BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2025-3059523
Office of Consumer Advocate	:	C-2026-3060342
Office of Small Business Advocate	:	C-2026-3060353
Coalition for Affordable Utility Services	:	
and Energy Efficiency in Pennsylvania	:	C-2026-3060448
Thomas J. Nagies	:	C-2026-3060116
Mustafa Kirisci	:	C-2026-3060190
Daniel J. Luce II	:	C-2026-3060290
Rik Bhattacharyya	:	C-2026-3060305
Josh Durham	:	C-2026-3060434
Serafima Zhuravska	:	C-2026-3060439
Roberta Zeek	:	C-2026-3060442
Cassandra Price	:	C-2026-3060450
Nathan Bahn	:	C-2026-3060451
Robert L. Spradley, Jr.	:	C-2026-3060452
Joseph Kohler	:	C-2026-3060526
Brian Dugas	:	C-2026-3060745
Kevin Clinebell	:	C-2026-3061011
Shannon Brown	:	C-2026-3060947
David E. Gundrum	:	C-2026-3061018
Carl E. Reichart	:	C-2026-3061125
Mary E. Hibbard	:	C-2026-3061794
Barbara Dunn	:	C-2026-3061385
William Davis	:	C-2026-3061439
Merle Ward	:	C-2026-3062680
Roxann E. Curran	:	C-2026-3061856
	:	
v.	:	
	:	
UGI Utilities, Inc. – Gas Division	:	

RECOMMENDED DECISION

Before
F. Joseph Brady
Alphonso Arnold III
Administrative Law Judges

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I. INTRODUCTION

This Recommended Decision recommends the Commission approve the Joint Petition for Approval of Settlement of all Issues (Settlement or Joint Petition) without modification because it is in the public interest and is supported by substantial evidence.

This proceeding was initiated on January 28, 2026, when UGI Utilities, Inc. – Gas Division (UGI, UGI Gas, or the Company) filed a tariff with the Pennsylvania Public Utility Commission (Commission) designed to produce $99.368 million in additional annual distribution rate revenues. Formal Complaints were filed by the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and a number of customers of UGI as identified in the caption above. Additionally, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance and the Retail Energy Supply Association (RESA) intervened.

On July 6, 2026, the Settlement was filed by UGI, OCA, OSBA, I&E, and RESA (Settling Parties or Joint Petitioners). CAUSE-PA filed a letter indicating that it does not oppose the Settlement. The Settlement resolves all issues between the Settling Parties. The Settlement provides for an increase in rates designed to produce an increase in annual distribution rate revenue by $65 million (or 5.3%) accomplished over two steps: $40 million in step 1, effective October 1, 2026, and $25 million in step 2, effective October 1, 2027. Under the Settlement:

(1) the average monthly residential heating charge will increase $6.45 (or 5.7%) from $113.76 to $120.21;

(2) the average monthly commercial heating charge will increase $14.21 (or 4.2%) from $336.74 to $350.95; and

(3) the average monthly industrial heating charge will increase $26.37 (or 4.1%) from $647.57 to $673.94.

The suspension period for this matter ends on October 29, 2026. Thus, the last reasonable public meeting for the Commission to act is October 1, 2026.

II. HISTORY OF PROCEEDINGS

On January 28, 2026, UGI, filed Supplement No. 63 to UGI Gas Tariff – Pa. P.U.C. Nos. 7 and 7S to become effective March 29, 2026 (Supplement No. 63). UGI proposed to increase its rates to produce $99.368 million (8.05%) in additional annual revenues.

On February 3, 2026, Michael A. Podskoch, Jr., Esquire, entered a Notice of Appearance on behalf of I&E.

On February 6, 2026, OCA filed a formal Complaint, Public Statement, Verification, and a Notice of Appearance on behalf of Christy M. Appleby, Esquire, *et al*. The Complaint was docketed at C-2026-3060342.

On February 9, 2026, OSBA filed a formal Complaint, Public Statement, Verification, and a Notice of Appearance on behalf of Steven C. Gray, Esquire. The Complaint was docketed at C-2026-3060353.

On February 10, 2026, CAUSE-PA filed a formal Complaint, Verification, and a Notice of Appearance on behalf of John W. Sweet, Esquire, *et al*. The Complaint was docketed at C-2026-3060448.

In addition to the formal Complaints filed by OCA, OSBA, and CAUSE-PA, various UGI customers filed formal Complaints against the rate filings.[1]

By Order entered February 19, 2026, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase (Suspension Order). Pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), the filing was suspended by operation of law until October 29, 2026, unless permitted by Commission Order to become effective at an earlier date. In addition, the Commission ordered that the investigation include consideration of the lawfulness, justness and reasonableness of UGI's existing rates, rules, and regulations. The matter was assigned to the Office of Administrative Law Judge for the prompt scheduling of hearings culminating in the issuance of a Recommended Decision.

In accordance with the Commission's February 19, 2026 Suspension Order, the matter was assigned to Administrative Law Judges F. Joseph Brady and Alphonso Arnold III.

On February 19, 2026, an Initial Telephonic Prehearing Conference Notice was issued scheduling a prehearing conference for March 6, 2026.

On February 20, 2026, a Prehearing Conference Order was issued directing the filing of Prehearing Conference Memorandums in advance of the prehearing conference.

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[1] Please see the case caption for the Docket Nos. of the consumer complaints.

Also on February 20, 2026, RESA filed a Petition to Intervene.

On February 23, 2026, Joanna Toft-Funk entered her appearance on behalf of I&E.

On February 27, 2026, UGI filed Supplement No. 66 to Tariff UGI Gas – Pa. P.U.C. Nos. 7 and 7S postponing the effective date of the proposed rate increase until October 29, 2026.

On March 4, 2026, UGI, OCA, OSBA, I&E, CAUSE-PA, and RESA filed Prehearing Conference Memorandums.

On March 6, 2026, the prehearing conference was held as scheduled. The following parties were represented by counsel: UGI, OCA, OSBA, I&E, CAUSE-PA, and RESA. Also, in attendance was *pro se* consumer Complainant Serafima Zhuravska.[2]

At the prehearing conference, no party opposed the Petition to Intervene filed by RESA. The parties agreed on a number of procedural matters during the conference, including service of documents, modifications to the Commission's discovery regulations, and a litigation schedule.

By Hearing Notice dated March 13, 2026, In-Person Evidentiary Hearings were scheduled for June 2-4, 2026.

On March 13, 2026, UGI filed a Motion for Protective Order.

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[2] At the conference, Ms. Zhuravska requested to be an inactive party to this proceeding.

On March 13, 2026, a Prehearing Order was issued granting the Petition to Intervene of RESA; establishing the active parties as UGI, OCA, OSBA, I&E, CAUSE-PA, and RESA; and adopting the discovery regulation modifications and litigation schedule agreed to by the parties.

By In-Person & Telephonic Public Input Hearings Notice dated March 16, 2026, In-Person Public Input Hearings were scheduled for March 30, April 1, 6, and 7, 2026, and Telephonic Public Input Hearings were scheduled for April 3, 2026.

On March 18, 2026, a Protective Order was issued granting UGI's Motion for Protective Order.

On March 20, 2026, consumer Complainant Shannon Brown filed Objections and Motion to Amend the Protective Order.

By In-Person & Telephonic Public Input Hearings Notice dated March 23, 2026, additional Telephonic Public Input Hearings were scheduled for April 9, 2026.

On March 24, 2026, a Revised Prehearing Order was issued. The Revised Prehearing Order made a revision to the litigation schedule.

Throughout late March and early April 2026, a total of twelve Public Input Hearings were held in this matter – eight in-person hearings and four call-in telephonic hearings. Twenty-seven (27) UGI customers, including seven elected officials, gave sworn testimony during the Public Input Hearings. Section III of this Decision provides details and a summary of the testimony provided from the witnesses who testified at the public input hearings.

On April 6, 2026, Shannon Brown filed a Petition for Leave to Withdraw her Complaint titled as a "Motion to Dismiss Formal Complaint."

On April 9, 2026, UGI filed an Answer in Opposition to Shannon Brown's Objections and Motion to Amend Protective Order.

On April 20, 2026, Ms. Brown filed Amended Objections and Motion to Amend Protective Order.

On April 21, 2026, Ms. Brown filed a Petition to Withdraw Motion to Dismiss.

On April 24, 2026, Ms. Brown filed a Reply to New Matter.[3]

On April 27, 2026, UGI filed an Answer to Shannon Brown's Motion to Dismiss and Objection to Shannon Brown's Petition for Leave to Withdraw Complainant's Motion to Dismiss.

On April 30, 2026, an Order Denying Shannon Brown's Motion to Dismiss Formal Complaint and Shannon Brown's Amended Objections and Motion to Amend Protective Order was issued.

In accordance with the litigation schedule the active parties submitted direct testimony, supplemental direct testimony, rebuttal testimony, and surrebuttal testimony.

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[3] UGI's Answer in Opposition to Shannon Brown's Objections and Motion to Amend Protective Order did not contain New Matter.

On June 2-3, 2026, evidentiary hearings were held. UGI, OCA, I&E, CAUSE-PA, and RESA were represented at the hearings.[4] The written testimonies and exhibits of UGI, OCA, I&E, CAUSE-PA, and RESA were admitted into the record.

On June 3, 2026, a Cancellation Notice was issued cancelling the June 4, 2026, evidentiary hearing.

On June 4, 2026, a Briefing Order was issued.

On June 8, 2026, OSBA filed an Unopposed Motion of the Office of Small Business Advocate for Admission of Pre-served Testimony.

On June 9, 2026, an Order Granting Unopposed Motion of the Office of Small Business Advocate for Admission of Pre-served Testimony was issued.

On June 18, 2026, counsel for UGI informed us that the active parties, with the exclusion of CAUSE-PA who UGI indicated did not oppose the settlement, have reached a settlement in principle of all issues in this matter. UGI was directed to file the Settlement, along with all supporting documentation, by the Reply Brief deadline of July 6, 2026, at 12:00 p.m.

No party filed Main or Reply Briefs pursuant to the briefing schedule.

On July 6, 2026, the Settlement was filed with the Commission. All Settling Parties submitted Statements in Support of the Settlement. CAUSE-PA is not a signatory to the Settlement but filed a Letter indicating that it did not oppose the Settlement. Further,

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[4] OSBA's counsel informed us prior to the hearings that he would be unavailable for the hearings due to a medical emergency.

pursuant to the directive of the undersigned ALJs, UGI mailed a copy of the Settlement and all supporting documentation to all of the customer Complainants and notified the customers that they may file comments in support or opposition to the Settlement by July 15, 2026.

The record in this case closed on July 15, 2026, which was the deadline for all customer Complainants to file comments in support or opposition to the Settlement.

This matter is ripe for recommended decision.

