depreciation versus book depreciation in the calculation of federal tax expense creates ADIT. (UGI Gas St. No. 7 at 8.) Therefore, the Company reduced its rate base by the sum of the federal ADIT balance and the state repair regulatory liability. (UGI Gas St. No. 7 at 8.)

None of the parties challenged UGI Gas's proposals regarding ADIT/EDFIT. The Settlement provision reflects that the Company's claim is based on a FPFTY and ensures compliance with IRS normalization requirements. The Settlement further provides that, absent a change in federal or state law, regulation, judicial precedent or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers. Therefore, this provision of the Settlement is reasonable and in the public interest, and should be approved without modification.

4. Repairs Allowance

In its filing, UGI Gas proposed to continue to normalize the repairs tax expense deduction for federal income tax purposes over the book life of the plant giving rise to the deduction. (UGI Gas St. No. 7 at 8.) None of the parties challenged UGI Gas's proposed treatment of the repairs allowance.

The Settlement states that, 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 treated similarly to ADIT as a reduction to UGI Gas's rate base. (Settlement ¶ 58.) The Settlement continues the practice that UGI Gas has followed since its adoption of the current methodology

used for calculating the repairs allowance. Normalization benefits customers by ensuring that they receive a fair portion of the benefit of the repairs allowance deduction through rate base, over the life of the plant giving rise to the deductions, regardless of when UGI Gas files a rate case. Moreover, normalizing the repairs allowance deduction provides an important source of cash flow to UGI Gas that can be used to support UGI Gas's large, related capital spending program and reduce outside borrowing.

5. Depreciation Rates

UGI Gas presented detailed depreciation studies on the Company's gas plant for the Historic Test Year ("HTY"), Future Test Year ("FTY"), and FPFTY. (See UGI Gas Exhibit C – Fully Projected, UGI Gas Exhibit C – Future, and UGI Gas Exhibit C – Historic.) The depreciation studies were sponsored by, and supported by the direct testimony of UGI Gas witness Mr. Wiedmayer. (See UGI Gas St. No. 4.) No party filed testimony in opposition to the Company's claimed depreciation.

Under the Settlement, the Joint Petitioners accept UGI Gas's as-filed depreciation rates. (Settlement ¶ 59.) UGI Gas submits that this Settlement provision is in the public interest because it properly accounts for the Company's outlook and plans, and is consistent with the depreciation procedure used by most other Pennsylvania utilities.

6. Rate Case Expense

Consistent with accepted ratemaking principles, UGI Gas proposed to recover rate case expenses totaling \$1.055 million over a one-year period as a part of its initial filing. (UGI Gas St. No. 2 at 20.) While none of the parties opposed the Company's claimed total expenses, both I&E and OCA recommended different normalization periods for the recovery of this expense.

I&E recommended that the rate case expenses be normalized over a 20-month period, thereby reducing the Company's claim for the FPFTY by \$422,000. (I&E St. No. 3 at 4.) OCA

recommended a two-year normalization, thereby reducing the Company's claim by \$527,000. (OCA St. No. 1 at 38-39.) UGI Gas opposed these adjustments, and explained that I&E's and OCA's proposed normalization periods were not reflective of the Company's anticipated rate case filing frequency, which was based upon its assessment of future capital requirements, continued information system improvements through the UNITE project, and the cost of other improvements as detailed in the Company's second Long-Term Infrastructure Improvement Plan ("LTIIIP"). (UGI Gas St. No. 2-R at 9-11.)

The Settlement provides that the Company's revenue increase reflects a two-year normalization for ratemaking purposes and a two-year amortization for accounting purposes. (Settlement ¶ 60.) Further, the Settlement states that Company will not claim any unamortized amount in a future rate case and agrees that normalization of rate case expense (as opposed to amortization) is the proper treatment for ratemaking purposes. (Settlement ¶ 60.) This provision is in the public interest because it aligns the rate case filing frequency with the stay-out provision contemplated by the Settlement. Therefore, it should be approved without modification.

7. IT Capital Cost Treatment

Since 2016, the Company has capitalized certain information technology ("IT") costs⁵ associated with software implementation projects, including preliminary-stage project and business and technology reengineering expenses. (UGI Gas St. No. 3 at 22-23.) The Company continues to capitalize such costs in line with the authorizations received previously, and proposed

⁵ These IT costs consist of internal labor, external consulting expenses, and other expenses related to the preparation of the vendor and system integrator requests for proposals. IT costs also include current-state assessments, reengineering business processes to adapt to the new system, data conversion, cleansing and migration (including field verification and digitization of asset attributes required for accurate data and facility capture), and pre-implementation training costs. Additionally, the Company capitalizes the above-mentioned cost items for cloud computing software implementation projects. Further, beginning in 2019, the Company began capitalizing Hypercare costs associated with large software implementation projects. Hypercare is a term for post-implementation support following the deployment of an IT project to ensure that the newly implemented system operates as planned. (UGI Gas St. No. 3 at 22-23.)

to appropriately capitalize all such costs which are claimed in the current case. (UGI Gas St. No. 3 at 23.)

No party challenged or otherwise opposed the Company's proposed accounting treatment for the IT costs described in UGI Gas Statement No. 3. As such, the Joint Petitioners have agreed that, for purposes of the Settlement, UGI Gas's as-filed capital treatment of certain IT costs is accepted. (Settlement ¶ 61.) This Settlement provision is in the public interest because it recognizes that the new databases will provide benefits to customers over extended periods of time and not just the period in which the costs are incurred. It also recognizes that post-implementation technical support is part of the necessary process to achieve the functionality anticipated from the new technology.

I. GAS SAFETY

I&E raised concerns in its testimony addressing restoration costs and leak identification. (*See generally* I&E St. No. 6.) I&E witness Ms. Heydenreich states that the Company's restoration costs increased from 2017-2019 and that if the Company spent less dollars on restoration, it could replace additional miles of main each year. (I&E St. No. 6 at 7, 9, 11.) The Company also described the many ways in which it seeks to reduce restoration costs. (UGI Gas St. No. 9-R at 5-10.) In addition, Ms. Heydenreich stated that between 2020-2021 the Company experienced a small increase in the total number of leaks. (I&E St. No. 6 at 13.) UGI Gas addressed this testimony and explained that it continues to follow a risk-based replacement strategy consistent with its Distribution Integrity Management Plan ("DIMP"). (UGI Gas St. No. 9-R at 11-12.) In addition, UGI Gas indicated it was willing to meet with PUC safety personnel to discuss detailed leak survey results and trends, and to address any questions PUC safety personnel may have. (UGI Gas St. No. 9-R at 12.)

In the Settlement, the UGI Gas agreed that it will submit an annual report for pipeline replacements starting on or before March 1, 2023. (Settlement ¶ 62.) The report will identify UGI Gas's 10 most expensive restoration projects per year over the past three years, and specifically identify costs incurred in excess of the Pennsylvania Department of Transportation restoration standards including: paving, shoulders, sidewalks, etc., and permitting fees. (Settlement ¶ 62.) The Company explained that it has applied many approaches to combat the rising cost of restoration. (UGI Gas St. No. 9-R at 7-8.) The Company will continue to take affirmative steps to reduce its restoration costs, which produces a direct benefit to ratepayers.

The Settlement also provides that the Company will discuss the results of the annual report on restoration costs with the Commission's Gas Safety Division. These discussions are for the purpose of eliciting input into potential strategies designed to reduce construction and restoration costs associated with pipeline replacement projects.

J. TRANSPORTATION

As part of a comprehensive settlement package, there were a number of items agreed to by the Joint Petitioners to improve the UGI Gas transportation program.

1. Transparency of UGI Gas's Delivery System

During this proceeding, NRG raised concerns regarding the availability of information about the full capabilities of UGI Gas's delivery system. Based on these concerns, NRG recommended that the Commission should direct UGI Gas to provide information to natural gas suppliers ("NGSs") that outlines the full capabilities of its delivery system. (NRG St. No. 1 at 3.) UGI Gas opposed this recommendation, and demonstrated that it readily offers the information sought by NRG to suppliers on its system. (UGI Gas St. No. 1-R at 22.) Indeed, this information is provided on the Company's Energy Management Website. (UGI Gas St. No. 1-R at 22.) UGI Gas also stated that it holds regular scheduled supplier collaboratives to review its system

demands, address any new or changed circumstances, and provide suppliers with an opportunity to ask the Company questions or seek additional information or insight into the Company's distribution system and delivery regions. (UGI Gas St. No. 1-R at 22-23.)

Under the Settlement, the Joint Petitioners agree that UGI Gas will review delivery requirements and flexibility related to its delivery regions, including the ability to move gas between delivery regions whether physically through pipeline transmission system delivery points or in kind by displacement in the first supplier collaborative meeting held within 90 days after a final order is entered in this proceeding. (Settlement ¶ 63.) Supplier feedback will be encouraged for mutual discussion and follow-up action items. (Settlement ¶ 63.) Paragraph 63 of the Settlement addresses NRG's concerns and re-affirms UGI Gas's commitment to providing information to NGSs that outline the full capabilities of its delivery system. This provision is reasonable and in the public interest and should be adopted without modification.

2. Nomination Notifications

In its direct testimony, NRG alleged there has been a lack of timely notifications about a mismatch in nominated supply between an interstate pipeline and the receiving utility, resulting in a failure to meet the obligation to the utility. (NRG St. No. 1 at 11-12.) NRG recommended UGI Gas be directed to implement automated programming for such notifications or implement weekend staffing. (NRG St. No. 1 at 11-12.)

The Company opposed these recommendations. (UGI Gas St. No. 1-R at 24-25.) Specifically, UGI Gas witness Mr. Brown explained that the solution proposed by NRG (i.e., automated programming to compare and analyze supplier nominations) may not be workable and, even if it was, it would likely have significant operational costs. (UGI Gas St. No. 1-R at 24.) Moreover, based on the discovery responses provided by NRG, it did not appear that this issue represented a significant program issue that threatened the Company's ability to serve its

customers or had widespread negative impacts on the competitive market. (UGI Gas St. No. 1-R at 24.) Mr. Brown also noted that NRG has a history of failing to regularly meet the applicable deadline for Sunday and Monday nominations. (UGI Gas St. No. 1-R at 25.)

The Settlement provides that UGI Gas will undertake an investigation of other utility practices with regard to the management of weekend scheduling mismatches and compile a summary for presentation and discussion as part of UGI Gas's 2023 supplier collaborative. (Settlement ¶ 64.) This provision is a reasonable compromise of competing litigation positions, which will allow UGI Gas to determine if there are workable solutions to address the concerns of NRG in place at other utilities, that will not have significant operational costs. Therefore, it is in the public interest and should be adopted without modification.

3. Weighted Average Cost of Delivered Gas (“WACOD”)

NRG further argued that the WACOD does not show the individual impacts of a specific rate case and recommended that UGI Gas be required to include more detailed information concerning the effect of pipeline rate changes on its Electronic Bulletin Board or through other means, including providing the information by electronic mail to suppliers. (NRG St. No. 1 at 13-15.) The Company disagreed with these assertions, and showed that the Company identifies when FERC rate changes are first included in the WACOD. UGI Gas also explained why the Company does not separately itemize FERC rate impacts in the overall calculation of WACOD. (UGI Gas St. No. 1-R at 25-26.)

Under the Settlement, the Joint Petitioners agree that: (1) in its 2023 Purchased Gas Cost proceeding, UGI Gas will propose a plan to transition recovery of capacity costs from the current WACOD cost recovery method to recovering those costs directly from Rate LFD customers on their UGI Gas bills; and (2) for all future interstate pipeline company Natural Gas Act (“NGA”) general Section 4 base rate filings, UGI Gas will provide information on its Energy Management

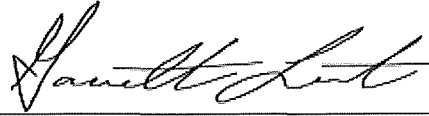
Website showing how the individual Section 4 rate case is expected to impact the WACOD calculation over a forward-looking 12-month period. (See Settlement ¶ 65.) This provision is a reasonable compromise of competing litigation positions, because it protects the Company from possible inaccuracies associated with initial estimated impacts to the WACOD calculation from a filing or settlement/adjudication and balances certain customers' desires to be provided with additional information regarding these potential impacts. It is in the public interest and should be adopted without modification

IV. CONCLUSION

The Settlement is the result of a detailed examination of UGI Gas's proposals, substantial discovery requests, multiple rounds of testimony, numerous settlement discussions, and compromises by the active parties. UGI Gas believes that fair and reasonable compromises have been achieved on all issues in this case, particularly given the fact that the settling parties have such diverse and competing interests in this proceeding and have reached a Settlement on all issues. UGI Gas fully supports this Settlement and respectfully requests that the Administrative Law Judges Joel H. Cheskis and Gail M. Chiodo and the Pennsylvania Public Utility Commission:

- (i) Approve the Joint Petition for Approval of Settlement of All Issues without modification;
- (ii) Approve the proposals set forth in UGI Gas's above-captioned distribution base rate increase filing subject to the terms and conditions of the Joint Petition for Approval of Settlement of All Issues;
- (iii) Approve the *pro forma* tariff attached to the Joint Petition for Approval of Settlement of All Issues as Appendix A;
- (iv) Approve the proof of revenues attached to the Joint Petition for Approval of Settlement of All Issues as Appendix B;
- (v) Mark the Formal Complaints filed by OCA, OSBA, and the individual customer complainants as satisfied and closed; and
- (vi) Mark the investigation at Docket No. R-2021-3030218 closed.

