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File #: 190010

August 12, 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, et al. v. UGI Utilities, Inc. - Gas Division  
Docket Nos. R-2022-3032242, et al.**

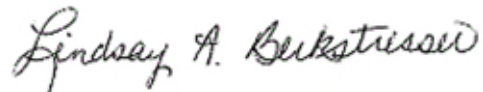
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Dear Secretary Chiavetta:

Attached for filing is the Joint Petition for Settlement of Section 1307(f) Rate Investigation and the Joint Petitioners' Statements in Support of Settlement in the above-referenced proceeding.

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

Respectfully submitted,



Lindsay A. Berkstresser

LAB/dmc  
Attachments

cc: Honorable Dennis J. Buckley (*w/attachments*)  
Certificate of Service

**CERTIFICATE OF SERVICE**

**(Docket Nos. R-2022-3032242, 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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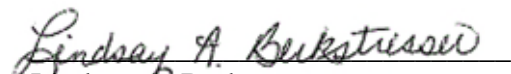
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Date: August 12, 2022

  
Lindsay A. Berkstresser

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Office of Consumer Advocate, and	:	
Office of Small Business Advocate	:	R-2022-3032242
	:	C-2022-3032385
v.	:	C-2022-3032539
	:	
UGI Utilities, Inc. – Gas Division	:	
1307(f) Proceeding	:	
	:	

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**JOINT PETITION FOR SETTLEMENT OF  
SECTION 1307(f) RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:**

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”) and the Office of Consumer Advocate (“OCA”) (hereinafter collectively referred to as the “Joint Petitioners” or “Parties”), hereby join in this *Joint Petition For Settlement Of Section 1307(f) Rate Investigation* (“Settlement”) in the above-captioned proceeding.<sup>1</sup>

The Joint Petitioners request that Administrative Law Judge Dennis J. Buckley (“ALJ Buckley” or the “ALJ”) and the Commission: (1) approve the terms of this Settlement; (2) authorize UGI Gas to file a tariff supplement for service rendered on or after December 1, 2022, that implements, subject to updates and tariff modifications traditionally performed on December 1, the Purchased Gas Cost (“PGC”) rate of \$8.0136/Mcf; and (3) make all associated findings required by Sections 1307(f) and 1318 of the Public Utility Code, 66 Pa. C.S. §§ 1307(f), 1318.

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<sup>1</sup> The Office of Small Business Advocate (“OSBA”) has indicated that it does not oppose the Settlement.

Statements in Support of the Settlement are attached as **Appendices A through C**.<sup>2</sup> OSBA's Letter of Non-Opposition is attached as **Appendix D**.

## **I. BACKGROUND**

1. UGI Gas is a natural gas distribution company with gross intrastate annual operating revenues in excess of \$40 million. Pursuant to the provisions of Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's gas cost recovery regulations at 52 Pa. Code §§ 53.61-53.69, the Company initiated this annual proceeding to propose a PGC rate to become effective on December 1, 2022.

2. On April 29, 2022, the Company made its 30-day pre-filing ("UGI Gas Exhibit 1") with the Commission (containing data related to the recovery of purchased gas costs) pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and in accordance with the Commission's regulations at 52 Pa. Code §§ 53.64 and 53.65.

3. On May 6, 2022, the OCA filed a Notice of Appearance, Formal Complaint, and Public Statement in the Company's PGC proceeding.

4. On May 19, 2022, the OSBA filed a Notice of Appearance, Formal Complaint, Public Statement, and Verification in this proceeding.

5. On May 24, 2022, I&E filed a Notice of Appearance.

6. On June 1, 2022, the Company filed with the Commission its definitive PGC filing ("UGI Gas Exhibit 2"), including supporting information required by the Commission's regulations, the Company's direct testimony and exhibits, and the *Pro Forma* Tariff Supplements reflecting actual and projected changes in natural gas costs.

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<sup>2</sup> UGI Gas's Statement in Support of the Settlement contains Highly Confidential material. A public version is being provided as Appendix A to this Settlement. The Highly Confidential Version will be filed separately.

7. On June 9, 2022, ALJ Buckley held a prehearing conference, at which time a procedural schedule was adopted.

8. In accordance with the procedural schedule, OCA and I&E submitted written direct testimony and exhibits on June 24, 2022.

9. On July 14, 2022, the Company submitted written rebuttal testimony and exhibits.

10. As a result of settlement discussions held in this proceeding, and the efforts of the Joint Petitioners to examine the issues raised, a full settlement in principle was achieved prior to the date for the evidentiary hearing. On July 15, 2022, counsel for the Company advised the ALJ of the settlement in principle and requested that the scheduled evidentiary hearing be canceled and that the Joint Petitioners be permitted to admit their evidence by stipulation.

11. Thereafter, on July 18, 2022, the ALJ advised the Parties that the evidentiary hearing would be canceled, and that the Parties' written testimony and exhibits could be admitted into the record by stipulation. The ALJ also directed the Parties to file the *Joint Petition For Settlement Of Section 1307(f) Rate Investigation* and statements in support by the scheduled Reply Brief due date of August 12, 2022.

12. On August 9, 2022, the Joint Petitioners filed a Joint Stipulation for Admission of Evidence, with accompanying signed verifications of the sponsoring witnesses, to admit the testimony and exhibits into the record, as well as a Motion for Protective Order.

## **II. TERMS OF SETTLEMENT**

### **A. DESIGN DAY**

13. The Joint Petitioners agree that UGI Gas will be permitted to use a design day figure of 2.282 BCF, which includes 2.225 BCF of design cold firm requirements and 0.057 BCF of capacity reserves for the Company's firm core market (PGC and Choice Customer markets) needs, as discussed in the direct testimony of Jesse R. Tyahla, page 11, lines 8-10.

**B. PEAK DAY CAPACITY SUPPLY ADDITIONS**

14. The Joint Petitioners agree that in order to address its total peak day capacity supply shortfall needs, UGI Gas will accept two winning bids from UGI Energy Services (“UGIES”) for a combined volume of 9,468 dth/day for two years as recommended on page 19 of the direct testimony of Jesse R. Tyahla. The first accepted bid will provide 8,700 dth/day of delivered supply on Columbia Pipeline and Sunbury Pipeline. The second accepted bid will provide 768 dth/day of peaking supply with delivery on Texas Eastern Pipeline.

**C. HEDGING POLICY**

15. The Joint Petitioners agree that UGI Gas will hire a consultant to evaluate the performance of its hedging plan in order to identify areas where it may further mitigate customer exposure to significant market volatility. UGI Gas will provide the results of its analysis and any proposed modifications to its hedging plan in its 2023 PGC proceeding. The costs for hiring the consultant will be recovered through the PGC and will be capped at \$80,000.00.

**D. CERTIFIED GAS PILOT**

16. As part of a Certified Gas Pilot Program, the Joint Petitioners agree that UGI Gas can execute the purchase described on page 24 of the direct testimony of Jesse R. Tyahla for 1,200 dth per day of certified natural gas from November 2022 through March 2023 at the Tennessee Station 313 receipt point for its PGC portfolio and recover the cost of the transaction from PGC customers. The certified natural gas transaction constitutes less than 0.5% of the Company’s total gas supply portfolio. UGI Gas will report the monthly cost of the certified natural gas in its 2023 PGC proceeding.

