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File #: 200815

August 16, 2023

VIA ELECTRONIC FILING

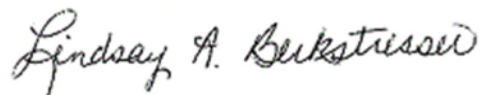
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission, et al. v. UGI Utilities, Inc. - Gas Division
Docket Nos. R-2023-3040290, et al.**

Dear Secretary Chiavetta:

Attached for filing is the Joint Petition for Settlement of Section 1307(f) Rate Investigation and the parties' 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/kl
Attachments

cc: Honorable Dennis J. Buckley (*via email; w/attachments*)
Honorable John M. Coogan (*via email; w/attachments*)
Certificate of Service

CERTIFICATE OF SERVICE

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 EMAIL

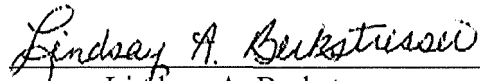
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Date: August 16, 2023


Lindsay A. Berkstresser

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2023-3040290
Office of Consumer Advocate	:	C-2023-3040778
Office of Small Business Advocate	:	C-2023-3041089
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	
1307(f) Proceeding	:	

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

TO ADMINISTRATIVE LAW JUDGES DENNIS J. BUCKLEY AND JOHN COOGAN:

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.¹

The Joint Petitioners request that Administrative Law Judge Dennis J. Buckley and John Coogan (the “ALJs”) 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, 2023, that implements, subject to updates and tariff modifications traditionally performed on December 1, the Purchased Gas Cost (“PGC”) rate of \$5.6429/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.

Statements in Support of the Settlement are attached as **Appendices A through C**.

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

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, 2023.

2. On May 1, 2023, the Company made its 30-day pre-filing (“Book 1” or “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 16, 2023, the OSBA filed a Notice of Appearance, Formal Complaint, Public Statement, and Verification in this proceeding.

4. Also on May 16, 2023, I&E filed a Notice of Appearance.

5. On May 19, 2023, the OCA filed a Notice of Appearance, Formal Complaint, and Public Statement in the Company’s PGC proceeding.

6. On June 1, 2023, the Company filed with the Commission its definitive PGC filing (“Book 2” or “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.

7. On June 5, 2023, the ALJs 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 27, 2023.

9. On July 17, 2023, the Company and OCA submitted written rebuttal testimony and exhibits.

10. On July 24, 2023, I&E submitted written surrebuttal testimony.

11. 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 24, 2023, 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.

12. Thereafter, on July 24, 2023, 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 16, 2023.

13. On August 10, 2023, UGI Gas filed a Motion for Protective Order.

14. On August 11, 2023, 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.

II. TERMS OF SETTLEMENT

A. DESIGN DAY

15. The Joint Petitioners agree that UGI Gas will be permitted to use a design day figure of 2.297 BCF, which includes 2.239 BCF of design cold firm requirements and 0.058 BCF of capacity reserves for the Company's firm core market (PGC and Choice Customer markets) needs, as discussed in Section V of the direct testimony of Jesse R. Tyahla.

B. PEAK DAY CAPACITY SUPPLY ADDITIONS

16. The Joint Petitioners agree that in order to address its total peak day capacity supply shortfall needs, UGI Gas will accept two winning bids, as recommended in Section VI(B) of the direct testimony of Jesse R. Tyahla. The first accepted bid, from UGI Energy Services (“UGIES”), will provide 31,202 dth/day of delivered supply on Texas Eastern Transmission, L.P. (“Texas Eastern”) from December 1, 2023, through March 31, 2024. The second accepted bid, from Supplier A, will provide a capacity release asset management agreement for 31,202 dth/day from November 1, 2024, through October 31, 2029, with delivery on Texas Eastern.

C. RATE LARGE FIRM DELIVERY (“LFD”) CUSTOMER CAPACITY COST BILLING

17. The Joint Petitioners agree that beginning on April 1, 2024, UGI Gas will directly bill LFD customers for the cost of elected capacity from UGI Gas on the UGI Gas LFD customer bill, as recommended in Section XIII of the direct testimony of Jesse R. Tyahla.

D. TARIFF LANGUAGE CHANGES

18. UGI Gas will adopt the tariff changes as proposed in Book 2 of the Company’s June 1, 2023 filing.

E. 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.

F. HEDGING POLICY

20. The Joint Petitioners agree that UGI Gas will investigate price-trigger driven hedge activities and provide a report in the 2024 PGC on whether to incorporate price-trigger driven hedging into the Company’s hedging policy. As part of this investigation, UGI Gas may retain a

consultant. The costs for hiring the consultant will be recovered through the PGC and will be capped at \$35,000.

G. QUARTERLY ADJUSTMENT METHODOLOGY (“QAM”)

21. The Joint Petitioners agree that UGI Gas will revise its tariff language on page No. 52, in the section entitled “Quarterly Adjustments” to read as follows:

When making the December 1, March 1, June 1 and September 1 quarterly C-factor adjustments, the Company will refund or recover all actual and projected incremental over or under collections from December 1 through November 30 over either remaining PGC year sales volumes or annual PGC year sales volumes, however the March 1 adjustment for projected over or under collections shall only utilize the remaining PGC year sales volumes. Any quarterly PGC rate change on December 1, March 1 and June 1 will be capped at 25% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. Any quarterly PGC rate change on September 1 will be capped at 15% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. The Company is authorized, at its sole discretion, to waive the quarterly cap on rate decreases only.

22. Additionally, the Company will perform a side-by-side analysis of the methods identified in UGI Gas Statement No. 3, the direct testimony of Tracy A. Hazenstab, as QAM1 and QAM2 for a period of three years. The analysis will show the comparative PGC rate change that would result under both methods for each quarterly rate change. The analysis will include a comparison of end-of-PGC-year e-factor over and under collections for QAM1 compared to QAM2. At the conclusion of the analysis, as part of the Company’s 2027 PGC filing, the Company will propose criteria for use in determining when QAM1 and QAM2 will be used prospectively to calculate the PGC rate change.