Respectfully submitted,



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Dated: June 24, 2022

Counsel for UGI Utilities, Inc. – Gas Division

UGI Utilities, Inc. - Gas Division
Customer Class Rate Impact Analyses

	<u>Average Usage</u>	<u>Current As-Filed</u>	<u>Increase 10/29/2022</u>	<u>% Increase to Current</u>	<u>Increase 10/1/2023</u>	<u>% Increase to Current</u>
Residential Heating	73.6 Ccf	\$ 99.19	\$ 103.68	4.5%	\$ 104.96	5.8%
Commercial Heating - (Former North)	28.8 Mcf	\$ 307.00	\$ 317.90	3.6%	\$ 321.62	4.8%
Commercial Heating - (All Others)	28.8 Mcf	\$ 317.93	\$ 321.11	1.0%	\$ 321.62	1.2%
Industrial - (Former North)	92.4 Mcf	\$ 931.45	\$ 960.47	3.1%	\$ 972.41	4.4%
Industrial - (All Others)	92.4 Mcf	\$ 966.55	\$ 970.78	0.4%	\$ 972.41	0.6%

APPENDIX G

Statement in Support of the Bureau of Investigation and Enforcement

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**UGI UTILITIES INC -
GAS DIVISION**

:
:
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Docket No. R-2021-3030218

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

**TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE JOEL H. CHESKIS AND
ADMINISTRATIVE LAW JUDGE GAIL M. CHIDO:**

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through Prosecutor, Carrie B. Wright, hereby respectfully submits that the terms and conditions of the foregoing *Joint Petition for Partial Settlement of Rate Investigation* (Joint Petition or Settlement) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of UGI Utilities, Inc. Gas Division (UGI or Company) and its customers. The parties to this settlement are UGI, I&E, the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), the Commission on Economic Opportunity (CEO), and NRG Energy, Inc. (NRG) (collectively the Joint Petitioners). The parties to this Settlement Agreement have conducted extensive formal and informal discovery

and have participated in numerous Settlement Conferences. The extensive discussions and sharing of information culminated in the submission of the attached Settlement Agreement. The request for approval of the Joint Petition is based on I&E's conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

The Bureau of Investigation and Enforcement is of the opinion that the terms and conditions of the Joint Petition are in the public interest. In support of this position, I&E offers the following:

I. INTRODUCTION

A. Legal Landscape Regarding Public Utilities

A business may acquire "public utility status" when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.³ As duplicating the vast and costly fixed physical infrastructure and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural monopoly as the sole service provider in the extended geographic service territory. In

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 Pa.PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 Pa.PUC 767, 771 (1991).

³ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961) at 3-14; 66 Pa.C.S. § 102.

order to protect consumers, the public utility's rates and services are regulated.⁴ Price regulation strives to replicate the results of effective competition.⁵

As a public utility, a natural gas distribution company (NGDC) shall provide just and reasonable rates to customers receiving natural gas service in the Commonwealth of Pennsylvania.⁶ A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.⁷ A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereto.⁸

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.⁹ The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters and to enforce compliance with the Public Utility Code.¹⁰ By representing the public interest in rate proceedings before the Commission, I&E works to balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.¹¹

⁴ *Principles of Public Utility Rates*, at 3-14; 66 Pa.C.S §§ 1301, 1501.

⁵ *See Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

⁶ 66 Pa.C.S. §§ 102, 1301; *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-603 (1944) (*Hope*).

⁷ *City of Lancaster v. Pennsylvania Public Utility Commission*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *see also Hope*, 320 U.S. at 602-603.

⁸ 66 Pa.C.S. § 1501.

⁹ Act 129 of 2008, 66 Pa.C.S. § 308.2(a)(11); 66 Pa.C.S. § 101 *et seq.*; 52 Pa.Code § 1.1 *et seq.*

¹⁰ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

¹¹ *See* 66 Pa.C.S. §§ 1301, 1304.

C. Procedural History

On January 28, 2022, UGI filed proposed Tariff Gas-PA. P.U.C. Nos. 7 and 7S. Those tariffs 7 set forth proposed rates designed to produce an increase in UGI's annual base retail distribution rates of approximately \$82.7 million.

On February 24, 2022, the Commission entered an Order instituting an investigation into the lawfulness, justness and reasonableness of the Company's proposed rates. Pursuant to 66 Pa.C.S. Section 1308(d), proposed Tariff Gas-PA. P.U.C. Nos. 7 and 7S were suspended by operation of law until October 29, 2022, unless permitted by Commission Order to become effective on an earlier date.

The Commission assigned the Company's filing to the Office of Administrative Law Judge (OALJ) for the development of an evidentiary record culminating in a Recommended Decision (RD). The OALJ subsequently assigned the suspended proceeding to Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Gail M. Chiodo (the ALJs) for investigation and scheduling of hearings to consider the lawfulness, justness and reasonableness of the Company's rate increase request.

A Prehearing Conference was held on March 2, 2022, at which time a procedural schedule was established. The procedural schedule included filing dates for written Direct, Rebuttal, and Surrebuttal Testimony and Main Briefs and Reply Briefs, as well as dates for Evidentiary Hearings. Two telephonic public input hearings were held on April 13, 2022, at 1:00 pm and 6:00 pm.

A telephonic evidentiary hearing was held on June 2, 2022. At this hearing the parties' written testimony and exhibits were entered into the record. The remaining days of hearings were cancelled.

II. DISCUSSION

The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.¹² Here, the Joint Petitioners successfully achieved a Settlement Agreement of all issues related to this base rate proceeding.

The Settlement Agreement is a “Black Box” agreement, which does not specifically identify the resolution of certain disputed issues.¹³ Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent proceedings. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.¹⁴

I&E contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional testimony and exhibits, three days of litigious hearings, briefing, and further involvement of both ALJs would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.¹⁵ The request for approval of the *Joint Petition for Settlement* is based on the I&E conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.”¹⁶ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”¹⁷ The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing

¹² *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

¹³ *See id.* at *11.

¹⁴ *See id.*

¹⁵ *See id.*

¹⁶ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

¹⁷ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

A. Revenue Requirement (Joint Petition ¶¶ B.36-37)

The proposed Settlement will allow UGI to file new tariff rates designed to provide an overall base rate increase of \$49.45 million in operating revenues for service rendered, instead of the Company's requested approximately \$82.7 million increase. This rate increase will be implemented in two steps with a \$38 million increase going into effect October 29, 2022, and a \$11.45 million increase going into effect October 1, 2023. In addition, the settlement provides that UGI will not file a general base rate case prior to January 1, 2024, unless otherwise required to by Commission order or in response to fundamental changes in regulatory or federal tax policies that affect UGI's rates.

The parties to the Joint Settlement have agreed upon the additional annual revenues as a Black Box settlement, subject to a few specific provisions detailed within the Joint Petition.

Based on I&E's analysis of the Company's filing and discovery responses received the rate increase under the proposed Settlement represents a result that is within the range of likely outcomes in the event that the case was fully litigated. The increase is appropriate and, when accompanied by other important provisions contained in the Settlement, yields a result that is both just and reasonable and in the public interest.

As noted above, the additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a Black Box settlement. A Black Box agreement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A Black Box settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner

while avoiding significant additional expenses. I&E is of the opinion that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. The involvement of the ALJ would have added time and expense to an already cumbersome proceeding. Avoiding this necessity will benefit ratepayers by keeping the expenses associated with this filing at a reasonable level. The previous Chairman of the Commission has commented on Black Box settlements and stated that the “[d]etermination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black Box settlements are an integral component of the process of delivering timely and cost-effective regulation.”¹⁸

This increased level of Black Box revenue adequately balances the interests of ratepayers and the Company. UGI will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial proposal. Further, the phased-in approach to the rate increase and the rate case stay out are both important provisions that likely would not have been possible in a fully litigated base rate case. They stay out provides a level of rate stability that is not otherwise assured in a fully litigated base rate case and the rate phase in provides ratepayers with protection from the full increase going into effect all at one time. Mitigation of the level of the rate increase benefits ratepayers and results in rates that satisfy the regulatory standard requiring just and reasonable rates. As such, this element

¹⁸ See Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662 (Order entered January 13, 2011). See also Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, Pennsylvania*, Docket No. R-2010-2172665 (Order entered January 13, 2011).

supports the standard for approval of a settlement as the resulting rates are just and reasonable and in accordance with the Public Utility Code and all pertinent case law.

B. Revenue Allocation and Rate Design (Joint Petition ¶¶ C.38-41)

Per the settlement, UGI has agreed that for the R/RT rate class, an additional 325,000 Mcf of usage shall be added to UGI's originally filed proposed customer usage billing determinants. Regarding rate R/RT, I&E opposed the Company's projections with respect to the average usage per heating customer. In surrebuttal testimony I&E recommended UGI reflect an additional 1,346,059 Mcf of RS usage under present and proposed rates.¹⁹ The compromise reached as part of the settlement is within the range of reasonable outcomes had this issue been fully litigated. Thus, I&E's concern that the usage per customer for the rate R/RT heating class has been understated is mitigated by the agreement contained in the Settlement. As a result, I&E believes this term is in the public interest.

In addition, the allocation of rate increase among the customer classes is a significant issue in base rate proceedings. It is important to allow the utility to recover only those direct monthly costs that vary with the addition or loss of a customer through the Customer Charge. This charge provides the Company with a steady, predictable level of income that will allow for the proper maintenance and upkeep of the system. Establishing the proper customer charge protects ratepayers by ensuring that UGI is not being overcompensated. Moderating the requested increase in this proceeding also benefits ratepayers as it allows them to reap a greater portion of the benefit of conservation. Shifting costs to the volumetric portion of a customer's bill allows for the immediate realization of the benefit of conserving usage. Designing rates to allow customers to have greater control of their utility bills is in the public interest.

¹⁹ I&E Exhibit No. 4-SR, Sch. 3, Line 6.

UGI Gas' current monthly residential customer charge is \$14.60 and, in this proceeding, UGI proposed to increase the residential customer charge to \$19.95. Per the terms of the settlement, UGI has agreed to establish the residential customer charge at \$15.00. This is a reasonable compromise of the various parties litigation positions.

Based on I&E's review of the information and positions presented in this proceeding, I&E views the settlement of the rate design and revenue allocation issues to be within the range of reasonable outcomes that would result from full litigation of this case. As such, these provisions are in the public interest.

C. Weather Normalization (Joint Petition ¶ D.42)

A Weather Normalization Adjustment (WNA) mechanism adjusts a customer's bill to correct for variations from normal weather in order to have the bill reflect normal weather conditions through credits and surcharges for colder than normal and warmer than normal weather, respectively. In its filing UGI proposed to implement a WNA mechanism that adjusts billings on a monthly basis as the bill is being calculated and issued. However, in the filing, UGI did not propose a deadband for its WNA. A deadband is a threshold of Normal Heating Degree Days where the WNA adjustment is not triggered.

I&E witness Ethan Cline explained:

A WNA is a departure from traditional ratemaking in that it allows the Company to adjust a customer's base rate bill, which was calculated based on Commission approved rates, outside the scope of a base rate case. I believe such a departure from traditional ratemaking should only occur due to circumstances that are an extraordinary departure from normal operating conditions, such as abnormal weather. There is no need to reconcile the day-to-day temperature variations that can be considered a normal part of doing business. Therefore, a 3% deadband...is a reasonable provision because it allows for a range of what is considered "normal" weather in which the Company's Commission-approved rates would be applied without adjustment. Without the deadband

customer rates could be subject to constant adjustment for normal weather variations in every billing cycle.²⁰

In the Settlement, UGI has agreed to implement the WNA as a pilot and include a 3% deadband. As noted in testimony, I&E recommended that UGI's WNA be approved so long as a 3% deadband was included.²¹ In addition, UGI has agreed to provide various reports to the parties at specific times related to the WNA and all parties have reserved their rights to challenge or propose changes to the WNA proposal in future proceedings.

As the Company has agreed to include I&E's recommended 3% deadband in its WNA, I&E is satisfied that this term is in the public interest. Further, the reporting and the fact that the WNA is now being implemented as a pilot will allow the parties to further investigate and determine how the WNA is working for UGI. At that point, the parties can propose necessary changes or the discontinuation of the WNA pilot if deemed appropriate.

D. Customer Assistance / Universal Service (Joint Petition ¶¶ F.44-51)

Per the settlement, UGI will increase its LIURP budget by \$250,000 beginning January 1, 2023, and by an additional \$250,000 beginning January 1, 2024. In rebuttal testimony, I&E witness Walker opposed the recommendations that UGI's LIURP budget be increased. Mr. Walker noted that UGI has been unable to exhaust its LIURP budget in the four most recent historic years other than time for the North District in 2018.²² In the settlement UGI has agreed that it will make reasonable efforts to spend any unspent LIURP funds within the first six months of the following year. Per the settlement, the LIURP budget increase has been significantly mitigated. Further, UGI has agree to put forth effort to spend any unspent LIURP funds. I&E

²⁰ I&E St. No. 4, p. 4.

²¹ I&E St. No. 4, p. 5.

²² I&E St. No. 1-R, p. 3.

asserts this proposal is in the public interest as there will be sufficient funds available to assist low-income customers without significantly increasing the overall LIURP budget. I&E's concern that UGI has been unable to spend its full LIURP budget is also mitigated by the terms contained within the settlement.

The other terms serve in this section of the settlement to protect vulnerable low income customers who are facing financial hardship while not imposing undue financial burden on non-low income customers who must pay for these programs.

As such, I&E submits the proposed terms are in the public interest.

E. DSIC (Joint Petition, ¶¶ G.52-54)

The Settlement addresses UGI's eligibility to include plant additions in the DSIC once eligible account balances exceed a level of \$3,368,005,00. For purposes of calculating its DSIC, UGI shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

I&E avers that the provisions related to the DSIC are in the public interest and benefits both UGI and its ratepayers. UGI benefits because it will have access to DSIC funding for necessary infrastructure improvements which helps to ensure UGI is able to meet its obligation to provide its customers with safe and reliable service. Customers will benefit from the assurance that improved infrastructure will facilitate safe and reliable service.

F. Gas Safety (Joint Petition ¶ L.62)

I&E Gas Safety witness Jessalynn Heydenreich expressed concern about UGI's rising replacement costs. As a result, witness Heydenreich recommended that UGI produce a report detailing the restoration costs for its 10 largest projects in the prior three years, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards including: paving, shoulders, sidewalks, etc., and permitting fees.²³ Per the settlement UGI has agreed that it will produce said reports beginning in 2023 on or before March 1 and discuss the results thereof with I&E Gas Safety.

As a result, I&E will have more information about UGI's replacement costs, and the information contained within the reports will show if there are areas where UGI should put forth more effort to reduce costs. Further, the opportunity to discuss the results of these reports with I&E Gas Safety will give I&E and UGI an opportunity to collaborate and discuss more freely these issues without the limitations of a base rate case.