III. PUBLIC INPUT HEARINGS

At the time of the prehearing conference, given the size of the customer base and requests for public input hearings already received, the OCA requested multiple public input hearings throughout the Company's customer base territory. These requests, along with opposition filed with the Secretary's Bureau, indicated sufficient public interest in these proceedings. Accordingly, throughout late March and early April 2026, a total of twelve (12) Public Input Hearings were held in this matter – eight in-person hearings and four call-in telephonic hearings. Twenty-seven (27) UGI customers, including seven elected officials, gave sworn testimony at the following Public Input Hearings:

IN-PERSON PUBLIC INPUT HEARINGS

Date: Monday, March 30, 2026
Time: 1:00 PM & 6:00 PM
Location: Manheim Township Public Library Morgan Center
595 Granite Run Drive
Lancaster, PA 17601

Date: Wednesday, April 1, 2026
Time: 1:00 PM & 6:00 PM

Location: Wilkes-Barre Township Fire Department Fire Hall 188
152 Watson Street
Wilkes-Barre, PA 18702

Date: Monday, April 6, 2026
Time: 1:00 PM & 6:00 PM
Location: City of Allentown Council Chambers
435 Hamilton Street
Allentown, PA 18101

Date: Tuesday, April 7, 2026
Time: 1:00 PM & 6:00 PM
Location: Dunn Community Center
4565 Prestwick Drive
Reading, PA 19606

TELEPHONIC PUBLIC INPUT HEARINGS

Date: Friday, April 3, 2026
Time: 1:00 P.M. and 6:00 P.M.

Date: Friday, April 9, 2026
Time: 1:00 P.M. and 6:00 P.M.

Candace Roper is a UGI customer who testified that she finds it disheartening that her gas bill has remained the same despite her replacing her house heater and water heater. Ms. Roper also testified that the proposed eight percent increase is scary now that she is retired and unemployed.[5]

Frederick Hammond is a UGI customer who testified he has concerns about the proposed eight percent increase as he and his wife are both retired. Mr. Hammond also questioned the amount of additional revenue UGI would receive as a result of the rate increase.[6]

[5] Tr. 61-62.
[6] Tr. 64-65.

State Representative Nikki Rivera, House District 96, testified on behalf of her constituents. Rep. Rivera testified that she was opposed to the rate increase. Rep. Rivera highlighted that UGI recently received Commission approval for an 8.9% rate increase that went into effect in October of 2025. Rep. Rivera also testified that many of her constituents are on fixed incomes that cannot keep pace with continued rate increases in a short period of time. Finally, Rep. Rivera testified that recent fiscal reports from UGI demonstrate that it has received significant increases in income in the prior year that benefited shareholders but not the utility customers paying the bills.[7]

Ivan Ritz is a UGI customer who testified about a UGI gas main project in Lancaster that he believed the Commission should be aware of. Mr. Ritz testified that he had not contacted the Commission's Bureau of Consumer Services about this situation.[8]

Elisabeth Hoffman is a UGI customer who appeared on behalf of herself and Third Act Pennsylvania, which advocates for climate and democracy for people 60 and over. Ms. Hoffman expressed concern that she was testifying about a UGI rate increase just a year ago. Ms. Hoffman testified that it is her understanding that the rate increases are not related to the price of gas, but rather, spending on infrastructure replacement and upgrades. Ms. Hoffman requested the Commission to direct UGI to prioritize fixing infrastructure over replacement while exploring more ways to transition to forms of renewable energy instead of fossil fuels.[9]

Jacqueline Walsh testified on behalf of her mother, Sandra Herman, who is a UGI customer. Ms. Walsh testified that her mother is on a limited income and paying all her bills is already difficult without the increase.[10]

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[7] Tr. 84-86.
[8] Tr. 88-93.
[9] Tr. 96-98.
[10] Tr. 117-118.

State Representative Jamie Walsh, House District 117, testified on behalf of his constituents. Rep. Walsh testified that rate increases are particularly burdensome on those with fixed incomes. Rep. Walsh highlighted that in the past ten years, UGI has filed for over $400 million in rate increases. Rep. Walsh questioned, based on the frequency and scale of these increases, whether UGI has optimized its internal operations, explored alternatives, reprioritized projects or made the kinds of efficiencies that any household or other business make before asking for more money. Finally, Rep. Walsh urged the Commission to take a critical look at this request and scrutinize the timing, cost projections, return on equity, and what repeated increases are doing to the people who rely on this essential service.[11]

The Honorable Paige Cognetti, Mayor of the City of Scranton, testified on behalf of herself as a customer of UGI, as well as her constituents. Mayor Cognetti pointed out that her constituents have borne multiple rate increases over the past five years from their water, gas, and electric utilities. Mayor Cognetti stated that there are currently pending requests for rate increases from Pennsylvania American Water Company, PPL Electric Company, UGI-Gas, and UGI-Electric. Mayor Cognetti also stated that if all rate increases are approved from the last five years, the typical household's utility costs would increase $1,746 annually. Mayor Cognetti argued that households, small businesses, and large businesses cannot continue to bear these cost increases. Finally, Mayor Cognetti drew attention to the fact that UGI has increased its dividends to shareholders while requesting this increase in rates from customers.[12]

Bob Kadluboski is a UGI customer who testified he is opposed to the increase. Mr. Kadluboski also expressed concerns about the amount of dividends being distributed to shareholders while this request to increase rates is pending.[13]

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[11] Tr. 120-124.
[12] Tr. 128-130.
[13] Tr. 134-135, 137.

Chris Belles is a UGI customer and member of Luzerne County Council. Mr. Belles stated the rate increase is unreasonable given UGI's recent distribution of dividends and press releases indicating record earnings. Mr. Belles also spoke about how members of his community cannot even afford the current rates, let alone an increase.[14]

Tony Thomas is a UGI customer who opposes the rate increase. Mr. Thomas spoke about the burden of the rate increase on low-income households and requested any approved increase be kept as low as possible.[15]

Joanna Bryn Smith is a UGI customer and member of Luzerne County Council. Ms. Smith opposes the rate increase and asked why UGI is requesting another increase only one year after their last request was approved. Ms. Smith also highlighted UGI's recent distribution of dividends and record profits and questioned why that money can't be used instead of a rate increase.[16]

Jeremy Benscoter testified in opposition to the rate increase. Mr. Benscoter read into the record recent press releases from UGI highlighting the dividends distributed and record earnings. Like other witnesses, Mr. Benscoter questioned why that money can't be used instead of a rate increase.[17]

Kimberly Krupsha is a UGI customer who opposes the rate increase. Ms. Krupsha discussed the hardships low-income ratepayers face whenever there is an increase in rates such as choosing between heat and medication. Ms. Krupsha also spoke about how this is not the only utility seeking a rate increase and the cumulative burden that places on ratepayers. Ms. Krupsha also testified that she does not believe UGI has

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[14] Tr. 156-158.
[15] Tr. 160-161.
[16] Tr. 160-164.
[17] Tr. 167-170.

provided sufficient justification for the proposed rate increase. Finally, Ms. Krupsha suggested that UGI should be required to create a new rate class for large load data center customers to shield average ratepayers from the infrastructure costs of data centers.[18]

Nathan Eachus testified in opposition to the rate increase. Mr. Eachus discussed the burden of rate increases on low- and fixed-income households. Mr. Eachus also requested the Commission to pay particular attention to the additional costs associated with data centers and whether those costs are being subsidized by ordinary ratepayers.[19]

Fern Leard is a UGI customer that opposes the rate increase. Mr. Leard expressed similar concerns to other witnesses regarding the heavy burden of multiple utilities seeking rate increases at the same time.[20]

Christina Daniels is a UGI customer that opposes the rate increase. Ms. Daniels testified that her family can no longer keep up with the costs of multiple utilities raising rates at the same time.[21]

Brian Dugas is an inactive consumer Complainant in this proceeding. Mr. Dugas opposes the rate increase and stated that most of the public opposes the rate increase as well.[22]

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18 Tr. 172-176.
19 Tr. 179-182.
20 Tr. 185-186.
21 Tr. 187-188.
22 Tr. 208-211.

Lisa Delaney is a UGI customer that opposes the rate increase. Ms. Delaney stated the proposed increase is unaffordable. Ms. Delaney also testified that she does not see the infrastructure improvements that UGI claims the rate increase will go toward. Ms. Delaney requested that UGI improve its customer service as well.[23]

Donna Hess is a UGI customer that opposes the rate increase. Ms. Hess pointed out that UGI has received multiple increases over the past three years and there has been insufficient time to allow them to utilize those increases. Ms. Hess stated that if UGI is granted this increase, that will amount to a 30% increase in rates over the past four years. Ms. Hess feels it is unrealistic for UGI to continue to request rate increases.[24]

State Representative Brenda Pugh, House District 120, testified on behalf of her constituents. Rep. Pugh testified that rate increases are particularly burdensome on those with fixed incomes like seniors. Rep. Pugh also testified about the high burden of multiple utilities seeking rate increases at the same time. Finally, Rep. Pugh questioned the short time frame of one year between requests for rate increases by UGI.[25]

William Davis is a UGI customer that opposes the rate increase. Mr. Davis testified that his monthly bills in peak months have increased from $40 to $200 in the past couple of years. Mr. Davis also testified about the high burden of multiple utilities-seeking rate increases at the same time. Mr. Davis also questioned whether this rate increase is for infrastructure improvement or the result of tariff increases. Along these lines, Mr. Davis stated that if it is for the cost of temporary tariffs, it is not justified.[26]

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[23] Tr. 218.
[24] Tr. 223.
[25] Tr. 229-230.
[26] Tr. 231-235.

State Senator Judith Schwank, Senate District 11, testified on behalf of her constituents. Sen. Schwank expressed concern that another rate increase is being considered only one year after UGI's last increase and during these times of economic turmoil and uncertainty. Sen. Schwank also testified about the high burden of multiple utilities seeking rate increases at the same time, especially on vulnerable households.[27]

Serafima Zhuravska is an inactive consumer Complainant in this proceeding that opposes the rate increase. Ms. Zhuravska testified that UGI has proposed a rate increase five times since 2023. Ms. Zhuravska discussed the burden this rate increase will have on low- and fixed-income households. Ms. Zhuravska also expressed concerns that UGI does not adequately communicate these proposed changes to its customers.[28]

State Representative David Zimmerman, House District 99, testified on behalf of his constituents and a UGI customer. Rep. Zimmerman testified that his office has received many calls about the recent increases in utility rates. Rep. Zimmerman expressed concern about the frequency of the rate increase requests.[29]

Ronald Rapak is a UGI customer that opposes the rate increase. Mr. Rapak testified that his understanding is UGI's request is mostly based on the need for exporting liquefied natural gas (LNG) and he does not understand why ratepayers should pay for this. Mr. Rapak also discussed UGI's profit margins over the past several years and urged the Commission to consider that UGI is already producing substantial returns without this rate increase.[30]

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27 Tr. 283-288.
28 Tr. 307-308.
29 Tr. 328-329.
30 Tr. 330-333.

Diane Sickler is a UGI customer that opposes the rate increase and is concerned with how she would be able to afford it.[31]

IV. <u>TERMS AND CONDITIONS OF THE SETTLEMENT</u>

The Settlement is a twenty-six (26) page document containing ninety-four (94) numbered paragraphs. Accompanying the Settlement are the following appendices:

Appendix A – Pro Forma Tariff
Appendix B – Proof of Revenue
Appendix C – Bill Impacts
Appendix D – Proposed Findings of Fact
Appendix E – Proposed Conclusions of Law
Appendix F – Proposed Ordering Paragraphs
Appendix G – Statement in Support of UGI
Appendix H – Statement in Support of I&E
Appendix I – Statement in Support of OCA
Appendix J – Statement in Support of OSBA
Appendix K – Statement in Support of RESA

The principal terms of the Settlement are contained in Section III, Paragraphs 33-77. For ease of reference, the settlement terms are cited below *in verbatim*, with subheadings and paragraph numbering retained as they appear in the Settlement.[32] The Settlement terms are as follows:

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[31] Tr. 353-354.
[32] The footnotes contained in this section and the Findings of Fact section of this Decision are original, but the numbering has been changed to be consistent with the footnote numbering used throughout the entire Recommended Decision.