17. The Parties reserve their respective rights to challenge any certified gas proposals in future proceedings.

**E. INTEREST CORRECTION**

18. The Joint Petitioners agree that UGI Gas will make a \$259,061 accounting adjustment to correct the erroneous interest caused by the booking error described in the direct testimony of Kimberly M. Bassininsky, page 9, lines 1-3, the rebuttal testimony of Ms. Bassininsky, pages 1-5, and in the response to OCA-II-1. The adjustment will be made effective December 1, 2022, in order to accurately reflect interest due to PGC customers pursuant to a correct calculation of costs pursuant to Section 1307(f)(5).

**F. PEAKING CONTRACT RFP MODIFICATIONS**

19. The Joint Petitioners agree that UGI Gas will continue the three-year pilot regarding the format of its peaking contract RFPs as stated in paragraph #24 of the 2021 *Joint Petition for Settlement of Section 1307(f) Rate Investigation* at Docket No. R-2021-3025652.

**III. STANDARDS AND FINDINGS**

20. This proceeding involves Commission review pursuant to Sections 1307 and 1318 of the Public Utility Code. Under Section 1307(f), the Commission, after hearing, must determine what portion of the gas costs UGI Gas may recover for a previous 12-month period under the standards set forth in Section 1318. In addition, the Commission must determine whether the requirements of Section 1318 can be met. This determination must precede Commission approval of the Company's proposed rates. The historic period reviewed in this proceeding is the 12-month reconciliation period ending March 31, 2022. The proposed rates are intended to become effective December 1, 2022.

**A. HISTORIC RECONCILIATION PERIOD STANDARDS**

21. With respect to UGI Gas's gas purchases and gas purchasing practices during the 12-month historic reconciliation period ending March 31, 2022, the Joint Petitioners agree that UGI Gas has met the standards set forth in Section 1318 of the Public Utility Code, as required by

Section 1307(f)(5) of the Public Utility Code. As a result, the Joint Petitioners request that the Commission find, pursuant to Section 1307(f)(5) of the Public Utility Code, and based upon the evidence presented by the Joint Petitioners in this case, that during the 12-month period ended March 31, 2022, UGI Gas has pursued a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers, as required by Section 1318 of the Public Utility Code. Information submitted by UGI Gas in support of the required statutory findings can be found in the following sections of UGI Gas Exhibit 1 and UGI Gas Exhibit 2:<sup>3</sup>

- a) FERC Participation (66 Pa. C.S. §§ 1317(a)(1), 1318(a)(1); 52 Pa. Code § 53.64(c)(4)): UGI Gas Exhibit 1, Section 3.
- b) Supplier Negotiations/Renegotiations (66 Pa. C.S. §§ 1317(a)(2), 1318(a)(2); 52 Pa. Code §§ 53.64(c)(3), (c)(6)): UGI Gas Exhibit 1, Sections 1, 2 and 5.
- c) Efforts to Obtain Lower Cost Supplies (66 Pa. C.S. §§ 1317(a)(3), 1318(a)(3); 52 Pa. Code §§ 53.64(c)(1), (c)(3), (c)(6)): UGI Gas Exhibit 1, Sections 1, 2, and 5.
- d) Withheld Supplies (66 Pa. C.S. §§ 1317(a)(4), 1318(a)(4); 52 Pa. Code § 53.64(c)(6)): UGI Gas Exhibit 1, Section 5.
- e) Affiliated Purchases (66 Pa. C.S. §§ 1317(b), 1318(b); 52 Pa. Code § 53.65): UGI Gas Exhibit 1, Section 13.

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<sup>3</sup> UGI Gas Exhibit 1 and 2 are fully described in the Joint Stipulation for Admission of Evidence, which was filed on August 9, 2022.



- f) Least Cost Fuel Procurement Policy (66 Pa. C.S. §§ 1317(a), 1318(a); 52 Pa. Code §§ 53.64(c)(1), (c)(3), (c)(6)): UGI Gas Exhibit 1, Sections 1, 2 and 5.
- g) Calculation of 2021 PGC Rates:
  - i) June 1, 2022, Filing, Schedule A – Computation of Purchased Gas Cost Rate effective December 1, 2022;
  - ii) June 1, 2022, Filing, Schedule B (page 1) – Development of Projected Cost of Gas (C-factor);
  - iii) June 1, 2022, Filing, Schedule B (pages 2-13) – Projected Supply Volumes, Rates, Costs April 2022 through November 2022;
  - iv) June 1, 2022, Filing, Schedule C – Development of Experienced Cost of Gas (E-factor);
  - v) June 1, 2022, Filing, UGI Gas Statement No. 1, Written Direct Testimony of Kimberly A. Bassininsky, Senior Analyst – Rates.
- h) Reliability (66 Pa. C.S. §1317(c)): UGI Gas Exhibit 1, Section 14, and June 1, 2022, Filing, UGI Gas Statement No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.

**B. PROJECTED PERIOD FINDINGS**

22. With respect to the 12-month period beginning December 1, 2022, the period of time during which the proposed rates would be in effect, the Joint Petitioners agree and request the Commission find that UGI Gas has satisfied each of the standards for a least cost procurement policy set forth in Section 1318 of the Public Utility Code, including the standards set forth in Sections 1318(a)(1), 1318(a)(2), 1318(a)(3), 1318(a)(4), 1318(b)(1), 1318(b)(2), and 1318(b)(3), based upon the evidence of record in this proceeding. Nevertheless, it is expressly understood and

agreed that such findings, relating to the rates to become effective December 1, 2022, are made solely for the purpose of setting prospective rates and shall be subject to further review in an appropriate future proceeding. This Section of the Settlement, Section III.B, is not intended to limit or prevent any party from challenging projected gas purchases that actually have been made, including those made during the interim period of April 1, 2022 through November 30, 2022 and future gas purchasing practices that have been implemented, or from reviewing whether these gas purchases and gas purchasing practices have, in fact, complied with the standards of Section 1318, except as provided in Section II above.

23. If in an appropriate future proceeding gas purchases and gas purchasing practices relating to the period December 1, 2022 through November 30, 2023 are challenged, the Commission's findings made pursuant to Section III.B of this Settlement shall pose no bar to the examination of such purchases and practices including, but not limited to, disallowance of or reductions to, such costs during the one-year period commencing December 1, 2022, except as provided in Section II above.

24. The Joint Petitioners also agree that future examination of the gas costs relating to the period April 1, 2022 through November 30, 2022, to determine whether UGI Gas's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, shall be permitted and that the Commission's adoption of the findings under Section III.B of this Settlement shall not be construed to limit or prevent any disallowance or reduction of such costs, except as provided in Section II above.

#### **IV. GENERAL PROVISIONS**

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

modifies the Settlement or fails to approve, by December 1, 2022, the terms and conditions of this Settlement, then any of the Joint Petitioners may elect to withdraw from this Settlement and may proceed with litigation. In such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying or disapproving the Settlement.