G. I&E's Remaining Issues

The remaining issues raised in I&E's Prehearing Memo and testimony have been satisfactorily resolved through discovery and discussions with the Company and are incorporated into the Black Box resolution of the revenue requirement in this proceeding. The very nature of a settlement is that it incorporates compromise on the part of all parties. This particular Settlement Agreement exemplifies this principle. In addition, a Black Box settlement makes the specific identification of the resolution of disputed issues impossible. Each signatory acknowledges the ultimate revenue allowance but makes no representation as to how this addition to base rate revenue was achieved.

²³ I&E St. No. 6, p. 12.

III. CONCLUSION

Based on I&E's analysis of the base rate revenue increase requested by UGI Utilities, Inc. - Gas Division, acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may cause an increase in revenue beyond that agreed to in the Joint Petition. Acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main Briefs, Reply Briefs, Exceptions, and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this base rate investigation proceeding best serves the interests of UGI and its customers. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a Black Box agreement with limited exceptions. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or the continuation of this litigation in the event the Settlement Agreement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJs recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the ALJs in the Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any party to this proceeding. The Settlement Agreement is also conditioned

upon the Commission's approval of all terms and conditions contained therein, and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Settlement of Rate Investigation* as being in the public interest and respectfully requests that Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Gail M. Chiodo recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



Carrie B. Wright
Prosecutor
Attorney ID #208185

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
400 North Street
Harrisburg, Pennsylvania 17120
(717) 783-6156

Dated: June 24, 2022

APPENDIX H

Statement in Support of the Office of Consumer Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket Nos. R-2021-3030218
Office of Consumer Advocate	:	C-2022-3030735
Office of Small Business Advocate	:	C-2022-3030983
Paula Mercuri	:	C-2022-3030898
Francis Riviello	:	C-2022-3031238
Paul Forlennza	:	C-2022-3031285
Elisabeth Lynch	:	C-2022-3031232
Joseph Sohn	:	C-2022-3031476
Annette Miraglia	:	C-2022-3031819
Sam Galdieri	:	C-2022-3031822
	:	
v.	;	
	:	
UGI Utilities, Inc. – Gas Division	:	

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES

TO THE ADMINISTRATIVE LAW JUDGES JOEL H. CHESKIS AND GAIL M.

CHIODO:

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement of All Issues (Settlement), finds that the proposed terms and conditions of the Settlement are in the public interest. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the reasons set forth below:

I. BACKGROUND

UGI Utilities, Inc. – Gas Division (UGI, UGI Gas or the Company) is engaged in the business of furnishing natural gas to approximately 672,000 residential, commercial and industrial customers in over 45 counties throughout Pennsylvania. On January 28, 2022, UGI Gas filed

Supplement No. 32 to Tariff Gas – PA. P.U.C. Nos. 7 and 7-S (Supplement No. 32). Through Supplement No. 32, the Company sought Commission approval to increase rates to produce additional annual operating revenues of approximately \$82.7 million, or an increase of 7.8%. More specifically, the Company sought to allocate \$68.1 million, or 82.3% of the proposed \$82.7 million increase, to the residential customer class. The Company also sought to increase the average residential monthly customer charge by \$5.35, from \$14.60 to \$19.95, or by 36%. Under the Company's as-filed position, the total average monthly bill of a residential customer using 73.1 Cubic Feet (Ccf) per month would have increased from \$98.62 to \$108.01 per month, or by 9.5%. The increase to residential bills on a distribution only basis would be 19.4%.

On February 3, 2022, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. Also on February 3, 2022, the Commission's Bureau of Investigation and Enforcement (I&E) filed a notice of appearance. Multiple customers filed a formal complaint. On February 15, 2022, a petition to intervene and answer was filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA). On February 23, 2022, a petition to intervene was filed by the Commission on Economic Opportunity.

On February 24, 2022, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this filing, in addition to the Company's existing rates, rules, and regulations, and suspended the effective date of Supplement No. 32 until October 29, 2022, by operation of law. The case was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Gail M. Chiodo (collectively, the ALJs). A Prehearing Conference was held on Tuesday, March 2, 2022, setting forth a procedural schedule and modifying the Commission's discovery regulations.

On April 20, 2022, after completing its investigation of the Company's claims, written testimony, and discovery responses, the OCA submitted the Direct Testimonies of Dante Mugrace¹: OCA Statement 1, David J. Garrett²: OCA Statement 2, Jerome D. Mierzwa³: OCA Statement 3, and Roger D. Colton⁴: OCA Statement 4. On May 17, 2022, the OCA submitted the Rebuttal Testimonies of David J. Garrett: OCA Statement 2R, Jerome D. Mierzwa: OCA Statement 3R, and Roger D. Colton: OCA Statement 4R. Additionally, on May 27, 2022, the OCA submitted the Surrebuttal Testimonies of Dante Mugrace: OCA Statement 1SR, David J. Garrett: OCA Statement 2SR, Jerome D. Mierzwa: OCA Statement 3SR, and Roger D. Colton: OCA Statement 4SR.

Several settlement conferences were held to attempt to reach a settlement in principle on the issues raised in this proceeding. An evidentiary hearing was held on June 2, 2022 during which the parties each entered their respective testimony and exhibits into the record of this proceeding.

¹ Mr. Mugrace is a Senior Consultant with Economic and Management Consulting Firm of PCMG and Associates, LLC, focusing in the analysis of public utility operations, with particular emphasis on rate regulation. He has reviewed and analyzed utility rate filings, focusing primarily on revenue requirements, accounting, regulatory policy and cost recovery mechanisms throughout the country. OCA St. 1 at 1-2. Mr. Mugrace's complete qualifications are listed in OCA Statement 1, Appendix A.

² Mr. Garrett is the President of Resolve Utility Consulting, a consulting firm specializing in public utility regulation and litigation. Mr. Garrett is a licensed attorney and a certified public accountant, primarily working as a consultant in public utility regulation. Mr. Garrett's complete qualifications are listed in OCA Statement 2.

³ Mr. Mierzwa is a principal at and the President of the utility consulting firm, Exeter Associates Inc., and has been affiliated with the firm since April 1990. During his tenure with Exeter, Mr. Mierzwa has specialized in, among other things, evaluating the gas purchasing practices of natural gas utilities, utility cost of service and rate design analysis, performance-based incentive regulation and revenue requirement analysis. Mr. Mierzwa has testified in more than 300 utility regulatory proceedings in 13 states, including Pennsylvania. He holds a Bachelor's degree and a Masters of Business Administration degree from Canisius College. His full background and qualifications are provided in Appendix A, attached to OCA Statement 3.

⁴ Mr. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations and state and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. A more complete description of Mr. Colton's education and experience is provided in OCA Statement 4, Appendices.

Following the hearing, and as a result of further settlement conferences, the Joint Petitioners reached a comprehensive agreement on all issues and notified the Presiding Officer on June 13, 2022.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and in the interest of UGI's ratepayers, and should be approved by the Commission without modification.

II. REVENUE REQUIREMENT

In its filing, the Company proposed to increase its total operating revenues by approximately \$82.7 million, or an increase of 7.8%. OCA St. 1SR at 1. The Company stated that its proposal was driven by its need to adjust budgeted revenues to reflect anticipated changes in number of customers, customer usage, roll-in of revenues from the Distribution System Improvement Charge (DSIC), and other ratemaking adjustments. OCA St. 1 at 13. The OCA's

position after all testimony was exchanged recommended that the Company's proposed operating revenues should be decreased by approximately \$24.7 million. OCA St. 1SR at 2.

The proposed Settlement permits the Company a total annual revenue increase of \$49.45 million, to be phased in through two steps. Settlement ¶ 36. An initial rate increase of \$38 million will go into effect on October 29, 2022, and a second rate increase of \$11.45 million will be effective October 1, 2023. *Id.* This phase-in provision is carefully designed to balance the interests of UGI Gas and its customers. Many customers are continuing to struggle with the ongoing economic impacts of the pandemic, and the extent to which the pandemic may further impact Pennsylvania's economy in the future remains unclear. Accordingly, the Joint Petitioners have agreed to defer a portion of the increase to become effective on October 1, 2023. In addition, the Company has committed to a "stay-out" provision wherein the Company will not file a Section 1307(d) rate increase until after January 1, 2024. Settlement ¶ 37. While the final revenue requirement deviates significantly from the OCA's litigation position, the OCA weighed the risk associated with litigation and the likelihood of an allowed increase against the settlement as a whole including the other provisions that are beneficial to consumers as outlined later in the statement, the phased approach to the rate increase, and the agreement by UGI for a stay out until at least 2024, in its determination to join the Settlement. After consideration of the aforementioned factors, the OCA believes this is a fair compromise in light of the other provisions and protections provided to customers by this Settlement.

The OCA also notes that the Settlement represents a "black box" approach to the revenue requirement, except for certain specified accounting provisions. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the

disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for every single issue or adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

III. DSIC/REPORTING

The Settlement provides that as of the effective date of rates in this proceeding, UGI Gas will continue to be eligible to include plant additions in the Distribution System Improvement Charge (DSIC) once the Company's total net plant in service balances exceed a level of \$3,368,005,000. Settlement ¶ 52. The Settlement makes clear that this 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 any FPFTY filing. *Id.*

The Settlement also provides that to calculate its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3). Settlement ¶ 53. The Company must update its UGI-Gas Exhibit A, Schedule C-2 by January 2, 2023 to include any actual capital expenditures, plant additions, and retirements by month. Settlement ¶ 54. The OCA supports these provisions because they will ensure that the Company's DSIC rates continue to be properly calculated in order to prevent duplicative recovery of DSIC expenditures in future rate-setting proceedings, which in turn will prevent the Company from charging these duplicative costs to ratepayers.

IV. ACCOUNTING

The Joint Petitioners have agreed to the following Settlement provisions with regard to accounting.

A. Environmental Cost Recovery (Settlement ¶ 55)i. Normalized Allowance

The Settlement reflects an annual normalized amount of \$5.171 million for prospective environmental expenditures under the Department of Environmental Protection (DEP) Consent Order and Agreements (COAs). Settlement ¶ 55(a). The Settlement also provides that annual differences between the normalized amount and actual expenditures will be deferred as a regulatory asset (where expenditures are greater than \$5.171 million per year) or as a regulatory liability (where expenditures are less than \$5.171 million on an annual basis) and accumulated for book and ratemaking purposes until the Company's next base rate case. *Id.*

In testimony, the OCA recommended that the Company amortize its environmental remediation costs over a five-year period, while the Company proposed using a three-year period to normalize this expense OCA St. 1SR at 18. The OCA noted that a five-year recovery period was consistent with the Company's other environmental adjustments, while the Company argued that the shorter period would provide a more accurate indication of expenditures because its expenditures for environmental remediation in the last three years have been greater than what the Company recovered in rates. *Id.* The Settlement addresses both the OCA's and the Company's concerns by allowing the Company to normalize \$5.171 million of its prospective environmental expenditures, while also providing that the Company should continue to amortize the remaining environmental costs over a two-year period. Settlement ¶ 55(a)-(b). Thus, the OCA supports this provision of the Settlement.

ii. Amortization of Prior Balances

The Settlement provides that the Company will continue to amortize the remaining \$5.898 million balance (as of September 30, 2021) applicable to pre-fiscal 2020 environmental expenditures for book and ratemaking purposes at \$1.865 million per year, as adopted by the Commission's October 8, 2020 final order at Docket No. R-2019-3015162. Settlement ¶ 55(b). The Company will amortize the \$2.327 million balance of under-recovered environmental expenditures applicable to fiscal year 2020 and 2021 for book and ratemaking purposes over a two-year period beginning October 1, 2022. *Id.*

As stated above, the OCA supports the amortization of this expense over a two-year period because the two-year amortization period represents a fair compromise between the OCA's recommended five-year amortization period and is more representative of the length between the Company's base rate cases. OCA St. 1SR at 18. Amortizing this expense will make it less burdensome for ratepayers while also allowing the Company to recover environmental remediation costs close to the time period in which the costs were actually incurred. UGI St. 3R at 8; OCA St. 1SR at 18. Thus, the OCA supports this Settlement term.

B. COVID-19-Related Costs

The Settlement provides that the Company shall be permitted to amortize the regulatory asset balance of \$0.922 million for the Emergency Relief Program costs that accrued prior to October 1, 2021 over a 10-year period beginning with the effective date of rates established in this proceeding, for purposes of accounting and future ratemaking. Settlement ¶ 56. The Company will also be permitted to amortize the regulatory asset balance of \$1.503 million that accrued prior to October 1, 2021 as well as the balance that accrues for uncollectibles beginning October 1, 2021 and ending September 30, 2022 over the same 10-year period. *Id.*

The OCA did not submit testimony opposing the Company's proposed amortization of its COVID-19 related costs, and the proposed 10-year amortization period is pursuant to a Commission Order in the Company's 2020 Gas Base Rate Case.⁵ Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

C. ADIT/EDFIT

The Settlement provides that the parties accepted the Company's Accumulated Deferred Income Tax (ADIT) and pro-rationing methodology, as well as the Company's plans to amortize Excess Accumulated Deferred Federal Income Taxes (EDFIT) according to the Average Rate Assumption Method (ARAM). Settlement ¶ 57. Absent a change in federal or state law, regulation, judicial precedent or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers. *Id.*

The OCA did not submit testimony opposing the Company's ADIT or EDFIT, or the methodologies used to calculate those balances. Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

D. Repairs Allowance

The Settlement provides that all capitalized repairs deductions claimed on its federal tax return will be normalized for ratemaking purposes and the appropriate related amount of tax effect of those deductions will be reflected as Accumulated Deferred Income Taxes as a reduction to UGI Gas's rate base. Settlement ¶ 58.

The OCA did not recommend adjustments to the Company's repairs balance in testimony, except to reflect proposed plant in service adjustments. Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

⁵ The Company's 2020 Gas Base Rate Case is docketed at R-2019-3015162.

