

**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	:	

**RECOMMENDED DECISION**

Before  
Dennis J. Buckley  
John M. Coogan  
Administrative Law Judges

**INTRODUCTION**

This Decision recommends that the Pennsylvania Public Utility Commission (Commission) adopt, without modification, the Joint Settlement filed by UGI Utilities, Inc. - Gas Division (UGI or Company), the Commission’s Bureau of Investigation and Enforcement (I&E), and the Office of Consumer Advocate (OCA) (collectively the Joint Petitioners), which resolves all of the issues of the Section 1307(f) rate investigation in the above-captioned proceeding reflecting a proposed natural gas purchased gas cost (PGC) rate of \$5.6429/Mcf effective December 1, 2023.<sup>1</sup> For the reasons stated, below, the Joint Settlement is reasonable and in the public interest and is in conformity with the requirements of the Public Utility Code. The statutory deadline in this case is December 1, 2023.

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<sup>1</sup> In its definitive filing on June 1, 2023, UGI proposed a PGC rate of \$5.6429 per Mcf effective December 1, 2023. This is the same rate that was ultimately agreed to, without change, by the parties. This rate reflects a PGC rate decrease of \$2.3707 per Mcf, or a 29.58% decrease, from the PGC rate of \$8.0136 per Mcf that took effect December 1, 2022.

## HISTORY OF THE PROCEEDING

On May 1, 2023, the Company made its 30-day pre-filing (Book 1) with the Commission containing data related to the recovery of PGC pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f), and in accordance with the Commission's regulations at 52 Pa. Code §§ 53.64 and 53.65.

On May 16, 2023, I&E and the Office of Small Business Advocate (OSBA) filed Notices of Appearance.

On May 19, 2023, OCA filed a Notice of Appearance and Formal Complaint (C-2023-3040778).

On May 19, 2023, OSBA filed a Formal Complaint (C-2023-3041089).

On June 1, 2023, the Company filed with the Commission its definitive PGC filing (Book 2), including supporting information required by the Commission's regulations, the Company's direct testimony and exhibits, and the Pro Forma Tariff Supplements reflecting actual and projected changes in natural gas costs arriving at a PGC rate of \$5.6429/Mcf.

On June 5, 2023, a telephonic prehearing conference was held, at which time a procedural schedule was adopted.

On June 7, 2023, an Order was issued, setting a litigation schedule, modifying certain Commission discovery rules, establishing a service list, and setting a formal evidentiary hearing for July 27, 2023.

On June 28, 2023, a hearing Notice was issued setting July 27, 2023, as the date for an evidentiary hearing in this matter.

On July 24, 2023, counsel for the Company advised the presiding officer of a settlement in principle and requested that the evidentiary hearing scheduled for July 27, 2023, be canceled as the Joint Petitioners would submit their evidence by stipulation. Accordingly, the evidentiary hearing was cancelled.

On August 10, 2023, UGI filed an unopposed Motion for Protective Order, which was granted.

On August 14, 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.

On August 16, 2023, the Parties submitted a Joint Petition for Settlement which includes the terms of the Joint Settlement, itself. Also accompanying the Joint Settlement were the Supporting Statements of the Parties, attached as individual exhibits.

On August 25, 2023, an Order was issued granting a Motion submitted by the parties for the admission of verified documents to the record in this matter pursuant to a Stipulation agreed to by the parties. The Order also consolidated the dockets at R-2023-3040290, C-2023-3040778, and C-2023-3041089. The record in this case closed with the issuance of that Order.

The statutory deadline in this case is December 1, 2023.<sup>2</sup> For the reasons set forth below, the Joint Settlement is fair, reasonable and in the public interest; therefore, it is recommended that the Commission adopt the Joint Settlement without modification.

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<sup>2</sup> In order to meet the statutory deadline in this case, the Commission must act on this matter by the November 9, 2023, Public Meeting.

## JOINT SETTLEMENT

In this case, UGI, OCA and I&E have reached a Settlement (the Settlement or Joint Settlement). The Settlement includes Statements in Support of the Settlement filed by UGI, OCA and I&E. OSBA filed a letter of non-opposition to the Joint Settlement.

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

In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004) (*York Water*); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991). Furthermore, the decision of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & W. Ry. Co. v. Pa. Pub. Util. Comm'n*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Rev.*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Pa. Dep't of Pub. Welfare, White Haven Ctr.*, 480 A.2d 382 (Pa. Cmwlth. 1984).