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

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

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

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

30. This Settlement is being presented only in the context of this Section 1307(f) proceeding in an effort to resolve certain outstanding issues in a manner that is fair and reasonable. Except as otherwise specifically provided in this Settlement, the Settlement reflects compromises

on all sides and is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the positions that any of the Joint Petitioners may advance in the future on the merits of the issues.

31. The Joint Petitioners acknowledge and agree that this Settlement shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding with regard to the historic period that ended on March 31, 2022.

32. This Settlement may be executed in counterparts.

## V. CONCLUSION

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

1. That Administrative Law Judge Dennis J. Buckley and the Commission approve this Settlement, including all terms and conditions thereof;

2. That the Commission specifically approve the terms identified in Section II of the Settlement as just and reasonable, in the public interest, and consistent with UGI Gas's least cost gas purchase obligations;

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

4. That the Commission enter a Final Order, consistent with this Settlement: (a) approving the proposed rates effective December 1, 2022, as modified to reflect updates and tariff modifications traditionally performed as part of UGI Gas's December 1 PGC compliance filing; and (b) directing UGI Gas to file a final tariff implementing such rates for gas service rendered by UGI Gas on and after December 1, 2022; and

5. That the Commission mark closed its inquiry and investigation at Docket Nos. R-2022-3032242, C-2022-3032385, and C-2022-3032539.

Respectfully submitted,

Lindsay A. Berkstresser

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Date: August 12, 2022

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*Attorney for Bureau of Investigation & Enforcement*

Date: \_\_\_\_\_

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*Counsel for the Office of Consumer Advocate*

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that Administrative Law Judge Dennis J. Buckley admit the foregoing testimony and exhibits into the record in this proceeding.


Respectfully submitted,

Date: \_\_\_\_\_

\_\_\_\_\_  
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Date: August 11, 2022

*Attorney for Bureau of Investigation & Enforcement*



*Lauren E. Guerra*

Date: August 12, 2022

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Date: \_\_\_\_\_

*Counsel for the Office of Small Business Advocate*

**APPENDIX A**  
**PUBLIC**

**PUBLIC VERSION**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Office of Consumer Advocate, and	:	
Office of Small Business Advocate	:	R-2022-3032242
	:	C-2022-3032385
v.	:	C-2022-3032539
	:	
UGI Utilities, Inc. – Gas Division	:	
1307(f) Proceeding	:	
	:	

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**UGI UTILITIES, INC. – GAS DIVISION’S  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT OF  
SECTION 1307(f) RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:**

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) hereby submits this Statement in Support of the *Joint Petition For Settlement Of Section 1307(f) Rate Investigation* (“Settlement”) entered into by UGI Gas, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (hereinafter collectively referred to as the “Joint Petitioners”). UGI Gas believes that this Settlement is in the best interests of the Company, its customers, and the parties to the above-captioned proceeding and, therefore, is in the public interest and should be approved.

The Settlement of this proceeding was achieved only after a comprehensive investigation of the Company’s gas procurement practices. UGI Gas responded to numerous formal discovery requests. The Joint Petitioners also filed multiple rounds of testimony, including the direct testimony of UGI Gas, the direct testimony of OCA and I&E, and the rebuttal testimony of UGI

Gas. In addition, the Joint Petitioners participated in constructive settlement negotiations, which ultimately led to the Settlement.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. For the reasons set forth below, the Settlement is just and reasonable and should be approved in its entirety and without modification.

**I. SETTLEMENT TERMS**

**A. DESIGN DAY**

In the Company's direct testimony, UGI Gas identified that it projected a firm peak-day demand and reserve requirement of 2.282 BCF. (UGI Gas St. 2, p. 11). This peak-day demand reflected 2.225 BCF of design-cold firm requirements and 0.057 BCF of capacity reserve requirements. (UGI Gas St. 2, p. 11). The Company's methodology for developing the firm peak-day demand, and its associated capacity needs, is fully described in UGI Gas St. 2, pages 11 through 13.

No party challenged UGI Gas's design day needs as identified by the Company. In Settlement, the Joint Petitioners agreed to adopt the Company's projected design day figure as identified in the Company's direct testimony. (Settlement ¶ 13). Adopting UGI Gas's projected design day figure, which was unopposed by the parties to this proceeding, is in the public interest because it provides the Company with the capacity needed to respond to the needs of its core market customers on peak winter days in accordance with its obligations as the supplier of last resort. The design day figure agreed to by the Joint Petitioners is necessary for UGI Gas to ensure continuous, reliable service under design day conditions. (UGI Gas St. 2, pp. 6, 11-12). The Company's projected design day figure also accounts for the experienced growth of UGI Gas's core market customers, which UGI Gas anticipates will continue. If the Company did not include this expected customer growth, it would put the Company at risk of underestimating peak day

demand. (UGI Gas St. 2, p. 12). Therefore, this Settlement term is in the public interest and should be approved.

## **B. PEAK DAY CAPACITY SUPPLY ADDITIONS**

In its direct testimony, UGI Gas described its analysis to determine peak day capacity and identified a capacity shortfall for the upcoming winter. (UGI Gas St. 2, p. 13). In order to address the shortfall, UGI Gas issued a Request for Proposals (“RFP”). (UGI Gas St. 2, p. 19). As a result of the RFP, UGI Gas requested approval for two winning bids from UGI Energy Services (“UGIES”) in this proceeding. Specifically, after evaluating the bids received, UGI Gas determined that the two UGIES bids provided the best solution to its immediate capacity needs at the least cost to customers. One of the two bids provides UGI Gas with a delivered supply offer for 8,700 Dth per day on Columbia Pipeline and Sunbury Pipeline. The other approval requested is for a partial award of a peaking offer on Texas Eastern Pipeline, with the awarded component being 768 Dth per day of delivery. (UGI Gas St. 2, p. 19).

No party challenged the need for additional peak day capacity for the upcoming winter, nor did they challenge UGI Gas’s request to include the winning bids in its supply portfolio. As a result, the Settlement provides that UGI Gas will accept the two winning bids and include the capacity in its supply portfolio. (Settlement ¶ 14). It is in the public interest for UGI Gas to include the proposed capacity in its supply portfolio because the capacity is needed to satisfy the projected shortfall for the 2022-2023 winter. (UGI Gas St. 2, p. 19). The requested additions to UGI Gas’s supply portfolio will enable UGI Gas to continue providing reliable and continuous service through the 2022-2023 winter by addressing the projected capacity shortfall, and, therefore, the Settlement term is in the public interest and should be approved.

