

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2025-3054938
Office of Consumer Advocate	:	C-2025-3055076
Office of Small Business Advocate	:	C-2025-3055608
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

RECOMMENDED DECISION

Before
Alphonso Arnold III
Administrative Law Judge

INTRODUCTION

This Recommended Decision recommends approval of the Joint Petition for Settlement of Section 1307(f) Rate Investigation (“Settlement”) filed by UGI Utilities, Inc. – Gas Division (“UGI”, “UGI Gas”, or “the Company”), the Office of Consumer Advocate (“OCA”) and the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”) (together, the “Settling Parties”) without modification. The Office of Small Business Advocate (“OSBA”) is not a signatory to the Settlement but does not oppose it. The Settlement requests that the undersigned Administrative Law Judge (“ALJ”) and Commission: (1) approve of the terms of the Settlement; (2) authorize UGI to file a tariff supplement for service rendered on or after December 1, 2025, that implements, subject to updates and tariff modifications traditionally performed on December 1, the Purchased Gas Cost (“PGC”) rate of \$6.7677 per Mcf; and (3) make all associated findings required by Sections 1307(f) and 1318 of the Public Utility Code (“Code”), 66 Pa.C.S. §§ 1307(f), 1318. The undersigned ALJ recommends that the Commission approve the Settlement, finding that it is in the public interest and is consistent with the requirements of the Code, 66 Pa.C.S. §§ 1307(f) and 1318. The PGC rate of \$6.7677 per Mcf is an increase of \$0.1616 per Mcf, or 2.4%, from the current PGC rate.

The statutory deadline for the Commission to act on this matter is November 30, 2025. The last reasonable public meeting date that the Commission can act is November 6, 2025.

HISTORY OF THE PROCEEDING

On May 1, 2025, UGI filed with the Commission its PGC recovery pre-filing pursuant to Section 1307(f) of the Code, 66 Pa.C.S. § 1307(f), and Sections 53.64 and 53.65 of the Commission’s regulations. 52 Pa. Code §§ 53.64, 53.65.

On May 8, 2025, Harrison W. Breitman, Esq., and Ryan Morden, Esq., entered their appearances on behalf of OCA.

On May 9, 2025, OCA filed a Formal Complaint and Public Statement in this matter. OCA's Formal Complaint was docketed at C-2025-3055076.

On May 21, 2025, Steven C. Gray, Esq., entered his appearance on behalf of OSBA.

On May 22, 2025, Scott B. Granger, Esq., entered his appearance on behalf of I&E.

Also on May 22, 2025, Devin T. Ryan, Esq., and Alice A. Wade, Esq., entered their appearances on behalf of UGI.

On May 30, 2025, UGI filed its definitive PGC recovery filing pursuant to Section 1307(f) of the Code. 66 Pa.C.S. § 1307(f). The filing included supporting information required by the Commission's regulations, the Company's Direct Testimony and exhibits, and a Pro Forma Tariff Supplement reflecting actual and projected changes in natural gas costs. UGI proposed a PGC rate of \$6.7677 per Mcf, effective December 1, 2025.

The gas cost rate filing was assigned to the Office of Administrative Law Judge for resolution by hearings and for issuance of a Recommended Decision. As such, this matter was assigned to me as the presiding ALJ.

On June 3, 2025, a Prehearing Conference Notice was issued setting a prehearing conference in this matter for June 11, 2025.

Also on June 3, 2025, the Commission issued my Prehearing Conference Order.

On June 5, 2025, OSBA filed a Formal Complaint and Public Statement in this matter. OSBA's Formal Complaint was docketed at C-2025-3055608.

No other Formal Complaints have been filed in this matter.

On June 10, 2025, UGI, OCA, OSBA, and I&E filed Prehearing Conference Memorandums in compliance with my Prehearing Conference Order.

On June 11, 2025, the Prehearing Conference was held as scheduled. UGI, OCA, OSBA, and I&E appeared for the conference represented by counsel. Various procedural matters were discussed during the conference. During the conference, the parties agreed to modifications of the Commission's discovery regulations and to a litigation schedule.

On June 12, 2025, the Commission issued my Prehearing Order which memorialized the agreements made at the prehearing conference, including the agreed upon litigation schedule, and set forth the rules that would govern this proceeding going forward.