The purpose of this Recommended Decision is to determine whether the Joint Settlement resolving all contested issues is in the public interest, satisfies applicable statutes and regulations, and is supported by substantial evidence.

## TERMS OF SETTLEMENT

The parties have presented a comprehensive Joint Settlement. For ease of reference, we have retained the presentation and paragraph numbering of the original Settlement document. The terms of the Joint Settlement are, *in verbatim*, as follows:

### **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 [Development of Experienced Cost of Gas (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.

## **II. 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:<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, and UGI Gas Exhibit 2, UGI Gas Statement No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.
- 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);

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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 11, 2023.

- 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.

### **III. 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.

Joint Petition for Settlement at 3-10.

## DISCUSSION

### Legal Standard

UGI's filing in this case was made pursuant to Section 1307 of the Public Utility Code, 66 Pa.C.S. § 1307. This is an annual filing that all large natural gas distribution companies make to reconcile their actual costs of natural gas. Section 1307 governs a sliding

scale of rates and adjustments. More specifically, Section 1307(f) governs recovery of natural gas costs and allows natural gas distribution companies with gross intrastate annual operating revenues in excess of \$40,000,000 to file tariffs reflecting actual and projected increases or decreases in their natural gas costs, with the tariffs being effective six months from the date of filing. 66 Pa.C.S. § 1307(f)(1). Section 1307 of the Public Utility Code further provides that the Commission, after hearing, determine that the portion of the company's natural gas distribution costs in the previous 12-month period meet the standards set out in Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1307(f)(5). Section 1318 provides that no rates for a natural gas distribution utility shall be deemed just and reasonable unless the Commission finds that the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers. 66 Pa.C.S. § 1318(a).

In determining whether UGI is pursuing a least cost fuel procurement policy under Section 1318 of the Code, specific findings in Section 1318(a)(1)-(4) must be made as follows:

- (1) that the utility has fully and vigorously represented its ratepayers' interests before the Federal Energy Regulatory Commission (FERC);
- (2) that the utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to ratepayer interests;
- (3) that the utility has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies; and,
- (4) that the utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

66 Pa.C.S. § 1318(a)(1)-(4).

Furthermore, UGI purchases various transportation and storage services from an affiliate, and, therefore, with respect to purchases from affiliates, the Commission is required to make the following specific findings pursuant to Sections 1318(b):

(1) that the utility has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests;

(2) that each contract for the purchase of gas from an affiliated interest is consistent with a least cost fuel procurement policy; and,

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

66 Pa.C.S. § 1318(b)(1)-(3).

Section 1317 of the Public Utility Code requires the submission of certain information to enable the Commission to make a least cost fuel procurement finding. 66 Pa.C.S. § 1317. The Commission has promulgated regulations pursuant to these statutes that include extensive filing requirements that also govern such filings. *See*, 52 Pa. Code §§ 53.64 (Filing requirements for natural gas distributors with gross intrastate annual operating revenues in excess of \$40 million) and 53.65 (Special provisions relating to natural gas distributors with gross intrastate annual operating revenues in excess of \$40 million with affiliated interests). UGI complied with these requirements in its May 1, 2023, pre-filing.

### Public Interest Analysis

As noted above, it is the policy of the Commission to encourage settlements. 52 Pa. Code § 5.231(a). The benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest. *York Water*. This Recommended Decision will examine whether the Joint Settlement is in the public interest, satisfies applicable statutes and regulations for 1307(f) filings and is supported by substantial evidence, and therefore should be adopted. In this case, the Settlement itself does not

contain any detailed discussion of whether it is in the public interest. Rather, the Parties have relied upon their respective Statements in Support of the Settlement to demonstrate that the Settlement is in the public interest and should be approved.

### UGI's Statement in Support

UGI submitted a Statement in support of the Joint Settlement.

In its Statement in Support, UGI confirmed that no party challenged UGI's design day needs as identified by the Company. In the proposed Settlement, the Joint Petitioners agreed to adopt the Company's projected design day figure as identified in the Company's direct testimony. Settlement ¶ 15.

UGI contends that the projected design day figure is in the public interest:

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.

UGI Supporting Statement at 2.