III. STANDARDS AND FINDINGS

23. 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, 2023. The proposed rates are intended to become effective December 1, 2023.

A. HISTORIC RECONCILIATION PERIOD STANDARDS

24. With respect to UGI Gas's gas purchases and gas purchasing practices during the 12-month historic reconciliation period ending March 31, 2023, 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, 2023, 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 2:²

- 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, and UGI Gas Exhibit 2, UGI Gas Statement No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.

² UGI Gas Exhibit 1 and 2 are fully described in the Joint Stipulation for Admission of Evidence, which was filed on August 11, 2023.

- 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, and UGI Gas Exhibit 2, UGI Gas Statement No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.
- 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, UGI Gas Exhibit 2, UGI Gas Statement No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.
- 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.
- 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, UGI Gas Exhibit 2, UGI Gas Statement No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.
- g) Calculation of 2023 PGC Rates:
 - i) UGI Gas Exhibit 2, Schedule A – Computation of Purchased Gas Cost Rate effective December 1, 2023;
 - ii) UGI Gas Exhibit 2, Schedule B (page 1) – Development of Projected Cost of Gas (C-factor);

- iii) UGI Gas Exhibit 2, Schedule B (pages 2-13) – Projected Supply Volumes, Rates, Costs April 2023 through November 2023;
- iv) UGI Gas Exhibit 2, Schedule C – Development of Experienced Cost of Gas (E-factor);
- v) UGI Gas Exhibit 2, 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 UGI Gas Exhibit 2, UGI Gas Statement No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.

B. PROJECTED PERIOD FINDINGS

25. With respect to the 12-month period beginning December 1, 2023, 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, 2023, 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, 2023 through November 30, 2023 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.

26. If in an appropriate future proceeding gas purchases and gas purchasing practices relating to the period December 1, 2023 through November 30, 2024 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, 2023, except as provided in Section II above.

27. The Joint Petitioners also agree that future examination of the gas costs relating to the period April 1, 2023 through November 30, 2023, 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

28. 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, 2023, 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.

29. If the Commission modifies or does not approve this Settlement and the proceeding continues to a 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.

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

31. 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.

32. 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.

33. 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.

34. 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, 2023.

35. 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 Judges Dennis J. Buckley and John Coogan 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, 2023, 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, 2023; and

5. That the Commission mark closed its inquiry and investigation at Docket Nos. R-2023-3040290, C-2023-3040778, and C-2023-3041089.

Respectfully submitted,

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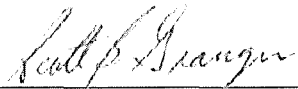
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Counsel for the Office of Consumer Advocate

APPENDIX A

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2023-3040290
Office of Consumer Advocate	:	C-2023-3040778
Office of Small Business Advocate	:	C-2023-3041089
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	
1307(f) Proceeding	:	

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

TO ADMINISTRATIVE LAW JUDGES DENNIS J. BUCKLEY AND JOHN COOGAN:

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”), and the Office of Consumer Advocate (“OCA”) (hereinafter collectively referred to as the “Joint Petitioners”).¹ 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, the rebuttal testimony of UGI Gas

¹ The Office of Small Business Advocate did not submit testimony in this proceeding. As indicated in the Settlement, OSBA does not oppose the Settlement.

and OCA, and the surrebuttal testimony of I&E. 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 2.297 BCF. (UGI Gas St. 2, p. 9). This peak-day demand reflects 2.239 BCF of design-cold firm requirements and 0.058 BCF of capacity reserve requirements. The Company's methodology for developing the firm peak-day demand, and its associated capacity needs, is fully described in Section V of the direct testimony of Jesse R. Tyahla.

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 ¶ 15). 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, p. 11). 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. 11). 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 any identified capacity shortfalls for the upcoming winter. (UGI Gas St. 2, pp. 11-12, 18-19). In order to address the shortfall identified by the Company's analysis, 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. The first accepted bid, from UGI Energy Services ("UGIES"), will provide 31,202 dth/day of delivered supply on Texas Eastern Transmission, L.P. ("Texas Eastern") from December 1, 2023, through March 31, 2024. The second accepted bid, from Supplier A, will provide a capacity release asset management agreement for 31,202 dth/day from November 1, 2024, through October 31, 2029, with delivery on Texas Eastern. (UGI Gas St. 2, p. 20).

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 ¶ 16). 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 2023-2024 winter and provides a long term capacity solution that will be needed in future years. (UGI Gas St. 2, pp. 18-19). The requested additions to UGI Gas's supply portfolio will enable UGI Gas to continue providing reliable and continuous service through the 2023-2024 winter by addressing the projected capacity shortfall and secures a lower cost long-term option that will become available after the 2023-2024 winter to serve the same capacity needs in years beyond the upcoming winter. Therefore, the Settlement term is in the public interest and should be approved.