E. Depreciation Rates

The Settlement accepts the Company's as-filed FPFTY depreciation rates. The OCA accepted the Company's claimed depreciation expense in testimony and only proposed changes related to other adjustments that the OCA proposed regarding gas plant in service (GPIS). Settlement ¶ 59. Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

F. Rate Case Expense

This Settlement allows the Company a revenue increase for rate case expense to be collected over a two-year normalization period for ratemaking purposes and a two-year amortization period for accounting purposes. Settlement ¶ 60. The Settlement also provides that the Company will not claim any unamortized amount in a future rate case and that the Company agrees that normalization (as opposed to amortization) is the proper treatment for ratemaking purposes. *Id.*

In testimony, the OCA recommended a two-year normalization period because the Commission routinely normalizes rate case expense and because the Company has filed for a rate increase approximately every two years for the last twelve years. OCA St. 1 at 39; OCA St. 1SR at 30. The Company proposed normalizing rate case expense over one year because the Company anticipated filing for another rate increase in a year due to pressures from inflation and due to accelerated spending related to ongoing infrastructure improvements. UGI St. 2R at 10. The OCA supports the final agreed-upon Settlement term because it recognizes the two-year normalization period as appropriate given the Company's filing history. Settlement ¶ 60. The Settlement also clarifies that normalization is the appropriate treatment for rate-case expense, as the OCA has argued in this case and other rate cases. *Id.* Finally, normalizing the expense helps to mitigate the

impact of rate case expense on customers while still allowing the Company to recover the expenses necessary to combat inflation and make infrastructure improvements, all of which is in the public interest. For these reasons, the OCA supports this Settlement provision.

G. IT Cost Capital Treatment

The Settlement provides that the parties will accept UGI Gas's as-filed capital treatment of certain IT costs. Settlement ¶ 61. UGI Gas will capitalize IT costs that include internal labor, external consulting expenses, and other expenses related to the preparation of the vendor and system integrator requests for proposal. *Id.*

The OCA did not object to the Company's as-filed treatment of these IT costs in testimony. Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

V. REVENUE ALLOCATION AND RATE DESIGN

A. Rate Design/Revenue Allocation (Settlement ¶¶ 38- 43)

1. Introduction

The Settlement provides that the annual rate increases will be recovered through increases to the Company's volumetric distribution charges and slight increases to the customer charges. Settlement ¶¶ 39-41. Other than for the R/RT class, which, pursuant to the Settlement, an additional 325,000 Mcf of R/RT usage under present and proposed rates shall be added to the Company's original filed proposed customer usage billing determinants, rates will be designed based on the Company's initially filed usage billing determinants. Settlement ¶ 38. The fixed customer charges will increase from current rates as a result of the Settlement, with the residential customer charge increasing from its current rate of \$14.60 to \$15.00. Settlement ¶ 40. Additionally, under the terms of the Settlement, the parties came to an agreement to allow UGI to run a 5-year pilot Weather

Normalization adjustment from the months of October to May with a 3% deadband. Settlement ¶ 42(a).

The Settlement reflects a balanced compromise of these positions. Through a 40.1% lesser increase in annual revenues and a modest increase of \$0.60 in the monthly residential customer charge, the terms of the Settlement ensure that during the ongoing repercussions of the pandemic and growing inflation rates, customers will have greater control over their monthly bills by conserving energy where possible, as well as further protecting low-income customers who can be disproportionately impacted by customer charge increases.

As a result of the Settlement, the total average monthly bill of a residential customer using 73.1 Cubic Feet (Ccf) per month will increase in the following manner:

	Average Usage	Current Bill	Increase 10/29/2022	Increase 10/1/2023
Residential Heating	73.1 Ccf	\$ 92.49	\$ 96.93	\$ 98.21

In total, the average residential customer's bill will increase by approximately \$5.71 per month, or by 6.2 percent, compared to the Company's as-filed increase of \$9.39 per month, which would have been an increase of approximately 9.5 percent. Moreover, the delayed implementation of the remainder of the rate increase ensures that any impacts to customers are spread out over a number of months to ensure gradual, modest increases during this time.

2. Rate Design

a. Customer Charge

In the Company's initial filing, the Company proposed to recover a larger portion of its revenue increase from the fixed customer charge. With respect to the residential class, the Company proposed to increase the residential customer charge from its current rate of \$14.60 by \$5.35 to \$19.95, or by 36.6 percent. OCA St. 3 at 35-38. UGI Gas's current charge of \$14.60 is

the second-highest among NGDCs in Pennsylvania and increasing the charge to \$19.95 would make it over \$3.00 higher than the current highest Pennsylvania NGDCs at \$16.75. OCA St. 3 at 37, Table 9. In response to the Company's request, the OCA's witness, Mr. Mierzwa, recommended that, if the Commission were to approve a rate increase, the residential customer charge be set no higher than \$16.00. *Id.* at 38. Mr. Mierzwa reasoned that this smaller increase recognizes the principles of gradualism, would keep the charge consistent with those of the other Pennsylvania NGDCs, and will incentivize customers to conserve energy where possible. *Id.* Likewise, Mr. Colton testified on the OCA's behalf indicating that increases in customer charges disproportionately impact low-income customers and agreed with the recommendation of Mr. Mierzwa. OCA St. 4 at 6-11.

In its rebuttal testimony, UGI Gas continued to advocate for increasing the customer charge to its as-filed position. UGI Gas St. 8-R at 17-20. The Company rebutted that a cost-based monthly customers charge for Residential customers is \$27.47 and, therefore, the proposed charge of \$19.95 is justified. *Id.* at 18.

In terms of a compromise to resolve all issues in this proceeding, the parties agreed to increase the monthly residential customer charge by \$0.40 to \$15.00. Settlement ¶ 40(a). The agreed to increase in the customer charge is \$4.95 less than the increase amount originally asked for in the Company's filing and \$1.00 less than the amount recommended by Mr. Mierzwa if the Company were to be granted its full revenue requirement in its original filing. Settling on the residential customer charge increase reduced the risk of a higher increase if the topic were litigated and, at \$15.00, the residential customer charge, customer will remain motivated to conserve their natural gas use to control the total of their monthly bill. The OCA submits that this provision of the settlement is reasonable and in the public interest and should be approved by the Commission.

b. Pilot WNA (Weather Normalization Adjustment)

In his Direct Testimony, Mr. Mierzwa recommended that UGI Gas's proposal to implement a Weather Normalization Adjustment (WNA) rider be rejected. OCA St. 3 at 50. In particular, Mr. Mierzwa asserted that, as a form of alternative ratemaking, UGI Gas has failed to provide sufficient evidence as to why the WNA is needed or how the WNA would provide any benefits to consumers. *Id.* at 50-54. Further, Mr. Mierzwa asserted that, during the midst of the COVID-19 pandemic and the uncertainty surrounding future demands for natural gas service, a mechanism such as the WNA should not be considered at this time. *Id.* at 53. If, however, the Company were permitted to implement its proposed WNA, Mr. Mierzwa recommended that a 3% deadband would be necessary to help ensure that the assessment of the WNA is limited to changes in usage attributable to variations in temperature. *Id.* at 53-54.

In Rebuttal Testimony, the Company contended that a deadband "would add an unnecessary level of complexity for the Company's administration and communication related to the WNA..." UGI St. No. 11-R, p. 4. Mr. Mierzwa replied in Surrebuttal that, the Company had not provided any evidence that a deadband would add unnecessary complexity to the WNA and that the two Pennsylvanian NGDCs with a WNA also have a deadband in place. OCA St. 3SR at 18-20. After extensive negotiations on the Company's inclusion of the WNA in its rate design, the parties agreed, under the Settlement, to allow UGI to run a 5-year Pilot WNA from the months of October to May with a 3% deadband. Settlement ¶ 42 (a). The Settlement also provides that the Company shall submit two WNA reports per year for each WNA month, by class: (1) the number of bills to which the WNA is applied (i.e., those bills falling outside the dead band of 3%); (2) the total number of bills; (3) the total volume adjustment of the WNA for the month; (4) the total revenue adjustment of the WNA for the month; (5) the normal calendar month weather (heating

degree days) for each of the Company's customer regions; and (6) the actual calendar month weather (heating degree days) for each of the Company's customer regions. Settlement ¶ 42(b). The Settlement also provides that no later than January 31, 2026, the Company must either as a part of a Section 1308(d) general rate increase filing or a separate Petition request to continue, modify, or terminate the WNA Pilot, with the proposed effective date of changes effective November 1, 2027. Settlement ¶ 42(d). Through allowing the Company to introduce the WNA to its system as a pilot program for a period of 5 years with a 3% deadband, the Company can temporarily test out the WNA alternative ratemaking mechanism without any commitment to its permanence if the OCA and other parties in opposition to it decide to challenge it in the next rate case. The reporting requirements will allow the parties to better understand the operation and impact of the WNA on ratepayers. The requirement for a filing to determine the next steps for the WNA will also provide a forum to review the pilot program and determine whether the pilot program should continue. The OCA submits that, given the fact that two Commission-regulated NGDCs already have WNAs in effect, the benefits of settling this issue with the essential consumer protections attached to it outweighed the risk of a permanent WNA with no consumer protections if the topic was litigated. The WNA provision is in the public interest and should be approved by the Commission.

B. Revenue Allocation

The OCA opposed UGI's allocation proposal, arguing that, because it was based on the Company's Average & Excess Study that does not reflect adequate movement toward cost-based rates for each customer class. OCA St. 3 at 10. Specifically, as testified by Mr. Mierzwa, the A&E study inappropriately places more costs than necessary on classes R/RT due to its assignment of excessive cost responsibility to peak demands on the UGI Gas system, leading to a pure peak

allocation method given the system's little or no customer class load diversity. *Id.* In Direct Testimony, OCA witness Jerome D. Mierzwa proposed a revenue allocation based upon a Peak & Average study that arrives at a more accurate account of the Company's cost to serve each customer class given it is a more equitable and realistic reflections of a NGDC's allocation of distribution mains costs. *Id.* at 29-30.

In the Settlement, the parties agreed to a reasonable revenue allocation of the settled upon two-step \$49.45 million total increase in UGI's annual distribution revenues. Settlement Appendix B.

	Revenue Allocation (\$ million)	
	Step 1 (eff. 10/29/2022)	Step 2 (eff. 10/1/2023)
Rate R/RT	\$ 31.88	\$ 9.10
Rate N/NT	\$ 4.59	\$ 1.32
Rate DS	\$ 0.93	\$ 0.24
Rate LFD	\$ 2.60	\$ 0.78
Rate XD-F	\$ (0.96)	\$ -
Rate XD-I/IS	\$ (1.05)	\$ -
Total	\$ 38.00	\$ 11.45

The revenue allocation in the Settlement is in the public interest and should be accepted by the Commission.

C. Base Rate Filing Stay-Out (Settlement ¶ 37)

Under the Settlement, UGI Gas agrees that it will not file for another general rate increase under Section 1308(d) until after January 1, 2024. Settlement ¶ 37. The base rate filing stay out provision ensures that UGI Gas will keep its base rates at the levels proposed in the Settlement for almost two years, or until September 1, 2024, assuming the Company files for a general rate increase as soon as the stay-out provision ends. As stated earlier, the stay-out is an important

provision for customers as it provides for a consistency in the new rates for a longer period of time before the possibility of another base rate increase. Particularly during this time of continuing economic hardships from the COVID-19 pandemic and increasing inflation, the stay-out provision will protect customers from further increased rates until at least September 1, 2024 and, therefore, is in the public interest and should be approved by the Commission.

VI. CUSTOMER ASSISTANCE/UNIVERSAL SERVICE

A. Low Income Usage Reduction Program (LIURP) Settlement ¶ 44

The Settlement provides that UGI Gas will increase its annual Low Income Usage Reduction Program (LIURP) budget from its “current annual budgeted amount of \$3,714,350 to \$3,964,350, or by \$250,000, beginning January 1, 2023, and then to \$4,214,350, or by an additional \$250,000 beginning January 1, 2024.” Settlement ¶ 44(a). Under the Settlement, the LIURP budget effective for January 1, 2024 will remain unchanged unless a change is approved by the Commission. Settlement ¶ 44(a). The Settlement also provides that if more than 25% of the increased annual budget amount remains unspent January 1, 2025, or in each year thereafter, UGI will make reasonable efforts to spend the unspent amount in the first 6 months of the following year. Settlement ¶ 44(a). If the full budget is not spent within the first 6 months, the remaining unspent incremental LIURP funds will not roll forward to be included in the next year’s budget. Settlement at ¶ 44(a).

The Settlement will also extend eligibility to include more eligible customers and increase the maximum per job spend for projects in the Company’s 2020-2025 Universal Service and Energy Conservation Plan (USECP). The Settlement will increase the maximum per job spend for projects involving a furnace from \$11,000 to \$14,000. Settlement ¶ 44(b). The Settlement will expand eligibility for LIURP access to customers between 151-200% of the Federal Poverty Level (FPL). Settlement ¶ 44(c). The Company will provide a referral for customers in this income tier

who are rejected from CAP for being over-income. Settlement ¶ 44(c). UGI Gas will also lower the minimum LIURP threshold to 73.1 ccf per month for customers at or below 200% of the FPL. Settlement ¶ 44(d).

The Settlement provisions will operate to address the concerns raised by OCA witness Colton regarding the LIURP budget. Mr. Colton and CAUSE-PA witness Geller both recommended increases to the LIURP budget. In order to offset the impacts of the rate increase for Confirmed Low-Income customers, OCA witness Colton recommended that UGI Gas expand its LIURP spending by \$1.425 million a year, or by a budget sufficient to serve 231 additional Confirmed Low-Income customers per year. OCA St. 5 at 41-43. CAUSE-PA witness Geller also recommended an increase of the LIURP budget by 9.5% or approximately \$352,008, distributed evenly across the service territory. CAUSE-PA St. 1 at 29. Mr. Geller recommended continuation of the adjustment to the minimum LIURP threshold to reflect the average usage of residential customers at or below 150% of the FPL. CAUSE-PA St. 1 at 28.

The OCA submits that the additional LIURP dollars will allow the Company to treat additional homes and to help LIURP participants to reduce their household natural gas usage. Reductions to CAP participants' usage will reduce their CAP Shortfall and help to reduce the costs of the CAP discount for all other residential ratepayers. The Settlement also adopts CAUSE-PA witness Geller's recommendation to continue to maintain the lowered minimum threshold to reflect average usage, or 73.1 ccf per month, and expands to customers at or below 200% of the FPL. The LIURP provisions of the Settlement will help additional customers to reduce their usage, and bills, and should be approved as in the public interest.