UGI identified a capacity shortfall for the upcoming winter. UGI Gas St. 2, pp. 11-12, 18-19. In order to address the shortfall, UGI issued a Request for Proposals (RFP). UGI Gas St. 2, p. 19. UGI requested approval for two winning bids from UGI Energy Services

(UGIES) and Supplier A. 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's request to include the winning bids in its supply portfolio. Settlement at ¶ 16. UGI stated in its statement in support that it is in the public interest for UGI 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. The requested additions to UGI's supply portfolio will enable UGI to continue providing reliable and continuous service through the 2023-2024 winter by addressing the projected capacity shortfall, and, therefore, the Settlement term is in the public interest and should be approved. UGI Supporting Statement at 3

In its direct testimony and in accordance with its settlement obligation from the base rate case proceeding at R-2021-3030218, UGI proposed to modify its current billing practice for Large Firm Delivery (LFD) customers. Specifically, UGI proposed to transition LFD customers who elect capacity from UGI to have the cost of the elected capacity billed directly on the UGI bill as a separate line item, rather than being billed by the NGS via the Weighted Average Cost of Demand. UGI Gas St. 2, p. 42. UGI communicated this change to LFD customers via correspondence to their contacts of record, as well as communicating the change to NGSs. UGI's dedicated transportation customer representatives will respond to any follow-up inquiries from LFD customers. UGI 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 expects that the costs to implement this billing change will be minimal. UGI Gas St. 2, p. 42.

No party to this proceeding challenged UGI's proposal. In Settlement, the Joint Petitioners agreed to accept UGI'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 bill, and NGSs will no longer be responsible for recovering this cost from the LFD customers. Accordingly, UGI asserts the proposed change to the billing practice for LFD customers is in the public interest and should be approved. UGI Supporting Statement at 5.

UGI proposed several tariff modifications in this proceeding. No party to this proceeding challenged the proposed tariff provisions. In the Settlement, the Joint Petitioners agreed that UGI's proposed tariff changes would be adopted. Settlement ¶ 18.

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 operates a revenue incentive sharing mechanism (RISM) by which the administrative fee paid by an asset manager is shared between UGI and PGC customers. Specifically, 75% of the fee is credited to the PGC and 25% is retained by UGI. 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. UGI Supporting Statement at 5-6.

As explained in the direct testimony of UGI 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 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, p. 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 proposes to make the same change to the paragraph in its tariff entitled “Revenue Sharing Allocation.” UGI Gas St. 2, p. 23. UGI asserts its 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.

UGI also 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. UGI states this change is necessary because UGI 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 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. UGI asserts approval of the updates to the peak day allocations is in the public interest because it is consistent with UGI’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. UGI Supporting Statement at 6-7.

In the Settlement, the Joint Petitioners agreed that UGI 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’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 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 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>4</sup> Paragraph 19 of the Settlement for this PGC proceeding continues UGI'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. UGI avers that the parties' commitment to maintaining the prior settlement obligations helps ensure that parties can continue negotiating settlements in good faith in the future. UGI Supporting Statement at 8.

In its direct testimony, UGI presented a review of its hedging policy as required by the Commission-approved Settlement of the Company's 2022 PGC case.<sup>5</sup> As part of this review, UGI 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.

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<sup>4</sup> See *Pa Pub. Util. Comm'n v. UGI Utils. Inc. – Gas Div.*, Docket No. R-2021-3025652, UGI Gas Statement in Support of Settlement, Section E., filed Aug. 25, 2021 (Order entered Oct. 7, 2021).

<sup>5</sup> See *Pa Pub. Util. Comm'n v. UGI Utils. Inc. – Gas Div.*, Docket No. R-2022-3032242, Joint Petition for Settlement of Section 1307(f) Rate Investigation, filed Aug. 12, 2022 (Order entered Sept. 9, 2022).

In the Settlement, the Joint Petitioners agreed that 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. An investigation into potential price-trigger driven hedge activities is in the public interest because it will assist UGI 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’s hedging program has the potential to benefit customers by further mitigating price volatility and supports UGI’s objective of implementing a least cost procurement strategy that seeks to minimize total costs to its customers. UGI Supporting Statement at 8-9.

The Settlement further provides that UGI may retain a consultant to conduct the price-trigger driven activities investigation, the costs for which will be capped at \$35,000 and recovered through the PGC. Settlement ¶ 20. UGI asserts that 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. UGI Supporting Statement at 9.

In its direct testimony, UGI 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.<sup>6</sup> The use of QAM 1 was previously approved in the Company’s 2017 PGC proceeding<sup>7</sup> and permits the

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<sup>6</sup> See *Pa. Pub. Util. Comm’n v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2019-3009647 (Order entered Oct. 22, 2019).

