

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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|--|---|----------------|
| Pennsylvania Public Utility Commission | : | R-2024-3048828 |
| Office of Consumer Advocate | : | C-2024-3049086 |
| Office of Small Business Advocate | : | C-2024-3049499 |
| Brian Dugas | : | C-2024-3049100 |
| Jean Ann Suitch | : | C-2024-3049239 |
| Paula Mercuri and Thomas J. Williams | : | C-2024-3049667 |
| Juan Francisco Ramos | : | C-2024-3049558 |
| Louis Joseph Kern | : | C-2024-3049789 |
| Anthony Debellis | : | C-2024-3049790 |
| David Beedleemann | : | C-2024-3049797 |
| | : | |
| v. | : | |
| | : | |
| UGI Utilities, Inc. – Gas Division | : | |
| 1307(f) Proceeding | : | |

RECOMMENDED DECISION

Before
Dennis J. Buckley
Alphonso Arnold III
Administrative Law Judges

INTRODUCTION

This Decision recommends that the Pennsylvania Public Utility Commission (“Commission”) adopt, without modification, the Joint Petition for Settlement of Section 1307(f) Rate Investigation (“Settlement” or “Joint Settlement”) filed by UGI Utilities, Inc. - Gas Division (“UGI”, “UGI Gas” 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 and requests: (1) approval of the terms of the Settlement; (2) authorization for UGI Gas to file a tariff supplement for service rendered on or after December 1,

2024, that implements, subject to updates and tariff modifications traditionally performed on December 1, the Purchased Gas Cost (“PGC”) rate of \$5.4483 per Mcf; and (3) sets forth all associated findings required by Sections 1307(f) and 1318 of the Public Utility Code, 66 Pa.C.S. §§ 1307(f), 1318. The presiding officers recommend the Commission approve the Settlement as it is in the public interest and consistent with the requirements of the Public Utility Code, 66 Pa.C.S. §§ 1307(f) and 1318.

HISTORY OF THE PROCEEDING

On May 1, 2024, UGI made its 30-day pre-filing (“Book 1” or “UGI Gas Exhibit 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. This filing was docketed at R-2024-3048828.

On May 17, 2024, OCA filed a Formal Complaint and Public Statement in this matter, docketed at C-2024-3049086. This was accompanied by a Notice of Appearance for Melanie J. El Atieh, Esquire, and Emily A. Farren, Esquire.

Also on May 17, 2024, Brain Dugas filed a Formal Complaint in this matter, docketed at C-2024-3049100.

On May 20, 2024, Jean Ann Switch filed a Formal Complaint in this matter, docketed at C-2024-3049239.

On May 22, 2024, Steven C. Gray, Esquire, filed a Notice of Appearance on behalf of the Office of Small Business Advocate (“OSBA”).

On May 28, 2024, Paula Mercuri and Thomas J. Williams filed a Formal Complaint in this matter, docketed at C-2024-3049667.

On May 31, 2024, UGI filed 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 Pro Forma Tariff Supplement reflecting actual and projected changes in natural gas costs. UGI Gas proposed a PGC rate of \$5.4483 per Mcf, effective December 1, 2024.

On June 3, 2024, David Beedleemann filed a Formal Complaint in this matter, docketed at C-2024-3049797.

On June 4, 2024, Scott C. Granger, Esquire, filed a Notice of Appearance on behalf of I&E.

On June 10, 2024, OSBA filed a Formal Complaint and Public Statement in this matter, docketed at C-2024-3049499.

Also on June 10, 2024, Louis Joseph Kern filed a Formal Complaint in this matter, docketed at C-2024-3049789.

Further on June 10, 2024, a Notice was served establishing a telephonic prehearing conference for this matter for June 28, 2024, and assigning Administrative Law Judges (“ALJs”) Dennis J. Buckley and Alphonso Arnold III as the presiding officers to this proceeding.

On June 11, 2024, Juan Francisco Ramos filed a Formal Complaint in this matter, docketed at C-2024-3049558.

Also on June 11, 2024, Anthony DeBellis filed a Formal Complaint in this matter, docketed at C-2024-3049790.

On June 12, 2024, a Notice was served rescheduling the telephonic prehearing conference to June 14, 2024, at 11:00 a.m.

Also on June 12, 2024, an Initial Prehearing Order was served, setting forth the scope of the prehearing conference. The Order directed the parties to file prehearing memoranda by June 13, 2024.

On June 13, 2024, UGI, OCA, OSBA, and I&E (collectively, the “active parties”) filed prehearing memoranda.

On June 14, 2024, the telephonic prehearing conference was held as scheduled. Counsel for the active parties were present for the conference. Brain Dugas, a customer Complainant, appeared at the conference representing himself. Several procedural matters were discussed during the conference, and a litigation schedule was established.