### **C. HEDGING POLICY**

The current natural gas market impacting UGI Gas has become increasingly volatile since Fall 2021, and market conditions specific to commodity prices for natural gas have significantly impacted UGI Gas's procurement of supply. (UGI St. 2, pp. 6-7). UGI Gas uses NYMEX futures and Henry Hub call options as part of its hedging program to help mitigate commodity price volatility. UGI Gas's current hedging program was approved in the Company's PGC proceeding at Docket No. R-2009-2105911. (UGI St. 2, p. 8). Over the historic period (April 2021 through March 2022), the net benefits to the PGC as a result of the hedging program were \$21,404,230 in net benefits for NYMEX futures and \$6,090,000 in net benefits for call options. (UGI St. 2, p. 10). While the use of futures and call options help to mitigate commodity price volatility, the total spend allowance for call options is limited to 1% of UGI Gas's projected annual purchase gas costs. As call option premiums tend to increase with market volatility, the quantity of call option contracts that UGI Gas can purchase decreases. (UGI St. 2, p. 8; UGI St. 1-R, p. 11). The increased volatility adds uncertainty for both buyers and sellers in the market. (UGI St. 2, p. 9).

In his direct testimony, OCA witness Mierzwa recommended that based on the significant increase in price volatility, UGI Gas should evaluate and modify its current hedging program to ensure that price volatility is mitigated in the current market. (OCA St. 1, p. 3). Mr. Mierzwa recommended that UGI Gas present the results of its evaluation and identify any proposed changes in its next PGC filing. (OCA St. 1, p. 3). In its rebuttal testimony, UGI Gas explained that it was willing to undertake a review of its hedging program, but in order to do so it would need to hire a consultant to conduct the evaluation and the costs of the consultant should be recovered through the PGC. (UGI St. 2, p. 12).

In the Settlement, the Joint Petitioners agreed that UGI Gas will hire a consultant to evaluate the performance of its hedging plan in order to identify areas where it may further mitigate

customer exposure to significant market volatility. UGI Gas will provide the results of its analysis and any proposed modifications to its hedging plan in its 2023 PGC proceeding. (Settlement ¶ 15). The review of UGI Gas’s hedging program is beneficial for PGC customers and is in the public interest. No comprehensive review of the Company’s hedging program has occurred for more than a decade. (UGI St. 2, p. 12). Given the recent market conditions, now is a prudent time to identify possible areas for improvement. As evidenced by UGI Gas’s current hedging program, it is possible for PGC customers to benefit financially from hedging programs that are designed to mitigate price volatility. Approval of this Settlement term also supports UGI Gas’s objective of implementing a least cost procurement strategy that minimizes total costs to its customers. (UGI Gas St. 2, p. 7).

The Settlement further provides that the costs for hiring the consultant will be recovered through the PGC and will be capped at \$80,000.00. (Settlement ¶ 15). Hiring a consultant to conduct the evaluation is necessary because UGI Gas does not have access to the comprehensive market review data that is needed to properly conduct the evaluation, nor does it have employees with the expertise to evaluate the impact of hedging program adjustments to its current portfolio. (UGI Gas St. 2, p. 13). The \$80,000.00 cap on the cost of the consultant further evidences that the settlement term is reasonable and in the public interest. It is appropriate to recover the costs of the evaluation through the PGC because the evaluation is designed to determine whether any modifications to the hedging program should be made in order to provide PGC customers with enhanced mitigation against price volatility, which provides a benefit to PGC customers. Further, Section 1307(h) of the Public Utility Code, 66 Pa. C.S. § 1307(h), provides for the recovery of “...costs paid for employing futures, options and other risk management tools” through the PGC.

For the reasons explained herein and in the testimony of UGI Gas witness Tyahla and OCA witness Mierzwa, this Settlement term is in the public interest and should be approved.

**D. CERTIFIED GAS PILOT**

In this proceeding, UGI Gas proposed to introduce certified natural gas to its supply portfolio. Specifically, UGI Gas proposed to accept an offer for 1,200 dth/day from November 2022 through March 2023 at the Tennessee Station 313 receipt point. (UGI Gas St. 2, p. 24). Certified gas is a low-carbon fuel option that is, in all material molecular and transportation respects, identical to traditional pipeline gas. In order for a source of supply to be certified, the production process must be evaluated by an independent, third-party organization applying a set of objective published criteria. While the criteria may vary by certification company, the criteria generally include an evaluation of impacts on air, land, water, and local communities, as well as leak monitoring and other emissions activities. (UGI St. 2, p. 22).

Certified gas is a fast-growing sector of the natural gas industry and provides several benefits. (UGI Gas St. 2, pp. 22-24). Certified gas provides a critical tool for reducing emissions related to natural gas consumption because it provides consumers with a way to reduce upstream emissions associated with the production of natural gas, while continuing to use existing infrastructure and home appliances. Upstream methane emissions account for the majority of emissions associated with natural gas usage. (UGI Gas St. 2, p. 23).

In his direct testimony, I&E witness Cline argued that the Company did not demonstrate that its proposal to include certified natural gas in its supply portfolio is consistent with its least cost procurement obligations. (I&E St. No. 2, p. 4). UGI Gas witness Tyahla addressed this concern in his rebuttal testimony by explaining that the Company's proposed purchase of certified natural gas is at a price comparable to the Company's historic purchases of non-certified gas. (UGI Gas St. 2-R, p. 6). Specifically, UGI Gas witness Tyahla explained that the Company's proposal



to purchase certified natural gas at a price of [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]  
[REDACTED] [END HIGHLY CONFIDENTIAL]  
is within the range of the Company's historic purchase prices. (UGI Gas St. 2-R, p. 6). [BEGIN  
HIGHLY CONFIDENTIAL] [REDACTED]  
[REDACTED] [END HIGHLY  
CONFIDENTIAL] (UGI Gas St. 2-R, p. 6). Witness Tyahla also explained that UGI Gas has  
other contracts in its existing portfolio that are similar to the proposed certified natural gas  
transaction. For example, in its 2018 PGC proceeding, pursuant to the Final Order at Docket R-  
2018-3001631, the Commission approved a non-certified gas supply transaction [BEGIN  
HIGHLY CONFIDENTIAL] [REDACTED]  
[REDACTED] [END HIGHLY CONFIDENTIAL] The 2018 contract continues to be part of the  
Company's PGC portfolio. (UGI Gas St. 2-R, p. 6).

The parties engaged in comprehensive settlement discussions regarding the certified gas  
proposal, and the Settlement reflects a compromise of the Joint Petitioners' positions on these  
issues. The Settlement adopts the Company's certified gas proposal, but does so in the context of  
a pilot program with certain reporting requirements. UGI Gas will execute the certified natural  
gas purchase for 1,200 dth per day from November 2022 through March 2023 at the Tennessee  
Station 313 receipt point and recover the cost of the transaction from PGC customers. (Settlement  
¶ 16). Additionally, UGI Gas has agreed to report the monthly cost of the certified natural gas in  
its 2023 PGC proceeding. (Settlement ¶ 16). As specified in the Settlement, the certified natural  
gas transaction makes up less than 0.5% of the Company's total gas supply portfolio. (Settlement  
¶ 16). Finally, the Settlement expressly states that the parties reserve their respective rights to  
challenge any certified gas proposals in future proceedings. (Settlement ¶ 17).