A. GENERAL

33. The following terms of this Settlement reflect a carefully balanced compromise of the Settling Parties' positions on various issues. The Settling Parties agree that the Settlement is in the public interest.

34. The Settling Parties agree that UGI Gas's 2026 Base Rate Case filing should be approved, including those tariff changes included in and specifically identified in Appendix A attached hereto, subject to the terms and conditions of this Settlement that are specified below.

B. REVENUE REQUIREMENT

UGI Gas shall be permitted to implement an increase in base rate revenues of $65 million accomplished over two steps.

a) The increase effective October 1, 2026, or upon one day's notice of Commission order in this proceeding, whichever is later shall be $40 million.

b) The increase effective October 1, 2027, shall be $25 million.

35. The Company shall not file a Section 1308(d) general rate increase on or before January 15, 2029, provided, however, that the Company shall not be prevented from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies, legislative actions at the state or federal level, or state or federal tax policies affecting the Company's rates.

C. REVENUE ALLOCATION AND RATE DESIGN

36. Billing Determinants. Billing determinants will be set per UGI Gas Exhibit E – Proof of Revenue, and inclusive of the detailed adjustments identified in UGI Gas Exhibit SAE-1R.

37. Monthly Customer Charges. The monthly customer charges shall be those proposed by the Company except as set forth below:

a. Rate R/RT: $19.00 effective as of the date specified in Paragraph 3(a) and $20.00 effective as of the date specified in Paragraph 3(b).

38. Revenue Allocation. The revenue increase shall be achieved in accordance with the revenue allocation set forth in Appendix B.

D. WEATHER NORMALIZATION PILOT

39. Term. The Company will conduct a new pilot with respect to its Weather Normalization Adjustment ("WNA"), i.e., the "Second WNA Pilot,". The Second WNA Pilot will commence on November 1, 2027, and run through the date of entry of an order in the Company's next base rate proceeding.

40. Methodology. For the Second WNA Pilot, the parties agree that UGI Gas will continue the use of its existing WNA methodology, yet implement the use of a 5% deadband.

a) The Second WNA Pilot will use the Heating Degree Days ("HDDs") produced by the 10-year normal weather used to determine the Company's base rates and the actual experienced HDDs for the period from November 1 through April 30.

b) Under the Second WNA Pilot, the WNA will not apply to customers enrolled in the Company's Customer Assistance Program ("CAP").

41. Renewal. UGI Gas agrees to file for renewal, revision, extension, or elimination of the Second WNA Pilot as a part of its next base rate case. The parties reserve the right to challenge the renewal, revision, or extension of the Second WNA Pilot.

42. Existing WNA Methodology. The Company's WNA methodology in the proposed tariff in this proceeding (UGI Gas Exhibit F Proposed) will be approved and remain in effect through the billing month of April 2027.

E. CUSTOMER ASSISTANCE/RELATIONS

43. Operation Share. The Company shall provide a one-time payment to Operation Share in the amount of $250,000 in October 2026. This contribution will be in addition to the $1,000,000 contribution identified in the direct testimony of Hans G. Bell, UGI Gas St. No. 1. After the initial $250,000 in hardship fund contribution is made, UGI Gas shall maintain no less than $1.5 million in total annual contributions (inclusive of the $1,000,000 identified in St. No. 1) until the effective date of rates in its next base rate case. UGI Gas will evaluate the need to maintain this contribution level in its next base rate case.

44. Social Security Numbers. UGI Gas agrees to undertake a study that will identify the feasibility of ceasing the use of customer social security numbers, any associated policy/system changes required and the cost thereof, and the timeline for implementation. UGI Gas agrees to provide the results of the study to the parties to this proceeding on or before October 1, 2027.

45. Cost Effective Growth. To ensure cost effective growth that will benefit existing customers, UGI Gas will remove Section 5.1(b)(1) from the UGI Gas Tariff. Specifically, the language to be removed is:

> (1) Service location is directly accessible from an existing or proposed (non-high pressure) Company main that would be extended up to one hundred fifty (150) feet

47. Expanded Arrearage Forgiveness Pilot Program.

a) Beginning on April 1, 2027, UGI Gas will implement an Expanded Arrearage Forgiveness

Pilot Program that will remain in place through the effective date of rates established in its next base rate case. This program will be available to active customers with income levels of 151% to 300% of the Federal Poverty Income Guidelines ("FPIG"). UGI Gas will provide an eligible customer with the option of a 24-month payment plan on 50% of their current arrears. UGI Gas will require the customer to enroll in budget billing. Once enrolled, 50% of the arrears will be deferred (the "deferred balance"). For each in full payment that the customer makes on their budget bill plus their arrears payment arrangement amount, UGI Gas will forgive 1/24th of the customer's deferred balance. Forgiveness dollars will be fully recoverable through the Company's Rider F – Universal Service Program ("USP"). The parties agree that cost recovery for the expanded arrearage forgiveness program will be capped at a maximum of $0.90 on the average residential customer's monthly bill. Once the program reaches the cap, the Company will stop enrolling new customers in the Expanded Arrearage Forgiveness Pilot Program. The Company shall track the yearly balances and present a yearly accounting in the next base rate filing.

b) If a customer participating in the Expanded Arrearage Forgiveness Pilot Program defaults on their payment arrangement, they will be permitted to catch up all missed payments and earn forgiveness so long as they are a customer. UGI Gas will provide billing information consistent with the treatment of CAP customers that are past due, i.e., these customers will only see the past due amount on their arrangement/budget and not the total arrearage.

c) During the term of the Expanded Arrearage Forgiveness Pilot Program, a customer will only be able to participate in the pilot for one set of arrearages.

d) In its next base rate case, the Company will provide an analysis of the function of the Expanded Arrearage Forgiveness Pilot Program and propose whether it should continue or be terminated.

48. <u>Website Information.</u> UGI Gas Company will include OSBA's and OCA's contact information and a description of their services on the Company's website. The Company will also include a link to the Pennsylvania Bar Association's free legal answers. The information should be included at a prominent location on the relevant customer service page of the website.

49. <u>Victims of Domestic Violence.</u> UGI Gas will update protections for victims of domestic violence to also accept a written certification from a domestic violence counselor/advocate. This information will be treated as non-public and confidential information under the Company's confidentiality protocols for victims of domestic violence.

50. <u>Security Deposit Refunds.</u> UGI Gas will initiate a monthly review of security deposits and refund all security deposits being held from accounts designated as "income verified low income" to the customer within 30 days.

a) UGI will amend Tariff Rule 3.3 (f) to change the words "and <u>become enrolled</u> in the Company's CAP" to "and <u>are confirmed to be eligible</u> for the Company's CAP". This amendment is reflected in Appendix A to this Settlement.

b) UGI Gas will modify its processes and procedures regarding the low-income exemption from deposits. UGI Gas will accept <u>*any*</u> information beyond information on income and household size that would "attest to" the household's eligibility for a state benefit that is consistent with CAP income requirements. The Company will meet in a collaborative within 90 days of a final order in this proceeding to discuss with interested parties how COMPASS information may be used to confirm low-income customer exemption from deposits.

51. Low Income Screening.

a) UGI Gas will inform all new and moving customers that UGI Gas has reduced billed rates for income eligible households. UGI Gas will inquire whether these customers would like to provide their income to learn if they qualify. If a customer wants more information, UGI Gas will provide additional information on the program and eligibility.

b) UGI Gas will ask all non-emergency callers at the outset of the call whether as part of the call they would like to hear information regarding customer programs that provide reduced billed rates for income eligible households.

c) UGI Gas customers identified as low income through these regular screening processes will be offered an opportunity to enroll in the Company's CAP at that time and, if they are not able to be enrolled shall be referred for enrollment in CAP and other universal service programs – as well as the Low Income Home Energy Assistance Program ("LIHEAP").

52. Low-Income Outreach and Assistance Pilot Program.

The parties agree that UGI Gas will provide updates on the progress of its Low-Income Customer Assessment and Outreach Pilot, which was established as a part of the Commission-approved Settlement at Docket No. R-2024-3052716, at each of its Universal Service Advisory Committee ("USAC") meetings (i.e., between 2 to 4 times per year).

53. Field Conduct.

a) UGI Gas will develop a field training manual that sets forth the conditions that would require its field employees to not proceed with termination under the Commission's regulations at 52 Pa. Code § 56.94(1). UGI Gas will submit a draft of this field training manual to its USAC within 90 days of the date of entry of a final order approving this Settlement.

b) UGI Gas agrees that, beginning in the FPFTY, it will provide a dedicated reporting process for field workers to report customers identified as potentially being in distress or in need of assistance so that appropriate Company or community partners can conduct outreach. Beginning in the FPFTY and on an annual basis, UGI Gas will conduct mandatory training for all field employees to inform them of the program. The training will instruct employees on how to recognize observable indicators, including health concerns, confusion or disorientation, and unsafe home or equipment conditions, as well as the appropriate procedures for referring customers through the dedicated reporting process.

54. <u>Targeted Customer Communications.</u> UGI Gas will convene a collaborative of interested stakeholders, including the parties to this proceeding, to discuss the development of targeted customer communications regarding natural gas shopping within 60 days of the entry of an order approving the settlement. As part of the collaborative, UGI Gas will propose additional and/or more targeted customer communications to assist customers in ensuring affordability for basic natural gas service due to high natural gas supplier ("NGS") charges that appear on the customer bill that UGI Gas collects under threat of termination of service.

55. <u>Customer Service.</u>

a) During the effective years of the rates established by this Settlement, UGI Gas will maintain its call center performance at levels consistent with its average 2025-2026 (through May) performance as reported to the Commission. In working to maintain a quality level of service, UGI Gas will meet with the parties to this proceeding at least annually to discuss areas of challenge and the Company's plans to address the challenges.

b) UGI Gas has adopted internal performance and compliance-related performance indicators for its third-party call contractors. UGI Gas will report on these performance indicators in the meetings identified in subpart (a) and will include them in the direct testimony in its next base rate proceeding.

56. UGI Gas will report on its compliance with the Universal Service and Customer Service provisions set forth in Paragraphs 44-55 of this Settlement, and the provisions set forth in the Commission-approved settlement at Docket No. R-2024-3052716, to the parties in these proceedings no later than October 1 of each year until it has completed all commitments. UGI Gas will also include information on each of these provisions and commitments in the next base rate case filing.

57. To clarify Paragraphs 59(b) and (c) of the Commission-approved Settlement at Docket No. R-2024-3052716, customers who have received a LIHEAP grant within the current or prior LIHEAP season and/or opted into LIHEAP data sharing are not required to provide income documentation for CAP, the Low-Income Usage Reduction Program ("LIURP"), or Operation Share.