On June 26, 2024, a Post Conference Order was served, adopting the litigation schedule and modifications to the Commission’s discovery regulations agreed upon by the parties at the prehearing conference.

On June 27, 2024, a Notice was served scheduling a telephonic evidentiary hearing in this matter for July 25, 2024.

On July 24, 2024, the active parties in this case advised the presiding officers that a settlement in principle had been reached and requested suspension of the litigation schedule and cancellation of the July 25, 2024, evidentiary hearing. Therefore, on this date, a Notice was served cancelling the July 25, 2024, evidentiary hearing.

On July 25, 2024, the active parties in this case advised the presiding officers that they had no objection to the consolidation of cases for decision.

On July 26, 2024, an Order was issued consolidating the PGC filing and related Formal Complaints for adjudication. Also on July 26, 2024, an Order was issued suspending the litigation schedule anticipating the filing of the Settlement and informing the customer

Complainants that they may submit objections to the Settlement once it is filed by August 23, 2024.

On August 13, 2024, UGI filed a Motion for Protective Order. That Motion was granted by Order issued August 14, 2024.

On August 14, 2024, the Joint Petitioners filed the Settlement along with supporting documents and a Joint Stipulation for Admission of Evidence, with accompanying signed verifications of the sponsoring witnesses, to admit the testimony and exhibits into the record. OSBA, while not a signatory to the Settlement, filed a letter on this date not opposing the Settlement.

No customer Complainant filed an objection to the Settlement by the August 23, 2024, deadline.

On August 29, 2024, an Order was issued granting the Joint Stipulation for Admission of Evidence. The record in this case closed with the issuance of this Order.

The statutory deadline in this case is November 30, 2024.¹ For the reasons set forth below, the Settlement is fair, reasonable and in the public interest; therefore, it is recommended that the Commission adopt the Settlement without modification.

JOINT SETTLEMENT

In this case, UGI, OCA and I&E have reached a Settlement consisting of 15 pages with three appendices. The Settlement includes Statements in Support of the Settlement filed by UGI, I&E, and OCA as Appendices A, B, and C, to the Settlement, respectively. OSBA filed a letter of non-opposition to the Joint Settlement. Further, no customer Complainant opposed the Joint Settlement.

¹ In order to meet the statutory deadline in this case, the Commission must act on this matter by the Public Meeting of November 7, 2024.

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. Upon review of the Terms of Settlement and the Statements in Support of the Joint Settlement, and for reasons discussed below, we find that the proposed Joint Settlement is in the public interest, resolves the issues presented in this case, and we recommend the adoption of the Joint Settlement without modification.

TERMS OF SETTLEMENT

The parties have presented a comprehensive Joint Settlement. In the Settlement, the Joint Petitioners express their agreement with respect to eight matters: (1) Design Day; (2) Peak day capacity supply additions; (3) Storage capacity addition; (4) Long-term peak capacity shortfall planning; (5) Peaking contract RFP modification; (6) Hedge plan trigger study recommendations; (7) Quarterly adjustment methodology; and (8) FERC participation costs. 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*,² as follows:

II. TERMS OF THE SETTLEMENT

A. DESIGN DAY

24. UGI Gas will be permitted to use a design day figure of 2.32 BCF, which includes 2.26 BCF of design cold firm requirements and 0.06 BCF of capacity reserves for the Company's firm core market (PGC and Choice Customer markets) needs.

² The paragraph styling and numbering are also maintained from the original for ease of reference. However, original footnotes have been omitted.

B. PEAK DAY CAPACITY SUPPLY ADDITIONS

25. To address its total peak day capacity supply shortfall needs, UGI Gas will accept the following proposals:

| Source | Term | Maximum Daily Quantity (Dth per day) |
|---------------------------------------|-------------|---|
| Supplier A (Tennessee Delivered) | 2024-2029 | 8,394 |
| Supplier B (Uniondale 282 Mobile LNG) | 2024-2026 | 10,000 |
| Total | | 18,394 |

26. Specifically, UGI Gas will accept the peak day offer from Supplier A for 8,394 Dth per day for a 5-year term to address the Company’s identified peak day capacity shortfall (as described in UGI Gas St. No. 2, the direct testimony of Jesse R. Tyahla, at page 21 and also appearing on page 5 in Table 1 of his direct testimony).

27. UGI Gas also will accept the Uniondale 282 Mobile liquefied natural gas (“LNG”) offer from Supplier B for 10,000 Dth per day for a 2-year term beginning with the 2024-2025 winter season (as described in UGI Gas St. No. 2 at pages 23-24).