C. RATE LARGE FIRM DELIVERY (“LFD”) CUSTOMER CAPACITY COST BILLING

Pursuant to UGI Gas’s current billing practice, for an LFD customer that elects to receive UGI Gas capacity, the capacity is released to the customer’s natural gas supplier (“NGS”) at the UGI Gas calculated Weighted Average Cost of Demand (“WACOD”) rate.² LFD customers are not directly charged by UGI Gas for the elected capacity. Rather, it is up to the NGS serving the LFD customer to recover the released capacity costs. (UGI Gas St. 2, pp. 41-42). In the Commission-approved settlement of UGI Gas’s base rate proceeding at Docket No. R-2021-3030218, UGI Gas agreed to propose a plan to transition recovery of capacity costs directly from LFD customers on their UGI Gas bill.³

In its direct testimony and in accordance with its settlement obligation, UGI Gas proposed to modify its current billing practice for LFD customers. Specifically, UGI Gas proposed to transition LFD customers who elect capacity from UGI Gas to have the cost of the elected capacity billed directly on the UGI Gas bill as a separate line item, rather than being billed by the NGS via the WACOD. (UGI Gas St. 2, p. 42). UGI Gas communicated this change to LFD customers via correspondence to their contacts of record, as well as communicating the change to NGSs. UGI Gas’s dedicated transportation customer representatives will respond to any follow-up inquiries from LFD customers. UGI Gas proposed to make the change effective on April 1, 2024, to allow sufficient time for the transition. (UGI Gas St. 2, pp. 42-43). UGI Gas expects that the costs to implement this billing change will be minimal. (UGI Gas St. 2, p. 42).

² WACOD is calculated pursuant to Commission Order, as modified in Docket No. R-2018-3006814 (Order entered Oct. 4, 2019).

³ See September 15, 2022 Order approving Joint Petition for Approval of Settlement of All Issues at Docket No. R-2021-3030218.

No party to this proceeding challenged UGI Gas's proposal. In Settlement, the Joint Petitioners agreed to accept UGI Gas's proposal for billing LFD customer capacity costs. (Settlement ¶ 17). Specifically, the Settlement provides:

The Joint Petitioners agree that beginning on April 1, 2024, UGI Gas will directly bill LFD customers for the cost of elected capacity from UGI Gas on the UGI Gas LFD customer bill, as recommended in Section XIII of the direct testimony of Jesse R. Tyahla.

(Settlement ¶ 17). Billing for LFD customer capacity in the manner agreed to in the Settlement will increase transparency for LFD customers since the charge for the released capacity will be billed directly on the LFD customer's UGI Gas bill, and NGSs will no longer be responsible for recovering this cost from the LFD customers. Accordingly, UGI Gas's proposed change to the billing practice for LFD customers is in the public interest and should be approved.

D. TARIFF LANGUAGE CHANGES

UGI Gas proposed several tariff modifications in this proceeding. No party to this proceeding challenged the proposed tariff provisions.⁴ In the Settlement, the Joint Petitioners agreed that UGI Gas's proposed tariff changes would be adopted. (Settlement ¶ 18). As explained herein, the tariff modifications are in the public interest and should be approved.

1. Asset Management

An Asset Management Agreement ("AMA") is an agreement in which the firm owner of interstate pipeline capacity or storage assets releases those rights to an asset manager in exchange for a fee. (UGI Gas St. 2, pp. 20-21). UGI Gas operates a revenue incentive sharing mechanism ("RISM") by which the administrative fee paid by an asset manager is shared between UGI Gas

⁴ The tariff changes related to the Quarterly Adjustment Methodology or "QAM" are described below in Section G. The tariff also updates the annual C-Factor, the annual E-Factor, the total PGC rate, the Merchant Function Charge, and the Price-to-Compare. The PGC rate changes are described in the direct testimony of UGI Gas witness Bassininsky, UGI St. 1, pp. 3-10.

and PGC customers. Specifically, 75% of the fee is credited to the PGC and 25% is retained by UGI Gas. (UGI Gas St. 2, p. 21). This arrangement enables PGC customers to experience reduced PGC costs compared to the costs that would have otherwise been experienced without the AMA.

As explained in the direct testimony of UGI Gas witness Tyahla, the Company identified 10,000 dth of Transco FT capacity to release subject to the RISM. The Transco release ran from November 1, 2022, to March 31, 2023, and successfully resulted in lower costs for PGC customers without sacrificing quality of service. (UGI Gas St. 2, pp. 21-22). The Company entered into a second Transco AMA for 10,000 dth per day from May 1, 2023, through March 31, 2024. (UGI Gas St. 2, pp. 22-23). The Transco AMAs resulted in \$11,916,000.00 being credited to PGC customers through the RISM. (UGI Gas St. 2, p. 23).

As a result of the Transco FT AMAs, UGI Gas identified that the section of its tariff currently entitled “Storage Asset Management” needed to be modified to strike the word “storage.” See Supplement No. 30 to UGI Gas – Pa. P.U.C. No. 7, page 51. The language of the tariff broadly describes third-party management of “gas supply assets,” and does not limit the management to storage assets. By striking the word “storage,” the tariff is clearer regarding what types of transactions can be used to benefit PGC customers. UGI Gas proposes to make the same change to the paragraph in its tariff entitled “Revenue Sharing Allocation.” (UGI Gas St. 2, p. 23). UGI Gas’s proposed tariff change is in the public interest and should be approved because it clarifies that transactions involving the third-party management of gas supply assets, not just storage assets, are subject to the RISM, and therefore PGC customers are credited 75% of the fees received from these transactions. (UGI Gas St. 2, p. 21).

2. Peak Day Allocation Percentages

UGI Gas proposed to change its Choice Supplier tariff to update the peak day allocation percentages, which represent the portion of the Company’s supply portfolio that is provided to

NGSs serving Choice customers. (UGI Gas St. 2, p. 25). The peak day allocation is updated periodically, and this change reflects the appropriate pro-rata shares of the 2023-24 supply portfolio. (UGI Gas Ex. 1, Attachment 14-1). This change is necessary because UGI Gas acts as the capacity planner for its Core Market Customers, which includes both PGC and Choice customers, as well as certain non-Choice customers. In this role, UGI Gas maintains a portfolio designed to meet the design-firm requirements for all Core Market Customers. NGSs serving Choice customers receive an allocation of the Company's firm transportation capacity, delivered supply, storage supplies, and peaking supplies. (UGI Gas St. 2, p. 26). Approval of the updates to the peak day allocations is in the public interest because it is consistent with UGI Gas's obligation to maintain sufficient capacity to meet the design day needs of its Core Market Customers, which includes Choice customers being served by an NGS.