B. Conversion of Low-Income Customers to Natural Gas (Settlement ¶ 45)

Under the Settlement, UGI will provide detailed information regarding its universal service programs to customers in the new customer welcome packet for customers who recently converted to natural gas. Settlement ¶ 45. In Direct Testimony, OCA witness Colton recommended that UGI Gas screen customers that the Company converts from an alternative fuel source to natural gas. OCA St. 5 at 20-22. Mr. Colton also recommended allocating additional dollars to LIURP to support the incremental customers converted to natural gas. OCA St. 5 at 20-22. As OCA witness Colton testified:

[c]onverting low-income households from more expensive fuel oil to relatively less expensive natural gas heat would likely reduce overall home heating costs to these low-income customers and also provide customer service protections that would otherwise not be available to these households. The reality is, however, that without help, low-income customers of UGI Gas often cannot pay their full UGI Gas home heating costs.

OCA St. 5 at 18. The proposal to provide detailed information regarding the universal service programs will inform newly converted customers about the benefits of the programs available. Propane and oil companies do not have the same statutory assistance programs that natural gas companies do, so low-income customers may not be aware of the additional benefits and assistance available after they have converted to natural gas. The purpose of OCA witness Colton's proposed screening for eligibility is to make eligible customers aware of the program, and the proposed Settlement provision will reasonably accomplish that goal. The Settlement is in the public interest and should be approved.

C. Low Income Customer Assessment & Outreach Pilot (Settlement ¶ 46)

OCA witness Colton recommended that the Company establish three measurable Outcome Objectives for its Customer Assistance Program (Program). OCA St. 5 at 25-32. The three measurable Outcome Objectives that UGI Gas should achieve include: (1) a Confirmed Low-

Income identification rate, as a percentage of estimated low-income customers, no less than the Confirmed Low-Income identification rate of Pennsylvania natural gas utilities as a whole (excluding UGI Gas companies); (2) a CAP participation rate, as a percentage of Confirmed Low-Income customers, no less than the CAP participation rate of Pennsylvania natural gas utilities as a whole (excluding the UGI Gas companies); and (3) a CAP default rate as a percentage of participants in the lowest poverty level range that is no more than the CAP default rate in that poverty level range for Pennsylvania gas utilities as a whole. OCA St. 5 at 25-32. OCA witness Colton proposed these measurable outcomes to assess the accomplishment of program objectives attributable to program outputs, or activities that are the direct result of the work performed. OCA St. 5 at 23. The first step in measuring outcomes is to identify the measurable outcomes that UGI Gas should achieve. OCA St. 5 at 26.

The Settlement will help the Company to evaluate what UGI Gas is able to achieve and to identify the measurable outcomes that UGI Gas should achieve. The Settlement provides that the Company will undertake a pilot program that will utilize a third party consultant, to be selected by competitive bid and evaluation, in order to “assess, identify and engage customers who are in the Company’s Estimated Low Income (ELI) customer population in its service territory in order to solicit and attempt to qualify those customers as Confirmed Low Income (CLI), or certain population centers thereof should budgetary constraints require.” Settlement ¶ 46(a). The Company will recover the actual costs of the pilot through the Universal Service Program rider at a cost not to exceed \$375,000 and the costs shall include, but not be limited to third party consultant fees and reasonably incurred costs. Settlement ¶ 46(a). Progress reports will be provided semi-annually to the Company’s Universal Service and Advisory Committee (USAC). Settlement ¶ 46(b). For the pilot, UGI will prioritize the 50 highest users who have been removed from CAP

for reenrollment. Settlement ¶ 46(c). UGI will also have a discussion with its USAC regarding the creation of measurable outcome objectives and potential plans to implement measurable outcome objectives such as those proposed by OCA witness Colton in his Direct Testimony. Settlement ¶ 46(d).

Consistent with the intent of OCA witness Colton's testimony in this proceeding, the Settlement provisions will help UGI Gas to better evaluate how the Company is achieving its performance objectives for its CAP and will actively work to enroll customers in CAP. The assessment performed by the third party consultant will provide valuable insights into how to identify and attempt to qualify customers in the ELI population for CAP. The overall costs of the program will also be capped at \$375,000 which will ensure that the costs of the evaluation are limited. The Settlement provisions are a step towards identifying and improving the outcomes for enrollment in CAP that OCA witness Colton identified in his Direct Testimony. The Settlement provisions are in the public interest and should be approved.

D. CAP Percent of Income Modifications (Settlement ¶ 47)

The Settlement provides that the Company will implement Proposed Percent of Income Payment (PIP) CAP energy burdens for gas customers as directed in the Commission's Order to the Company's Petition at Docket Nos. M-2019-3014966 and P-2020-3019196. In the underlying USECP proceeding, the OCA supported the proposed changes to the energy burdens as in the public interest. The OCA agrees that the provisions should be implemented as expeditiously as possible and in accord with the Commission's Order at Docket Nos. M-2019-3014966 and P-2020-3019196.

E. Customer Outreach (Settlement ¶ 48)

The Settlement provides that UGI will continue its simplified application process for the Low-Income Home Energy Assistance Program (LIHEAP) recipients seeking to enroll in CAP. Settlement ¶ 48(a). UGI will report annually to its USAC about the number of customers who are able to enroll through this process. Settlement ¶ 48(a). The Settlement also provides that UGI Gas will continue its outreach to active customers who have been removed from CAP due to a failure to recertify. Settlement ¶ 48(b).

In his Direct Testimony, OCA witness Colton identified concerns that the Company was under-enrolling its Confirmed Low-Income customer population in comparison with other Pennsylvania utilities. OCA St. 5 at 28. The Settlement provisions will operate to support increased enrollment of the Confirmed Low-Income population in the UGI Gas CAP. Under Settlement paragraph 48(a), Confirmed Low-Income customers who have received LIHEAP and are income eligible for the program will be able to more easily enroll in CAP. The reporting requirement to the USAC will also allow the group to assess the effectiveness of the simplified application process. The proposed outreach to customers who fail to recertify will work to maintain those CAP customers who previously enrolled in the program. The Settlement provisions are in the public interest and should be approved.

F. Operation Share

The Settlement provides that UGI will provide a one-time payment to Operation Share in the amount of \$500,000 during the winter of 2022-2023 and that the Company will expand eligibility of the UGI Gas Operation Share grant program to 250% of the Federal Poverty Level (FPL) and increase the maximum grant size from \$400 to \$600, to the extent funds are available. Settlement ¶¶ 49(a)-(b).

In Direct Testimony, OCA witness Colton recommended that the Company extend its COVID-19 related protections that UGI Gas agreed to as a part of its last base rate proceeding Settlement, including raising the maximum income eligibility from 200% of the FPL to 250% of the FPL; expanding the maximum grant size from \$400 to \$600; and providing a one-time grant of \$1 million to the UGI Gas Operation program on a non-rate recoverable basis. OCA St. 5 at 35-36. The OCA also recommended that the Company offer extended payment plans as identified in the April 2021 Order at Docket No. M-2020-0319244 and reinstatement of the waiver of residential customer deposits for existing customers. OCA St. 5 at 36. As OCA witness Colton testified, “while circumstances are improving relative to the heart of the COVID public health and economic crisis that existed throughout 2020 and much of 2021, the COVID-related payment difficulties facing UGI Gas customers are not behind the Company.” OCA St. 5 at 35. The proposed Settlement provisions, including the additional \$500,000 to the Operation Share hardship fund, will provide customers who are continuing to struggle with high arrears an opportunity to be able to maintain and to restore service. The provisions are consistent with OCA witness Colton’s recommendations in this proceeding and should be approved as in the public interest.

G. Use of Community Based Organizations (Settlement ¶ 50)

The Settlement provides that the Company will utilize the Community Based Organizations (CBOs) it has traditionally used in the administration and implementation of universal service programs, subject to the CBO’s performance in conformance with the Company’s USECP and contract with the Company. Settlement ¶ 50. Any CBOs that have performance issues will have a reasonable time period to address or cure identified issues. Settlement ¶ 50. The provision will encourage the use of CBOs and also encourage an open

dialogue with the CBOs that will benefit both CAP customers and the program. The Settlement provisions are in the public interest and should be approved.

H. Reconnection Fees (Settlement ¶ 51)

Under the Settlement, UGI Gas will initiate a study to determine the feasibility, cost, and benefits of exempting confirmed low-income customers from reconnection fees and will present the results of the study to the USAC. Settlement ¶ 51. CAUSE-PA witness Geller raised a concern about the impact of reconnection fees and late fees on confirmed low-income customers in his testimony. CAUSE-PA St. 1 at 37-39. The OCA agrees that the information provided in the study will allow the USAC to evaluate the impact of exempting confirmed low-income customers from reconnection fees and to make appropriate recommendations. The OCA supports the provision as in the public interest.

VI. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represents a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission, without modification, as being in the public interest and in the interest of UGI Gas's ratepayers.

Respectfully Submitted,

/s/Darryl A. Lawrence

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APPENDIX I

Statement in Support of the Office of Small Business Advocate

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	Docket No. R-2021-3030218
	:	
UGI UTILITIES, INC. (Gas Division)	:	

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint against the rates, terms, and other provisions of Supplement No. 32 to Tariff Gas – Pa. P.U.C. Nos. 7 and 7S, which were filed with the Pennsylvania Public Utility Commission (“Commission”) by UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) on January 28, 2022.

The proposed Tariffs, if approved by the Commission, would have increased the Company’s annual revenue by approximately \$82.7 million per year.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Approval of Settlement of All Issues (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

The Joint Petition

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

Cost of Service Methodology

OSBA witness Robert D. Knecht summarized the Company's cost of service methodology, as follows:

In its cost of service allocation study ('CSAS'), the Company generally follows the methodology that it has advanced in the last few base rate proceedings. Mains costs are allocated using an 'average and excess' allocation methodology with a non-standard weighting methodology. The results of the Company's CSAS indicate that the residential class ('Rate R/RT') exhibits a rate of return at current rates below system average, the small and medium commercial/industrial rate classes (Rates N/NT and DS) exhibit rates of return modestly above system average, and the large C&I (Rate XD) and interruptible (Rate IS) rate classes exhibit rates of return well above system average.

OSBA Statement No. 1, at 3.

However, Mr. Knecht took issue with the Company's relative load factors for its R/RT and N/NT customers. OSBA Statement No. 1, at 12-13. Mr. Knecht "modified the Company's split of the design day demand between R/RT and N/NT customers to be consistent with the load factors derived in my analysis" and produced the following table:

Table RDK-3			
Comparative CSAS Results:			
Class Rates of Return at Current Rates			
	UGI Gas CCAS	RDK Replication	RDK Alternative
R/RT	4.33%	4.33%	4.09%
N/NT	7.28%	7.28%	8.13%
DS	8.61%	8.61%	8.61%
LFD	9.44%	9.44%	9.44%
XD-F	14.01%	14.01%	14.01%
Interruptible	13.46%	13.46%	13.46%
Total	6.14%	6.14%	6.14%
Sources: Exhibit D, RDK WP1, RDK WP2			

OSBA Statement No. 1, at 13. With this correction, the OSBA submits that the use of the Company's CSAS in this proceeding is just and reasonable.

Revenue Allocation

Mr. Knecht summarized the Company's proposed revenue allocation, as follows:

The Company's proposed allocation of the rate increase among the rate classes reflects the results of its CSAS, summarized in Table RDK-2 below. Based on the Company's CSAS, the revenue allocation for all classes results in substantial progress toward cost-based rates. The rate increase for the R/RT class is limited to just under 1.5 times system average, which results in a class rate of return at proposed rates that remains moderately below system average. Rate reductions for the XD and IS classes reflect the reset of the Distribution System Improvement Charge ('DSIC'), without any corresponding increase to base rate charges.

OSBA Statement No. 1, at 3 (footnote omitted). Mr. Knecht's table is set forth below:

Table RDK-2			
UGI Gas Proposed Revenue Allocation: FPFTY Ending 9/30/2023			
Class	Present Rates RoR	Dollar Increase (\$000)	Base Rate Percent Increase
R/RT	4.3%	\$68.12	18.1%
N/NT	7.3%	\$14.53	10.4%
DS	8.6%	\$0.65	1.9%
LFD	9.4%	\$1.53	3.4%
XD-Firm	14.0%	(\$0.96)	-2.6%
Interruptible*	13.5%	(\$1.05)	-4.4%
Total	6.1%	\$82.74	12.6%
* Includes Rate IS and Rate XD-Interruptible. Source: RDK WP1			

OSBA Statement No. 1, at 4.

Mr. Knecht responded to the Company's revenue allocation proposal, as follows:

[T]he Company's proposed revenue allocation is inequitable to the Rate N/NT class, as it would result in relatively small progress toward cost-based rates compared to the other rate classes. I therefore propose to further modify the Company's proposed revenue allocation by (a) setting the rate increase for the R/RT class at 1.5 times the system average increase ($1.5 \times 12.6\% = 18.9\%$), and (b) set the increases for the N/NT, DS and LFD classes to produce equivalent progress toward cost-based rates.

OSBA Statement No. 1, at 15 (citation omitted).

In addition, as the *Joint Petition* proposes an overall revenue increase less than that originally requested by the Company, Mr. Knecht recommended a proportional scaleback be used to calculate the final revenue allocation among the various customer classes.

Ultimately, through extensive negotiation among the Company, the Office of Consumer Advocate, and the OSBA, the *Joint Petition's* revenue allocation proposal is set forth in

Paragraph 41. The values in that table indicate that the share of the revenue increase allocated to the Rate N/NT class is 12.0 percent, compared to the revenue allocation proposals of UGI Gas/OCA/OSBA of 17.5%/15.7%/10.9% respectively. While the share of costs assigned to the N/NT class is higher than that proposed by Mr. Knecht, the OSBA observes that it is substantially more favorable than that offered by the other parties. Also, Mr. Knecht's revenue allocation proposal relied on the premise that UGI Gas could avoid the rate decreases the XD and IS rate classes associated with the DSIC roll-in, thereby allowing for a smaller increase to the other classes. However, OSBA was advised that, as part of the revenue requirement negotiations, the other parties agreed to forego a claim on those rate reductions as part of the consideration of a reduced overall revenue requirement. The OSBA therefore concluded that the potential for avoiding XD/IS rate reductions is reflected in the overall revenue requirement, and that it is not unreasonable to add a portion of that loss to the Rate N/NT class. Therefore, the OSBA submits that the *Joint Petition's* revenue allocation proposal is a just and reasonable resolution of this issue.