C. STORAGE CAPACITY ADDITION

28. UGI Gas shall be permitted recovery of costs related to the firm storage capacity Eastern Gas Transmission and Storage (“EGTS”) Open Season for 56,667 Dth per day of deliverability through the Company’s upstream capacity on Texas Eastern and Tennessee and with a term of 21 years (as detailed in UGI Gas St. No. 2 at pages 27-28).

D. LONG-TERM PEAK CAPACITY SHORTFALL PLANNING

29. As described on page 11 of UGI Gas St. No. 2, the Company will implement a 5-year capacity shortfall plan (appearing on page 5 in Table 1 of UGI Gas St. No. 2) to establish a

capacity target and optimal step-up capacity targets for intermediate years. This 5-year plan will be incorporated into annual Requests for Proposal (“RFP”) processes and refreshed each year. UGI Gas will present any resulting capacity contracts for review and approval in a future PGC proceeding.

E. PEAKING CONTRACT RFP MODIFICATION

30. The Company will continue to use the RFP format as agreed to in the 2023 PGC Settlement at Docket No. R-2023-3040290 on a prospective basis. The Company’s bid form will request that suppliers provide bids based on (a) payment terms that exclude a November payment and (b) payment terms that include a November payment. The Company will evaluate RFP responses in a manner, which is inclusive of projected PGC over/under collection and PGC interest impacts with regard to fixed charges in live Excel format. The Company will make the RFP responses available in future PGC proceedings to the statutory Parties. The Company will make a recommendation in its 2025 PGC proceeding based on the results of the three-year pilot study, as required under the 2021 PGC Settlement approved at Docket No. R-2021-3025652.

F. HEDGE PLAN TRIGGER STUDY RECOMMENDATIONS

31. The Company will implement the recommendations provided in Gelber & Associates’ Trigger Price Study (“Study”), conducted per the 2023 PGC Settlement (Docket No. R-2023-3040290) by way of a 4-year pilot commencing on January 1, 2025. The recommendations from the Study, described on pages 36-37 of UGI Gas St. No. 2, include:

- a. Change the strategy of the current hedge program from an even distribution of monthly hedge purchases to a plan that is flexible and has “trigger hedge” amounts that are more heavily weighted towards months where the futures prices have historically been lower than other purchasing months; and

b. Revise the current schedule for hedge purchases from fixed days on a weekly basis to a market data-driven and informed, analytical determination of the most effective days within each month to purchase hedge positions.

32. During the pilot, UGI Gas will compare the actual cost of the hedging activities set forth in the Study's recommendations against the performance that would have otherwise occurred under the Company's existing programmatic approach to hedging purchases.

33. UGI Gas will hire a consultant, through an RFP process, to implement these recommendations and collect and analyze the data needed to compare the pilot against UGI Gas's programmatic methodology. The Company will recover these consultant costs, related to implementing the recommendations of the Study, as well as analyzing and comparing the pilot data to UGI Gas's programmatic hedging approach in PGC rates.

G. QUARTERLY ADJUSTMENT METHODOLOGY

34. The Company will continue the side-by-side analysis of the QAM 1 and QAM 2 methods until the next PGC proceeding. In the Company's 2027 PGC filing, it will propose criteria for use in determining when QAM1 and QAM 2 will be used prospectively to calculate the PGC rate change as agreed to in the 2023 PGC Settlement approved at Docket No. R-2023-3040290.

H. FERC PARTICIPATION COSTS

35. UGI Gas agrees to withdraw its proposal for recovery of FERC Participation Costs through PGC rates without prejudice and specifically reserves its right to make additional proposals relating to recovery of FERC Participation costs in future rate case and subsequent PGC proceedings, regarding unbundling these costs from base rates and moving them into PGC rates, respectively. All parties reserve their respective rights to address any such proposal in any future base rate or subsequent PGC proceeding.

III. STANDARDS AND FINDINGS

36. 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, 2024. The proposed rates are intended to become effective December 1, 2024.

A. HISTORIC RECONCILIATION PERIOD STANDARDS

37. With respect to UGI Gas's gas purchases and gas purchasing practices during the 12-month historic reconciliation period ending March 31, 2024, 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, 2024, 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:

- 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 St. 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 St. 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 St. 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 St. 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, 2024;
- 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 2024 through November 2025;
- iv) UGI Gas Exhibit 2, Schedule C – Development of Experienced Cost of Gas (E-factor);
- v) UGI Gas Exhibit 2, UGI Gas St. No. 1, Written Direct Testimony of Kimberly M. Bassininsky, Principal Analyst – Rates.

h) Reliability (66 Pa. C.S. §1317(c)): UGI Gas Exhibit 1, Section 14, and UGI Gas Exhibit 2, UGI Gas St. No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – Energy Supply and Planning.