Approval of UGI Gas's certified gas proposal, as modified by the Settlement, is in the public interest and should be approved because it provides a critical opportunity to reduce emissions with no additional cost to the customer. Approval of the certified natural gas transactions, as modified by the Settlement, strikes the appropriate balance between environmental prudence, customer price impacts, and gas supply requirements consistent with the Company's least-cost gas supply obligations. (UGI Gas St. 2-R, p. 9). Further, parties will have an opportunity to review and evaluate the monthly cost data for the certified natural gas transaction in UGI Gas's next PGC proceeding. (Settlement ¶ 17).

#### **E. INTEREST CORRECTION**

In this proceeding, UGI Gas identified an accounting error in which the Company inadvertently booked \$7.7 million in demand charges in November 2021 that were subsequently corrected and removed in December 2021. (UGI Gas St. No. 1-R, p. 1). UGI Gas witness Bassininsky explained this accounting error and the interest impacts in her rebuttal testimony. Specifically, UGI Gas witness Bassininsky explained that as a result of the accounting error and the impact of the interest weighting applied to PGC under and overcollections, the interest calculation impact to PGC customers for November 2021 was overstated by \$146,426 and understated by \$405,486 for December 2021, which results in an overall net understatement of interest expense due from PGC customers of \$259,061. (UGI Gas St. No. 1-R, pp. 1-2). To correct this error, UGI Gas proposed to make a \$259,061 accounting adjustment as part of the Company's December 1, 2022 PGC Compliance Filing that corrects for the understated interest amount due from PGC customers. (UGI Gas St. 1-R, p. 4).

The Settlement provides that UGI Gas will make the \$259,061 accounting adjustment to correct the erroneous interest caused by the booking error as described by UGI Gas witness Bassininsky. The adjustment will be reflected in the Company's compliance filing made on

December 1, 2022, in order to accurately reflect interest due from PGC customers related to this correction. (Settlement ¶ 18).

This Settlement term is in the public interest and should be approved because the correction is necessary to accurately reflect the correct amount of interest that was due from PGC customers as provided for in Section 1307(f)(5) of the Public Utility Code. As a general matter, when errors such as this are identified, UGI Gas seeks to correct the error regardless of whether the error ultimately resulted in an overcollection of costs or an undercollection of costs. (UGI Gas St. No. 1-R, p. 5). Correcting these types of accounting errors in a fair and neutral manner is in the best interest of the Company and its customers because neither party should unjustly “benefit” or be “harmed” from such errors.

#### **F. PEAKING CONTRACT RFP MODIFICATIONS**

In the Settlement, the Joint Petitioners agreed that UGI Gas will continue the three-year pilot regarding the format of its peaking contract RFPs as stated in Paragraph 24 of the 2021 *Joint Petition for Settlement of Section 1307(f) Rate Investigation* at Docket No. R-2021-3025652. (Settlement ¶ 19). In UGI Gas’s 2021 PGC case, the parties to the Settlement agreed that the Company would conduct a three-year pilot regarding the format of its peaking contract RFPs and provide an evaluation of the pilot in the Company’s 2025 PGC proceeding. The 2021 PGC Settlement specifies that the Company’s RFP bid form will clearly state that bids must include payment terms over both a four-month (December-March) and five-month (November-March) period. As UGI Gas witness Tyahla explained, the Company has complied with its settlement obligations by requiring prospective bidders of RFPs to submit bids that included payment terms for November through March and from December through March. (UGI Gas St. 2, p. 18).

In its Statement in Support of the Settlement for the 2021 PGC case, UGI Gas explained that the three-year pilot regarding the format of peaking contract RFPs is in the public interest

because it will provide the Company with an opportunity to fully evaluate and compare the pricing impacts of excluding and including November payment terms for these contracts.<sup>1</sup> Paragraph 19 of the Settlement for this PGC proceeding continues UGI Gas's obligation from the prior settlement and should be approved because it is in the public interest for the parties to honor their obligations resulting from the prior settlement agreement. The parties' commitment to maintaining the prior settlement obligations helps ensure that parties can continue negotiating settlements in good faith in the future.

## **II. CONCLUSION**

As explained above, the Settlement is in the public interest and should be approved. The Settlement was achieved only after considerable investigation of the Company's gas procurement practices, through both discovery and the submission of testimony. The Settlement, if approved by the Administrative Law Judge and the Commission, will reduce the amount of expense and effort that will be required by the Parties and the Commission to bring this matter to a conclusion, including preparation for and participation in hearings, preparation of briefs, reply briefs, exceptions, and replies to exceptions.

The Joint Petitioners also request that the required statutory findings be made in this proceeding. These statutory findings are appropriate and are amply supported by the Settlement, UGI Gas's pre-filing information (UGI Gas Exhibit 1), UGI Gas's definitive PGC filing (UGI Gas Exhibit 2), and UGI Gas's testimony in this proceeding.

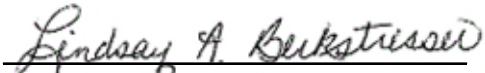
The Settlement is the result of compromise. To the extent that a term of the Settlement resolved a disputed issue amongst the parties, it did so fairly and without the expense and uncertainty associated with litigation. UGI Gas accordingly fully supports the Settlement and

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<sup>1</sup> See *UGI Gas Statement in Support of Settlement*, Section E., Docket No. R-2021-3025652 (August 25, 2021).

respectfully requests that Administrative Law Judge Dennis J. Buckley and the Commission approve the Settlement without modification.

Respectfully submitted,



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*Attorneys for UGI Utilities, Inc. – Gas Division*

Date: August 12, 2022

# **APPENDIX B**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2022-3032242
	:	
UGI Utilities, Inc. - Gas Division	:	
Purchased Gas Costs	:	

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**BUREAU OF INVESTIGATION AND ENFORCEMENT  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT OF  
1307(f) RATES INVESTIGATION**

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**TO: ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through Prosecutor Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Section 1307(f) Rate Investigation (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of UGI Utilities, Inc. - Gas Division (“UGI Gas” “UGI” or “Company”), I&E, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”) (parties in the above-captioned proceeding and hereinafter collectively referred to as the “Parties”), and the UGI Gas customers.

## I. BACKGROUND

I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding benefits the public interest and to ensure that the public interest is served. Based upon I&E's analysis of UGI's 2022 Section 1307(f) purchased gas costs ("PGC") filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that Administrative Law Judge Dennis J. Buckley (the "ALJ" or "ALJ Buckley") and the Commission approve the Settlement in its entirety.

1. In September of 2018, UGI Gas received Commission approval to merge its three natural gas distribution companies ("NGDCs") into the one remaining NGDC, UGI Gas; and established three rate districts.<sup>1</sup>

2. On April 29, 2022, pursuant to 52 Pa. Code Sections 53.64 and 53.65 of the Commission's Rules and Regulations, UGI Gas submitted its pre-filing information ("Book 1") in support of its annual reconciliation of its purchased gas cost ("PGC") tariffs.