F. DSIC/REPORTING

58. DSIC Eligible Plant. As of the effective date of rates in this proceeding, UGI Gas will be eligible to include plant additions in the Distribution System Improvement Charge ("DSIC") at the later of (1) the end of the FPFTY, or (2) once the total Utility Plant account balance exceeds $6,676,559,000 as projected by UGI Gas at September 30, 2027 per UGI Gas Exhibit A, Schedule C-1, line 1. The foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

59. DSIC Equity Return. For purposes of calculating its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for natural gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

60. Test Year Plant Reporting. The Company shall submit an update to UGI Gas Exhibit A, Schedule C-2 no later than January 4, 2027, which will include actual capital expenditures, plant additions, and retirements by month from October 1, 2025 through September 30, 2026. An additional update for actuals from October 1, 2026 through September 30, 2027, shall be filed no later than January 3, 2028.

G. ACCOUNTING

61. Environmental Cost Recovery. The Company's proposed accounting treatment and recovery of certain environmental costs is approved as set forth in the direct testimony of Amy M. Keller, UGI Gas Statement No. 5, pages 16 – 18.

62. ADIT/EDFIT. The Company's Accumulated Deferred Income Tax ("ADIT") and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii) is accepted. Further, the Company's method to amortize Excess Accumulated Deferred Federal Income Taxes ("EDFIT") according to the Average Rate Assumption Method ("ARAM") is accepted. Absent a change in federal or state law, regulation, judicial precedent or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

63. Repairs Allowance. For purposes of determining the revenue requirement in this case, all capitalized repairs deductions claimed on a federal tax return have been normalized for ratemaking purposes and the appropriate related amount of tax effect of those deductions has been reflected as Accumulated Deferred Income Taxes as a reduction to UGI Gas's rate base.

64. Depreciation Rates. For the Company's accounting purposes, UGI Gas's as-filed depreciation rates are accepted. The parties to this proceeding disagree about the appropriate depreciation method to be used by UGI Gas for ratemaking purposes, and this Settlement should not be construed as agreement to any party's methodology. All parties reserve their respective rights to address the depreciation methodology used for ratemaking purposes in any future base rate proceeding.

65. Rate Case Expense. The Company's revenue increase provided in this Settlement is reflective of a three-year normalization for ratemaking purposes and a three-year amortization for accounting purposes consistent with the period of time reflected in the stay-out provision. The Company will not claim any unamortized amount in a future rate case and agrees that normalization (as opposed to amortization) is the proper treatment for ratemaking purposes.

66. Information Technology ("IT") Capital Cost Treatment. The Company's proposed accounting treatment for certain IT costs is approved as set forth in the direct testimony of Vivian K. Ressler, UGI Gas Statement No. 4, pages 9 - 10.

H. GAS SAFETY

67. Pipeline Restoration Costs. UGI Gas will continue to produce a report for pipeline replacements, to be filed annually as part of its AAOP filing, identifying its ten most expensive restoration projects per year over the past three years, and specifically identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards including: paving, shoulders, sidewalks, etc., and permitting fees. The Company will discuss the results of the annual reporting on restoration costs with the Commission's Pipeline Safety Division.

68. Methane Detectors. UGI Gas agrees to provide a copy of any analysis produced at the conclusion of the Gas Technology Institute ("GTI") pilot program investigating the use of Smart Remote Methane Detectors ("SRMDs") to the Pipeline Safety Division within 30 days of its production to UGI Gas. The Company also agrees to host a technical conference open to parties, Commission personnel, and other NGDCs to review the results of the GTI pilot, UGI Gas's pilot, and to discuss policy and operational considerations regarding further deployment of Remote Methane Detectors ("RMDs") and SRMDs within 90 days of the conclusion of the GTI pilot.

I. SUPPLIER ISSUES

69. Purchase of Receivables. Within 90 days of the approval of the Settlement in this proceeding, UGI Gas will hold a workshop with interested parties, including the parties to this proceeding, to develop annual Choice Program reporting components to provide parties with a better understanding of the function of the Choice program on affordability.

70. Daily Imbalance Trading. UGI Gas will conduct a study to evaluate the feasibility of and cost associated with offering daily imbalance trading. The Company will provide the results of that study to the parties to this proceeding on or before March 1, 2027. Further, the Company will address the study on daily imbalance trading in its 2027 purchased gas cost ("PGC") proceeding, including any cost recovery associated with the implementation of IT upgrades necessary to facilitate daily imbalance trading.

71. Force Majeure. The Company will revise its tariff to provide clarity regarding the process and documentation required for acceptance of force majeure declarations by suppliers. The revisions to its tariff are reflected in Appendix A to this Settlement.

72. Rate NNS. The parties agree that beginning on the effective date of new rates in this proceeding, Rate NNS will be established at $0.20 per Mcf.

J. UNIVERSAL SERVICE COST RECOVERY

73. UGI Gas's proposal to assign universal service costs to Rate XD on a negotiated basis is accepted as filed.

74. UGI Gas agrees to include a proposal for universal service and DSIC contributions each time it enters into contract negotiations with a Rate XD customer beginning on and after October 1, 2026, or the first day of the first month after the Commission enters an order approving the settlement.

K. TARIFF CLEANUP

75. UGI Gas will amend Tariff Rule 9.1 (a) as follows, as reflected in Appendix A to this Settlement:

a) Amend the rule to delineate grounds for termination that require notice from those that do not,

b) Specify 10-day notice is necessary prior to terminations that require notice.

c) Remove the phrase "(v) violation of tariff Rules and Regulations."

76. UGI Gas will review and revise its tariff to correct outdated references to state agencies and eliminate all references to expired sections of the Public Utility Code. These revisions are reflected in Appendix A to this Settlement.

77. UGI Gas agrees to provide tariff clarity on the availability of payment arrangements for Rate N/NT, consistent with the terms and conditions of the Commission-approved settlement of its 2025 Base Rate Case. The revisions to its tariff required to provide this clarity are reflected in Appendix A to this Settlement.[33]

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[33] Settlement ¶¶ 33 – 77.

Additionally, the Settlement is conditioned upon the common conditions found in most settlements filed before the Commission. For example, the Settling Parties agree to waive their individual rights to file exceptions with regard to the Settlement if the Joint Petition is approved by the ALJs without modification.[34] Should the Commission disapprove of the Settlement or modify the terms, the Settling Parties reserve the right to withdraw from the Settlement and proceed to litigation.[35] Furthermore, the Settlement is made without any admission against or prejudice to any position which any petitioner may adopt in the event of any subsequent litigation of these proceedings or any other proceeding.[36]

V. FINDINGS OF FACT

1. UGI Utilities, Inc. – Gas Division is a "public utility" and "natural gas distribution company" (NGDC) as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2202, subject to the regulatory jurisdiction of the Pennsylvania Public Utility Commission, and provides natural gas distribution services to customers located in its certificated service territory.

2. UGI Gas furnishes natural gas to approximately 706,232 residential, commercial, and industrial customers in over 46 counties throughout Pennsylvania. Settlement, Appendix D, Proposed Findings of Fact No. 2.

3. OCA is authorized to represent the interests of consumers before the Commission. Act 161 of 1976, 71 P.S. § 309-2.

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[34] Settlement ¶ 94

[35] Settlement ¶ 88.

[36] Settlement ¶ 90.

4. OSBA is authorized to represent the interests of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act. Act 181 of 1988, 73 P.S. §§ 399.41-399.50.

5. CAUSE-PA is an unincorporated association of low-income representatives that advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunications services.

6. RESA is a trade association of competitive energy suppliers that, among other endeavors, represents the interests of energy suppliers in proceedings before the Commission.[37] Petition to Intervene of the Retail Energy Supply Association.

7. I&E is the prosecutory bureau within the Commission established for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance with the state and federal motor carrier safety and gas safety laws and regulations. *Implementation of Act 129 of 2008 Organization of Bureau and Offices*, Docket No. M-2008-20071852 (Order entered Aug. 11, 2011).

8. This proceeding was initiated on January 28, 2026, when UGI Gas filed Supplement No. 63 to Gas Tariff PA. P.U.C. Nos. 7 and 7S to be effective for service rendered on or after March 29, 2026.

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[37] The positions expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

9. Supplement No. 63 proposed changes to UGI's base retail distribution rates designed to produce an increase in revenues of approximately $99.368 million, based upon data for a FPFTY ending September 30, 2027. UGI St. No. 1 at 5-6.

10. The revenue increase included a proposed return on equity of 10.75% and a capital structure of 54.25% common equity and 45.75% long-term debt. UGI St. No. 8 at 3; *see also* UGI Rebuttal Exhibit B, Schedule DWD-1R, page 1 of 36.

11. The Supplement No. 63 filing was made in compliance with the Commission's regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

12. On February 19, 2026, the Commission entered an Order instituting an investigation into the lawfulness, justness, and reasonableness of UGI's proposed rate increase as well as its existing rates.

13. Pursuant to the Commission's February 19, 2026, Order, Supplement No. 63 was suspended by operation of law until October 29, 2026.

14. The Commission's February 19, 2026, Order assigned UGI's base rate filing to the Office of Administrative Law Judge for the prompt scheduling of hearings culminating in the issuance of a Recommended Decision.

15. In rebuttal, UGI revised its request to a revenue increase of $98.693 million. UGI St. No. 2-R at 3.

16. Twenty-one customers filed *pro se* complaints opposing the proposed rate increase: Thomas Nagies at Docket No. C-2026-3060116, Mustafa Kirisci at Docket No. C-2026-3060190, Rik Bhattacharyya at Docket No. C-2026-3060305, Josh

Durham at Docket No. C-2026-3060434, Daniel J. Luce II at Docket No. C-2026--3060290, Serafima Zhuravska at Docket No. C-2026-3060439, Roberta Zeek at Docket No. C-2026-3060442, Cassandra Price at Docket Nos. C-2026-3060450, Nathan Bahn at Docket No. C-2026-3060451, Robert L. Spradley, Jr. at Docket No. C-20263060452, Joseph Kohler at Docket No. C-2026-3060526, Brian Dugas at Docket No. C-2026-3060745, Kevin Clinebell at Docket No. C-2026-3061011, David E. Gundrum at Docket No. C-2026-3061018, Shannon Brown at Docket No. C-2026-3060947, Carl E. Reichart at Docket No. C-2026-3061125, Barbara Dunn at Docket No. C-2026-3061385, William Davis at Docket No. C-2026-3061439, Mary E. Hibbard at Docket No. C-2026-3061794, Roxann E. Curran at Docket No. C--2026--3061856, and Merle Ward at Docket No. C-2026-3062680.

17. None of the *pro se* complainants were active parties to the proceeding.

18. Throughout late March and early April 2026, 12 public input hearings were held throughout the Company's service territory and telephonically whereby UGI consumers provided testimony concerning the proposed rate increase.

19. On June 2 and 3, 2026, an evidentiary hearing was held for the purpose of admitting pre-served testimony and exhibits into the record and for the cross-examination of certain witnesses.

20. On June 18, 2026, counsel for UGI notified the ALJs via e-mail that UGI, OCA, OSBA, I&E, CAUSE-PA, and RESA had reached an agreement in principle as to a settlement of all issues in this matter with all parties indicating either that they would join or not oppose the settlement.

21. On July 6, 2026, UGI, OCA, OSBA, I&E, and RESA filed a Joint Petition for Approval of Settlement of All Issues.

22. The terms and conditions of the Settlement are found on pages 9 through 25 of the Settlement and contain 61 paragraphs. Settlement ¶¶ 33-94.