B. PROJECTED PERIOD FINDINGS

38. With respect to the 12-month period beginning December 1, 2024, 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)-(4) and 1318(b)(1)-(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, 2024, 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, 2024, through November 30, 2024, 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.

39. If in an appropriate future proceeding gas purchases and gas purchasing practices relating to the period December 1, 2024, through November 30, 2025, 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, 2024, except as provided in Section II above.

40. The Joint Petitioners also agree that future examination of the gas costs relating to the period April 1, 2024, through November 30, 2024, 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

41. 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, 2024, 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.

42. 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.

43. If the ALJs approve this Settlement without modification, the Joint Petitioners waive their rights to file exceptions.

44. 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.

45. 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.

46. 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.

47. 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, 2024.

48. This Settlement may be executed in counterparts.

Settlement pp 4-12.

LEGAL STANDARDS

Public Interest Analysis

As noted, the Joint Petitioners reached a Joint Settlement in this proceeding resolving all contested issues.

It is the policy of the Commission to encourage settlements. 52 Pa. Code § 5.231(a). 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); *Pa. Pub. Util. Comm'n v. C S Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

1307(f) proceedings

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, 2024, pre-filing.

Substantial Evidence

Finally, 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).

DISCUSSION

Below, we 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 Gas asserts that the 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. UGI maintains that the Settlement was achieved only after a comprehensive investigation of the Company's gas procurement practices. UGI believes that the Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding and is just and reasonable and should be approved in its entirety and without modification. (UGI Gas St. in Support, pp 1, 2).

With respect to specific issues, UGI offered the following comments.

Design Day³

UGI states that no party challenged UGI Gas's design day needs as identified by the Company. (UGI Gas St. in Support, p. 2). In Settlement, the Joint Petitioners agreed to adopt the Company's projected design day figure as identified in the Company's direct testimony. (Settlement at ¶ 24). UGI asserts that adoption of its projected design day figure 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. (UGI Gas St. in Support, p. 2). UGI further asserts that the design day figure agreed to by the Joint Petitioners is necessary for UGI Gas to ensure reliable service under design day conditions. (UGI Gas St. No. 2, pp. 5-7). UGI maintains that its projected design day

³ The Company's methodology for developing the firm peak-day demand and its associated capacity needs is fully described in Section III of the direct testimony of Jesse R. Tyahla, UGI Gas St. No. 2. In its direct testimony, UGI Gas projected a firm peak-day demand and reserve requirement of 2.323 BCF. (UGI Gas St. No. 2, pp. 4-5). This peak-day demand reflects 2.264 BCF of design-cold firm requirements and 0.059 BCF of capacity reserve requirements. (UGI Gas St. No. 2, p. 5).

figure also accounts for the experienced growth of UGI Gas's core market customers, which UGI Gas anticipates will continue. (UGI Gas St. in Support, p. 2). UGI adds that 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. No. 2, pp. 7-8).

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. No. 2, pp. 6-9, 24-25). To address the shortfall identified by the Company's analysis, UGI Gas issued Requests for Proposals (RFPs). (*Id.* pp. 15, 21, 25). As a result of the RFPs, UGI Gas requested approval for two winning bids. The first accepted bid, from Supplier A, will provide 8,394 Dth/day of delivered supply on Tennessee Gas Pipeline Company, LLC for a five-year period beginning on December 1, 2024. (*Id.* p. 21). The second accepted bid, from Supplier B, will provide up to 10,000 Dth/day in Liquefied Natural Gas (LNG) supply and pressure support for the Uniondale 282 system. (*Id.* p. 25). This pressure support will address the reliability concerns for the upcoming winter 2024-2025 period. (*Id.*).

UGI states that no party disputed 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. (UGI Gas St. in Support, p. 3). UGI states that as a result, the Settlement provides that UGI Gas will accept the two winning bids and include the capacity in its supply portfolio. (Settlement ¶ 26). UGI submits that 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 2024-2025 winter and provides a long-term capacity solution that will be needed in future years. (UGI Gas St. No. 2, pp. 20-21).

UGI contends that the requested additions to UGI Gas's supply portfolio will enable UGI Gas to continue providing reliable service through the 2024-2025 winter season by addressing the projected capacity shortfall and securing a lower cost long-term option that will become available after the 2024-2025 winter season to serve the same capacity needs in years

beyond the upcoming winter and therefore, the Settlement term is reasonable and in the public interest and should be approved. (UGI Gas St. in Support, pp. 3, 4).