On June 16, 2025, the Commission issued an In-Person Evidentiary Hearing Notice which scheduled an in-person evidentiary hearing for July 18, 2025.

Pursuant to the litigation schedule, I&E served Direct Testimony and UGI served Rebuttal Testimony. Neither OCA nor OSBA served Testimony in this proceeding.

On July 10, 2025, the parties in this proceeding through email informed me that a settlement in principle had been reached. The parties requested that the evidentiary hearing be cancelled and that the parties be permitted to file a Joint Stipulation for Admission of Evidence and a Joint Petition for Settlement of All Issues, including Statements in Support, by the Reply Brief deadline of August 8, 2025.

On July 11, 2025, the Commission issued a Cancellation Notice which cancelled the July 18, 2025, evidentiary hearing.

Also on July 11, 2025, the Commission issued my Order Directing the Filing of Settlement Documents, which directed that a Joint Stipulation for Admission of Evidence and a Joint Petition for Settlement of All Issues, including Statements in Support, be filed by August 8, 2025, the Reply Brief deadline.

On August 8, 2025, UGI, OCA, and I&E filed the Settlement and a Joint Stipulation for Admission of Evidence. OSBA filed a Letter on this date indicating that it did not oppose the Settlement.

Also on August 8, 2025, UGI filed a Motion for Protective Order.

On August 11, 2025, the Commission issued my Order granting UGI's Motion for Protective Order.

On August 12, 2025, the Commission issued my Order Granting Joint Stipulation for Admission of Evidence and Closing the Record.

The record in this proceeding consists of the transcript of the prehearing conference and the written Testimony and exhibits of UGI and I&E admitted into the

record through stipulation. This proceeding is now ready for ruling. For the reasons discussed below, the Settlement will be recommended for approval without modification.

DESCRIPTION AND TERMS OF THE SETTLEMENT

The Settlement is a 14-page document. Appendices A through C of the Settlement are the Statements in Support of the Settlement of UGI, I&E, and OCA, respectively. OSBA is not a signatory to the Settlement, but as noted, filed a letter indicating that it did not oppose the Settlement.

The essential terms of the Settlement are found on pages 4 through 9 of the Settlement, paragraphs 24 through 35. These essential terms are restated verbatim,¹ below:

II. TERMS OF SETTLEMENT

A. DESIGN DAY

24. For the upcoming 2025-2026 winter season, the Company will be permitted to use a design day figure of 2.328 BCF, which includes 2.268 BCF of design cold firm requirements and 0.060 BCF of capacity reserve requirements for the Company's firm core market (PGC and Choice Customer markets) needs.

B. PEAK DAY CAPACITY SUPPLY ADDITIONS

25. To address the total peak day capacity supply shortfall needs through the 2029-2030 winter season, UGI Gas will accept the following proposals:

¹ The footnotes contained in this section are also stated verbatim as in the original, but the numbering may have been changed to be consistent with the footnote numbering used throughout the entire Recommended Decision.

Source	Term	Maximum Daily Quantity (Dth per day)
Supplier A (Transco AMA and Capacity Release)	2025-2037	25,254
UGIES (Transco Delivered Supply)	2025-2026	17,963
Total		43,217

26. Specifically, UGI Gas will accept the Asset Management Agreement (“AMA”) and permanent release offer from Supplier A for 25,254 Dth per day for a 12-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 pages 22-24 and also appearing on page 7 in Table 1 of his direct testimony). UGI Gas will perform an operational release of excess capacity above the design day figure to offset costs related to the excess capacity by year.

27. UGI Gas also will accept the Transcontinental Gas Pipe Line (“Transco”) delivered supply offer from UGI Energy Services, Inc. (“UGIES”) for 17,963 Dth per day for a 1-year term beginning with the 2025-2026 winter season.

C. MOBILE LIQUEFIED/COMPRESSED NATURAL GAS (LNG/CNG) SERVICE

28. UGI Gas also will accept the offer from Supplier B for Mobile Compressed Natural Gas (“CNG”) service to Jim Thorpe, PA of 500 Dth per day for a 5-year term beginning with the 2025-2026 winter season, as specified on pages 7-8 of UGI Gas Statement No. 2-R.