<sup>7</sup> See *Pa. Pub. Util. Comm’n v. UGI Utils., Inc. – Gas Div.*, Docket No. 2018-3001631 (Order entered Oct. 25, 2018).

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 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, 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 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.

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. UGI avers these Settlement terms represent a balanced compromise between the positions of UGI, 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'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. Settlement ¶ 22. 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.

#### The Bureau of Investigation and Enforcement's Statement in Support

The Bureau of Investigation and Enforcement submitted a Statement in Support of the Settlement. Based upon its analysis of UGI's 2023 Section 1307(f) PGC filing, I&E asserts that acceptance of the proposed Settlement is in the public interest and the Settlement should be approved in its entirety. I&E Supporting Statement at 2.

I&E did not submit testimony regarding the design day and firm peak day demand, capacity supply shortfall contracts, rate LFD customer cost billing, proposed tariff language changes, and hedging policy. I&E technical staff did, however, analyze these issues. After a complete review of the testimony and exhibits submitted by the Parties; and after

negotiations between and among the Parties; I&E supports these settled upon terms as they provide regulatory certainty and a resolution of these issues, all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest. I&E Supporting Statement at 5-9.

The settlement term regarding peaking contract RFP modifications reiterates 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. I&E Supporting Statement at 8.

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 regarding Quarterly Adjustment Methodology 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 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. I&E Supporting Statement at 10-13.

#### Office of the Consumer Advocate's Statement in Support

The OCA filed a Statement in Support of the proposed Joint Settlement. The OCA states that the proposed Joint Settlement is in the public interest. OCA Supporting Statement at 2.

The OCA expressed concerns in testimony regarding the volatility in natural gas commodity prices and the impact of such price swings on customers. As stated by OCA witness Jerry Mierzwa, "[i]n 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. 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. OCA Supporting Statement at 3.

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 Settlement ¶ 21, 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. OCA Supporting Statement at 5.

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, 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. OCA Supporting Statement at 5-6.

#### Office of Small Business Advocate Non-Opposition

On August 16, 2023, the OSBA filed a Letter of Non-Opposition to the Joint Settlement. In its letter, the OSBA stated that it reviewed the following issues in this proceeding: the Company's lost and unaccounted-for gas rates; the Company's design day demand forecasting and peak day capacity requirements; the Company's gas supply procurement and hedging strategy; the Company's gas supply mix and strategy for basin diversification; and the Company's strategy for capacity release, off-system sales, asset management arrangements, and storage fill agreements. The OSBA further stated that it engaged in settlement discussions with UGI and the other parties and it did not identify any aspects of the issues set forth above that were unjust or unreasonable to small business customers.

#### CONCLUSION

First, the parties should be commended for their efforts to resolve this case through settlement rather than litigation. We also thank the parties for their well-drafted Statements in Support of the Joint Settlement.

Second, the Joint Petition for Settlement of Rate Investigation Pursuant to 66 Pa.C.S. § 1307 filed on August 16, 2023 by UGI, I&E, and OCA, is in the public interest, consistent with the Commission standard for approving settlements and consistent with

applicable law and regulations governing such filings. No opposition was received in response to the Settlement. Furthermore, the Joint Stipulation for Admission of Evidence has been granted by a separate Order and the parties were directed to provide the Secretary's Bureau with these documents consistent with the Secretary's eFiling requirements. As a result, the Settlement is also supported by substantial evidence of record.

This Settlement is also in the public interest because it will conserve the resources of the Commission and the parties. Commission policy promotes settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. This Settlement will relieve the necessity for the Parties to submit additional pre-served testimony, participate in hearings, file post-hearing briefs, prepare any Exceptions or Reply Exceptions to a Recommended Decision or undertake any appellate activities following issuance of the Commission's decision, if necessary. The costs of such activities are ultimately borne by UGI's customers and will be avoided through the filing of the Settlement. Avoiding further litigation will serve judicial efficiency and allow the parties and the Commission to conserve costly resources.