Rate Harmonization

Mr. Knecht summarized the Company's proposal for rate harmonization, as follows:

The Company proposes to eliminate the rate differentials in Rates N/NT and DS between customers in the south and central operating areas and customers in the north district. This proposal results in intra-class north/other increase differentials of 18.4%/8.4% for Rate N/NT, and 24.7%/-4.1% for Rate DS. The Company argues that the large increase for customers in the north district are reasonable because they are within 2.0 times the 12.6 percent system average increase.

OSBA Statement No. 1, at 4.

Mr. Knecht explained the genesis of this issue, as follows:

Prior to 2018, UGI Utilities, Inc. had one operating division that was a regulated gas utility and two subsidiary gas utilities, namely

UGI Central Penn Gas and UGI Penn Natural Gas. At Docket Nos. A-2018-300381/2/3, the Commission approved the merger of these three entities into the UGI Utilities, Inc. (Gas Division), although separate regulations and tariffs continued to apply to each of the three 'rate districts' (denoted South, Central, and North respectively). However, for several years prior to the merger, the Company had substantially harmonized the rate class definitions and eligibility rules for the three entities. In the Company's last two base rates proceedings at Docket No. R-2018-3006814 and Docket No. R-2020-3015162, the Company proposed to fully harmonize the tariffs for the three rate districts, both with respect to the purchased gas cost ('PGC') rate charged to utility gas sales customers and the base rates tariff charges for distribution and related services.

In both of those proceedings, I objected to the full harmonization for base rates, due to the rate shock implications. These effects would have been unreasonable and excessive for the Rate N/NT customers and especially Rate DS customers in the North rate district. The settlement in the former proceeding provided for full harmonization of the PGC rate, and it harmonized base rates for the South and Central districts. However, it retained base rate differentiations between the North rate district and the South/Central rate districts, for Rate N/NT and Rate DS. The settlement of that first case explicitly recognized that the Company could propose full harmonization in its next base rates case, and that parties could oppose such a proposal. In the most recent base rate case, the settlement indicates that the Company's proposal to harmonize the rates was withdrawn without prejudice, with the provision that '[t]he Company may propose this in the Company's next base rate case, but no sooner than January 1, 2022.'

In this proceeding, the Company again proposes to fully harmonize the base distribution rates for Rate N/NT and Rate DS. UGI Gas witness Sherry A. Epler concludes that this proposal does not violate the traditional bounds for rate shock because the proposed increases for the North district customers in those classes are less than twice the system average increase.

OSBA Statement No. 1, at 17-18 (citations omitted).

In contrast to the Company's proposed, Mr. Knecht recommended, as follows:

I recommend that the increase for North district customers be limited to no more than 1.5 times the system average increase, which would be 18.9 percent at the Company's full proposed increase. Similarly, I propose that the increase for both groups of

customers within the N/NT and DS classes be proportionately scaled back for any reduction in the Company's claimed rate increase.

OSBA Statement No. 1, at 20. Furthermore, Mr. Knecht observed:

Note that my recommendation in this respect applies to any approved revenue allocation, for both the N/NT and DS rate classes. However . . . at my proposed revenue allocation with the reduced assignment to Rate N/NT (before the effects of any scaleback), this limit would allow for full harmonization of the N/NT rates. The Rate DS volumetric charges would continue to be differentiated.

Id., at 21.

The *Joint Petition* adopts Mr. Knecht's proposal. Specifically, the *Joint Petition* proposes to fully harmonize Rate N/NT in this proceeding, while continuing to make progress towards harmonization of Rate DS. *Joint Petition*, Paragraph 39. The OSBA submits that this is a just and reasonable resolution of this issue.

Weather Normalization Adjustment

Mr. Knecht summarized the Company's proposed Weather Normalization Adjustment ("WNA"), as follows:

- The Company proposes to adopt a weather normalization adjustment ("WNA") mechanism for Rates R/RT and N/NT. This mechanism would adjust each customer's billing determinants for non-summer months to reflect the difference between actual and normal weather.

OSBA Statement No. 1, at 4.

The OSBA admits that it has little enthusiasm for any WNA mechanism. Mr. Knecht stated:

[The] OSBA intends to contest this proposal as not just and reasonable on the grounds that the substantial risk reduction benefits to the Company and the rate instability implications for customers associated with this mechanism are not reasonably reflected in the allowed return on capital claim in this proceeding.

OSBA Statement No. 1, at 25.

However, in order to reach a settlement of this issue, the OSBA obtained the following concessions from UGI Gas.

First, the OSBA insisted that WNA mechanism will be a Pilot program with a fixed termination date. The *Joint Petition* proposes a 5-year Pilot that begins on October 29, 2022. *Joint Petition*, Paragraph 42(a).

Second, the OSBA requested extensive reporting requirements for both the winter season (November through March) and the summer season (April through October). The *Joint Petition* proposes those detailed, biannual reports throughout the Pilot program's existence. *Joint Petition*, Paragraphs 42(b) and (c).

With these additional requirements, the OSBA supports the *Joint Petition's* proposed WNA Pilot program.

Conclusion

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

Respectfully submitted,

/s/ Steven C. Gray

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Dated: June 24, 2022

APPENDIX J

Statement in Support of the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3030218
	:	
UGI Utilities, Inc. - Gas Division	:	

**STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES
AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF
THE JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), a signatory party to the Joint Petition for Approval of Settlement of All Issues (Joint Petition or Settlement), respectfully requests that the terms and conditions of the Settlement be approved by the Honorable Deputy Chief Administrative Law Judge Joel H. Cheskis, the Honorable Administrative Law Judge Gail M. Chiodo, and the Pennsylvania Public Utility Commission (Commission). For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest and should be approved.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of UGI Gas of Pennsylvania, Inc.'s (UGI's) low-income customers to access affordable natural gas service, based on reasonable terms and conditions. Through the course of the proceeding, and the testimony of its expert witness Harry S. Geller, Esq., CAUSE-PA revealed that UGI's rates are already unaffordable for thousands of low income customers, that UGI's existing programs fall short of meeting the estimated need for

assistance, and that UGI's proposed rate increase would exacerbate disparities in low income payment trouble and termination rates. (CAUSE-PA St. 1 at 6-26).

The proposed Settlement fairly addresses these critical issues, in that it substantially reduces UGI's proposed rate increase, advances a more equitable rate design, and makes meaningful improvements to UGI's universal service programs to better ensure that UGI's economically vulnerable consumers are able to maintain safe, stable service to their home.

Although CAUSE-PA's litigation positions were not fully adopted, the Settlement was arrived at through good faith negotiation by all parties. The Settlement is in the public interest in that it (1) addresses the ability of low income natural gas customers in UGI's service territory to access safe and affordable natural gas service, (2) balances the interests of the parties, and (3) fairly resolves a number of important issues raised by CAUSE-PA and other parties. If the Settlement is approved, the parties will also avoid considerable litigation and/or appeals costs.

II. BACKGROUND

For the purposes of this Statement in Support, CAUSE-PA adopts the procedural history as set forth in the attached Joint Petition. (Joint Pet. at ¶¶ 1-14).

III. SETTLEMENT

A. GENERAL

When determining whether a proposed rate increase is just and reasonable, special consideration must be given to the impact of the proposed rate increase and rate structure on the ability of vulnerable, low income consumers to afford natural gas service. It is both unjust and unreasonable to charge unaffordable rates which could force families to do without service that is essential to meet basic human needs. (CAUSE-PA St. 1 at 6-18). Low income households already

struggle to afford necessities. (Id. at 9). An increase to cost of natural gas service will only worsen the affordability gap for these customers. (Id. at 9-12).

The proposed Settlement takes rate affordability into account by using structural rate design to limit the disproportionate burdens on low income households and through the adoption of critical enhancements to UGI's universal service programs. The rate design and enhancements to universal service programming contained in the proposed Settlement will better match needy households with available assistance and ensure access to stable and affordable utility services over the long term. These terms, and the reasons each are in the public interest, are discussed further below.

B. REVENUE REQUIREMENT

In his direct testimony, CAUSE-PA witness Harry S. Geller, Esq. explained that UGI's low-income consumers already struggle to pay for natural gas service and will likely experience increased payment trouble and termination if UGI's proposed rate increase is approved. (CAUSE-PA St. 1 at 12).

As part of this Settlement, UGI agrees to reduce the amount of the rate increase from \$82.7 million to \$49.45 million, phased in over a two-year period, and will not file another general rate increase prior to January 1, 2024. (Id. at ¶¶ 36, 37). UGI also agrees to make critical changes to its universal service programs, targeted to better meet the need for rate relief and conservation services to reduce monthly bills. (Joint Pet. at ¶¶ 44-51). Coupled with the significant decrease in the overall revenue requirement, and as discussed more fully below, CAUSE-PA asserts that these provisions of the Settlement will lessen the amount of the increase shouldered by low-income customers and will help mitigate the impact of the rate increase on vulnerable customers through

improvements to the Company's Universal Service Programs. Thus, the Settlement is just, reasonable, and in the public interest and should be approved.

C. REVENUE ALLOCATION AND RATE DESIGN

Through this proceeding, UGI sought to increase its fixed monthly residential customer charge from \$14.60 to \$19.95, an increase of \$5.35 or 36.6%. (UGI St. 8 at 20). Mr. Geller explained through testimony that such a large increase to the fixed charge would undermine the ability of consumers to control costs through energy efficiency measures which is problematic for low-income customers who rely on offsetting high bills through careful conservation and usage reduction. (CAUSE-PA St. 1 at 32-35). Under the terms of the Settlement, the residential (fixed) customer charge will be set at \$15.00, an increase of \$0.40 or 2.7% (Joint Pet. at ¶ 40). By minimizing any increase in the fixed monthly charge, the proposed Settlement will help protect the ability of low-income households to lower their utility costs by reducing consumption and will preserve the ability of the Low-Income Usage Reduction Program to effectively reduce customer bills and improve payment behavior. (CAUSE-PA St. 1 at 32-35). For these reasons, CAUSE-PA asserts that the proposed residential rate design contained in the proposed Settlement is just and reasonable and in the public interest and should be approved.

D. WEATHER NORMALIZATION

As part of its initial rate filing, UGI proposed a Weather Normalization Adjustment (WNA). (See UGI St. 11). In his direct testimony, Mr. Geller explained that a WNA, such as the one UGI proposed, results in higher charges for residential consumers and shifts all risk of changing weather conditions and temperature extremes from utilities onto consumers. (CAUSE-PA St. 1 at 35-37). As such, Mr. Geller recommended that the WNA be rejected. (CAUSE-PA St. 1 at 37). Similarly, OCA witness Jerome D. Mierzwa recommended that the WNA be rejected, but

stated that if the WNA is approved, UGI should be required to implement a 3% deadband. (OCA St. 3 at 50-54). I&E witness Ethan Cline recommended that UGI's WNA only be approved on the condition that UGI be required to adopt a 3% deadband. (I&E St. St. 4 at 5). Under the terms of this Settlement, UGI will be allowed to adopt the WNA as a Pilot Program with a 3% deadband, which will help ensure that the assessment of the WNA is limited to changes in usage attributable to variations in temperature. (Joint Pet. at ¶ 42; see OCA St. 3 at 54). The Settlement also requires UGI to submit several reporting metrics regarding the WNA Pilot that will monitor the charges assessed to customers and help ensure that residential customers are not overcharged as a result of the WNA. (*Id.*). CAUSE-PA asserts that this provision of the Settlement strikes an appropriate balance between the interests of the parties, is just and reasonable, and should be approved.

E. TRANSPORTATION AND BALANCING RATES

CAUSE-PA did not take a formal position on Transportation and Balancing Rates in this proceeding.

F. CUSTOMER ASSISTANCE / UNIVERSAL SERVICE

In testimony, Mr. Geller explained that low-income households already struggle to afford necessities and must often make impossible trade-offs between paying for shelter, food, utilities, or other basic needs. He demonstrated that low income households face disproportionate rates of payment trouble and termination and explained that an increase in rates would further widen this disparity – causing severe financial hardship for many low income families in UGI's service territory. (CAUSE-PA St. 1 at 6-13). Mr. Geller argued that, prior to approving any increase in rates for basic service, UGI must take steps to protect its customers from the harsh consequences of its proposed rate increase. (*Id.* at 18). Mr. Geller made several recommendations about ways that UGI could improve its universal service programs to help address these concerns. (*See Id.* at 40).

The Settlement provides for improvements to UGI's universal service programs, (Joint Pet. at 44, 47, 49-50) as well as improvements to the Company's customer service practices that will help mitigate the impact of the rate increase on low income customers. (Id. at 45, 46, 48, 51). The details of these Settlement terms are explained more fully below. While Mr. Geller's recommendations regarding necessary policy and programmatic improvements to address unaffordability within Columbia's universal service programs were not fully adopted, the Settlement was reached through extensive negotiations and represent a good faith compromise by the joining parties in light of all relevant factors. Thus, CAUSE-PA asserts that these terms are in the public interest and should be approved by the Commission.

1. Low-Income Usage Reduction Program ("LIURP").

In his direct testimony, Mr. Geller explained that UGI's LIURP is a critical universal service program designed to work together with UGI's customer assistance program (CAP) to improve bill affordability thus reducing arrearages and termination rates. (CAUSE-PA St. 1 at 26). However, despite the value of UGI's LIURP in reducing low income customer bills, UGI's LIURP is not operating at a rate sufficient to fulfill the extensive and well-documented need for comprehensive usage reduction services within a reasonable amount of time. (Id.)

As a result of this Settlement, on January 1, 2023, UGI Gas will increase its annual LIURP budget by \$250,000 - from its current annual budgeted amount of \$3,714,350 to \$3,964,350. On January 1, 2024, UGI Gas will further increase its annual LIURP budget by an additional \$250,000 - from \$3,964,350, to \$4,214,350. (Joint Pet. at ¶ 44(a)). UGI will also be permitted to increase the maximum per-job spend on LIURP projects, where the project involves a furnace replacement, from \$11,000 to \$14,000. (Id. at ¶ 44(b)). UGI Gas will also expand LIURP access to customers between 151% and 200% of the Federal Poverty Level ("FPL") and will provide a Warm Referral

for customers in this income tier who are rejected from UGI Gas's Customer Assistance Program ("CAP") for being over-income. (Id. at ¶ 44(c)). UGI Gas will also lower its LIURP minimum usage threshold to 73.1 Ccf per month for customers at or below 200% FPL. (Id. at ¶ 44(d)).