D. PEAKING CONTRACT REQUESTS FOR PROPOSAL (“RFPS”)

29. UGI Gas will continue the peaking contract RFP pilot program, as agreed to in the 2023 PGC Settlement approved at Docket Nos. R-2023-3040290, et al., for another 3-year period, where the results will be reviewed in the Company’s 2028 PGC proceeding, as specified on page 2 of UGI Gas Statement No. 2-R.

E. QUARTERLY ADJUSTMENT METHODOLOGY (“QAM”)

30. 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, UGI Gas 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 Nos. R-2023-3040290, et al.

III. STANDARDS AND FINDINGS

31. 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, 2025. The proposed rates are intended to become effective December 1, 2025.

A. HISTORIC RECONCILIATION PERIOD STANDARDS

32. With respect to UGI Gas’s gas purchases and gas purchasing practices during the 12-month historic reconciliation period ending March 31, 2025, 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, 2025, UGI Gas has pursued a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers, as required by Section 1318 of the Public Utility Code. Information submitted by UGI Gas in support of the required statutory findings can be found in the

following sections of UGI Gas Exhibit 1 and UGI Gas Exhibit 2:²

- a) FERC Participation (66 Pa. C.S. §§ 1317(a)(1), 1318(a)(1); 52 Pa. Code § 53.64(c)(4)): UGI Gas Exhibit 1, Section 3, and UGI Gas Exhibit 2, UGI Gas St. No. 2, Written Direct Testimony of Jesse R. Tyahla, Director – FP&A and Strategic Modeling for UGI Corporation.
- 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 – FP&A and Strategic Modeling for UGI Corporation.
- 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 – FP&A and Strategic Modeling for UGI Corporation.
- g) Calculation of PGC Rates:
 - i) UGI Gas Exhibit 2, Schedule A – Computation of Purchased Gas Cost Rate effective December 1, 2025;
 - ii) UGI Gas Exhibit 2, Schedule B (page 1) – Development of Projected Cost of Gas (C-factor);

² UGI Gas Exhibits 1 and 2 are fully described in the Joint Stipulation for Admission of Evidence, which was filed on August 8, 2025.

- iii) UGI Gas Exhibit 2, Schedule B (pages 2-13) – Projected Supply Volumes, Rates, Costs April 2025 through November 2026;
- 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 – FP&A and Strategic Modeling for UGI Corporation.

B. PROJECTED PERIOD FINDINGS

33. With respect to the 12-month period beginning December 1, 2025, 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, 2025, 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, 2025, through November 30, 2025, 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.

34. If in an appropriate future proceeding gas purchases and gas purchasing practices relating to the period December 1, 2025, through November 30, 2026, 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, 2025, except as provided in Section II above.

35. The Joint Petitioners also agree that future examination of the gas costs relating to the period April 1, 2025, through November 30, 2025, 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.

Settlement ¶¶ 24-35.

Further, the Settlement is conditioned upon the terms typically found in most settlements before the Commission. For example, if the Commission modifies the Settlement, or fails to approve the Settlement by December 1, 2025, the Settling Parties may withdraw from the Settlement and proceed to litigation. The Settlement is made without any admission against or prejudice to any position which any party may adopt in the event of any subsequent litigation of these proceedings or any other proceeding. If the approval of the Settlement is recommended without modification, the Settling Parties agree to waive the filing of exceptions. These general provisions and conditions are found on pages 9 through 11 of the Settlement, paragraphs 36 through 43.

LEGAL STANDARDS

As noted, the Settling Parties reached a Settlement in this proceeding resolving all contested issues.

It is the policy of the Commission to encourage settlements.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.⁴ In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest.⁵

UGI's filing in this case was made pursuant to Section 1307 of the 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.⁶ Section 1307 of the 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.⁷ 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.⁸

³ 52 Pa. Code § 5.231(a).

⁴ 52 Pa. Code § 69.401.

⁵ *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).

⁶ 66 Pa.C.S. § 1307(f)(1).

⁷ 66 Pa.C.S. § 1307(f)(5).

⁸ 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.^[9]

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,

⁹ 66 Pa.C.S. § 1318(a)(1)-(4).

(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.^[10]

Section 1317 of the Code requires the submission of certain information to enable the Commission to make a least cost fuel procurement finding.¹¹ The Commission has promulgated regulations pursuant to these statutes that include extensive filing requirements that also govern such filings.¹² UGI complied with these requirements in its May 1, 2025, pre-filing.