E. 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. 15).

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.⁵ 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.

F. HEDGING POLICY

In its direct testimony, UGI Gas presented a review of its hedging policy as required by the Commission-approved Settlement of the Company's 2022 PGC case.⁶ As part of this review, UGI Gas proposed to make certain modifications to its hedging policy. (UGI Gas St. 2, pp. 34-41). OCA witness Mierzwa testified that the Company's proposals with respect to its hedging policy were reasonable but recommended that the Company report on time periods and conditions during which futures and market prices are generally lower for consideration as part of the hedging program. (OCA St. 1, pp. 3-4).

In the Settlement, the Joint Petitioners agreed that UGI Gas will investigate price-trigger driven hedge activities and provide a report in the 2024 PGC on whether to incorporate price-trigger driven hedging into the Company's hedging policy. (Settlement ¶ 20). An investigation into potential price-trigger driven hedge activities is in the public interest because it will assist UGI

⁵ See *UGI Gas Statement in Support of Settlement*, Section E., Docket No. R-2021-3025652 (August 25, 2021).

⁶ See *Joint Petition for Settlement of Section 1307(f) Rate Investigation*, Docket No. R-2022-3032242 (Order entered Sept. 9, 2022).

Gas and interested parties in determining whether any changes should be made to the Company's existing hedging policy to incorporate price-trigger driven activities. Examining potential enhancements to UGI Gas's hedging program has the potential to benefit customers by further mitigating price volatility and supports UGI Gas's objective of implementing a least cost procurement strategy that seeks to minimize total costs to its customers.

The Settlement further provides that UGI Gas may retain a consultant to conduct the investigation, the costs for which will be capped at \$35,000 and recovered through the PGC. (Settlement ¶ 20). The 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 incorporating price-trigger driven activities into the hedging policy could provide customers with enhanced mitigation against price volatility. 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.

G. QUARTERLY ADJUSTMENT METHODOLOGY ("QAM")

In its direct testimony, UGI Gas witness Hazenstab presented the Company's analysis of two different methodologies for calculating the quarterly PGC rate adjustment, which are referred to as "QAM 1" and "QAM 2," consistent with the Company's obligation under the terms of the Commission-approved Settlement of the Company's 2019 PGC case.⁷ The use of QAM 1 was

⁷ See *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2019-3009647 (Order entered Oct. 22, 2019).

previously approved in the Company's 2017 PGC proceeding⁸ and permits the Company to utilize quarterly C-Factor adjustments to recover actual experienced over/under collections on an annual basis and projected over/under collections on either an annual basis (over a sales volume defined by annual sales) or on a remaining life basis (over the remaining portion of the PGC year). (UGI Gas St. 3, p. 2). Quarterly rate adjustments are capped at 15.0% for September 1, 25.0% for December 1, 25.0% for March 1, and 25.0% for June 1. (UGI Gas St. 3, p. 2). QAM 2 permits the Company to utilize quarterly C-Factor adjustments to recover actual and projected over/under collections for incurred and remaining months of the PGC period on only a remaining life basis for quarterly calculations made December 1, March 1, and June 1. For the September 1 quarterly C-Factor adjustment, the calculation is made using the six months of sales volumes between June and November. Each quarterly adjustment is then capped at 25.0% of the then-current PGC rate. (UGI Gas St. 3, pp. 2-3).

Based on the results of its analysis, UGI Gas recommended that the Company continue to use QAM 1. QAM 1 provides the Company with the option of using either annual PGC sales volumes or remaining life sales volumes for projected over/under collections in order to best manage PGC rate volatility. (UGI Gas St. 3, p. 4). On the other hand, QAM 2 is more restrictive and results in more significant rate swings with each quarterly update. (UGI Gas St. 3, p. 4; UGI Gas Ex. TAH-2). The Company also proposed that it be authorized to waive, in its sole discretion, the quarterly caps on rate decreases only. (UGI Gas St. No. 3, p. 8; UGI Gas Ex. 1 (UGI Gas tariff page 52)).

OCA supported the Company's recommended use of QAM 1 based on the fact that it provides for greater rate stability and reduced rate volatility as compared to QAM 2. (OCA St. 1,

⁸ See *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. 2018-3001631 (Order entered Oct. 25, 2018).

pp. 5-6). OCA witness Mierzwa testified that QAM 1 is the preferred approach in terms of rate predictability and understandability. (OCA St. 1-R, p. 6). I&E opposed the continued use of QAM 1, and instead, recommended that the Company implement QAM 2. I&E witness Keller testified that QAM 1 results in a larger E-factor. (I&E St. 1, pp. 15-16). In response to I&E, OCA witness Mierzwa testified that the difference between the two methodologies in terms of the resulting E-factor was minimal. (OCA St. 1-R, pp. 6-7). Moreover, as UGI Gas witness Hazenstab explained, the E-factor is calculated on an annual basis because there is an ongoing need to reconcile the variation between projected gas costs and actual gas costs and recoveries as a result of weather, consumption patterns, and fluctuations in the market. (UGI Gas St. 3, pp. 3-4).

In the Settlement the Joint Petitioners agreed as follows:

21. The Joint Petitioners agree that UGI Gas will revise its tariff language on page No. 52, in the section entitled "Quarterly Adjustments" to read as follows:

When making the December 1, March 1, June 1 and September 1 quarterly C-factor adjustments, the Company will refund or recover all actual and projected incremental over or under collections from December 1 through November 30 over either remaining PGC year sales volumes or annual PGC year sales volumes, however the March 1 adjustment for projected over or under collections shall only utilize the remaining PGC year sales volumes. Any quarterly PGC rate change on December 1, March 1 and June 1 will be capped at 25% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. Any quarterly PGC rate change on September 1 will be capped at 15% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. The Company is authorized, at its sole discretion, to waive the quarterly cap on rate decreases only.