3. On May 6, 2022 the OCA filed a Notice of Appearance, a Formal Complaint, and a Public Statements.

4. On May 19, 2022, the OSBA filed its Notice of Appearance, Formal Complaint and Public Statement.

5. On May 24, 2022, I&E filed its Notice of Appearance.

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<sup>1</sup> *Joint Application of UGI Utilities, Inc.; UGI Penn Natural Gas, Inc.; and UGI Central Penn Gas, Inc.*, Docket Nos. A-2018-3000381-30000382-30000383 (Order Entered Sept. 20, 2018)



6. On June 1, 2022, pursuant to 66 Pa. C.S. Section 1307(f) and 52 Pa. Code Section 53.64(a), UGI Gas submitted its definitive PGC filing (“Book 2”) to the Commission, which included UGI’s proposed *Pro Forma* Tariff Addendums (to become effective for service rendered on and after December 1, 2022) and its supporting written direct testimony and supporting exhibits.

7. On June 9, 2022, ALJ Buckley presided over a telephonic prehearing conference, during which the Parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings. As no evidence of the need for public input hearings was presented nor a request for one made, none was scheduled or held.

8. All of the Parties undertook thorough discovery in this proceeding. I&E commenced discovery shortly after the filing was made and continued to conduct discovery throughout the proceeding.

9. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following two (2) pieces of testimony and one (1) accompanying exhibit from two (2) I&E witnesses addressing the subjects of C-factor quarterly adjustments; E-factor reconciliation; quarterly PGC rate changes; peak service contract payment schedule; and, the proposal to purchase and incorporate certified natural gas:

- I&E Statement No. 1, the Direct Testimony of Christopher Keller;
- I&E Statement No. 2 (PROPRIETARY and Non-Proprietary) and I&E Exhibit No. 2 (PROPRIETARY and Non-Proprietary), the Direct Testimony and supporting Exhibit of Ethan Cline.

10. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple telephonic settlement discussions with the Company and the other Parties to the proceeding. Following extensive settlement negotiations and recognizing that a settlement is the result of compromises made by all Parties, the Parties in this proceeding reached a full and complete Settlement of all issues.

11. The hearing which was scheduled for July 25, 2022 was cancelled and the Parties agreed to waive cross examination for all witnesses and submit the written testimony into the record by joint stipulation and signed verifications of the sponsoring witnesses.

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

12. “The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest.”<sup>2</sup> 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.”<sup>3</sup>

13. I&E submits that the Settlement in the instant proceeding balances the interests of the Company, its customers, and the Parties in a fair and equitable manner and presents a resolution for the Commission’s adoption that best serves the public interest. Furthermore, the negotiated Settlement demonstrates that compromises are evident throughout the Stipulation. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement, I&E requests that

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<sup>2</sup> *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

<sup>3</sup> *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

the Settlement be recommended by ALJ Buckley and approved by the Commission, without modification.

**A. Design Day (Joint Petition ¶ 13).**

In the Settlement, UGI and the Parties agree the Company will be permitted to use a design day figure of 2.282 BCF, which includes 2.225 BCF of design cold firm requirements and 0.057 BCF of capacity reserves for the Company's firm core market needs (PGC and Choice Customer markets).

UGI Gas witness Jesse Tyahla detailed the Company's calculation of the Company's projected firm peak-day demand for the upcoming 2022-2023 winter season.<sup>4</sup> Briefly, UGI Gas explained that it plans to meet the anticipated peak day demand of its Core Market customers and firm transportation customers (during the 2021-2022 winter) using the design cold temperatures that were approved as part of the Company's prior PGC case settlements at Docket Nos. R-00072335, R-00072334, and R-2009-2105909 for the former South, North, and Central Rate Districts, respectively.<sup>5</sup>

I&E did not submit testimony regarding the design day figures. I&E technical staff did, however, analyze the Company's as-filed design day proposal and the supporting testimony. After a complete review of the testimony and exhibits submitted by the Parties; and after negotiations between and among the Parties; I&E supports this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

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<sup>4</sup> UGI St. No. 2, p. 11.

<sup>5</sup> *Id.*, p. 11-13.

**B. Peak Day Capacity Supply Additions (Joint Petition ¶ 14).**

In the Settlement, UGI and the Parties agree, in order to address its total peak day capacity supply shortfall needs, UGI Gas will accept two winning bids from UGI Energy Services (“UGIES”) for a combined volume of 9,468 dth/day for two years as recommended by UGI witness Jesse R. Tyahla.<sup>6</sup> The first accepted bid will provide 8,700 dth/day of delivered supply on Columbia Pipeline and Sunbury Pipeline.<sup>7</sup> The second accepted bid will provide 768 dth/day of peaking supply with delivery on Texas Eastern Pipeline.<sup>8</sup>

I&E did not submit testimony regarding the potential peak day capacity supply shortfalls. I&E technical staff did, however, fully analyze the Company’s proposal. And, after a complete review of all testimony and supporting exhibits submitted by the Parties, I&E supports this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue; all of which facilitates the Commission’s stated preference favoring negotiated settlements as in the public interest. I&E believes the agreed upon Settlement terms reflect an amicable agreement among the parties.

**C. Hedging Policy (Joint Petition ¶ 15).**

In the Settlement, the parties agree that UGI Gas will hire a consultant to evaluate the performance of its hedging plan in order to identify areas where it may further mitigate customer exposure to significant market volatility. UGI Gas will provide the results of its analysis and any proposed modifications to its hedging plan in its 2023 PGC

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<sup>6</sup> UGI St. No. 2, p. 19.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

proceeding. The costs for hiring the consultant will be recovered through the PGC and will be capped at \$80,000.00.

I&E did not submit testimony regarding the Company's hedging policy. I&E technical staff did, however, fully analyze the Company's proposal. After a complete review of all testimony and supporting exhibits submitted by the Parties, including the direct testimony submitted by OCA witness Jerome D. Mierzwa,<sup>9</sup> I&E supports this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue; all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest. I&E believes the agreed upon Settlement terms reflect an amicable agreement among the parties.

**D. Certified Natural Gas ("CNG") Pilot Program (Joint Petition ¶¶ 16-17).**

In the Settlement, the Parties agree that UGI Gas can implement a pilot program regarding the purchase described on page 24 of the direct testimony of Jesse R. Tyahla of 1,200 Dth per day of certified natural gas from November 2022 through March 2023 at the Tennessee Station 313 receipt point in its PGC portfolio and recover the cost of the transaction from PGC customers.<sup>10</sup> The certified natural gas transaction constitutes less than 0.5% of the Company's total gas supply portfolio. UGI Gas will report the monthly cost of the certified natural gas in its 2023 PGC proceeding.

In response to the Company's CNG Pilot proposal, I&E expressed concerns.<sup>11</sup> First, I&E noted that the Company did not provide any evidence that purchasing the

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<sup>9</sup> See OCA St. No. 1, pp. 3-7.

<sup>10</sup> UGI St. No. 2, p. 24.