Finally, the decision of the Commission must be supported by substantial evidence.¹³ "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.¹⁴

DISCUSSION OF THE SETTLEMENT

Below, I will summarize the positions of the Settling Parties with respect to the Settlement and provide my recommendation. As more fully explained below, I find that the Settlement is in the public interest and recommend its approval without modification.

¹⁰ 66 Pa.C.S. § 1318(b)(1)-(3).

¹¹ 66 Pa.C.S. § 1317.

¹² 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).

¹³ 2 Pa.C.S. § 704.

¹⁴ *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).

UGI's position on the Settlement

Design Day (Settlement ¶ 24)

In its Direct Testimony, UGI projected a firm peak-day demand and reserve requirement of 2.328 BCF for the winter 2025-2026. This peak-day demand reflects 2.268 BCF of design-cold firm requirements and 0.060 BCF of capacity reserve requirements.¹⁵ In the Settlement, the Joint Petitioners agreed to adopt the Company's projected design day figure as identified in the Company's Direct Testimony.¹⁶

UGI submits that 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.¹⁷ UGI asserts that the design day figure agreed to by the Settling Parties is necessary for UGI to ensure reliable service under design day conditions.¹⁸ UGI further asserts that its projected design day figure also accounts for the expected growth of UGI's core market customers, noting that if it did not include this expected customer growth, it would put the Company at risk of underestimating peak day demand.¹⁹

¹⁵ UGI Gas St. No. 2 at 7.

¹⁶ Settlement ¶ 24.

¹⁷ UGI Gas St. in Support at 2.

¹⁸ UGI Gas St. No. 2 at 6-12.

¹⁹ *Id.* at 9.

Peak Day Capacity Supply Additions (Settlement ¶¶ 25-27)

In its Direct Testimony, UGI described its analysis to determine peak day capacity and any identified capacity shortfalls for the upcoming winters of 2025-2026 through 2029-2030.²⁰ To address the shortfall identified by the Company's analysis, UGI issued RFPs.²¹

In the Settlement, UGI agreed that it will accept two proposals and include the capacity in its supply portfolio in order to address its total peak day capacity supply shortfall needs through the 2029-2030 winter season. First, UGI will accept the AMA and permanent release offer from Supplier A for 25,254 Dth per day for a 12-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 pages 22-24 and also appearing on page 7 in Table 1 of his Direct Testimony). UGI will perform an operational release of excess capacity above the design day figure to offset costs related to the excess capacity by year. Second, UGI Gas will accept the Transco delivered supply offer from UGIES for 17,963 Dth per day for a 1-year term beginning with the 2025-2026 winter season. The Total Maximum Daily Quantity (Dth per day) will be 43,217 Dth.²²

UGI submits that it is in the public interest for the Company to include the proposed capacity in its supply portfolio because the capacity will enable UGI to continue providing reliable service through the 2025-2026 winter by addressing the projected capacity shortfall and securing a lower cost long-term option to serve the Company's capacity needs in years beyond the upcoming winter. Therefore, UGI

²⁰ UGI Gas St. No. 2 at 17.

²¹ *Id.* at 17, 22-24; UGI Gas St. No. 2-R at 3.

²² Settlement ¶¶ 25-27.

submits that these Settlement terms are reasonable and in the public interest and should be approved.²³

Mobile Liquefied/Compressed Natural Gas (LNG/CNG) Service (Settlement ¶ 28)

UGI notes that in 2015 and 2020, the Company acquired a mobile Liquefied Natural Gas (“LNG”) service to supply the Jim Thorpe area. The Company also notes that on May 20, 2025, UGI issued an RFP for mobile LNG service to Jim Thorpe as the most recent service agreement expired on March 31, 2025.²⁴ UGI received two bids and accepted the least-cost proposal from Supplier B to provide up to 500 Dth/day in CNG supply and pressure support for the Jim Thorpe, PA system for a term of 5 years.²⁵ This is memorialized in the Settlement, which states that UGI will accept the offer from Supplier B for Mobile CNG service to Jim Thorpe, PA of 500 Dth per day for a 5-year term beginning with the 2025-2026 winter season.²⁶

UGI submits that this Settlement term is reasonable and in the public interest and should be approved without modification.²⁷

Peaking Contract Requests for Proposal (Settlement ¶ 29)

UGI explains that 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

²³ UGI Gas St. in Support at 4.