23. Pursuant to the Settlement, UGI would be permitted to implement an increase in base rate revenues of $65 million. Settlement ¶ 35.

24. The settled revenue increase will be implemented in two phases: (1) a Phase 1 increase of $40 million effective October 1, 2026, or upon one day's notice of the Commission's Order, whichever is later, and (2) a Phase 2 second increase of $25 million effective October 1, 2027. Settlement ¶ 35.

25. UGI agrees pursuant to the Settlement to not file for another base rate increase request until on or after January 15, 2029. Settlement ¶ 36.

26. Effective October 1, 2026, or upon one day's notice of the Commission's Order, whichever is later, the average residential customer using 68.8 ccf per month will see their monthly bill increase from $113.76 to $117.69. Settlement, Appendix C at 1.

27. Effective October 1, 2027, the average residential customer using 68.8 ccf per month will see their monthly bill increase from $117.69 to $120.21. Settlement, Appendix C at 1.

28. Effective October 1, 2026, or upon one day's notice of the Commission's Order, whichever is later, the monthly customer charge for residential customers will increase to $19. Settlement, Appendix C at 2.

29. Effective October 1, 2027, the monthly customer charge for residential customers will increase to $20. Settlement, Appendix C at 2.

30. The Joint Petitioners agree that the Settlement is in the public interest. Settlement ¶¶ 84-87.

31. CAUSE-PA filed a Letter Indicating Non-Opposition to the Settlement. CAUSE-PA Letter Indicating Non-Opposition to Settlement.

32. In its Letter Indicating Non-Opposition to the Settlement, CAUSE-PA does not affirmatively support the proposed Settlement but concludes that the Settlement's relative benefits for UGI's low- and moderate-income customers warrant a position of non-opposition. CAUSE-PA Letter Indicating Non-Opposition to Settlement.

VI. LEGAL STANDARDS

A. General Base Rate Increase Proceedings

At issue here is the Company's request for a general base rate increase, which is governed by Section 1308(d) of the Pennsylvania Public Utility Code (the Code). Section 1308(d) of the Code provides the procedures for changing base rates, the time limitations for the suspension of the new rates, and the time limitations on the Commission's actions.[38]

Section 1301(a) of the Code mandates that "[e]very rate made, demanded, or received by any public utility ... shall be just and reasonable, and in conformity with [the] regulations or orders of the [C]ommission."[39] Pursuant to the just and reasonable

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[38] 66 Pa.C.S. § 1308(d).
[39] 66 Pa.C.S. § 1301(a).

standard, a utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment."[40] There is no single way to arrive at just and reasonable rates, and "[t]he [Commission] has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates."[41]

The Commission is required to investigate all general rate increase filings.[42] According to Section 315(a) of the Public Utility Code, the burden of proof to establish the justness and reasonableness of every element of a public utility's rate increase request rests solely upon the public utility.[43] The evidence necessary to meet that burden must be substantial.[44]

In general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one, and that burden remains with the public utility throughout the course of the rate proceeding. There is no similar burden placed on parties to justify a proposed adjustment to the company's filing.[45]

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40 *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002) (*City of Lancaster*).

41 *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (*Popowsky II*).

42 *Popowsky II*, 683 A.2d at 961.

43 66 Pa.C.S. § 315(a).

44 *Lower Frederick Twp. Water Co. v. Pa. Pub. Util. Comm'n,* 409 A.2d 505, 507 (Pa. Cmwlth 1980).

45 *Berner v. Pa. Pub. Util. Comm'n*, 116 A.2d 738, 744 (Pa. 1955).

However, proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing, even those which no other party has questioned:

> While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.[46]

That is, Section 315(a) of the Code cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose.[47] The burden of proof must be on the party who proposes a rate increase beyond that sought by the utility.[48] The mere rejection of evidence contrary to that presented by the public utility is not an impermissible shifting of the evidentiary burden.[49]

Section 523 of the Public Utility Code requires the Commission to "consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates."[50] In exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service.[51] As a result, the legislature has given the Commission discretionary authority to deny a proposed rate

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[46] *Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990) (citation omitted); *see also Pa. Pub. Util. Comm'n v. Equitable Gas Co*., 73 Pa.P.U.C. 310 (1990).

[47] 66 Pa.C.S. § 315(a).

[48] *Pa. Pub. Util. Comm'n v. Metro. Edison Co*., Docket No. R-00061366, 2007 Pa.P.U.C. LEXIS 5 (Order entered Jan. 11, 2007).

[49] U.S. Steel Corp. v. Pa. Pub. *Util. Comm'n*, 456 A.2d 686 (Pa. Cmwlth. 1983).

[50] 66 Pa.C.S. § 523.

[51] *Pa. Pub. Util. Comm'n v. Pa. Gas & Water Co*., 61 Pa. PUC 409, 415-16 (1986). *See also* 66 Pa.C.S. § 1501.

increase, in whole or in part, if the Commission finds "that the service rendered by the public utility is inadequate."[52]

Rates must not be unduly discriminatory among customer groups.[53] The Commission has discretion to determine reasonable classification of service of rates as may be justified "by a variety of considerations including the quantity of service used, the nature of the use, the time of the use, the pattern of the use, differences of conditions of service or cost of service."[54]

A Commission decision must be supported by substantial evidence in the record. "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.[55]

B. <u>Legal Standards for Settlements</u>

The Joint Petitioners reached a Settlement in this proceeding. Commission policy promotes settlements.[56] In most cases, settlements lessen the time and expense that the parties must expend litigating a case, and at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.[57] The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the

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52 66 Pa.C.S. § 526(a).

53 66 Pa.C.S. § 1304.

54 *Zucker v. Pa. Pub. Util. Comm'n*, 402 A.2d 1377, 1382 (Pa. Cmwlth. 1979).

55 *Norfolk & W. Ry. Co. v. Pa. PUC*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Rev.*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm. Dept. of Pub. Welfare, White Haven Ctr.*, 480 A.2d 382 (Pa. Cmwlth. 1984).

56 *See* 52 Pa. Code § 5.231.

57 *See* 52 Pa. Code § 69.401.

settlement is in the public interest.[58] The Settling Parties have the burden to prove that the Settlement is in the public interest.[59]

VII. DISCUSSION

A. General (Settlement, ¶¶ 33-34)

The Settling Parties agree that the Settlement is in the public interest and that UGI's natural gas distribution base rate increase filing should be approved, including those tariff changes included in and specifically identified in Appendix A, subject to the terms and conditions of the Settlement.[60]

The Settlement was achieved after a comprehensive investigation and significant effort by the Settling Parties. UGI responded to over 650 formal discovery requests, as well as informal discovery.[61] The active parties submitted several rounds of written testimony, including UGI's direct testimony, other parties' direct testimony, rebuttal testimony, surrebuttal testimony, and rejoinder testimony. The ALJs held a multi-day hearing in this matter where witnesses were subject to cross examination. Further, the parties engaged in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.[62]

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[58] *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M--2012-2201861 (Opinion and Order entered Dec. 5, 2013).

[59] *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't,* Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021).

[60] Settlement, ¶¶ 33-34.

[61] UGI St. in Support at 4.

[62] *Id*.

The Settlement reflects a carefully balanced compromise of the competing and broad array of interests of the Settling Parties in this proceeding. The fact that the Settlement is supported by parties representing a diversity of constituents and interests provides substantial evidence that the Settlement is reasonable and in the public interest, particularly given the active role of the parties in this proceeding. The detailed terms of the Settlement provide comprehensive benefits to customers as detailed herein, while continuing to ensure provision of safe, reliable and affordable service.

B. Revenue Requirement (Settlement ¶¶ 35-36)

1. *UGI's Position*

In its initial filing, UGI sought approval from the Commission to implement rates designed to produce an increase in total annual operating revenues of approximately $99.368 million.[63] The revenue increased included a proposed return on equity (ROE) of 10.75% and a capital structure of 54.25% common equity and 45.75% long-term debt.[64] In rebuttal, UGI revised its request to a revenue increase of $98.693 million.[65]

Pursuant to the Settlement, UGI would be permitted to implement an increase in base rate revenues of $65 million. The increase will be implemented in two phases: (1) a Phase 1 increase of $40 million effective October 1, 2026, or upon one day's notice of the Commission's Order, whichever is later, and (2) a Phase 2 second

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63 UGI St. No. 1 at 5.

64 UGI St. No. 8 at 3; *see also* UGI Rebuttal Exhibit B, Schedule DWD-1R, page 1 of 36.

65 UGI St. No. 2-R at 3.

increase of $25 million effective October 1, 2027.[66] Further, UGI agrees to not file for another base rate increase request until on or after January 15, 2029.[67]

UGI submits that the settled revenue increase is essential to its (1) ability to attract capital on reasonable terms; (2) extensive efforts to grow and maintain a safe and reliable distribution system; and (3) ongoing administration of quality customer service results. According to UGI, the Company's current rates do not provide it with a reasonable opportunity to earn a fair rate of return on its investments made to serve the public in the provision of safe and reliable natural gas distribution service. Absent rate relief, UGI projected that its operations at current rates would produce an overall return on rate base of 6.55%, which equates to a return on common equity of 7.70%, for the twelve months ending September 30, 2027. UGI contends that those returns are not adequate based upon the applicable financial analyses and the risks confronted by the Company, as detailed by its witness Dylan W. D'Ascendis. UGI forecasts that unless the Company receives the rate relief set forth in the Settlement, those returns will continue declining, deny the Company an opportunity to earn a fair and reasonable rate of return, and jeopardize the Company's ability to attract the capital needed to make the system investments necessary to support and ensure continued system reliability, safety, and customer service performance.[68]

UGI argues that the settled revenue increase being implemented in two phases will allow for a more gradual increase in rates which will benefit its customers. The Company also argues that its customers are benefited from the Settlement's stay-out provision as the provision provides customers with a measure of certainty regarding rates that could only be achieved through Settlement.[69]

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66 Settlement ¶ 35.
67 Settlement ¶ 36.
68 UGI St. No. 1 at 6-7.
69 UGI St. in Support at 10-11.

UGI also notes that the revenue requirement is a “black box” settlement, wherein the Settling parties did not specifically identify or resolve individual rate base, revenue, expenses, and rate of return issues. The “black box” concept facilitates settlements because it permits parties to retain their positions on important ratemaking issues for the proceeding at hand as well as for future proceedings.[70] UGI contends that the Commission has recognized that black box settlements serve an important purpose in reaching consensus in base rate cases.[71]

Ultimately, UGI submits that the revenue requirement provided for in this Settlement is reasonable, in the public interest and should be approved without modification.[72]

2. *OCA’s Position*

OCA initially recommended that UGI’s proposed revenue increase be reduced to reflect a decrease of $15.8 million for the FPFTY.[73] OCA’s recommendation was based on a ROE of 8.8% and a debt ratio of 51%.[74]

OCA’s supports the settled revenue increase. OCA asks the Commission to consider that the settled revenue increase is approximately $34.4 million below what was

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[70] UGI St. in Support at 6.

