



COMMONWEALTH OF PENNSYLVANIA

July 9, 2025

E-FILED

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division /
Docket No. R-2024-3052716**

Dear Secretary Homsher:

Enclosed for filing please find the Statement of the Office Of Small Business Advocate in Support of the Joint Petition for Approval of Settlement of All Issues, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-referenced proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

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

Enclosures

cc: Neal Townsend
Kevin Higgins
Parties of Record

II. The Commission's Policy on Settlements

Section 5.231(a) of the Commission's regulations, 52 Pa. Code § 5.231(a) (Formal Proceedings; Hearings; Settlement and Stipulations; Offers of Settlement) states, as follows:

It is the policy of the Commission to encourage settlements.

Similarly, Section 69.401 of the Commission's regulations, 52 Pa. Code § 69.104 (Settlement Guidelines and Procedures for Major Rate Cases – Statement of Policy; General) states, as follows:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.

III. The Joint Petition is in the Public Interest of UGI's Small Business Customers

B. Revenue Allocation

In his Direct Testimony, OSBA witness Neal Townsend observed that UGI filed a class cost of service study ("COSS") which allocated demand costs based upon the Average & Excess ("A&E") methodology.¹ UGI's A&E COSS resulted in Rate R (residential) receiving 23.1% distribution cost-based rate increase while Rate N (small commercial and industrial) would be receiving a 17.5% cost-based rate increase. These rate increases are in comparison to a system average increase of 14.4%.²

Mr. Townsend, after reviewing the Company's COSS methodology, concluded that the methodology and resulting revenue allocation were reasonable.³

¹ OSBA Statement No. 1, at 4.

² OSBA Statement No. 1, at 5. These percentages are based upon excluding natural gas costs, as this is a distribution-rates only case.

³ OSBA Statement No. 1, at 5.

In his Rebuttal Testimony, Mr. Townsend addressed the COSS proposed by the Office of Consumer Advocate (“OCA”). Specifically, the OCA proposed the use of the Peak & Average (“P&A”) methodology instead of UGI’s A&E methodology. The OCA’s COSS resulted in Rate R receiving a 20.2% cost-based increase in distribution rates while Rate N would receive an 8.1% cost-based increase. These proposed distribution rate increases are once again in comparison to a system average increase of 14.4%.⁴

When considering the results of the two COSS methodologies, two things stand out. First, the Rate R class merits a larger than system average increase under both the A&E and P&A methodologies. Second, Rate N merits an above system average increase under the A&E COSS, but a below system average increase under the P&A COSS.

The *Joint Petition* proposes a revenue allocation that is a compromise between the two different COSS methodologies.⁵ As set forth in Appendix B, the system average increase is 6.2%.⁶ To be consistent with the results from the A&E and P&A COSS’s, Rate R will be receiving an above system average increase of 7.1%. Furthermore, as a compromise between the disparate results of the two COSS’s, Rate N will receive the system average increase of 6.2%.⁷

The OSBA supports the revenue allocation set forth in the *Joint Petition*. Depending upon the outcome if this case was fully litigated, Rate N would have either received an above average distribution rate increase using the A&E COSS, or a below-average increase using the P&A COSS. With all due respect to the Commission, it is never certain what a final, litigated outcome on cost of service and revenue allocation will be.⁸ Consequently, the OSBA

⁴ OSBA Statement No. 1-R, at 3.

⁵ *Joint Petition*, Appendix B, at 1. Note that Appendix B includes natural gas costs in its calculations.

⁶ This percentage corresponds to the settlement overall distribution revenue increase of \$69,499,336.

⁷ *Joint Petition*, Appendix B, at 1.

⁸ See *Opinion and Order*, Docket No. 2022-3031211 (Order entered December 8, 2022) at 107, fn. 30 (“We note

respectfully submits that taking what is essentially the midpoint between the two COSS results for the purpose of revenue allocation is a just and reasonable outcome in this proceeding for Rate N.

IV. Conclusion

Therefore, for the reasons set forth in the *Joint Petition*, as well as the factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,

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that even in cases in which the revenue allocation methodology is litigated, a determination regarding which ACCOSS should be used should be determined on a case-by-case basis. We have observed that ‘the inherent distinctions between utilities and rate cases may result in different methodologies to be reasonable for different reasons. In other words, the best-suited ACCOSS may depend on the circumstances of the situation on a case-by-case basis.’”)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2024-3052716
v.	:	C-2025-3053306
	:	
UGI Utilities, Inc. – Gas Division	:	

CERTIFICATE OF SERVICE

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

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