

COMMONWEALTH OF PENNSYLVANIA



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June 21, 2024

Via Electronic Filing

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

Re: Petition of UGI Utilities, Inc. – Electric
Division For Approval of its Default Service
Program for the Period from
June 1, 2025 through May 31, 2029
Docket No. P-2024-3049343

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Answer to the Petition of UGI Utilities, Inc, in the above-referenced proceeding.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Harrison W. Breitman
Harrison W. Breitman
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Enclosures

cc: The Honorable Dennis Buckley (*via email only*)
The Honorable Alphonso Arnold (*via email only*)
Certificate of Service

CERTIFICATE OF SERVICE

Petition of UGI Utilities, Inc. – Electric :
Division For Approval of its Default Service : Docket No. P-2024-3049343
Program for the Period from June 1, 2025, :
through May 31, 2029 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Answer to Petition, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below. This document was filed electronically on the Commission’s electronic filing system.

Dated this 21st day of June 2024.

SERVICE BY E-MAIL ONLY

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Date: June 21, 2024

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric :
Division For Approval of its Default Service :
Program for the Period from : Docket No. P-2024-3049343
June 1, 2025 through May 31, 2029 :

ANSWER
OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On May 31, 2024 UGI Utilities, Inc. – Electric Division (UGI Electric or the Company) filed its Petition for Approval of Default Service Plan (DSP V) For the Period June 1, 2025 through May 31, 2029. The Company filed this petition pursuant to Section 2807 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §2807 and the regulations of the Pennsylvania Public utility Commission (Commission) at 52 Pa. Code §§54.181-54.190. UGI provides electric distribution service to approximately 62,000 customers in portions of Luzerne and Wyoming County. Petition at ¶2. In this petition, the Company is proposing to utilize a similar procurement plan as other Electric Distribution Companies (EDCs) in Pennsylvania. Petition at ¶32. Historically, UGI has relied on a combination of block and full requirement contracts with spot purchases to procure Generation Supply Rate (GSR)-1 supply. Petition at ¶33. Due to limited participation by bidders and higher risk premiums for full requirements contracts, the Company is proposing to take steps to reduce the risk of fixed price full requirements (FPFR) contracts. Petition at ¶33. The Company is also proposing to provide guidance on PJM capacity pricing when such prices are not available or final. Petition at ¶33. The Company is proposing a fixed Megawatt (MW) around-the-clock (ATC) block product to add price stability to the default service supply mix. Petition at ¶34. The

Company is proposing to replace the 24-month full requirements product from DSP IV with the block product. Petition at ¶34.

DSP V proposes to continue to identify customers by either GSR-1 or GSR-2 groupings as defined by the supply peak load impact of a customer. Petition at ¶35. Customers who have a supply peak load impact below 100kw will be in GSR-1 and customers with an impact equal to or above 100kw will be in GSR-2. Petition at ¶34. The Company proposes to continue to acquire a small portion of the Company's default service load from the Allegheny Electric Cooperative, Inc. (Allegheny Agreement). Petition at ¶50.

UGI is also proposing to adjust its calculations for Alternative Energy Credit (AEC) compliance to cover block purchases. Petition at ¶64. To avoid the risk of under-forecasting and under-procurement, the Company proposes to increase the result of its forecast by 15% to over-procure the AECs needed in any individual auction. Petition at 65. UGI proposes to roll any extra AECs over to the following year. Petition at ¶65.

The Company is proposing to issue a request for proposal (RFP) for an Auction manager to provide greater service and support to UGI. Petition at ¶70. UGI is requesting that the Commission approve this RFP prior to the commencement of its DSP V. Petition at ¶70. The company is proposing that the auction manager conduct RFPs in the same manner as DSP IV, and be an active participant throughout the process. Petition at ¶70. The Company is also requesting that the Commission approve potential affiliated interest transactions so that UGI Energy Services, LLC, a UGI affiliate, may participate in the RFPs for DSP V. Petition at ¶70.

In addition to a contingency plan for the Company's default service obligations, the Company is proposing a contingency plan applicable to AEPs auctions. Petition at ¶76-77. If the

Company is unable to acquire the necessary AECs they propose to contact AEC Brokers and Aggregators identified on the Commission's AEPS website and solicit bids from at least three different brokers. Petition at ¶77.

UGI is proposing a default service plan that is similar to the plan used in DSP IV. Petition at ¶81. However, the Company proposes to calculate rate changes on a semi-annual basis rather than the current quarterly basis. Petition at ¶82. The only generation contract the company plans to use during DSP V that is greater than 2 years is the Allegheny Agreement. Petition at ¶86.

UGI is not proposing any changes to its Standard Offer Customer Referral programs or its New/Moving Customer Referral Program. Petition at ¶87.

II. ANSWER

The OCA has preliminarily reviewed the Company's Petition and identified a number of significant issues presented by the filing. The OCA anticipates that additional issues will arise as a more comprehensive review of UGI's filing is undertaken and discovery is conducted. The preliminary issues identified by the OCA include:

A. Aggregation of Small Commercial Load with Residential Load

Through the OCA's preliminary review, it has identified concerns with the aggregation of residential load with small commercial load as proposed by the Company in the GSR-1 group. Through this aggregation, residential customers may face a risk of higher costs due to the greater risk of load migration associated with the commercial load. A higher migration risk presents a higher bid price for full requirements supply contracts as potential bidders calculate that risk into their bid. However, this arrangement also presents the possible benefit of a higher load factor for

residential customers, which could provide some benefit. As such, the OCA requests that this aggregation be examined to ensure that it does not result in undue harm to customers.

B. Proposed Mix of Block Products and FPFR Contracts

UGI is proposing to utilize block purchases, in addition to FPFR contracts to service customers. The OCA has concerns that this mix may result in excessive load fluctuation or volumetric risk for the FPFR suppliers and may not result in the least cost over time. The OCA submits the Commission should examine this mix of Block Products and FPFR contracts to ensure that the mix is prudent and will lead to least cost over time.

C. Length of Contracts

Under the Company's proposal, the GSR-1 group would be subject to the full extent of market fluctuations in a year, with the exception of the 20 MW ATC block which would have a duration of 24 months. The OCA will examine whether the addition of 24 month contracts would protect customers from the harms of one year market fluctuations to some extent. The addition of two-year contracts may also increase bidding competition as the bids would be for a longer term. As such, the OCA submits that the Commission should examine the proposed mix of contracts to ensure that it is prudent.

D. Relative Cost Factor

The Company is proposing to apply a factor of 1.02 to the residential Price to Compare, and a factor of .93 for non-residential PTC. UGI St. 3 at 11. This adjustment is based on a study conducted as a part of DSP IV. UGI St. 3 at 11. Through an initial review, the OCA has identified concerns with this study, as well as the resulting price factors and as such more investigation is

required. The OCA respectfully submits that the proposed relative cost factor, as well as its underlying study, be carefully examined to ensure that it is accurate and does not unduly shift costs.

III. CONCLUSION

Wherefore, the Office of Consumer Advocate respectfully requests that the Company's default service filing be thoroughly reviewed to ensure that the default service rates that will be charged starting June 1, 2025 are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully submitted,

/s/Harrison W. Breitman

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