Taken together, these provisions of the Settlement will help ensure that more low income, high usage customers are able to access comprehensive weatherization and energy efficiency measures, which will improve bill affordability, and, in turn, help prevent terminations and the accrual of uncollectible expenses. (See CAUSE-PA St. 1 at 26-28). Thus, CAUSE-PA submits that these provisions are just, reasonable and in the public interest and should be approved.

2. Conversion of Low-Income Customers to Natural Gas.

In his direct testimony, CAUSE-PA witness Geller explained that less than a third of UGI's confirmed low-income customers are enrolled in CAP and that UGI has had a consistently lower CAP participation rate compared to the industry average. (CAUSE-PA St. 1 at 20-21). In his rebuttal, Mr. Geller voiced support for OCA witness Roger Colton's recommendation that UGI screen gas conversion customers for CAP to help ensure that new customers can afford service and reduce uncollectible costs passed on to other customers. (CAUSE-PA St. 1-R at 3, see also OCA St. 4 at 20). This Settlement requires UGI Gas to provide detailed information regarding its universal service programs, targeted at customers who recently converted to natural gas, in its new customer welcome packet. (Joint Pet. at ¶ 45). Taken together with the Low-Income Customer Assessment & Outreach Pilot (Joint Pet. at ¶ 46), which is described later in this Statement, this provision will help expand the Company's CAP outreach and, in turn, will bolster the Company's CAP participation rate. Thus, this provision is just, reasonable and in the public interest and should be approved.

3. Low-Income Customer Assessment & Outreach Pilot.

In his direct testimony, CAUSE-PA witness Harry Geller explained that, while approximately 25% of UGI's residential customers are estimated low income, the Company has only identified 13% of customers as confirmed low income. (CAUSE-PA St. 1 at 7). He further explained that the estimated low-income customer figure presents a more accurate picture of UGI's low income population because the confirmed low-income customer count provides only a limited subset and skewed assessment of the low-income population. (Id.) Whereas the estimated low-income customer count provides a more realistic assessment of the number of low-income households served by UGI by using verified census data proportional to its service territory and customer data. (Id.) In his rebuttal testimony, Mr. Geller expressed support for OCA witness Roger Colton's recommendation that UGI establish measurable outcomes for identifying low income customers and enrolling them in CAP. (CAUSE-PA St. 1-R at 7-9; see also OCA St. 4 at 5, 27-31). However, Mr. Geller recommended that the measurable outcomes for identifying confirmed low income customers be based on a percentage of estimated low income customers. (Id. at 8-9).

As part of this Settlement, UGI will undertake a \$375,000 pilot program in which it will utilize a third-party consultant (to be selected by a competitive bid and evaluation process) to assess, identify, and engage customers who reside in low income communities across its service territory in order to solicit and attempt to qualify those customers as Confirmed Low-Income and enroll them in CAP. (Joint Pet. at ¶ 46(a)). Through its outreach, UGI will prioritize the 50 highest users who have been removed from CAP for reenrollment. (Id. at ¶ 46 (c)). UGI will provide the pilot progress/results with Universal Services Advisory Committee ("USAC") semi-annually. (Id. at ¶ 46 (b)). Additionally, UGI Gas agrees to have a discussion with the USAC regarding the creation of measurable outcome objectives and potential plans to implement measurable outcome

objectives, such as: (1) the CLI customer identification rate as a percentage of ELI customers; (2) the CAP participation rate as a percentage of CLI customers; and (3) the CAP default rate as a percentage of participants in the lowest poverty level range. (Id. at ¶ 46(d)).

Taken together, these provisions of the Settlement will help ensure that UGI is taking necessary steps to improve identification of and outreach to low income customers in its service territory. This will improve CAP enrollment and other universal service programs, which will in turn help reduce terminations and uncollectible expenses due to unaffordability. (See CAUSE-PA St. 1 at 9-14). Thus, these provisions of the Settlement are just, reasonable and in the public interest and should be approved.

4. CAP Percent of Income Payment (“PIP”) Modifications.

In his direct testimony, Mr. Geller explained that adopting the maximum CAP energy burdens in the Commission’s CAP Policy Statement will aid in the goal toward achieving affordability and, in turn, increase participation rates for UGI’s CAP. (CAUSE-PA St. 1 at 22). He further explained that UGI had filed a petition¹ seeking, *inter alia*, to update its USECP to reflect the Commission’s revised CAP Policy Statement, 52 Pa. Code § 69.261 et seq., including adopting the Commission’s maximum CAP energy burden standards. Mr. Geller recommended that UGI be required to adopt the revised CAP energy burden standards as part of this proceeding to remediate rate unaffordability. (Id.) During the pendency of this proceeding, the Commission issued an Order approving UGI’s petition and approving the Company’s proposal to adopt the revised CAP energy burdens.²

As part of this Settlement, UGI Gas will fully comply in all respects with the requirements of the Commission’s Order and will move forward with implementation of the revised CAP energy

¹ UGI Addendum to 2020-2025 USECP, Docket No. M-2017-2598190, May 1, 2020 (UGI PIP Petition).

² See UGI USECP Order Docket Nos. M-2019-3014966 and P-2020-3019196, (entered June 16, 2022).

burdens. (Joint Pet. at ¶ 47). Adopting lower CAP energy burdens will help thousands of UGI's CAP customers to better afford their monthly bill, especially in light of the rate increase contemplated in this proceeding. In turn, reduction in UGI's CAP energy burden standards will reduce disproportionately high termination rates for low income consumers and resulting high uncollectible expenses associated with low income customer accounts. (See CAUSE PA St. 1 at 21-22). Thus, this provision is just, reasonable, and in the public interest and should be approved.

5. Customer Outreach.

In his testimony, Mr. Geller explained that, in the Settlement for its 2020 rate case,³ UGI agreed to conduct enhanced customer screening to determine CAP and LIHEAP eligibility, to auto-enroll non-CAP LIHEAP recipients in CAP, and to generate pre-populated LIHEAP applications for non-LIHEAP CAP customers. (CAUSE-PA St. 1 at 22-23). Mr. Geller recommended that UGI establish a simplified process for non-CAP LIHEAP recipients to enroll in CAP similar to the process established pursuant to the 2020 rate case settlement. (*Id.*) Mr. Geller also recommended that UGI should conduct outreach to all customers who have been removed from CAP for failure to recertify income since the expiration of the Commission's Emergency COVID-19 Order. (*Id.* at 25-26). In rebuttal, UGI indicated that it had already implemented practices in line with these recommendations. (UGI St. 12-R at 11-12).

As part of this Settlement, UGI Gas will continue its simplified application process for Low-Income Home Energy Assistance Program ("LIHEAP") recipients seeking to enroll in CAP and will report annually to its USAC about the number of customers who are able to enroll through this process. (Joint Pet. at ¶ 48(a)). UGI will also continue its outreach to active customers who have been removed from CAP due to failure to recertify and, if these customers submit income

³ Pa. PUC v. UGI, R-2019-3015162, Joint Pet. for Settlement at ¶ 27(c)(ii) (submitted Aug. 3, 2020).

documentation, they will be reenrolled in the program. (Id. at ¶ 48(b)). Any arrearage accrued will be included with their existing pre-program arrearages. (Id.) Taken together, these provisions of the Settlement will help ensure that non-CAP LIHEAP recipients are able to easily enroll in CAP, thus helping to maximize the effectiveness of those LIHEAP dollars and helping improve the Company's CAP enrollment levels. (See CAUSE-PA St. 1 at 22-23). They will also help soften the blow to low income customers from the expiration of emergency COVID-19 measures and ensure that customers who are removed for failing to recertify are able to get back into the program. (See CAUSE-PA St. 1 at 14-17, 25-26). Each of these outcomes will help achieve the ultimate goal of remediating existing rate unaffordability – helping to better ensure that low income customers can maintain safe, stable service to their home, notwithstanding the further increase in rates contemplated in this Settlement. Thus, these provisions are just, reasonable, and in the public interest and should be approved.

6. Operation Share.

In his direct testimony, CAUSE-PA witness Geller recommended that, in order to mitigate the potential hardships created by the proposed rate increase on low income and other economically vulnerable households, UGI should increase its annual Operation Share contribution and, in turn, should increase the maximum grant amount for customers at or below 150% FPL. (Id. at 31).

Under the terms of the Settlement, UGI will expand eligibility of the UGI Gas Operation Share grant program to 250% FPL and increase the maximum grant size from \$400 to \$600, to the extent funds are available. (Joint Pet. at ¶ 49(a)). UGI will also provide a one-time payment to Operation Share in the amount of \$500,000 during the winter of 2022-2023. (Id. at ¶ 49(b)). Taken together, these provisions will help mitigate the potential hardships created by the rate increase by

providing additional funding to customers facing hardship and help them avoid termination of service. (See CAUSE-PA St. 1 at 17-18, 31). Thus, these provisions are just and reasonable and in the public interest and should be approved.

7. Use of Community Based Organizations (CBOs)

The Settlement provides that the Company will continue to use the CBOs it has traditionally used in the administration and implementation of its universal service programs, subject to each individual CBO's continued performance in conformance with the Company's USECP rules and its contract with the Company. (Joint Pet. at ¶ 50). The Company shall provide notice to any CBO whose performance is not in conformance with the Company's USECP and/or its contract with the Company, and the Company shall provide the CBO with a reasonable time period to address or cure any issues identified. (Id.). This provision of the settlement will help ensure that low income customers can access assistance administered in the communities in which they reside. Administration of universal service programming through CBOs helps to ensure that low income households are holistically served, as CBOs most often administer other programming to help improve energy, food, and housing security. Thus, this provision of the Settlement is just, reasonable, and in the public interest and should be approved.

8. Reconnection Fees

In testimony, CAUSE-PA witness Geller explained that reconnection fees add a substantial barrier to reconnection, resulting in low income customers experiencing longer periods of time without service. (CAUSE-PA St. 1 at 38-39). He further explained that UGI's \$73.00 reconnection fees amount to 7.2% of the average monthly income of UGI's confirmed low income customers. (Id. at 38). He also explained that UGI's high reconnection fee increases the risk of fires and carbon monoxide poisoning by adding additional barriers to the ability of households to reconnect to

natural gas service, thus increasing the risk the household will resort to dangerous alternative heating methods. (Id. at 38-39).

Under the terms of the Settlement, UGI Gas will initiate a study to determine the feasibility, cost, and benefits of exempting confirmed low income customers from reconnection fees and will present the results of this study to the Universal Service Advisory Committee within 180 days of the date of effective rates established in this proceeding. (Joint Pet. at ¶ 51). This provision is a step in the right direction toward the elimination of regressive and unduly burdensome charges. Thus, this provision of the Settlement is just, reasonable, and in the public interest and should be approved.

G. DSIC REPORTING

CAUSE-PA did not take a formal position in this proceeding on DSIC Reporting.

H. ACCOUNTING

CAUSE-PA did not take a formal position in this proceeding on Accounting issues.

I. GAS SAFETY

CAUSE-PA did not take a formal position in this proceeding on the Gas Safety issues.

J. TRANSPORTATION

CAUSE-PA did not take a formal position in this proceeding on the Transportation issues.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Commission's regulations declare: "It is the policy of the Commission to encourage settlements."⁴ The Commission has explained that the results achieved from a negotiated

⁴ 52 Pa. Code § 5.231.

settlement, in which the interested parties have had an opportunity to participate, “are often preferable to those achieved at the conclusion of a fully litigated proceeding.”⁵

This Settlement was achieved by the Joint Petitioners after an extensive investigation of Columbia’s filing, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder testimony by a number of the Joint Petitioners. (Joint Pet. at ¶ 67). Approval of this Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and Columbia’s customers. (Id. at ¶ 68).

Although CAUSE-PA’s litigation positions were not fully adopted, the Settlement was arrived at through good faith negotiation by all parties. The Settlement is in the public interest in that it (1) addresses the ability of low-income customers’ ability to access safe and affordable service, (2) balances the interests of the parties, and (3) fairly resolves a number of critical issues raised by CAUSE-PA and other parties. If the Settlement is approved, the parties will also avoid the considerable cost of further litigation and/or appeals. Thus, CAUSE-PA hereby asserts that the Settlement is just and reasonable and in the public interest and should, therefore, be approved by the Commission.

IV. CONCLUSION

CAUSE-PA submits that the Settlement, which was achieved by the Joint Petitioners after an extensive investigation of UGI’s filing and negotiations amongst the parties, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues – which would have been undertaken at a substantial cost to the Joint Petitioners and UGI’s customers. Accordingly, CAUSE-PA

⁵ 52 Pa. Code § 69.401.

respectfully requests that request that Deputy Chief Administrative Law Judge Joel H. Cheskis, Administrative Law Judge Gail M. Chiodo, and the Commission approve the Settlement without modification.

Respectfully submitted,
PENNSYLVANIA UTILITY LAW PROJECT
Counsel for CAUSE-PA



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June 24, 2022

APPENDIX K

Statement in Support of the Commission on Economic Opportunity

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2021-3030218, <i>et al.</i>
	:	
UGI Utilities, Inc. – Gas Division	:	

**COMMISSION ON ECONOMIC OPPORTUNITY'S
STATEMENT IN SUPPORT OF JOINT PETITION
FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

NOW COMES the Intervenor, the Commission on Economic Opportunity (CEO) and files this Statement in Support of the Joint Petition for Approval of Settlement of All Issues in the above-captioned matter and agrees to its terms based upon the following:

1. CEO is a not-for-profit Pennsylvania corporation and an advocate for its clients - the low-income population of Luzerne County.

2. CEO intervened in the above-captioned matter to address the adequacy of the Company's programs for its low-income customers and the effect of any proposed rate increase or change in rate structure on those programs and customers.

3. Although CEO joins in the settlement of all issues, this Statement in Support will address only those issues that CEO addressed in its intervention and testimony.