22. Additionally, the Company will perform a side-by-side analysis of the methods identified in UGI Gas Statement No. 3, the direct testimony of Tracy A. Hazenstab, as QAM1 and QAM2 for a period of three years. The analysis will show the comparative PGC rate change that would result under both methods for each quarterly rate change. The analysis will include a comparison of end-of-PGC-

year e-factor over and under collections for QAM1 compared to QAM2. At the conclusion of the analysis, as part of the Company's 2027 PGC filing, the Company will propose criteria for use in determining when QAM1 and QAM2 will be used prospectively to calculate the PGC rate change.

(Settlement ¶¶ 21, 22).

The Settlement largely maintains the QAM 1 methodology but provides that the March 1 adjustment for projected over or under collections shall only utilize the remaining PGC year sales volumes. (Settlement ¶ 21). These Settlement terms represent a balanced compromise between the positions of UGI Gas, OCA, and I&E. The Settlement is beneficial to customers and the public interest. Customers will benefit from the more predictable and gradual rate changes that result from using QAM 1 as opposed to the more volatile nature of QAM 2. The quarterly calculation methodology agreed to in the Settlement is also consistent with the concept of gradualism, which is a key ratemaking consideration. (UGI Gas St. 3, p. 6). UGI Gas's commitment to conduct a side-by-side analysis of QAM 1 and QAM 2 for a period of three years will provide the Company and interested parties with beneficial information for determining how the quarterly adjustments should be calculated in the future and how the different methodologies impact the E-factor. Finally, enabling the Company to waive quarterly caps on rate decreases is in customers' best interest because it will allow the Company flexibility to reduce rates beyond the quarterly caps in periods of rapid price reductions, which results in potential over collections being returned to customers in a shorter timeframe. (UGI Gas St. 3, p. 8). For these reasons, the Settlement terms are in the public interest and should be approved.

II. CONCLUSION

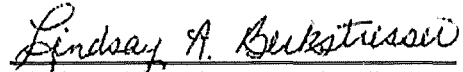
As explained above, the Settlement is in the public interest and should be approved. The Settlement was achieved only after considerable investigation of the Company's gas procurement practices, through both discovery and the submission of testimony. The Settlement, if approved

by the Administrative Law Judges 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 respectfully requests that Administrative Law Judges Dennis J. Buckley and John Coogan and the Commission approve the Settlement without modification.

Respectfully submitted,



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Attorneys for UGI Utilities, Inc. – Gas Division

Date: August 16, 2023

APPENDIX B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2023-3040290
	:	
UGI Utilities, Inc. - Gas Division	:	
1307(f) Purchased Gas Costs	:	

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

**TO: ADMINISTRATIVE LAW JUDGES DENNIS J. BUCKLEY AND
JOHN M. COOGAN:**

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 2023 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 Judges Dennis J. Buckley and John M. Coogan ("the ALJs") 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 one NGDC, UGI Gas.¹

2. On May 1, 2023, pursuant to 52 Pa. Code Sections 53.64 and 53.65 of the Commission's Rules and Regulations and Section 1307 of the Public Utility Code,² UGI Gas submitted its pre-filing information in support of its annual reconciliation of its purchased gas cost ("2023 UGI PGC Book 1") tariffs.

3. On May 16, 2023, the OSBA filed its Notice of Appearance, Formal Complaint and Public Statement.

4. On May 16, 2023, I&E filed its Notice of Appearance.

5. On May 19, 2023, the OCA filed a Notice of Appearance, a Formal Complaint, and a Public Statements.

¹ *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).

² 66 Pa. C.S. § 1307(f).

6. On June 1, 2023, pursuant to 66 Pa. C.S. Section 1307(f) and 52 Pa. Code Section 53.64(a), UGI Gas submitted its definitive PGC filing (“2023 UGI PGC 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, 2023) and its supporting written direct testimony and exhibits.

7. On June 5, 2023, the ALJs 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 one (1) I&E witness addressing the subjects of C-factor quarterly adjustments; E-factor reconciliation; and quarterly PGC rate changes:

- I&E Statement No. 1 (PROPRIETARY and Non-Proprietary) and I&E Exhibit No. 1 (PROPRIETARY and Non-Proprietary), the Direct Testimony and supporting Exhibit of Christopher Keller.
- I&E Statement No. 1-SR, the surrebuttal testimony of Christopher Keller.

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 evidentiary hearing, which was scheduled for July 27, 2023, 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.”³ 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.”⁴

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

³ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

⁴ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

A. Design Day (Joint Petition ¶ 15).

In the Settlement, UGI and the Parties agree the Company will be permitted to use a design day figure of 2.297 BCF, which includes 2.239 BCF of design cold firm requirements and 0.058 BCF of capacity reserves.

UGI Gas witness Jesse Tyahla detailed the Company's calculation of the Company's projected firm peak-day demand for the upcoming 2023-2024 winter season.⁵ 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 2023-2024 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."⁶

I&E did not submit testimony regarding the design day and firm peak day demand. 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 it 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. Capacity Supply Additions (Joint Petition ¶ 16).

In the Settlement, UGI and the Parties agree, in order to address its total capacity supply shortfall needs, UGI Gas will accept two winning bids. The first accepted bid,

⁵ UGI St. No. 2, pp. 9-12.