Storage Capacity Addition

UGI summarized its Storage Capacity Addition efforts as follows:

[Eastern Gas Transmission and Storage] [(EGTS)] issued an Open Season on November 20, 2023, with bids due by December 15, 2023. The Open Season sought bidders for GSS storage and FT-GSS transportation capacity. The Open Season had an anticipated storage capacity of 3,400,000 Dth with 56,667 Dth per day of deliverability to UGI Gas's gate stations through the Company's upstream capacity on Texas Eastern [Transmission, LP] [(Texas Eastern)] and Tennessee.

(UGI Gas St. No. 2, p. 27). UGI Gas noted that:

[f]irm storage capacity with deliverability to UGI Gas has rarely been available in recent years. UGI Gas reviewed the Open Season and recognized the benefit of the storage capacity for additional price savings and stability for customers as well as the operational reliability provided by pipeline storage. UGI Gas submitted a bid for a term of 21 years, at max EGTS GSS and FT-GSS rates, for an annual cost of \$4,557,227.62.

(UGI Gas St. No. 2, p. 27).

UGI states that based on UGI Gas's projection over the next three years (to be done in advance of its bid on the Open Season), the estimated customer savings will be approximately \$600,000 annually. (*Id.*). UGI maintains that to achieve additional cost benefits for customers, the Company plans to review an Asset Management structure for this storage, to be effective within the next year. (*Id.*).

UGI further states that no parties addressed the ETGS Open Season in their testimony. (UGI Gas St. in Support, p. 4). Under the Settlement, UGI Gas shall be permitted recovery of costs related to the firm storage capacity EGTS Open Season for 56,667 Dth per day of deliverability through the Company's upstream capacity on Texas Eastern and Tennessee and

with a term of 21 years (as detailed in UGI Gas St. No. 2, pp. 27-28). (Settlement ¶ 28). UGI points out that firm storage capacity to UGI Gas, which has rarely been available in recent years, will provide additional price savings and stability for customers as well as operational reliability. (UGI Gas St. No. 2, p. 27). Therefore, UGI contends that this Settlement term is reasonable and in the public interest and should be approved without modification. (UGI Gas St. in Support, p. 4).

Long-Term Peak Capacity Shortfall Planning

UGI Gas proposed to use the fifth year of its five-year peak day demand forecast shortfall of 48,525 Dth to establish a capacity target and optimal step-up capacity targets for intermediate years. (UGI Gas St. No. 2, p. 11). Consistent with the Company's current approach to capacity planning, UGI Gas averred that this five-year outlook would be incorporated into annual RFP processes and refreshed every year. (*Id.*) UGI Gas would still present any capacity contracts arranged using the five-year forecasted shortfall for review and approval in a future PGC proceeding. (*Id.*).

UGI states that no party challenged the Company's long-term peak capacity shortfall planning in their testimony. (UGI Gas St. in Support, p. 5). UGI further states that the Company will implement a 5-year capacity shortfall plan to establish a capacity target and optimal step-up capacity targets for intermediate years, consistent with the Company's proposal set forth in its direct testimony. (Settlement ¶ 29). This 5-year plan will be incorporated into annual RFP processes and refreshed each year. (*Id.*) UGI Gas will present any resulting capacity contracts for review and approval in a future PGC proceeding. (*Id.*) UGI Gas maintains that this five-year plan approach will obtain more options to address long-term capacity needs. (UGI Gas St. No. 2, p. 11). Therefore, UGI contends that this Settlement term is reasonable and in the public interest and should be approved without modification. (UGI Gas St. in Support, p. 5).

Peaking Contract RFP Modification

In its direct testimony, UGI explains:

For peaking supplies, the Company requires prospective bidders of RFPs to submit bids that include payment terms from November through March and from December through March, in accordance with settlement terms from the 2021 PGC proceeding at Docket No. R-2021-3025652 and the 2020 PGC proceeding at Docket No. R-2020-3019680. For example, the Company requested payment terms of December through March and November through March in its April 2024 Capacity Shortfall RFP.

(UGI Gas St. No. 2, p. 17).

UGI states that since the settlement approved in the 2021 PGC proceeding, the Company has been conducting a three-year pilot regarding the format of its peaking contract RFPs, which must clearly state that bids must include payment terms over both a four-month (December to March) and five-month (November to March) period. (UGI Gas St. No. 3-R, pp. 2-3).

UGI states that under the terms of the Settlement, UGI Gas will continue to use the RFP format as agreed to in the 2023 PGC Settlement at Docket No. R-2023-3040290 on a prospective basis. (Settlement ¶ 30). The Company's bid form will request that suppliers provide bids based on: (a) payment terms that exclude a November payment; and (b) payment terms that include a November payment. (Settlement ¶ 30). UGI further states that the Company will evaluate RFP responses in a manner which is inclusive of projected PGC over/under collection and PGC interest impacts with regard to fixed charges in live Excel format. (Settlement ¶ 30).