Each of the provisions of the Settlement is reasonable and in sum support adopting the Settlement, without modification, as being in the public interest and consistent with applicable statutes governing 66 Pa.C.S. § 1307(f) filings. Section 3.A. of the Joint Petition for Settlement provides citation to evidence that UGI is meeting the requirements of 66 Pa.C.S. § 1318 and our review of this material supports the findings that: UGI is pursuing a least cost fuel procurement policy consistent with its obligation to provide safe, adequate and reliable service to its customers; UGI has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission; UGI has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself from terms in existing contracts with its gas suppliers, which are or may be adverse to the interests of its ratepayers; UGI has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of

gas transportation arrangements with pipelines and other distribution companies; UGI has not withheld from the market or caused to be withheld from the market during the relevant time period any gas supplies, which should have been used as part of a least cost fuel procurement policy; UGI has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests; UGI's contracts, if any, for the purchase of gas from any affiliated interest during the relevant time period are consistent with a least cost fuel procurement policy; and neither UGI nor any affiliated interest has withheld from the market any gas supplies, which should have been used as part of a least cost fuel procurement policy. 66 Pa.C.S. §§1318(a)-(b).

The Settlement also addresses the areas of concern that were raised by the intervening Parties in this proceeding. On its face, the resolution of each issue appears to be reasonable. This, however, is also borne out by the discussions contained in the Statements of Support filed by each of the Parties which reflect the concerns and compromises reached in crafting the Joint Settlement. Obviously, these issues (which were, for the most part, also the subject of testimony) were discussed among the parties, and unlike the usual "black box" settlement offered in a rate case, we can see the relative positions of the parties and the steps taken to address and to accommodate their concerns. The interests of both the Company and the public advocates have been addressed and resolved in the Joint Settlement.

Therefore, we recommend that the Commission find that the proposed Joint Settlement constitutes a fair, just and reasonable resolution of the Commission's investigation, is in the public interest and should be adopted without modification by the Commission. It is further recommended that the associated Formal Complaints filed by the OCA at Docket No. C-2023-3040778 and the OSBA at Docket No. C-2023-3041089 be dismissed as satisfied.

#### CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 501, 1301, 1307(f), 1317, 1318.

2. Commission policy promotes settlements. 52 Pa. Code § 5.231.

3. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

4. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

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

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

7. UGI Utilities, Inc. – Gas Division is pursuing a least cost fuel procurement policy during the relevant time period consistent with its obligation to provide safe, adequate and reliable service to its customers in compliance with Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.

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

9. UGI Utilities, Inc. – Gas Division has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission during the relevant time period in compliance with Section 1318(a)(1) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(1).

10. UGI Utilities, Inc. – Gas Division has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself from terms in existing contracts with its gas suppliers, which are or may be adverse to the interests of its ratepayers, during the relevant time period in compliance with Section 1318(a)(2) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(2).

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

12. UGI Utilities, Inc. – Gas Division has not withheld from the market or caused to be withheld from the market during the relevant time period any gas supplies, which should have been used as part of a least cost fuel procurement policy in compliance with Section 1318(a)(4) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(4).

13. UGI Utilities, Inc. – Gas Division has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests during the relevant time period in compliance with Section 1318(b)(1) of the Public Utility Code. 66 Pa.C.S. § 1318(b)(1).

14. UGI Utilities, Inc. – Gas Division’s contracts, if any, for the purchase of gas from any affiliated interest during the relevant time period are consistent with a least cost fuel procurement policy in compliance with Section 1318(b)(2) of the Public Utility Code. 66 Pa.C.S. § 1318(b)(2).

15. Neither UGI Utilities, Inc. – Gas Division, nor any affiliated interest, during the relevant time period has withheld from the market any gas supplies, which should have been used as part of a least cost fuel procurement policy in compliance with Section 1318(b)(3) of the Public Utility Code. 66 Pa.C.S. § 1318(b)(3).

16. The Commission should approve, without modification, the Joint Petition for Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f) that UGI Utilities, Inc., the OCA, the OSBA and the I&E have submitted at this docket as in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

### ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement of Section 1307(f) Rate Investigation submitted by UGI Utilities, Inc. – Gas Division, the Office of Consumer Advocate, and the Bureau of Investigation and Enforcement at Docket Nos. R-2023-3040290, C-2023-3040778 and C-2023-3041089, dated August 16, 2023, be approved in its entirety without modification.

2. That UGI Utilities, Inc. – Gas Division be authorized to file a tariff supplement, on at least one day's notice to the Commission, to reflect rates and terms consistent with the Joint Petition for Settlement of Section 1307(f) Rate Investigation and applicable to the Section 1307(f) purchased gas cost rate investigation at Docket No. R-2023-3040290 to be effective for services rendered on or after December 1, 2023, subject to quarterly adjustments as permitted by the Commission's regulations.