⁶ *Id.*, p. 10.

from UGI Energy Services, will provide 31,202 dth/day from December 1, 2023, through March 31, 2024, with delivery on Texas Eastern Transmission, L.P. The second accepted bid, from Supplier A, will provide a capacity release asset management agreement for 31,202 dth/day from November 1, 2024, through October 31, 2029, with delivery on Texas Eastern.

Again, UGI witness Jesse Tyahla detailed the Company's position regarding its capacity supply shortfall contracts.⁷

I&E did not submit testimony regarding the Company's capacity supply shortfall contracts. I&E technical staff did, however, fully analyze the Company's proposal as discussed by UGI witness Tyahla. And, after a complete review of all testimony and supporting exhibits submitted by the Parties, I&E supports this settled upon term as it 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.

C. Rate LFD Customer Capacity Cost Billing (Joint Petition ¶ 17).

In the Settlement, the parties agreed that beginning on April 1, 2024, UGI Gas will directly bill LFD customers for the cost of elected capacity from UGI Gas on the UGI Gas LFD customer bill.

UGI witness Tyahla discussed the Rate LFD billing issue⁸ and stated the Company proposed that as of April 1, 2024, the Company will transition LFD customers who elect capacity from UGI Gas to have the cost of the elected capacity billed directly on the UGI Gas LFD customer bill rather than being billed through the NGS via capacity release

⁷ UGI St. No. 2, p. 20.

⁸ *Id.*, pp. 41-43.

charges.⁹ UGI added, “the primary impact of the proposal is to modify the bills of those LFD customers who currently elect capacity from UGI Gas in order to include the WACOD capacity charges from UGI Gas on the customer bill, rather than those charges being billed to the customer through the NGSs serving those customers.”¹⁰ Further, UGI noted “the cost to UGI Gas of implementing this bill adjustment is anticipated to be minimal.”¹¹

I&E did not submit testimony regarding Rate LFD customer cost billing. 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 it 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.

D. Tariff Language Changes (Joint Petition ¶ 18).

In the Settlement, the parties agreed that UGI Gas will adopt the tariff changes as proposed in Book 2 of the Company’s June 1, 2023 filing.

2023 UGI PGC Book 2 contained *pro forma* Tariff Addendums to both UGI Gas – Pa. P.U.C. No. 7 and UGI Gas – Pa. P.U.C. No. 7S.¹² UGI witness Bassininsky sponsored the *pro forma* tariff addendums.¹³

I&E did not submit testimony regarding the proposed tariff language changes. I&E technical staff did, however, fully analyze the Company’s filing. And, after a

⁹ *Id.*, p. 42.

¹⁰ *Id.*, p. 43.

¹¹ *Id.*

¹² 2023 UGI PGC Book 2, pp. 29-36.

¹³ *See* UGI St. No. 1, pp. 2-3.

complete review of all testimony and supporting exhibits submitted by the Parties, I&E supports these settled upon terms as they provide regulatory certainty and a resolution of the issues, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

E. Peaking Contract RFP Modifications (Joint Petition ¶ 19).

In the Settlement, UGI and the parties 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.

This term is 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 as it continues to reflect the amicable agreement of the parties in a past settlement, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

F. Hedging Policy (Joint Petition ¶ 20).

In the Settlement, the parties agree that UGI Gas will investigate price-trigger driven hedge activities and provide a report in the 2024 PGC on whether to incorporate price-trigger driven hedging into the Company's hedging policy. As part of this investigation, UGI Gas may retain a consultant. The costs for hiring the consultant will be recovered through the PGC and will be capped at \$35,000.

As noted by UGI witness Tyahla, the Company made certain commitments regarding its hedging program in the 2022 PGC at Docket No. R-2022-3032242.¹⁴ UGI noted that “in November 2022, UGI Gas issued an RFP seeking a consultant capable of analyzing the Company’s hedging plan and providing recommendations. UGI Gas received bids from nine consultant firms. UGI Gas selected Gelber & Associates Corp. (“Gelber”) to conduct the review and prepare a study.”¹⁵ UGI added that Gelber made a number of recommendations relating to UGI’s hedging program.¹⁶

OCA witness Jerome Mierzwa submitted testimony regard the Company’s hedging program¹⁷ wherein Mr. Mierzwa recommended that several of Gelber’s recommendations (wholly, partially, or in modified form) be adopted by UGI.¹⁸

I&E did not submit testimony regarding the Company’s hedging policy. I&E technical staff did, however, fully analyze the Company’s testimony, the Gelber recommendations, and Mr. Mierzwa’s 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 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.

¹⁴ UGI St. No. 2, p. 34.

¹⁵ *Id.*, pp. 34-35.

¹⁶ *Id.*, p. 35.

¹⁷ *See* OCA St. No. 1 CONFIDENTIAL, pp. 4-9.

¹⁸ *Id.*, pp. 7-9.

G. Quarterly Adjustment Methodology (Joint Petition ¶¶ 21-22).

In the Settlement, UGI and the Parties agree, UGI Gas will revise its tariff language on page No. 52, in the section entitled “Quarterly Adjustments” to read as follows:

When making the December 1, March 1, June 1 and September 1 quarterly C-factor adjustments, the Company will refund or recover all actual and projected incremental over or under collections from December 1 through November 30 over either remaining PGC year sales volumes or annual PGC year sales volumes, however the March 1 adjustment for projected over or under collections shall only utilize the remaining PGC year sales volumes. Any quarterly PGC rate change on December 1, March 1 and June 1 will be capped at 25% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. Any quarterly PGC rate change on September 1 will be capped at 15% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. The Company is authorized, at its sole discretion, to waive the quarterly cap on rate decreases only.

Additionally, the Company will perform a side-by-side analysis of QAM1 and QAM2 for a period of three years. The analysis will show the comparative PGC rate change that would result under both methods for each quarterly rate change. The analysis will include a comparison of end-of-PGC-year e-factor over and under collections for QAM1 compared to QAM2. At the conclusion of the analysis, as part of the Company’s 2027 PGC filing, the Company will propose criteria for use in determining when QAM1 and QAM2 will be used prospectively to calculate the PGC rate change.