[71] *See, e.g.*, *Pa. Pub. Util. Comm’n v. Aqua Pa., Inc.*, Docket No. R-2024-3047822, 2025 Pa.P.U.C. LEXIS 45, at *15-16 (Opinion and Order entered Feb. 7, 2025); *Pa. Pub. Util. Comm’n, v. Aqua Pa., Inc.*, Docket No. R-2011-2267958, pp. 26-27 (Opinion and Order entered June 7, 2012); *Pa. Pub. Util. Comm’n v. Peoples TWP LLC*, Docket No. R-2013-2355886, pp. 27-28 (Opinion and Order entered Dec. 19, 2013); Statement of Chairman Robert F. Powelson, *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Public Meeting, Aug. 2, 2012).

[72] UGI St. in Support at 10-11.

[73] OCA St. 2 at 3.

[74] *Id*.

proposed and represents a result that would be within the range of likely outcomes in the event of full litigation of the case. OCA also suggests that the revenue requirement increase should be considered in the context of the many important provisions obtained in the Settlement that were the product of extensive negotiation, which includes many terms that likely would not have been achieved through litigation. For example, OCA's highlights the stay-out provision in the Settlement, which could only be achieved through settlement. OCA states that the stay-out provision is in the public interest because it will protect consumers from further increased rates for a longer period of time and provides consistency in the new rates before the possibility of another base rate increase.[75]

Further, OCA submits that the proposed two-year phase-in of the rate increases is in line with the generally accepted ratemaking principle of gradualism which will protect consumers from the devastating effects of rate shock.[76]

Ultimately, OCA submits that the revenue requirement settlement terms are in the public interest because the Settlement revenue increase provides sufficient funds to maintain UGI's gas distribution system in an adequate, efficient, safe, and reasonable manner at a level significantly lower than UGI's $99.368 million original request.[77]

3. *OSBA's Position*

In this proceeding, OSBA submitted testimony in opposition to UGI's requested ROE of 10.75%. OSBA argued that the fixing of 'just and reasonable' rates involves a balancing of the investor and the consumer interests[78] but that UGI did not appropriately consider the interests that its customers have in being able to afford the rate

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[75] OCA St. in Support at 7-8.
[76] OCA St. in Support at 8.
[77] OCA St. in Support at 7.
[78] *See Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944).

increases in its ROE determination. OSBA urged the Commission to carefully consider ratepayers' interest, affordability concerns, and the risk reduction benefits of a low-risk regulatory environment in evaluating the Company's cost of capital claim in this proceeding.[79]

OSBA states that the settled revenue increase, pursuant to its calculations, implies a ROE of approximately 10.00%. This result is consistent with the OSBA's position on this issue, and therefore OSBA supports this reduced ROE as a just and reasonable resolution of this issue.[80]

4. *I&E's Position*

I&E initially recommended a revenue requirement increase of approximately $53.385 million with a ROE of 9.81% and the use of UGI's capital structure in its direct testimony.[81] Subsequently, in I&E's surrebuttal testimony, I&E updated its recommended revenue requirement to a revenue increase of $56.706 million.[82] Based on the information available to I&E when reviewing the ROE produced by the Settlement, I&E claims that the revenue increase in Phase 1 should be well below UGI's proposed ROE of 10.75% and below the I&E proposed ROE of 9.81%. I&E states that the revenue increase in Phase 2 should result in a ROE more closely aligned with the ROE proposed by I&E than the ROE proposed by the Company. It was these factors that I&E considered in agreeing to the settled revenue increase.[83]

I&E states that the revenue requirement agreed to as part of the Settlement is reasonably close to the I&E recommended overall revenue increase and well in line

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[79] OSBA St. No. 1 at 4-5.
[80] OSBA St. in Support at 2.
[81] I&E St. No. 1 at 4; I&E St. No. 2 at 7.
[82] I&E St. No. 1-SR at 4.
[83] I&E St. in Support at 5.

with the likely overall revenue requirement had the case been fully litigated. Further, the phase-in of the rates, I&E argues, allows for a gradual increase in rates over time that customers can plan for, rather than being impacted by the entire rate increase at once.[84]

I&E points out that the revenue requirement is the result of a "black box" settlement, wherein the revenue requirement agreed to does not specifically identify the resolution of each disputed issue. According to I&E, Black box settlements benefit ratepayers as it allows for the resolution of the proceeding in a timely manner while avoiding significant additional expenses.[85]

Ultimately, I&E fully supports the negotiated level of overall base rate revenue increase as a full and fair compromise that provides UGI, the Joint Petitioners, affected ratepayers, and the Commission with an amicable resolution of the overall revenue increase and regulatory certainty, all of which is in the public interest.[86]

5. *CAUSE-PA's Position*

CAUSE-PA initially requested that the Commission deny UGI's rate increase in its entirety, claiming that the record evidence shows that it has sufficient revenue to earn a fair rate or return and provide safe and reliable service.[87]

To its argument, CAUSE-PA submitted that the Company's projection that it would yield an overall rate of return of 6.55% which equates to a ROE of 7.70% for the twelve-month period ending September 30, 2027, is sufficient and that UGI could attract capital without a rate increase. Critical to this point CAUSE-PA argued is the fact that

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84 I&E St. in Support at 7.
85 I&E St. in Support at 5-6.
86 I&E St. in Support at 6.
87 CAUSE-PA St. No. 1 at 34.

UGI's primary source of capital is its parent company to which it has returned $249 million in dividends in the last few years. Moreover, CAUSE-PA pointed out that UGI has earned net income to the tune of more than $2 billion over the last 5 years. Additionally CAUSE-PA noted that despite UGI getting a rate increase in 2025 that it has not had to have an actual infusion of external capital from the equity markets. Ultimately, CAUSE-PA concluded that the internally generated cash from UGI's operating subsidiaries is more than sufficient given that UGI's parent company has not had to go to the capital markets in recent years. CAUSE-PA therefore claimed that UGI has well capitalized sources to ensure that it continues to have access to sufficient capital and fair rates to ensure that it can maintain safe and reliable service.[88]

Alternatively, if the Commission is inclined to grant an increase to UGI, CAUSE-PA argued that it should reduce the requested ROE and adjust the Company's capital structure for ratemaking purposes. CAUSE-PA, however, did not make a recommendation about the specific cost of equity that should be used to determine UGI's ROE in this case.[89]

In its Letter Indicating Non-Opposition to the Settlement, CAUSE-PA states that it is unable to affirmatively support the $65 million rate increase. However, CAUSE-PA does not oppose the Settlement stating that the Settlement provides meaningful benefits to low- and moderate-income consumers. Amongst these benefits highlighted by CAUSE-PA is the stay-out provision contained in the Settlement, wherein UGI agrees to not file for another base rate increase request until on or after January 15, 2029, and the two-year phase in of the overall revenue increase.

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[88] CAUSE-PA St. No. 1 at 40-41.

[89] CAUSE-PA St. No. 1 at 43.

6. *RESA's Position*

RESA did not submit testimony regarding this issue.

7. *Disposition*

The Settlement, in this case, is a "black box" settlement. This means that the parties were not able to agree on each and every element of the revenue requirement calculation. As cited, the Commission supports the use of black box settlements, and these provisions are consistent with Commission precedent.

In UGI's initial proposal, it sought an increase in rates designed to produce an additional $99.368 million in annual operating revenues. Thus, the agreed upon Settlement rates, that are designed to produce an additional $65 million in annual operating revenues, represent a large reduction and compromise from UGI's initial position. This benefits customers as they will be subject to rates lower than what was initially proposed. Although customers will still experience an increase in their rates as a result of these proceedings, the rates that will result from the Settlement reflect rates that likely would have been within the range of possibilities had these proceedings been fully litigated. Alternatively, had this case been fully litigated, customers may have been subject to a greater increase in rates.

With an increase in rates, UGI will be able to earn a fair rate of return on its investments. As such, the rate increase will allow UGI to continue to serve the public through providing safe and reliable natural gas distribution service. Safe and reliable gas service is a public benefit.

Also supporting a finding that the Settlement's revenue requirement provisions are reasonable and in the public interest is that the provisions provide for a phase-in of the rates and a stay-out provision. The phase-in of the $65 million rate increase over two phases mitigates the impact that the rate increase will have on UGI customers by spreading out the increase over time. The stay-out provision provides that UGI will not file for another base rate increase until at least January 15, 2029. Given that the last increase of UGI's base rates occurred only a year ago in 2025[90], this provision provides UGI customers with a level of rate stability they have not had in the recent past. The phase-in and stay-out provisions might not have been achieved if not for a settlement of this proceeding, as such, the existence of these provisions in the Settlement supports its approval.

Accordingly, we find these Settlement provisions are just, reasonable, in the public interest, and therefore, should be approved without modification.

C. Revenue Allocation and Rate Design (Settlement, ¶¶ 37-39)

1. *UGI's Position*

UGI relied upon a class cost of service study to allocate its proposed total revenue and costs to each of the retail customer classes.[91] UGI, OCA and OSBA all presented evidence regarding revenue and cost allocation.[92] According to UGI, while UGI and OSBA took similar positions with respect to revenue allocation, OCA opposed the Company's proposed revenue allocation based upon the cost of service methodology utilized and recommended the use of a Peak and Average (P&A) cost allocation

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90 *See Pa. Pub. Util. Comm'n v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2024-3052716 (Opinion and Order entered Sept. 11, 2025) (2024 base rate proceeding).

91 UGI St. No. 11 at 2-18, 23-32; UGI Exh. D.

92 *See* UGI St. Nos. 11, 11-R, and 11-RJ; OCA St. 1 and 1SR; OSBA St. No. 1.

methodology rather than the Average and Excess (A&E) methodology utilized by the Company.[93]

According to UGI, the Settling Parties were able to reach a full settlement that allocated the revenue in a manner that will move all classes closer to the cost of service.[94] The rate impact of the settled revenue allocation is set forth in Appendix C to the Settlement and can be derived from the Proof of Revenues included as Appendix B to the Settlement.[95]

UGI believes that the revenue allocation in the Settlement is fully consistent with the Commonwealth Court's decision in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006), *allocatur denied*, 916 A.2d 1104 (Pa. 2007) (Lloyd) and prior Appellate Court precedent regarding revenue allocation. According to UGI, in considering the *Lloyd* decision, it is important to recognize that *Lloyd* did not overturn prior judicial precedent regarding revenue allocation and the applicability of cost-of-service studies. UGI asserts that when allocating revenues to the rate classes, the Commission is not required to adopt a single cost of service study or strictly allocate revenues according to the study's results. For example, in *Executone of Philadelphia, Inc. v. Pa. PUC*, 415 A.2d 445, 448 (Pa. Cmwlth. 1980), the Court stated:

> [T]here is no single correct cost study or methodology that can be used to answer all questions pertaining to costs; there are only appropriate and inappropriate cost analyses depending upon the type of service under study and the management and regulatory decision in question.

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93 *See, e.g.,* UGI St. No. 11 at 12-16; OCA St. 1, at 54.
94 Settlement ¶ 39; see also Appendix B.
95 UGI St. in Support at 12.

Likewise, in *Peoples Natural Gas Co. v. Pa. PUC*, 409 A.2d 446, 456 (Pa. Cmwlth. 1979), the Court stated as follows with respect to rate design:

> . . . there is no set formula for determining proper ratios among the rates of different customer classes. What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the commission to decide. This court's scope of review is limited.