UGI commits to make the RFP responses available in future PGC proceedings to the statutory parties. (Settlement ¶ 30). Further, UGI will make a recommendation in its 2025 PGC proceeding based on the results of the three-year pilot study, as required under the 2021 PGC Settlement approved at Docket No. R-2021-3025652. (Settlement ¶ 30). UGI asserts that

the Settlement maintains the three-year pilot study of the peaking contract RFP modification and ensures that this issue can be more thoroughly addressed in the 2025 PGC proceeding. Therefore, UGI contends that this Settlement term is reasonable and in the public interest and should be approved without modification. (UGI Gas St. in Support, pp. 7, 8).

Hedge Plan Trigger Study Recommendations

UGI Gas states that it undertook a review of its hedging policy as required by the Commission-approved Settlement of the Company's 2022 PGC case.⁴ (UGI Gas St. No. 2, p. 35). As a result of that study and presented in its 2023 PGC case, UGI Gas agreed to do a further investigation into price-trigger driven hedge activities and agreed to report in the 2024 PGC proceeding on whether UGI Gas should incorporate that element into the Company's hedging policy. (UGI Gas St. No. 2, p. 35).

UGI states that the two main recommendations about incorporating triggers into UGI Gas's hedging program were: (1) change the strategy of the current hedge program from an even distribution of monthly hedge purchases to a plan that is flexible and has "trigger hedge" amounts that are more heavily weighted towards months where the futures prices have historically been lower than other purchasing months; and (2) revise the current schedule for hedge purchases from fixed days on a weekly basis to a market data-driven and informed, analytical determination of the most effective days within each month to purchase hedge positions. (UGI Gas St. No. 2, pp. 36-37).

UGI further states that the study provided recommendations that will likely improve the overall hedge program's performance and increase the likelihood of making hedging purchases at a lower cost over time as compared to the Company's existing programmatic approach. (UGI Gas St. No. 2, p. 37). The study determined how UGI Gas's original hedge purchases over three historical years (2020-2022) would have been impacted, had the Company implemented the recommendations supported by the study. (UGI Gas St. No. 2, p. 37). UGI

⁴ See *Pa. Pub. Util. Comm'n v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2022-3032242 (Order entered Oct. 27, 2022).

explains that this analysis found that in the historical test years, UGI Gas would have realized nearly \$5,000,000 in possible savings in two of the three years. (UGI Gas St. No. 2, p. 37; UGI Gas Exhibit JRT-6, p. 14 (CONFIDENTIAL)). As such, UGI Gas proposed to adopt these recommendations in a pilot program that will run in conjunction with the remaining years of the five-year hedging review period established in the settlement of the 2023 PGC proceeding at Docket No. R-2023-3040290. (UGI Gas St. No. 2, p. 37). Specifically, UGI Gas would report on the performance of a portfolio using trigger hedges in its overall evaluation of the hedging plan to be presented in the Company’s 2028 PGC proceeding. (UGI Gas St. No. 2, p. 37).

Under the Settlement, the Company will implement the recommendations provided in Gelber & Associates’ Trigger Price Study conducted per the 2023 PGC Settlement (Docket No. R-2023-3040290) by way of a 4-year pilot commencing on January 1, 2025. (Settlement ¶ 31).

The recommendations from the Study, described on pages 36-37 of UGI Gas St. No. 2, include:

- a. Change the strategy of the current hedge program from an even distribution of monthly hedge purchases to a plan that is flexible and has “trigger hedge” amounts that are more heavily weighted towards months where the futures prices have historically been lower than other purchasing months; and,
- b. Revise the current schedule for hedge purchases from fixed days on a weekly basis to a market data-driven and informed, analytical determination of the most effective days within each month to purchase hedge positions.

(Settlement ¶ 31).

UGI states that during the pilot UGI will compare the actual cost of the hedging activities set forth in the Study’s recommendations against the performance that would have otherwise occurred under the Company’s existing programmatic approach to hedging purchases. (Settlement ¶ 32). UGI commits to hire a consultant, through an RFP process, to implement the recommendations and to collect and analyze the data needed to compare the pilot against UGI

Gas's programmatic methodology. (Settlement ¶ 33). UGI states that it will recover these consultant costs, related to implementing the recommendations of the Study, as well as analyzing and comparing the pilot data to UGI Gas's programmatic hedging approach in PGC rates. (Settlement ¶ 33). Therefore, UGI contends that this Settlement term is reasonable and in the public interest and should be approved without modification. (UGI Gas St. in Support, p. 10).