²⁴ UGI Gas St. No. 2 at 26.

²⁵ UGI Gas St. No. 2-R at 8.

²⁶ Settlement ¶ 28.

²⁷ UGI Gas St. in Support at 5.

Docket No. R-2020-3019680.²⁸ UGI further explains 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.²⁹

However, UGI explains that during this pilot study it did not receive any bids that provided both a four-month and a five-month payment option for the same service; therefore, the Company has been unable to perform a comparison of related interest cost differences for the same product offering made in response to the RFP.³⁰ Due to the lack of information gained during the initial term of the pilot program to make a reasonable recommendation, UGI proposed continuing the pilot program for an additional three-year period.³¹

The Settlement provides that UGI will continue the peaking contract RFP pilot program for another three-year period, where the results will be reviewed in the Company's 2028 PGC proceeding.³²

UGI submits that the extension of the pilot program pursuant to the Settlement terms will provide the opportunity for UGI to gather information on the differences between four-month and five-month bids and to address the issue more thoroughly in the 2028 PGC proceeding. Based on the foregoing, UGI submits that this Settlement term is reasonable and in the public interest and should be approved without modification.³³

²⁸ UGI Gas St. No. 2 at 19

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*; UGI Gas St. No. 2-R at 2.

³² Settlement ¶ 29.

³³ UGI Gas St. in Support at 6-7.

Quarterly Adjustment Methodology (Settlement ¶ 30)

Under the Settlement, 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, UGI Gas will propose criteria for use in determining when QAM 1 and QAM 2 will be used prospectively to calculate the PGC rate change as agreed to in the 2023 PGC Settlement approved at Docket Nos. R-2023-3040290, et al.³⁴

UGI submits that this Settlement term confirms the process by which the QAM 1 and QAM 2 methods will be studied and evaluated, which should help inform the parties' and Commission's positions on those methods in the next PGC proceeding. For these reasons, UGI submits that this Settlement provision is reasonable and in the public interest and should be approved.³⁵

Conclusion

In conclusion, UGI explains 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 posits that the Settlement, if approved, 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. Ultimately, UGI supports the Settlement as reasonable and in the public interest and asks that it be approved without modification.³⁶

³⁴ Settlement ¶ 30.

³⁵ UGI Gas St. in Support at 7.

³⁶ *Id.* at 8.

OCA's position on the Settlement

In its Statement in Support of the Settlement, OCA states that, in determining to settle, OCA examined several aspects of the Company's filing. First, OCA explains that its witness Mierzwa, through discovery, reviewed the Company's design day forecast model(s) and daily data relied upon to determine the design day temperature in each of UGI's service territories. Following his review, Mr. Mierzwa determined that there were no issues with UGI's design day methodology.³⁷

Next, OCA explains that Mr. Mierzwa reviewed the workpapers, calculations and supporting documentation developing UGI's projected total design firm peak day demand for the 2025-2026 winter season, as well as the design peak day demands of PGC and end-user firm transportation customers through discovery. Following his review, Mr. Mierzwa determined that there were no significant issues with UGI's workpapers, calculations, and supporting documentation.³⁸

OCA notes that it also reviewed the peaking contract RFP pilot program in this proceeding, which UGI through the Settlement agreed to continue for another three-year period.³⁹ OCA agrees that the continuation of the peaking contract RFP pilot program as outlined in Settlement is reasonable and in the public interest.⁴⁰

In conclusion, OCA submits that the Company has met the requirements of 66 Pa.C.S. §§ 1307(f) and 1318, and that the Settlement is in the public interest.⁴¹

³⁷ OCA St. in Support at 3.

³⁸ *Id.*

³⁹ Settlement ¶ 29.

⁴⁰ OCA St. in Support at 5.

⁴¹ *Id.* at 2.

I&E's position on the Settlement

Design Day (Settlement ¶ 24)

I&E notes that it did not file Testimony regarding the design day and firm peak day demand. However, I&E submits that it analyzed the Company's as-filed design day proposal and the supporting Testimony, and that after a complete review of the Testimony and exhibits submitted by the parties it supports this settled upon term. I&E submits that this term provides regulatory certainty and a resolution of this issue, which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.⁴²

Peak Day Capacity Supply Additions (Settlement ¶¶ 25-27)

I&E explains that it did not submit Testimony regarding the Company's capacity supply shortfall contracts and capacity release AMAs. However, I&E submits that it analyzed the Company's proposal as discussed by UGI witness Tyahla, and that after a complete review of the Testimony and exhibits submitted by the parties it supports these settled upon terms. I&E submits that these terms provide regulatory certainty and a resolution of this issue which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.⁴³

Mobile Liquefied/Compressed Natural Gas (LNG/CNG) Service (Settlement ¶ 28).