<sup>11</sup> See I&E St. No. 2 PROPRIETARY, pp. 2-5.

certified natural gas at a higher cost does not violate its least cost gas procurement requirements. As a result, I&E reasoned, the addition of the certified natural gas at a higher cost may not produce just and reasonable rates.<sup>12</sup> Furthermore, I&E noted no evidence was provided to show what aspect of the Company's current or anticipated gas supply portfolio would cause service to be rendered unsafe, inadequate, or unreliable without the certified natural gas in the supply mix, especially since UGI has stated that the certified natural gas is identical in all molecular and transportation respects.<sup>13</sup> Additionally, I&E reasoned there exists no federal or state law or directive at this time that provides for or requires the inclusion of certified natural gas as a portion of a natural gas distribution company's supply portfolio.<sup>14</sup> Finally, I&E concluded, without this information, it is not possible for I&E to make a determination as to whether natural gas certified by a third party organization should be included in UGI's supply portfolio.<sup>15</sup>

In rebuttal, the Company argued that I&E does not recognize that the certified natural gas transaction comports with UGI Gas's purchasing practices for non-certified supply, stating that there is no distinction for I&E to draw the conclusion that it does.<sup>16</sup> Specifically, the Company argued that I&E's concerns surrounding the use of an index-based price are unfounded.<sup>17</sup>

Ultimately, after a full and complete review of the testimony and supporting exhibits submitted by the Parties, I&E supports the settled upon term as a full and fair

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<sup>12</sup> *Id.*, pp. 3-4.

<sup>13</sup> *Id.*, p. 4. *See* UGI St. No. 2, p. 22.

<sup>14</sup> *Id.*, p. 4.

<sup>15</sup> I&E St. No. 2, pp. 4-5.

<sup>16</sup> UGI St. No. 2-R CONFIDENTIAL, p. 2.

<sup>17</sup> *Id.*

compromise that provides regulatory certainty and a resolution of this issue. Further, the CNG Pilot settlement terms represent a compromise of competing concerns. I&E recognizes that these settlement terms do not necessarily represent the position(s) that would be advanced by I&E or the other Parties in the event this proceeding were to be fully litigated. The Parties reached this compromise after lengthy negotiations and I&E believes the agreed upon Settlement terms facilitate the Commission's stated preference favoring negotiated settlements as in the public interest.

Finally, the Parties have agreed to reserve their respective rights to challenge any certified gas proposals in future proceedings.

**E. Interest Correction (Joint Petition ¶ 18).**

In the Settlement, the Parties agree that UGI Gas will make a \$259,061 accounting adjustment to correct the erroneous interest caused by the booking error described in the direct and rebuttal testimony of Kimberly M. Bassininsky<sup>18</sup> and in the Company's response to OCA-II-1.<sup>19</sup> The adjustment will be made effective December 1, 2022 in order to accurately reflect interest due to PGC customers pursuant to a correct calculation of costs pursuant to Section 1307(f)(5).

I&E did not submit testimony regarding the Company's interest correction. I&E technical staff did, however, fully analyze the Company's discovery response and rebuttal testimony. After a complete review of all testimony and supporting exhibits submitted by the Parties, I&E supports this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue; all of which

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<sup>18</sup> See UGI St. No. 1, p. 9. See also UGI St. No. 1-R, pp. 1-5.

<sup>19</sup> See UGI Exh. KMB-1R.

facilitates the Commission's stated preference favoring negotiated settlements as in the public interest. I&E believes the agreed upon Settlement terms reflect an amicable agreement among the parties.

**F. Peaking Contract RFP Modifications (Joint Petition ¶ 19).**

In the Settlement, UGI and the Parties agree, the Company will continue the three-year pilot regarding the format of its peaking contract RFPs as stated in paragraph #24 of the 2021 *Joint Petition for Settlement of Section 1307(f) Rate Investigation* at Docket No. R-2021-3025652.

I&E requested this term be included in this year's settlement to reiterate that the Company is still proceeding with the agreed upon three-year pilot regarding the format of its peaking contract RFPs. I&E supports this settled upon term and believes this term continues to reflect the amicable agreement of the parties, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

**III. STANDARDS AND FINDINGS (Joint Petition ¶¶ 20-24)**

**A. Historic Reconciliation Period (Joint Petition ¶ 21).**

In the Settlement, with respect to UGI Gas's gas purchases and gas purchasing practices during the 12-month historic reconciliation period ending March 31, 2022, the Joint Petitioners agree that UGI Gas has met the standards set forth in Section 1318 of the Public Utility Code, as required by Section 1307(f)(5) of the Public Utility Code. As a result, the Joint Petitioners request that the Commission find, pursuant to Section 1307(f)(5) of the Public Utility Code, and based upon the evidence presented by the Joint Petitioners in this case, that during the 12-month period ended March 31, 2022, UGI Gas



has pursued a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers, as required by Section 1318 of the Public Utility Code.

I&E technical fully analyzed the Company's filing, including all testimony and exhibits. I&E supports this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue; all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

**B. Projected Period (Joint Petition ¶¶ 22-24).**

In the Settlement, with respect to the 12-month period beginning December 1, 2022, the period of time during which the proposed rates would be in effect, the Joint Petitioners agree and request the Commission find that UGI Gas has satisfied each of the standards for a least cost procurement policy set forth in Section 1318 of the Public Utility Code, including the standards set forth in Sections 1318(a)(1), 1318(a)(2), 1318(a)(3), 1318(a)(4), 1318(b)(1), 1318(b)(2), and 1318(b)(3), based upon the evidence of record in this proceeding. Nevertheless, it is expressly understood and agreed that such findings, relating to the rates to become effective December 1, 2022, are made solely for the purpose of setting prospective rates and shall be subject to further review in an appropriate future proceeding. Further, this Section of the Settlement, Section III.B, is not intended to limit or prevent any party from challenging projected gas purchases that actually have been made, including those made during the interim period of April 1, 2022 through November 30, 2022 and future gas purchasing practices that have been implemented, or from reviewing whether these gas purchases and gas purchasing

practices have, in fact, complied with the standards of Section 1318, except as provided in Section II above.

Also, the Joint Petitioners agree that future examination of the gas costs relating to the period April 1, 2022 through November 30, 2022, to determine whether UGI Gas's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, shall be permitted and that the Commission's adoption of the findings under Section III.B of this Settlement shall not be construed to limit or prevent any disallowance or reduction of such costs, except as provided in Section II in the Joint Petition.

I&E technical fully analyzed the Company's filing, including all testimony and exhibits. I&E supports this settled upon term as a full and fair compromise that provides regulatory certainty and a resolution of this issue; all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest. I&E believes these agreed upon Settlement terms reflect an amicable agreement among the parties.

#### **IV. GENERAL PROVISIONS (Joint Petition ¶¶ 25-32)**

14. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and negotiations with the Company or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Parties have carefully discussed and negotiated

all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this Section 1307(f) filing complete.

15. I&E further submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all the Parties agree benefits their discrete interests and is in the public interest.

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

17. This Settlement is being presented only in the context of this Section 1307(f) proceeding to resolve certain outstanding issues in a manner that is fair and reasonable. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event

the Settlement is rejected by the Commission or otherwise properly withdrawn by any other Parties to the Settlement. Furthermore, the Settlement reflects compromises on all sides, and is presented without prejudice to the positions that any of the parties may advance in future UGI proceedings on the merits of the issues.