FERC Participation Costs

UGI reports that the parties disputed whether the issue of FERC participation costs' recovery through the PGC should be raised in a base rate proceeding, PGC case, or both. The parties have reserved their rights to address any such proposal in a future base rate or PGC proceeding, while also achieving a full settlement on the other issues that were litigated in this proceeding. UGI clarifies that under the Settlement, the Company has agreed to withdraw its proposal for recovery of FERC participation costs through PGC rates without prejudice and has specifically reserved its right to make additional proposals relating to recovery of FERC participation costs in future rate case and subsequent PGC proceedings, regarding unbundling these costs from base rates and moving them into PGC rates, respectively. (Settlement ¶ 35). UGI notes that all parties have reserved their respective rights to address any such proposal in any future base rate or subsequent PGC proceeding. (Settlement ¶ 35). Therefore, UGI contends that this Settlement term is reasonable and in the public interest and should be approved without modification. (UGI Gas St. in Support, p. 14).

Conclusion

UGI concludes that the Settlement is reasonable and in the public interest and should be approved. UGI states that the Settlement was achieved only after considerable investigation of the Company's gas procurement practices, through both discovery and the submission of testimony. UGI states that 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. (UGI Gas St. in Support, p. 14).

I&E's Statement and Support

I&E submitted a Statement in Support of the Settlement. The Settlement includes eight provisions that I&E did not address in testimony: Design Day, Peak Day Capacity Supply Additions, Storage Capacity Addition, Long Term Peak Capacity Shortfall Planning, Peaking Contract RFP Modifications, Hedge Plan Trigger Study Recommendations, Quarterly Adjustment Methodology, and FERC Participation Costs. However, I&E did review the Company's PGC filing and supporting testimony, as well as the testimony and exhibits submitted by the parties. I&E maintains the Parties have carefully discussed and negotiated all issues raised in this proceeding and that 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 St. in Support, p. 16).

Specifically, I&E states that UGI 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, I&E requests 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, 2024, 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 St. in Support, pp. 5-16).

I&E states that its technical staff fully analyzed the Company's filing, including all testimony and exhibits. I&E supports this settlement 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. (I&E St. in Support, p. 17).

I&E states that it is satisfied that no further action is necessary and considers its investigation of this Section 1307(f) resolved. 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 St. in Support, pp. 16, 17).

OCA'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 and should be adopted by the Commission.

FERC Participation Costs

OCA specifically addressed FERC Participation Costs stating that the Settlement provides that UGI Gas agrees to withdraw its proposal for recovery of FERC Participation Costs through PGC rates without prejudice and specifically reserves its right to make additional proposals relating to recovery of FERC Participation Costs in future rate cases and subsequent PGC proceedings, regarding unbundling these costs from base rates and moving them into PGC rates, respectively. (Settlement ¶ 35). Given that UGI has withdrawn its initial proposal concerning the recovery of FERC Participation Costs through PGC rates in this proceeding, the OCA concluded it was unnecessary to further litigate UGI's initial proposal in this proceeding. (OCA St. in Support, p. 5). However, the OCA recognizes that UGI is free to propose an alternative to base rate recovery of FERC Participation Costs in its next base rate proceeding, and all parties to that proceeding are free to address the alternative proposal. (OCA St. 1SR at 2). OCA submits this settlement which excludes FERC Participation Costs is reasonable and in the public interest. OCA reaffirms its testimonial position that FERC Participation Costs are more appropriately examined in a base rate proceeding. (OCA St. in Support, p. 5).

Other Provisions in the Settlement

The Settlement includes seven provisions that the OCA did not address in testimony: Design Day, Peak Day Capacity Supply Additions, Storage Capacity Addition, Long Term Peak Capacity Shortfall Planning, Peaking Contract RFP Modifications, Hedge Plan Trigger Study Recommendations, and Quarterly Adjustment Methodology. The OCA reviewed these issues in the proceeding and submits that these provisions of the Settlement are reasonable and in the public interest. (OCA St. in Support, p. 5).

Office of Small Business Advocate Non-Opposition

On August 14, 2024, the OSBA filed a Letter of Non-Opposition to the Joint Settlement. In its letter, the OSBA stated that it reviewed the issues in this proceeding and all testimony. The OSBA further stated that it engaged in settlement discussions with UGI and the OCA, and it did not identify any aspects of the issues set forth above that were unjust or unreasonable to small business customers.

Customer Complainants' Non-Opposition

Seven customer Complainants filed Formal Complaints in this matter.

In the July 26, 2024 Order suspending the litigation schedule issued to all parties including the customer Complainants in this proceeding, the customer Complainants were informed that they would be provided with a copy of the Settlement once it is filed. They were further informed that if they had any objections to the Settlement, that they were to file their objections with the Commission's Secretary by August 23, 2024. The Settlement was filed on August 14, 2024, and its certificate of service indicates that it was served upon the seven customer Complainants. No customer Complainant filed an objection to the Settlement by the August 23, 2024, deadline. Therefore, the customer Complainants are presumed to not oppose the Settlement.