I&E explains that it did not submit Testimony regarding the Company's LNG/CNG service to Jim Thorpe. However, I&E submits that it analyzed the

⁴² I&E St. in Support at 5-6.

⁴³ *Id.* at 8.

Company's proposal as discussed by UGI witness Tyahla, and that after a complete review of all Testimony and supporting exhibits submitted by UGI it supports this settled upon term. I&E submits that this term provides regulatory certainty and a resolution of this issue which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.⁴⁴

Peaking Contract Requests for Proposal (Settlement ¶ 29).

I&E notes that, pursuant to the settlement agreement in the 2021 PGC proceeding, the Company was to provide a modified RFP based on the inclusion of the November peaking contract payment and without the November peaking contract payment.⁴⁵ The Company was also to provide an evaluation of the PGC over/under collection and PGC interest impacts based on the inclusion of the November peaking contract payment and without the November peaking contract payment in this present 2025 PGC proceeding.⁴⁶ The Company in this proceeding indicated that it was unable to perform a comparison of the interest impacts based on the inclusion of the November peaking contract payment because the Company did not receive any RFP which provided payment terms with the inclusion of the November peaking contract payment and without the November peaking contract payment.⁴⁷ The Settlement therefore provides that the pilot program will continue for an additional period of time.⁴⁸

I&E supports this settled upon term as it reflects the amicable agreement of the parties in a past settlement, which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.⁴⁹

⁴⁴ *Id.*

⁴⁵ I&E St. No. 1 NON-PROPRIETARY at 6

⁴⁶ *Id.* at 6-7.

⁴⁷ UGI St. No. 2, at 19.

⁴⁸ Settlement ¶ 29.

⁴⁹ I&E St. in Support at 9-10.

Quarterly Adjustment Methodology (Settlement ¶ 30)

I&E notes that, as part of the Settlement agreement in UGI's 2023 PGC proceeding, I&E agreed to UGI's use of the methodology per the settlement agreement in the Company's 2017 PGC proceedings to determine the quarterly PGC rate. The methodology is still under review and the results will be reviewed in the 2027 PGC proceeding.⁵⁰

I&E supports this settled upon term, stating that the term continues with the QAM study that reflects the amicable agreement of the parties in a past settlement, which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.⁵¹

Conclusion

In conclusion, I&E represents that all issues raised in its Testimony have been satisfactorily resolved through discovery and negotiations with the Company, or are incorporated or considered in the resolution proposed in the Settlement. Thus, I&E represents that no further action is necessary and considers its investigation of this Section 1307(f) filing complete. I&E also represents that the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all the Settling Parties agree benefits their discrete interests and is in the public interest. Lastly, I&E submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses,

⁵⁰ Settlement ¶ 30.

⁵¹ I&E St. in Support at 10.

the preparation of Main and Reply Briefs, the preparation of exceptions and replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Ultimately, I&E submits that the Settlement is in the public interest and recommends its approval without modification.⁵²

Standards and Findings (Settlement ¶¶ 31-35)

Regarding UGI's gas purchases and gas purchasing during the twelve-month historic reconciliation period ended March 31, 2025, the Settling Parties request that the Commission find that UGI has met the standards in Section 1318 of the Code, as to all actual purchased gas costs in the historic period.⁵³

Regarding UGI's experienced and projected gas purchases and gas purchasing practices for the eight-month interim period which began April 1, 2025, and the twelve-month period beginning December 1, 2025 (the period of time during which the proposed rates contained in the Settlement would be in effect) the Settling Parties request that the Commission find that UGI has met the standards in Section 1318 of the Code based upon the evidence of record in this proceeding.⁵⁴ The Settlement expressly states that that these sections do limit future examination of gas costs to determine whether UGI's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Code and that the Commission's adoption of these findings shall not be construed to limit or prevent any disallowance or reduction of such costs.⁵⁵

⁵² I&E St. in Support at 13-15.