To provide some background on this issue, as part of the 2019 1307(f) proceeding settlement agreement,¹⁹ UGI and the Parties agreed that UGI Gas would conduct a three-year side by side analysis of the use of Quarterly Adjustment Methodologies (“QAM”) comparing the results of using the QAM 1 (annual sales) and QAM 2 (remaining life /truncation) methods and the resulting impacts on the E-factor. The Company agreed to provide the results of that study and a recommendation in this UGI 1307(f) proceeding filed on June 1, 2023.²⁰

As agreed, UGI provided a quarterly analysis of its preferred method of using either annual sales or remaining life (QAM 1) and I&E’s preferred method of remaining life (QAM 2) in calculating the quarterly PGC rate from December 2019 through March 2023.²¹ I&E reviewed the data and analysis provided by UGI,²² and raised several concerns. I&E noted, first, the PGC paid each quarter in the Company’s analysis is flawed as it assumes that customer usage is the same every month.²³ Second, the Company used time periods in its example demonstrating the impact of the increase in the PGC rate between the two methodologies which do not provide an accurate picture.²⁴ And, third, the Company’s analysis demonstrates that its preferred methodology does not address the issues with the E-factor as previously raised by both I&E and the Commission in prior proceedings.²⁵

¹⁹ See Docket No. R-2019-3009647, Joint Petition for Settlement (“2019 Settlement”).

²⁰ 2019 Settlement, p. 5.

²¹ See I&E St. No. 1 PROPRIETARY, pp. 10-11, *citing* UGI Exhibit TAH-2.

²² See I&E St. No. 1 PROPRIETARY, pp. 8-20; I&E St. No. 1-SR, pp. 1-15.

²³ *Id.*, pp. 11-12.

²⁴ *Id.*, pp. 13-14.

²⁵ *Id.*, pp. 15-17.

In response to I&E direct, both the Company's witness, Hazenstab, and the OCA's witness, Mierzwa, submitted rebuttal testimony. Ms. Hazenstab argued that UGI changed its methodology in response to the Commission's Order in National Fuel Gas' (NFG) 2017 PGC proceeding where the Commission ordered NFG to stop using the remaining life method due to volatility issues; and, that I&E's recommended methodology will result in more volatility in rates and would require the Commission to overturn the precedent set in the NFG Order.²⁶ Mr. Mierzwa argued that [I&E's] recommendation to use remaining life would result in greater rate volatility.²⁷ Mr. Mierzwa stated that while the Company's method resulted in higher rates in the annual December 1 filings as well as a higher E-Factor and interest charges, the difference for each was immaterial and it was outweighed by the concept of rate stability that is addressed in the Company's method.²⁸ Mr. Mierzwa also stated that customers received a net interest refund over the last four years.²⁹ Finally, Mr. Mierzwa stated that the Company operates a hedging program that provides rate stability and reduces rate volatility.³⁰

Ultimately, after a complete review of the testimony and supporting exhibits submitted by the Parties and extensive settlement negotiations, I&E supports the settled upon terms as a full and fair compromise that provides regulatory certainty and path towards a resolution of this issue. 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

²⁶ UGI St. No. 3-R, pp. 2-4.

²⁷ See I&E St. No. 1-SR, p. 3, *citing* OCA St. No. 1R, pp. 6-7.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

in the event this issue 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.

III. STANDARDS AND FINDINGS (Joint Petition ¶¶ 23-27).

A. Historic Reconciliation Period (Joint Petition ¶ 24).

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, 2023, 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, 2023, 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 staff fully analyzed the Company's filing, including all testimony and exhibits. I&E supports this settlement term as it provides regulatory certainty and a resolution of the issues; all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

B. Projected Period (Joint Petition ¶¶ 25-27).

In the Settlement, with respect to the 12-month period beginning December 1, 2023, 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, 2023, 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, 2023 through November 30, 2023 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 of the Joint Petition.

Also, the Joint Petitioners agree that future examination of the gas costs relating to the period April 1, 2023 through November 30, 2023, 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 of the Joint Petition.

I&E technical staff fully analyzed the Company's filing, including all testimony and exhibits. I&E supports this settlement term as it provides regulatory certainty and a resolution of the issues; 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 ¶¶ 28-35).

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 the ALJ

in his Recommended Decision. Further, I&E does not waive the right to file Replies in the event any other 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 Judges Dennis J. Buckley and John M. Coogan recommend, and the Commission approves, the terms and conditions contained in the Settlement without modification.

Respectfully submitted,



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Dated: August 16, 2023

APPENDIX C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2023-3040290
	:	
UGI Utilities, Inc. – Gas Division	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for 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 Judges (ALJs) 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 May 1, 2023, 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 19, 2023, the OCA filed a Notice of Appearance, Formal Complaint, and Public Statement in this matter. On June 1, 2023, the Company made its definitive filing.

The Company’s filing was assigned to Administrative Law Judge Dennis J. Buckley and Administrative Law Judge John Coogan 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.

As part of its investigation and analysis of the Company's filings, the OCA served discovery on the Company. On June 27, 2023, the OCA submitted the Direct Testimony of Jerome D. Mierzwa.

The Joint Petitioners¹ 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 24, 2023, the Company advised the ALJs of the settlement in principle and requested suspension of the procedural schedule and for the admission of the evidence by stipulation. Subsequently, on July 24, 2023, the ALJs 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, along with statements in support, by the scheduled Reply Brief due date of August 16, 2023. On August 11, 2023, the Joint Petitioners filed a Joint Stipulation for Admission of Evidence, with accompanying signed verifications of the witnesses, to admit the testimony and exhibits into the record.