UGI contends that, as *Lloyd* and the other cases cited above demonstrate, the Commission retains considerable discretion in designing rates, is not required to follow any particular cost of service study, and can consider other factors, including gradualism and extenuating economic circumstances, in designing just and reasonable rates, as long as cost of service is the primary guiding factor. UGI also points out that the agreed-upon revenue allocation under the Settlement provides movement of the rate classes toward their costs of service. As such, UGI submits that the Settlement's proposed revenue allocation is fully consistent with the *Lloyd* decision and other relevant precedent regarding revenue allocation.[96]

According to UGI, the primary objective of the Company's proposed rate design was to develop rate schedules that would produce the requested revenues when applied to forecasted conditions for the FPFTY ending September 30, 2027. Under the Settlement, billing determinants will be set per UGI Exhibit E – Proof of Revenue, and inclusive of the detailed adjustments identified in UGI Exhibit SAE-1R.[97] Further, UGI points out that, pursuant to the Commission-approved settlement agreement at Docket No. R-2024-3052716, it evaluated the use of a ten-year historical period and determined that a ten-year historical average of heating degree days (HDDs) ending December 31,

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96 *Id*.
97 Settlement ¶ 37.

2024, is an appropriate basis for both base-rate billing determinants and WNA calculations.[98]

2. *OCA's Position*

Originally, OCA recommended that UGI's residential customer charge increase proposal be denied, that the residential customer charge remain at $16.25, or that the customer charge should increase no more than the total increase in revenues allocated to the residential customer class.[99] Based on the Settlement revenue requirement and associated revenue allocation, that amount would be $17.84, an increase of $1.59.[100] OCA witness Deupree's recommendation was based on four key issues: UGI's proposed customer charge would be the highest in Pennsylvania; the indicated per-customer costs for residential customers; impact on incentives to conserve energy and invest in energy efficiency; and the impact of a customer charge increase on low-income customers.[101]

OCA posited that UGI's current residential customer charge of $16.25 is already close to the Pennsylvania investor-owned NGDC average of $16.66 per month.[102] As further stated by OCA witness Deupree:

> [t]he Company's proposed residential customer charge of $23.00 would be well above the regional average of $17.25 per month charged by other investor-owned natural gas utilities. Indeed, the Company's proposed residential customer charge of $23.00 per month would be higher than that charged by any other Pennsylvania investor-owned natural gas utility."[103]

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98 UGI St. in Support at 13; UGI St. No. 11 at 24.
99 OCA St. 1 at 69.
100 *Infra*, Sec. III.B.2. $16.25 * (1 + 9.77%) = $17.84.
101 OCA St. in Support at 10.
102 OCA St. 1 at 64.
103 *Id.*

Therefore, OCA argued that the Commission should not approve a customer charge which is out-of-step with other NGDCs in Pennsylvania, functionally depriving UGI's residential customers of fixed rates at a disproportionate level compared to other natural gas residential customers in Pennsylvania.[104]

OCA also highlighted that national public policy analysts and other regulatory commissions have also noted the importance of low customer charges in sending adequate price signals to incent customer conservation efforts.[105] OCA argued that if UGI's proposed $23.00 customer charge was adopted, current UGI customers would have distorted price signals compared to present rates as to the effectiveness of energy efficiency and conservation efforts on their typical bill, which is contrary to the long-standing policy to promote conservation through rate design.[106]

OCA concluded that the agreed-upon residential customer charge phase-in increase from $16.25 to $19.00 and $20.00 is overall in the public interest as a part of the full Settlement. The OCA states that the final Settlement increase is well within the range of results that the parties could have expected from litigation, taking into consideration the testimony of all witnesses and Commission precedent in similar cases.[107] In addition, OCA states the addition of the phase-in of the customer charge increase mitigates the impact of the increase on customers and the potential risk that UGI's residential customers would be subject to rate shock if the Commission authorized a $23.00 customer charge.[108] Finally, OCA points out that the residential customer

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104 OCA St. in Support at 10.
105 OCA St. 1 at 65-67.
106 OCA St. in Support at 11.
107 *Id*.
108 *Id*. at 13.

charge increase is less than twice UGI's overall requested distribution revenue increase following both phases of the Settlement revenue requirement increase.[109]

According to the OCA, the primary dispute regarding revenue allocation was whether to select the allocated cost of service study (ACOSS) proposed by UGI, using the A&E method, or that proposed by the OCA, which used the peak and average (P&A) method, to allocate the costs of UGI's distribution mains.[110] UGI's A&E method uses a system load factor[111] to weight the average component, which "represents each rate class's average hourly energy consumption throughout the test year," and the inverse of the load factor to weight the excess component, or "each class's contribution to system peak demand in excess of the class's average daily consumption."[112] UGI utilizes a load factor of 40.5%, meaning that 40.5% of mains costs are assigned based on average daily usage and 59.5% are allocated based on excess demand.[113]

By contrast, the OCA's P&A method uses an alternative system load factor to weight the average energy component and the peak demand components, instead of excess demand. While the P&A method often uses a pure 50%/50% weighting for the energy and demand components, the OCA's proposal uses data that is specific to UGI for an allocation of mains costs 57.7% based on daily energy usage and 42.3% on peak

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109 Based on an overall distribution revenue increase request of $99.368 million and present rate revenues of $815.579 million, an increase of 12.18%, the $2.75 Phase 1 increase to the residential customer charge would be 1.39 times the overall requested increase from present rates and the $1.00 Phase 2 increase would be 1.89 times the overall requested increase from present rates.

110 OCA St. in Support at 14.

111 A system load factor is a ratio of the annual throughput for a test year divided by the product of the peak day demand during the test year and 365 days. OCA St. 1 at 44. A high load factor indicates a small difference between annual and peak demands, whereas a low load factor indicates a larger difference, such as for customer classes that use natural gas for space heating purposes. *Id.*

112 OCA St. 1 at 51-52.

113 UGI St. 11 at 14.

demand.[114] The following table compares the results of UGI's and the OCA's respective recommended ACOSS results:

Comparison of OCA and UGI ACOSS Results, as Measured in Rate of Return (ROR) and Relative Rate of Return (RROR)* (Class ROR / UGI ROR)[115]				
Rate	OCA P&A ACOSS ROR	OCA P&A ACOSS RROR	UGI A&E ACOSS ROR	UGI A&E ACOSS RROR
R	5.36%	0.82	5.20%	0.79
N	7.09%	1.08	6.55%	1.00
DS	8.98%	1.37	9.34%	1.43
LFD	7.01%	1.07	9.57%	1.46
XD	15.34%	2.34	17.02%	2.60
IS	14.26%	2.18	14.26%	2.18
Total	6.55%	1.00	6.55%	1.00
*An RROR of 1.00 indicates that a class is earning its indicated cost of service, whereas an RROR of greater than 1.00 indicates that a class is over-earning and an RROR of less than 1.00 indicates that a class is under-earning.				

The OCA recommended that the Commission adopt its proposed P&A method to allocate the cost of UGI's distribution mains because UGI's proposed A&E study treats excess demand as incremental investment beyond designing the system to meet average demands.[116] OCA explained that demand and energy are separate and different components of how a utility determines to build out its distribution system in order to meet throughput requirements and remain profitable, instead of meeting class-specific requirements.[117] For example, OCA pointed out that UGI's mains extension policy is driven by whether the annual revenues (i.e., energy) warrant investment in UGI's distribution system.[118]

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114 OCA St. 1 at 54.

115 OCA Exh. MWD-3 at 1, MWD-5 at 1.

116 OCA St. 1SR at 15.

117 OCA St. 1 at 54.

118 UGI Exh. F, Tariff Rule 5 at Tariff pages 35-36.

The OCA also recommended that the Commission consider non-cost factors such as gradualism and equity when allocating revenue in this proceeding.[119] Namely, as stated by OCA witness Deupree, "under the Company's proposed revenue apportionment, Rate XD and IS customers will receive a small rate decrease, while the residential customer class will receive a 15.05 percent rate increase, equal to 1.24 times the proposed system average increase."[120] Instead, OCA witness Deupree recommended that "the Commission cap the rate increase to any single customer class to no more than 1.15 times the system average increase and also remove all proposed rate decreases in the current proceeding."[121] The following table compares UGI's and the OCA's recommendations:

Comparison of OCA and UGI Revenue Allocation Proposals, as Measured in Percentage Increase and Relative Increase at UGI Proposed Revenue Requirement[122]				
Rate	OCA Proposed Increase (Decrease)	OCA Proposed Relative Increase (Decrease)	UGI Proposed Increase (Decrease)	UGI Proposed Relative Increase (Decrease)
R	14.01%	1.15	15.05%	1.24
N	13.49%	1.11	14.39%	1.18
DS	0.00%	0.00	1.97%	0.16
LFD	13.49%	1.11	1.25%	0.10
XD	0.00%	0.00	(0.16%)	(0.01)
IS	0.00%	0.00	(0.32%)	(0.03)
Total	12.18%	1.00	12.18%	1.00

The Settlement provides that the revenue increase shall be achieved in accordance with the revenue allocation set forth in Appendix B.[123]

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119 OCA St. in Support at 16.

120 OCA St. 1 at 58. Rate XD serves extra large firm delivery service customers, while Rate IS serves interruptible rate customers, which are both subject to contract rates that are not set in a Section 1308(d) general rate increase request.

121 OCA St. 1 at 58.

122 OCA Exh. MWD-6, MWD-7.

123 Settlement ¶ 39.

The following table reflects the revenue allocation agreed upon in the Settlement:

Settlement Revenue Allocation (dollars reflected in thousands)[124]						
Rate	Present Rate Revenues	Settlement Phase 1 Increase (Decrease)	Settlement Phase 2 Increase (Decrease)	Settlement Total Increase (Decrease)	Settlement Increase (Decrease)	Settlement Relative Increase (Decrease)
R	$496,109	$29,722	$18,725	$48,447	9.77%	1.23
N	$162,547	$9,429	$5,875	$15,304	9.42%	1.18
DS	$36,024	$286	$200	$486	1.35%	0.17
LFD	$588,792	$700	$200	$900	0.15%	0.02
XD	$39,155	$(64)	$0	$(64)	(0.16)%	(0.02)
IS	$22,953	$(73)	$0	$(73)	(0.32)%	(0.04)
Total	815,579	$40,000	$25,000	$65,000	7.97%	

As can be seen from the above table, the Settlement revenue allocation tracks UGI's as-filed revenue allocation proposal closely. While the OCA submits that adoption of its P&A ACCOSS methodology, associated revenue allocation, and gradualism and equity constraints would have resulted in a more just and reasonable result for UGI's ratepayers, the revenue allocation provisions of the Settlement were necessary to secure a comprehensive settlement of all issues. OCA states, at the scaled back Settlement authorized revenue increase, subject to the phase-in of rates over two years, the harms associated with UGI's as-filed revenue allocation proposal are largely mitigated. Further, OCA acknowledged that a revenue allocation in accordance with the OCA's litigation position would have resulted in similar revenue increases on a dollar basis for Rate R and N customers, though the revenue allocated to these customer classes would have been a lesser amount.[125]

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[124] OCA St. in Support at 17.

[125] OCA St. in Support at 17-18.