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

**WHEREFORE**, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement of Section 1307(f) Rates Investigation as being in the public interest and respectfully requests that Administrative Law Judge Dennis J. Buckley recommends, and the Commission approve, the terms and conditions contained in the Settlement without modification.

Respectfully submitted,



Scott B. Granger

Prosecutor

PA Attorney ID No. 63641

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120  
(717) 787-4887

Dated: August 11, 2022

# **APPENDIX C**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2022-3032242
	:	
UGI Utilities, Inc. – Gas Division	:	

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STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF SETTLEMENT

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The Office of Consumer Advocate (OCA), a signatory party to the Stipulation in Settlement of Section 1307(f) Rate Investigation (Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge (ALJ) and the Pennsylvania Public Utility Commission (Commission). The Settlement resolves all issues regarding UGI Utilities, Inc. – Gas Division’s annual reconciliation of purchased gas cost (PGC) rates. It is the OCA’s position that the proposed Settlement is in the public interest.

**I. INTRODUCTION**

On April 29, 2022, pursuant to Sections 53.64 and 53.65 of the Commission’s Rules and Regulations, UGI Utilities, Inc. – Gas Division (UGI Gas or the Company) submitted its pre-filing information in support of its annual reconciliation of purchased gas cost (PGC) rates. On May 6, 2022, the OCA filed a Notice of Appearance, Formal Complaint, and Public Statement in this matter. On June 1, 2022, the Company made its definitive filing. The filing provides for a PGC rate increase of \$0.9848 per Mcf, or a 15.69% increase, from the PGC rate that took effect

December 1, 2021. The calculated PGC rate of \$8.0136 per Mcf, effective December 1, 2022, is an increase of \$0.7521 per Mcf, or a 10.36% increase, from the current PGC rate.

The Company's filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Dennis Buckley for investigation and scheduling of hearings to determine whether the Company's gas costs comply with the standards set forth in the Public Utility Code. ALJ Buckley conducted a Prehearing Conference in this matter on June 9, 2022. On August 9, 2022, a Motion for Protective Order was filed by the Company.

As part of its investigation and analysis of the Company's filings, the OCA served discovery on the Company. On June 24, 2022, the OCA submitted the Direct Testimony of Jerome D. Mierzwa. The Joint Petitioners then engaged in settlement discussions. As a result of these discussions and the efforts of the Joint Petitioners to examine the issues raised in this proceeding, a settlement in principle was achieved prior to the date for evidentiary hearings. On July 15, 2022, the Company advised the ALJ of the settlement in principle and requested suspension of the procedural schedule and for the admission of the evidence by stipulation. As a result of the settlement in principle, the July 25, 2022, evidentiary hearing was cancelled.

For the reasons set forth below, the OCA submits that this Settlement should be accepted by the Commission as in the public interest.

## II. TERMS AND CONDITIONS OF THE SETTLEMENT

The OCA conducted an extensive review of the Company's filing and the discovery produced in this proceeding. The following discussions represent the terms of the Settlement that address the OCA's concerns in this case:

### A. Hedging Policy

The current gas market has produced substantial increases in the commodity portion of residential bills. In addition to increased pricing, the OCA has observed increased swings in PGC rates across the Commonwealth. For example, 20% swings in PGC rates when gas is selling in the three-to-four-dollar range is sixty to eighty cents. Those same gas price swings, however, become exacerbated when gas is selling in the eight-to-nine-dollar range, as it is in the current market, producing nearly two dollar swings in gas.

The OCA expressed concerns in testimony regarding this volatility in natural gas commodity prices and the impact of such price swings on customers. OCA witness Mierzwa recommended that UGI evaluate and modify, as appropriate, its current gas price hedging plan to ensure that price volatility is mitigated in the current market. OCA St. 1 at 3. He further recommended that UGI present the results of its evaluation and identify any proposed changes to its current program in its 2023 PGC proceeding pre-filing. Id. UGI agreed to hire a consultant to evaluate the performance of its hedging plan to identify areas where it can further mitigate customer exposure to significant market volatility, and it will provide the results of its analysis and any proposed modifications to its hedging plan in its 2023 PGC proceeding. Settlement ¶ C. 15. The costs for hiring the consultant will be recovered through the PGC and will be capped at \$80,000.00. Id.



This provision is a first step in efforts to reduce the negative impacts of price volatility on residential customers. UGI will examine its current hedging policy to determine where it can further mitigate risk to customers caused by natural gas commodity volatility and will report its findings to the parties in its next PGC proceeding. The OCA submits that this Settlement term is in the public interest and should be approved.

B. Other Provisions

The Settlement includes five other provisions that the OCA did not address in testimony: design day, peak day capacity supply additions, the Certified Gas Pilot Program, peaking contract RFP modifications, and an accounting adjustment made to correct erroneous interest caused by a Company booking error. The OCA reviewed these issues in the proceeding, both in testimony and discovery, and submits that these provisions reasonably resolve the concerns of the parties and are reasonable.

### III. CONCLUSION

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

Respectfully Submitted,

/s/ Lauren E. Guerra

Lauren E. Guerra

Assistant Consumer Advocate

PA Attorney I.D. # 323192

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Fax: (717) 783-7152

August 12, 2021  
333920

# **APPENDIX D**



COMMONWEALTH OF PENNSYLVANIA

August 12, 2022

**E-FILED**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division  
1307(f) Proceeding / Docket No. R-2022-3032242**

Dear Secretary Chiavetta:

The Office of Small Business Advocate (“OSBA”) submits this letter to inform the Commission that it does not oppose the *Joint Petition for Settlement of the Section 1307(f) Rate Investigation* filed by the parties in the above-captioned proceeding. The OSBA filed a Complaint in this proceeding on May 19, 2022.

As set forth in the OSBA’s June 8, 2022, prehearing memo, the OSBA reviewed the following issues set forth in the annual Purchased Gas Cost (“PGC”) Rate filing of UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”): the Company’s actual and forecast lost and unaccounted-for gas rates; Company’s capacity release/off-system sales sharing mechanism; and the Company’s design day demand forecasting and peak day capacity requirements.

The OSBA also engaged in settlement discussions with UGI Gas and the other parties. The OSBA did not identify any aspects of the issues set forth above that were unjust or unreasonable to small business customers.

Therefore, this letter serves as formal notice that the OSBA does not oppose the *Joint Petition for Settlement of the Section 1307(f) Rate Investigation* filed by the other parties.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray  
Senior Supervising  
Assistant Small Business Advocate  
Attorney I.D. No. 77538

*Enclosures*

cc: Robert D. Knecht  
Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2022-3032242</b>
	:	<b>C-2022-3032385</b>
<b>UGI Utilities, Inc. – Gas Division 1307(f)</b>	:	<b>C-2022-3032539</b>

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Dennis J. Buckley  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
400 North Street  
Commonwealth Keystone Building  
Harrisburg, PA 17120  
[debuckley@pa.gov](mailto:debuckley@pa.gov)

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DATE: August 12, 2022

/s/ Steven C. Gray

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