DISCUSSION

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 14, 2024, 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 of the Parties, which admitted the testimony and exhibits of the Joint Petitioners, has been granted by a separate Order. 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. The Settlement addresses the areas of

concern that were raised by the Joint Petitioners in this proceeding, and as stated, above, the Settlement is supported by substantial evidence of record.

On its face, the resolution of each issue is reasonable. This is borne out by the discussions contained in the Statements of Support filed by each of the parties but especially those filed by UGI and I&E which reflect in some detail 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 filed at Docket No. R-2024-3048828 on August 14, 2024, constitutes a fair, just and reasonable resolution of the Commission’s investigation, is in the public interest and adopt the Settlement without modification. It is further recommended that the associated Formal Complaint filed by the OCA at Docket No. C-2024-3049086 be deemed satisfied and marked closed, the OSBA’s Formal Complaint at Docket No. C-2024-3049499 be dismissed and marked closed, and that the following Formal Complaints related to this proceeding be dismissed and marked closed as they were not actively litigated by the Complainants nor was any objection to the proposed Joint Settlement received: Brian Dugas, C-2024-3049100; Jean Ann Switch, C-2024-3049239; Paula Mercuri and Thomas J. Williams, C-2024-3049667; Juan Francisco Ramos, C-2024-3049558; Louis Joseph Kern, C-2024-3049789; Anthony Debellis, C-2024-3049790, and David Beedlemann, C-2024-3049797.

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. C S 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 Section 1307(f) Rate Investigation that UGI Utilities, Inc. – Gas Division, the Office of Consumer Advocate, and the Commission’s Bureau of Investigation and Enforcement 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. C S Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f) submitted by UGI Utilities, Inc. – Gas Division, the Office of Consumer Advocate, and the Commission’s Bureau of Investigation and Enforcement at Docket Nos. R-2024-3048828, C-2024-3049086, C-2024-3049499, C-2024-3049100, C-2024-3049239, C-2024-3049558, C-2024-3049667, C-2024-3049789, C-2024-3049790, and C-2024-3049797, dated August 14, 2024, be approved in its entirety without modification.

2. That UGI Utilities, Inc. – Gas Division be authorized to file a tariff supplement for service rendered on or after December 1, 2024, that implements, subject to updates and tariff modifications traditionally performed on December 1, the Purchased Gas Cost rate of \$5.4483/Mcf

3. That UGI Utilities, Inc. – Gas Division be authorized to file a tariff supplement, on at least one day’s notice to the Commission, containing changes in rates to provide for the recovery of its costs of purchased gas, consistent with the terms and conditions of the Joint Petition for Settlement of Section 1307(f) Rate Investigation.

4. That UGI Utilities, Inc. – Gas Division, the Office of Consumer Advocate, and the Commission’s Bureau of Investigation and Enforcement, shall comply with the terms of the Settlement of Section 1307(f) Rate Investigation submitted in this proceeding, as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That upon the filing of a tariff supplement by UGI Utilities, Inc. – Gas Division, acceptable to the Commission as conforming with this Order and the Joint Petition for Settlement of Section 1307(f) Rate Investigation, and the Commission’s approval thereof, the purchased gas rates established therein shall become effective for service rendered on and after December 1, 2024.

6. That the Complaint of the Office of Consumer Advocate at Docket No. C-2024-3049086 be deemed satisfied and marked closed.

7. That the Complaint of the Office of Small Business Advocate at Docket No. C-2024-3049499 be dismissed and marked closed.

8. That the following formal Complaints associated with this proceeding be dismissed and marked closed as the parties filed no objection to the proposed Joint Settlement: Brian Dugas, Docket No. C-2024-3049100; Jean Ann Switch, Docket No. C-2024- 3049239; Paula Mercuri and Thomas J. Williams, Docket No. C-2024-3049667; Juan Francisco Ramos, Docket No. C-2024-3049558; Louis Kern, Docket No. C-2024-3049789; Anthony Debellis, Docket No. C-2024-3049790, and David Beedlemann, Docket No. C-2024-3049797.

9. That upon acceptance and approval by the Commission of the tariff supplement and supporting data filed by UGI Utilities, Inc. – Gas Division, as being consistent with the Joint Petition for Settlement, the inquiry and investigation at Docket Number R-2024-3048828 shall be terminated and the docket marked closed.

Date: September 6, 2024

/s/
Dennis J. Buckley
Administrative Law Judge

/s/
Alphonso Arnold III
Administrative Law Judge