⁵³ Settlement ¶ 32.

⁵⁴ Settlement ¶ 33.

⁵⁵ Settlement ¶¶ 34, 35.

RECOMMENDATION

I find that the Settlement entered into by UGI, OCA, and I&E, and not opposed by OSBA, is supported by substantial evidence and is in the public interest.

Approval of the Settlement aligns with the Commission's policy to encourage settlements.⁵⁶ Resolution by settlement relieves 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 the Settlement is approved by the Commission without modification. The costs of these activities would be borne by UGI's customers and are avoided through the filing of the Settlement and its approval by the Commission. Ultimately, avoiding further litigation and further administrative proceedings serves judicial efficiency and allows the parties and the Commission to conserve resources.

Importantly, I note there is no opposition to the Settlement. Every party to this proceeding, each with their own interests and concerns in this proceeding, represented that the Settlement is in the public interest and requested its approval without modification. Each party came to this conclusion after conducting discovery and investigating UGI's filings.

As discussed above, UGI must pursue a least cost fuel procurement policy in order for the Commission to deem its rates as just and reasonable.⁵⁷ Regarding UGI's gas purchases and gas purchasing practices during the twelve-month historic reconciliation period ended March 31, 2025, and UGI's experienced and projected gas

⁵⁶ 52 Pa. Code § 5.231(a).

⁵⁷ See 66 Pa.C.S. § 1318(a).

purchases and gas purchasing practices for the eight-month interim period which began April 1, 2025, and the twelve-month period beginning December 1, 2025, I find that UGI is pursuing a least-cost fuel procurement policy as required by Sections 1318(a) and (b) of the Code. Specifically, the record evidence demonstrates that UGI has: (1) engaged in least cost policies to procure natural gas for its customers; (2) requested rates for purchased gas costs that are just and reasonable; (3) fully and vigorously represented the interests of its ratepayers in proceedings before the FERC and other relevant non-PUC proceedings; (4) took all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself or alleviate the impact from terms in existing contracts with its gas suppliers, which are or may be adverse to the interests of its ratepayers; (5) took 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; (6) did not withhold from the market or cause to be withheld from the market any gas supplies which should have been used as part of a least cost fuel procurement policy; (7) fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests; and (8) obtained contracts for the purchase of gas from any affiliated interest during the relevant time period consistent with a least cost fuel procurement policy.⁵⁸

As acknowledged by the Settlement, in finding that UGI is pursuing a least-cost fuel procurement policy pursuant to Section 1318 of the Code concerning the rate to become effective December 1, 2025, the Commission and future complainants are not prevented from examining, after such projected gas purchases have been made and gas purchasing practices have been implemented, whether UGI's gas purchases and gas purchasing practices have indeed complied with Section 1318. The findings concerning the rate to become effective December 1, 2025, are made solely for the purpose of setting

⁵⁸ See 66 Pa.C.S. § 1318(a), (b).

prospective rates that shall be subject to the standards of Section 1318 and further reviewed in an appropriate future proceeding.

Therefore, for the above reasons, I recommend that the Commission find that the Settlement filed at Docket No. R-2025-3054938 on August 8, 2025, 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 Complaints filed by OCA at Docket No. C-2025-3055076 and OSBA at Docket No. C-2025-3055608 be deemed satisfied and marked closed.

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 Section 1307(f) Rate Investigation, including all appendices and documents identified therein, is admitted into the record of the proceeding at Docket No. R-2025-3054938.
2. 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 Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement at Docket Nos. R-2025-3054938, C-2025-3055076, and C-2025-3055608, dated August 8, 2025, be approved in its entirety without modification.
3. That UGI Utilities, Inc. – Gas Division be authorized to file a tariff supplement for service rendered on or after December 1, 2025, that implements, subject to updates and tariff modifications traditionally performed on December 1, the Purchased Gas Cost rate of \$6.7677/Mcf.
4. 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.

5. 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.

6. 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, 2025.

7. That the Complaint of the Office of Consumer Advocate at Docket No. C-2025-3055076 be deemed satisfied and marked closed.

8. That the Complaint of the Office of Small Business Advocate at Docket No. C-2025-3055608 be deemed satisfied and marked closed.

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 of Section 1307(f) Rate Investigation, the