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 recent gas market has produced substantial volatility in the commodity portion of residential bills. The OCA expressed concerns in testimony regarding this volatility in natural gas

¹ Joint Petitioners are UGI Utilities, Inc. – Gas Division (UGI), Office of Consumer Advocate (OCA), and the Bureau of Investigation and Enforcement (I&E).

commodity prices and the impact of such price swings on customers. As stated by OCA witness Jerry Mierzwa, “In the settlement approved by the Commission in UGI’s 2022 PGC proceeding at Docket No. R-2022-3032242, the Company agreed to 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 price volatility.” OCA St. 1 at 3. As explained by OCA witness Mierzwa, in this proceeding, the Company presented the report prepared by the consultant hired to evaluate its hedging program. OCA St. 1 at 3-4. The consultant’s report included 10 recommendations which are further discussed in my testimony. *Id.* UGI proposes to adopt two of the recommendations in whole, five of the recommendations in part, and does not plan to adopt three of the recommendations. As a result, OCA witness Mierzwa found the Company’s proposals with respect to the consultant’s recommendations to be reasonable, but recommended that, “in pursuing its hedging program, the Company should note and report in future PGC proceedings for potential consideration under the hedging program, time periods and conditions during which futures market prices are generally lower.” *Id.*

Under the Settlement, UGI will investigate price-trigger driven hedge activities and provide a report in the 2024 PGC on whether to incorporate price-trigger driven hedging into the Company’s hedging policy. Settlement ¶ 20. The costs for hiring the consultant will be recovered through the PGC and will be capped at \$35,000. *Id.*

The OCA submits that this provision addresses OCA witness Mierzwa’s concerns with the Company utilizing the areas of the consultant report that were not adopted by the Company in this proceeding. 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. Quarterly Adjustment Methodology (“QAM”)

In this proceeding, the Company provided data demonstrating the impact of its current rate methodology for adjusting gas prices throughout the PGC year. Currently, the Company utilizes quarterly C-Factor adjustments to recover actual experienced over/under collections on an annual basis (over sales volume defined by annual sales) and projected over/under collections related to the remaining months of the PGC period on *either* an annual basis (over sales volume defined by annual sales) *or* on a remaining life basis (over the remaining portion of the PGC year). Quarterly rate adjustments are also capped at 15.0% for September 1, 25.0% for December 1, 25.0% for March 1, and 25.0% for June 1. *See* OCA St. 1R at 3.

An alternative method supported by I&E was also studied. Labelled “QAM 2”, this alternative method would calculate the quarterly C-Factor adjustments to recover actual and projected over/under collections, for incurred and remaining months of the PGC period, *only* on a remaining life basis (over the remaining portion of the PGC year) for quarterly calculations made March 1 and June 1. Additionally, for the September 1 quarterly C-Factor adjustment, the calculation is to be made using the six months of sales volumes between June and November. Each quarterly adjustment would be capped at 25.0% of the then-current PGC rate. *See* OCA St. 1R at 3.

The OCA supported the current formula in testimony. As OCA witness Mierzwa explained, UGI’s current methodology is designed to reduce rate volatility. Under the Settlement, the Joint Petitioners agree that UGI Gas will revise its tariff language on page No. 52, in the section entitled “Quarterly Adjustments” to read as follows:

When making the December 1, March 1, June 1 and September 1 quarterly C-factor adjustments, the Company will refund or recover all actual and projected incremental over or under collections from December 1 through November 30 over either remaining PGC year sales volumes or annual PGC year sales volumes, however the March 1 adjustment for projected over or under collections shall only utilize the remaining PGC year sales volumes. Any quarterly PGC rate change on December 1, March 1 and June 1 will be capped at 25% of the then-current PGC rate, with any amounts above this cap being brought forward for

inclusion in the calculation of subsequent quarterly C-factor adjustments. Any quarterly PGC rate change on September 1 will be capped at 15% of the then-current PGC rate, with any amounts above this cap being brought forward for inclusion in the calculation of subsequent quarterly C-factor adjustments. The Company is authorized, at its sole discretion, to waive the quarterly cap on rate decreases only.

Settlement ¶ 21 (emphasis in original). As revised, the March 1 quarterly adjustment will be calculated to collect costs over the remaining PGC year sales volumes. For UGI, this reflects a reduction of 12-months to 9-months, which will still allow for sufficient volumes to spread costs over.

The Settlement also requires the Company to continue to analyze its current method against the QAM 2 method for a period of three years. The analysis will show the comparative PGC rate change that would result under both methods for each quarterly rate change. The analysis will include a comparison of end-of-PGC-year e-factor over and under collections for QAM1 compared to QAM2. At the conclusion of the analysis, as part of the Company's 2027 PGC filing, the Company will propose criteria for use in determining when QAM1 and QAM2 will be used prospectively to calculate the PGC rate change. Settlement ¶ 22.

The OCA submits the tariff change made under the Settlement is a reasonable compromise of the litigated positions in this proceeding. The Company's March 1 PGC update is its first in the PGC year, meaning that the March 1 rate revisions will be calculated using 9 months of forecasted sales. As such, the QAM revisions contained in the Settlement should not materially result in increased rate volatility. In addition, the continued analysis of the quarterly adjustment mechanism will help illustrate the best path moving forward. Taken together, the OCA submits that these provisions are reasonable and should be approved.

C. Other Provisions

The Settlement includes five other provisions that the OCA did not address in testimony: Design Day, Peak Day Capacity Supply Additions, Rate Large Firm Delivery (LFD), Tariff

Language Changes, and Peaking Contract RFP Modifications. The OCA reviewed these issues in the proceeding, both in testimony and discovery, and submits that these provisions 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,

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