4. CEO supports the Joint Petition for Approval of Settlement of All Issues and believes that it is in compliance with the applicable laws and regulations and serves the public interest based upon the following:

A. The Settlement increases funding for the Company's LIURP program for the residential class. This increase will help low-income customers deal with the effect of the rate increase resulting from this Settlement;

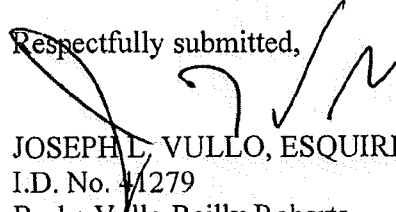
B. In the Settlement the Company has agreed to continue to use the community-based organizations it has traditionally used in the administration and implementation of its universal service programs;

C. The Company proposed in its initial filing to increase its fixed monthly residential customer charge from \$14.60 to \$19.95. Such an increase in the fixed charge would have lessened the motive and ability of the residential class to conserve energy and reduce their monthly bill. The Settlement lessens such a negative impact in that it provides that the fixed monthly residential customer charge will set at \$15.00;

D. In settlement the Company has agreed to increase the Company's contribution to its Hardship Fund.

WHEREFORE, CEO respectfully requests that the settlement be approved.

Respectfully submitted,



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Attorney for CEO

APPENDIX L
Statement in Support of
NRG Energy, Inc.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pa. Public Utility Commission	:	
	:	Docket No. R-2021-3030218
	:	
v.	:	
	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

STATEMENT IN SUPPORT OF NRG ENERGY, INC.

Pursuant to the regulations of the Pennsylvania Public Utility Commission (“Commission”) at 52 Pa. Code § 5.231, and consistent with the Briefing Order issued on June 7, 2022, NRG Energy, Inc. (“NRG”) submits this Statement in Support of the Joint Petition for Approval of Settlement of All Issues (“Joint Petition” or “Settlement”) entered into by UGI Utilities, Inc. – Gas Division (“UGI Gas” or “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Commission on Economic Opportunity (“CEO”) and NRG.

I. INTRODUCTION

Several NRG subsidiaries are operating in the UGI Gas retail market as natural gas suppliers (“NGSs”) licensed by the Commission. In this proceeding, NRG’s focus is on the proper functioning of the competitive market so that NGSs have a fair opportunity to participate in the market and economically serve end users. Ensuring that NGSs are fairly treated, in terms of the information that is shared and how it is used, is critical to delivering a positive customer experience. While the Joint Petition does not address all of the issues raised by NRG in this proceeding, NRG supports the Settlement because, on balance, it fairly resolves matters of

particular importance to NRG affecting the functioning of the customer choice program, including operational issues that make a difference to NGSs in pricing products and providing quality customer service. The specific provisions of the Settlement that NRG supports address: (1) the transparency of UGI Gas' delivery system (Paragraph 63); (2) the management of weekend scheduling mismatches in the nomination process (Paragraph 64); and (3) the Weighted Average Cost of Delivered Gas (Paragraph 65).

NRG continues to have concerns about the presence of UGI Energy Services, LLC ("UGI-ES"), an affiliate of UGI Gas, in the retail competitive market, competing against nonaffiliated NGSs. The Commission's Standards of Conduct contain numerous provisions designed to ensure that natural gas distribution companies ("NGDCs") do not afford their affiliated NGSs an unfair advantage over nonaffiliated NGSs. 52 Pa. Code § 62.142. Strict compliance with the Standards of Conduct by NGDCs is critical to the robust functioning of the competitive market. (NRG Statement No. 1 at 4-9). Although the Settlement does not contain any provisions regarding the Standards of Conduct, NRG is satisfied that the Joint Petition reflects a carefully balanced compromise in that it adequately addresses the other issues raised by NRG in this proceeding.

The Joint Petition is consistent with the Commission's policy encouraging settlements. 52 Pa. Code § 5.231(a). Further, settlements conserve valuable resources of the Commission and the parties. Settlements also avoid the uncertainty of litigation. In support of specific provisions of the Settlement, NRG offers additional information below in Section III for the Commission's consideration. Based on these factors, the Settlement is in the public interest and NRG respectfully requests that the Commission approve the Joint Petition without modification.

II. PROCEDURAL HISTORY

On January 28, 2022, UGI Gas filed Supplement No. 32 to UGI Tariff Gas – Pa. P.U.C. Nos. 7 and 7S to become effective March 29, 2022, which proposed changes in rates, rules and

regulations calculated to produce \$82.7 million (7.8% increase) in additional annual revenues. By Order entered on February 24, 2022, the Commission instituted an investigation into the lawfulness, justness and reasonableness of the proposed rate increase and suspended the filing until October 29, 2022, unless permitted by Commission order to become effective at an earlier date.

NRG filed a Petition to Intervene and a Prehearing Memorandum on March 1, 2022. The prehearing conference convened on March 2, 2022 before Deputy Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Gail M. Chiodo (collectively, “the ALJs”). During the prehearing conference, NRG’s Petition to Intervene was granted, as reflected by the Scheduling Order issued on March 3, 2022.

In accordance with the Scheduling Order, NRG submitted the Direct Testimony of Christopher Reyes, NRG Statement No. 1, on April 20, 2022, along with NRG Exhibits CR-1 through CR-7. NRG circulated Public and Proprietary versions of the Direct Testimony due to the inclusion of UGI Gas’ confidential discovery responses as NRG Exhibits CR-2 and CR-3. NRG also served Surrebuttal Testimony, including NRG Exhibit CR-8, on May 27, 2022.

The evidentiary hearing convened on June 2, 2022 before the ALJs. During that hearing, NRG’s Direct Testimony, Surrebuttal Testimony and Exhibits CR-1 through CR-8 were admitted into the record. On June 7, 2022, the ALJs issued a Briefing Order, directing that if the parties reached a settlement, statements in support must be filed on June 24, 2022. The Briefing Order further provided that Statements in Support may be attached to the Joint Petition. In accordance with the Briefing Order, NRG submits this Statement in Support of the Settlement.

III. DISCUSSION

The terms of the Settlement that are of importance to NRG appear in Section J of the Joint Petition, Paragraphs 63 through 65. These paragraphs contain provisions relating to the

transparency of UGI Gas' delivery system, notifications of weekend scheduling mismatches with respect to nominations and the weighted average cost of delivered gas.

A. Transparency of UGI Gas' Delivery System

During the proceeding, NRG raised concerns about the transparency of UGI Gas' delivery system because several recent supply expansion activities have been met by UGI-ES. Mr. Reyes testified that when available interstate pipeline capacity was being bid in past Interstate Open Seasons, he was aware of instances when the capability to move gas between regional pools on UGI's delivery system was known only to UGI and UGI-ES. For example, he pointed to the Sunbury Capacity that had been granted access to the UGI Gas south pool via a spur on UGI Gas central, which was not disclosed to the system marketers until after UGI-ES had subscribed to the capacity. As Mr. Reyes noted, "[h]ad the information been public, there would have been a more robust interest in the open season by competitors of UGI-ES." (NRG Statement No. 1 at 11; NRG Statement No. 1-SR at 7).

Based upon this concern, NRG recommended that the Commission direct UGI Gas to provide information to NGSs that outlines the full capabilities of its delivery system when it receives gas from the interstate pipelines. These capabilities include how UGI Gas is able to move gas between regional pools so as to ensure that NGSs have the same access and understanding that UGI-ES is afforded. (NRG Statement No. 1 at 11; NRG Statement No. 1-SR at 7-8).

Under Paragraph 63 of the Settlement, UGI Gas commits to holding a supplier collaborative within 90 days after a final order is entered in this proceeding. During the collaborative, UGI Gas will review delivery requirements and flexibility related to its delivery regions, including the ability to move gas between delivery regions whether physically through pipeline transmission system delivery points or in kind by displacement. The Settlement provides that supplier feedback will be encouraged for mutual discussion and follow-up action items.

Paragraph 63 adequately addresses NRG's concerns regarding the need for an understanding of the full capabilities of UGI Gas' delivery system when it receives gas from the interstate pipelines. Having this information will ensure that NGSs operating in the UGI Gas service territory are on equal footing with UGI-ES in terms of understanding the capabilities of UGI Gas to move gas between regional pools on its delivery system. Therefore, Paragraph 63 is in the public interest and should be approved without modification.

B. Nomination Notifications

NRG's witness described an ongoing operational issue regarding the lack of timely notifications about weekend scheduling mismatches in the nomination process. As explained by Mr. Reyes, a nomination is the action taken by an NGS to communicate and confirm that a particular amount of gas is to be delivered or received at the gas delivery point and/or the alternative gas delivery point(s) and providing all information that may be necessary to cause such delivery or receipt to occur. Through the nomination, the NGS is providing a pre gas day notification of intended gas consumption by its customers for a gas day and must follow the NGDC's gas nomination procedures established by tariff. (NRG Statement No. 1 at 11-12; NRG Statement No. 1-SR at 8-9).

The nomination process involves a robust third-party market, with entities making changes and information constantly changing outside the control and/or knowledge of NGSs. For instance, an interstate pipeline may experience constraints or operational issues, or any entity could make a transposition error in identifying a contract. When UGI Gas discovers an error during the confirmation cycle on a weekday, the Company provides timely notifications to NGSs, which are then able to correct the nomination and avoid penalties imposed by UGI Gas and the pipelines. However, on weekends, NGSs do not receive notice of a scheduling mismatch from the Company and have no ability to promptly correct their nominations. The best that NRG can hope to do is to

convince the pipelines and UGI Gas to allow the submission of a retroactive nomination, which they have no obligation to accept. Given the ability of UGI Gas to impose punitive penalties if an NGS does not meet the delivery requirement for the day, it stands to reason that the Company should provide these notifications seven days per week. (NRG Statement No. 1 at 12; NRG Statement No. 1-SR at 9).

Therefore, Mr. Reyes recommended that UGI Gas be required to implement automated programming for these notifications or provide weekend staffing that would offer the same level of service as is provided on weekdays. According to Mr. Reyes, most utilities use a process that affords NGSs an opportunity to timely correct the nomination and avoid the imposition of penalties. Mr. Reyes further testified that it is standard industry practice to alert entities when a nomination is not confirmed and that every other utility with which he transacts sends notifications seven days per week. (NRG Statement No. 1 at 11-12; NRG Statement No. 1-SR at 9).

Under Paragraph 64 of the Settlement, UGI Gas commits to undertake an investigation of other utility practices with regard to the management of weekend scheduling mismatches. Further, UGI Gas agrees to compile a summary for presentation and discussion as part of its 2023 supplier collaborative.

Paragraph 64 satisfactorily addresses the concerns raised by NRG in this proceeding regarding the importance of timely notifications on the weekend. NRG appreciates the willingness of UGI Gas to examine the practices of other utilities and to engage in a discussion with NGSs about possible changes that would result in prompt notifications of the need to correct nominations. Particularly since NGSs are subject to the imposition of penalties if these corrections are not timely made, it is important that NGSs receive these notifications in real-time so that this financial risk

can be avoided. Therefore, Paragraph 64 is in the public interest and should be approved without modification.

C. Weighted Average Cost of Delivered Gas (“WACOD”)

1. Impact of Each Specific Pipeline Rate Case

NRG’s witness explained that UGI Gas uses WACOD for recovery of charges for released capacity and provides monthly information on its Electronic Bulletin Board (“EBB”) to show the WACOD rates as reflecting interstate pipeline rate changes approved by the Federal Energy Regulatory Commission (“FERC”). However, Mr. Reyes noted that this information does not show the projected total dollar impact of each specific pipeline rate case on the WACOD rate. Mr. Reyes described this omission as a problem because the individual impact of a rate case affects the natural gas prices that NRG is charging customers. Therefore, he recommended that UGI Gas provide NGSs with information showing the impact of each individual pipeline rate case along with a 12-month estimate of forward impact from the implementation of a rate change. In making this recommendation, Mr. Reyes emphasized that NRG was not proposing that UGI Gas undertake any additional work, but rather to include the forecasts it has made for its own use regarding these impacts. (NRG Statement No. 1 at 13-15; NRG Statement No. 1-SR at 9-11).

For all future interstate pipeline Natural Gas Act (“NGA”) general Section 4 base rate filings, Paragraph 65(b) of the Settlement commits UGI Gas to provide information on its Energy Management Website (“EMW”) showing how the individual Section 4 rate case is expected to impact the WACOD calculation over a forward-looking 12-month period from the implementation of a rate change. UGI Gas will provide this information twice: (1) when FERC accepts the NGA Section 4 base rate change filing; and (2) when the NGA Section 4 base rate case is settled or otherwise adjudicated. The impact will be reflected in a one-time posting on the Company’s EMW, with the calculation based on a point in time analysis where the future forecast of the

WACOD rate is subject to change as a result of other operating circumstances and FERC filing impacts. As these are estimates based on forecasts, UGI Gas is not responsible for their accuracy.

Paragraph 65(b) of the Joint Petition implements NRG's proposal and fully addresses the concern raised by Mr. Reyes' testimony regarding the need for this information to improve the pricing of natural gas for NRG's customers. When NRG knows the estimated impact of individual pipeline rate cases on the WACOD rate, the prices charged to customers are more accurate and less likely to result in significant adjustments at a later time. Improved pricing enhances the overall customer experience with the retail market. Therefore, this provision is in the public interest and should be approved without modification.

2. Inclusion of Capacity Costs in WACOD

NRG also raised a concern about the inclusion of a credit for Economic Benefit of Peaking Service ("EBPS") and an increase to the Large Firm Delivery ("LFD") WACOD capacity release rates. Because the WACOD rates are included on NRG's invoice, Mr. Reyes testified that NRG should not be in a position of explaining UGI Gas errors to its supply customers or be required to decide how to allocate credit/costs resulting from UGI Gas adjustments, particularly when some of the affected customers were not being served by NRG when the charges were initially included on bills. Therefore, he recommended that both the EBPS and the LFD gross up should be removed from the LFD WACOD rates. He noted that this approach would be similar to the way these adjustments are handled for the Delivery Service ("DS") customers. (NRG Statement No. 1 at 16-17; NRG Statement No. 1-SR at 11-12).

Under Paragraph 65(a) of the Joint Petition, UGI Gas commits to proposing a plan in its 2023 Purchased Gas Cost proceeding to transition recovery of capacity costs from the current WACOD cost recovery method to recovering those costs directly from Rate LFD customer on the Company's bills. This commitment adequately addresses the issue raised by NRG in this

proceeding so that these adjustments are handled in a way that does not put NRG in the position of allocating credits/costs resulting from UGI Gas adjustments. Therefore, this provision is in the public interest and should be approved without modification.

IV. CONCLUSION

Based upon the foregoing, NRG Energy, Inc. respectfully requests that the Commission approve the Joint Petition for Approval of Settlement of All Issues without modification.

Respectfully submitted,

/s/ Karen O. Moury

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