3. *OSBA's Position*

In his Direct Testimony, OSBA witness Mark D. Ewen observed that UGI filed a class cost of service study (COSS) which allocated demand costs based upon a modified load-factor weighted A&E methodology.[126] OSBA points out that UGI's A&E COSS resulted in Rate R (residential) receiving a 9.4% distribution cost-based rate increase while Rate N (small commercial and industrial) would be receiving a 8.75% cost-based rate increase.[127] These rate increases are in comparison to a system average increase of 8.1%.[128]

Mr. Ewen, after reviewing the Company's COSS methodology, concluded that the methodology employed by UGI was reasonable and consistent with methods the Commission has previously accepted.[129]

Mr. Ewen generally agreed with UGI's proposed revenue allocation, which was based upon the Company's COSS methodology. Nevertheless, Mr. Ewen recommended that Rates XD and IS receive no rate increases, as those classes are subject to negotiated rates.[130]

According to OSBA, the Settlement proposes a revenue allocation that conforms to Mr. Ewen's testimony. OSBA states, as set forth in Appendix B, the system average increase is 5.3%, occurring over two rate years.[131] Further, to be consistent with

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126 OSBA St. No. 1, at 9.

127 OSBA St. in Support at 3.

128 OSBA St. No. 1, at 12. These percentages are based upon excluding natural gas costs, as this is a distribution-rates only case.

129 OSBA St. No. 1, at 10.

130 OSBA St. No. 1, at 12.

131 This percentage corresponds to the settlement overall distribution revenue increase of $65,001,042.

the results of UGI's cost and revenue allocation, Rate R will be receiving an above system average increase of 6.1% and Rate N will receive a 5.7% increase.[132]

OSBA supports the revenue allocation set forth in the Settlement and submitted that the proposed revenue allocation is a just and reasonable outcome in this proceeding for Rate N.[133]

4. *I&E's Position*

I&E raised concerns that the Company had understated projected usage per customer for Rate R/RT heating customers and recommended that the average usage per Rate R/RT heating customer that is used to determine revenue be determined consistently with the end of the FPFTY.[134] While UGI did not agree with the basis for these adjustments and reserved the right to propose similar use per customer determinations in the future, it accepted the adjustment.[135]

I&E also recommended that customer charges be included in any scale back as an effective means of recognizing the interests of both the Company and customers consistent with Commission precedent.[136]

Additionally, I&E highlighted that while considering all of the revenue allocations and rate designs presented by the parties, the Settling Parties engaged in extensive negotiations regarding the ultimate revenue allocation among rate classes and

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[132] OSBA St. in Support at 3.
[133] *Id*.
[134] I&E St. No. 3 at 7-14.
[135] UGI St. No. 10-R at 2.
[136] I&E St. No. 3, pp. 17-18 (*citing Pa. PUC v. Columbia Gas of Pennsylvania, Inc., Docket No. R-2025-3053499*, pp. 280-83 (Order Entered Dec. 4, 2025); I&E St. No. 3-SR, pp. 5-6.

the applicable customer charge for each rate class.[137] All due consideration was given to the application of scale backs. After extensive negotiations among the Settling Parties and in consideration of all of the record evidence presented, I&E fully supports the revenue allocation and rate design settlement terms as set forth in Appendix B attached to the Joint Petition as a full and fair compromise that is within a reasonable range that provides UGI, the Settling Parties, affected ratepayers, and the Commission with regulatory certainty and an amicable resolution of the revenue allocation and rate design, all of which is in the public interest.[138]

5. *CAUSE-PA's Position*

Through his Direct Testimony in this matter, CAUSE-PA witness Patrick M. Cicero raised several concerns about UGI's proposed increase to its fixed customer charge and its decision to maintain its WNA.[139] Mr. Cicero explained UGI's proposed fixed charge and WNA create a double penalty for customers because they either pay a higher fixed customer charge regardless of usage or they bear more of the risk of a warmer winter.[140]

Mr. Cicero's position was that UGI's fixed monthly customer charges should not be increased because he does not recommend an increase in the revenue requirement, and he recommends that the WNA end with the current pilot.[141] Mr. Cicero did concede that if the Commission awards any increase and if the Commission allows UGI to retain its WNA, then he would not oppose an increase in the monthly customer

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137 I&E St. in Support at 7.
138 *Id*. at 8.
139 CAUSE-PA St. No. 1 at 54.
140 *Id*. at 50.
141 *Id*. at 54.

charge that is proportionately scaled back from the proposed $23 to any revenue requirement authorized in this case.[142]

6. *RESA's Position*

RESA did not submit testimony regarding this issue.

7. *Disposition*

Under the Settlement, the parties reached a reasonable compromise of their respective positions on the proposed increases to the monthly customer charges. The monthly customer charges will be those proposed by the Company, with the exception of Rate R/RT, which will be $19.00 effective on the date specified in Paragraph 35(a) of the Settlement and $20.00 effective on the date specified in Paragraph 35(b) of the Settlement.[143] Rates were designed in a manner which addressed concerns regarding affordable customer charges and mitigating rate shock. Pursuant to the Settlement, the overall rate design reflects a gradual increase in rates that is further mitigated by the fact that the rate design is premised upon a two-step rate increase that defers a portion of the proposed revenue increase, moves all customer classes toward the overall cost of service, and strikes a reasonable balance between the interests of customers and the Company.

Accordingly, we find these Settlement provisions are just, reasonable, in the public interest, and therefore, should be approved without modification.

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142 *Id*.
143 Settlement ¶ 38.

D. Weather Normalization Pilot (Settlement ¶¶ 40-43)

1. *UGI's Position*

UGI's Weather Normalization Adjustment (WNA) Pilot was implemented in November 2022 as a result of the Commission-approved settlement in UGI's base rate proceeding at Docket No. R-2021-3030218.[144] The WNA Pilot was modified pursuant to the Commission-approved settlement in UGI's 2024 base rate proceeding. UGI's current WNA Pilot works as follows:

- It adjusts the usage in customer bills based on deviations from normal weather, as measured by Heating Degree Days (HDDs), by comparing actual HDDs (AHDDs) to normal HDDs (NHDDs) based on a 15-year weather history.
- It includes a 3% deadband, meaning no adjustment is made unless the weather deviates by more than ±3% from normal.
- It applies to Residential (excluding CAP customers) and Small Commercial classes.
- It applies during the heating season months of October through April.[145]

In its initial filing, UGI proposed two modifications to its Commission approved WNA. First, the Company proposed to extend the WNA for an additional five years after its current expiration set for October 31, 2027. UGI submitted that continuation of the WNA mechanism is necessary because the Company's current rate design recovers significant fixed costs through volumetric charges. As such, UGI can under-recover its Commission-approved revenue requirement in warm winters and over-

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[144] *See Pa. Pub. Util. Comm'n v. UGI Utils., Inc. – Gas Div.*, Docket No. R--2021-3030218 (Opinion and Order entered Sept. 15, 2022) (2021 base rate proceeding).

[145] UGI St. No. 11 at 35.

recover in cold winters. By stabilizing the swings in rate recovery, UGI argued that the WNA provides the Company with a reasonable opportunity to recover its authorized revenue requirement while protecting customers from additional charges in colder than normal winters.[146]

Second, UGI proposed to switch the WNA from utilizing a 15-year weather normalization to a 10-year weather normalization.[147] In arguing for a 10-year weather normalization, UGI witness John D. Taylor in Table 2 of his rebuttal testimony showed that the current 15-year normalization used by the WNA resulted in net collections of approximately $63.44 million from November 2022 through March 2026. Had a 10-year normalization been utilized during that timeframe, the WNA would have produced net collections of only approximately $130,000, which is a reduction of approximately $63.31 million in the collections over that period. Thus, Mr. Taylor argued that the WNA, as modified by UGI's proposed switch to the 10-year normalization, is fully expected to better balance the dollar amounts of the WNA's collections and credits over time.[148]

Pursuant to the Settlement, UGI will be permitted to conduct a new WNA pilot (Second WNA Pilot) which will start on November 1, 2027, and run through the date of entry of the Commission's Order in UGI's next base rate proceeding. Through the Second WNA Pilot, UGI will continue the use of its existing WNA methodology but implement the use of a 5% deadband. The Second WNA Pilot will not apply to customers enrolled in CAP. Further, the Second WNA Pilot will use the HDDs produced by the 10-year normal weather used to determine the Company's base rates and the actual experienced HDDs for the period from November 1 through April 30.[149]

[146] UGI St. No. 11 at 35-37.
[147] UGI St. No. 11 at 32-33.
[148] UGI St. No. 11-R at 32-34.
[149] Settlement ¶¶ 40-41.

The Settlement provides that UGI will file for renewal, revision, extension, or elimination of the Second WNA Pilot as a part of its next base rate case, and the parties reserve the right to challenge the same. Regarding the existing WNA Pilot, the Company's WNA methodology in the proposed tariff in this proceeding (UGI Exhibit F Proposed) will be approved and remain in effect through the billing month of April 2027.[150]

The Settlement, UGI argues, balances the necessity of the WNA mechanism for the Company's rate recovery with the concerns raised by the active parties. The Settlement allows for the continuation of the WNA mechanism and adopts the 5% deadband recommended by the OCA, I&E, and CAUSE-PA. The 10-year normalization addresses the concerns of OCA and CAUSE-PA that the WNA is more likely to lead to a surcharge than net credits for customers, as evidenced by Mr. Taylor's rebuttal testimony that showed a $63.31 million reduction in collections over the November 2022 to March 2026 period had a 10-year normalization been used instead of a 15-year normalization.[151]

Further, the Second WNA Pilot being permitted to run until UGI's next base rate proceeding the Company argues will allow it to collect data regarding the Second WNA Pilot and propose adjustments, if necessary, in the next base rate proceeding.[152]

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[150] Settlement ¶¶ 42-43.
[151] UGI St. in Support at 19.
[152] UGI St. in Support at 20.

2. *OCA's Position*

OCA initially recommended that the Commission reject continuation of the WNA. In support of this recommendation, OCA claimed that the WNA failed to produce balanced outcomes for ratepayers, functioning as an asymmetric surcharge on customers' bills for the three full years the mechanism has been in operation, even though the mechanism was designed to symmetrically provide both surcharges and credits to customers.[153]

Alternatively, OCA argued that the Commission should modify the WNA to increase the deadband from 3% to 5% and eliminate the month of October from the WNA period. OCA also proposed that the "WNA communications with customers be reformed to include a historical presentation of incremental charges and credits."[154] OCA also objected to the Company's proposal to continue coupling the WNA with an increased residential customer charge, arguing that the combination further insulates the Company from normal volumetric sales risk.[155]

OCA states that the Settlement reflects a significant compromise on its behalf to permit the continuation of the WNA Pilot. However, OCA notes that the Settlement provisions are consistent with the OCA's alternative recommendation and the Commission's recent determination in *Columbia 2025*.[156] In *Columbia 2025*, the Commission authorized Columbia Gas of Pennsylvania, Inc., to extend its WNA pilot, subject to increasing the deadband from 3% to 5%, use of a 10-year average to calculate normal weather instead of a 20-year average, and removal of the month of May from the

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[153] OCA St. 1 at 4.
[154] OCA St. 1 at 5.
[155] OCA St. 1 at 35-39.
[156] *See Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Docket No. R-2025-3053499 (Opinion and Order entered Dec. 9, 2025) (*Columbia 2025*).

WNA effective period.[157] Based on the *Columbia 2025* decision, OCA determined that there was a potential litigation risk in requesting the Commission to deny UGI's proposal to extend its WNA pilot for an additional five-year term, despite the record in this proceeding indicating that the WNA pilot extension would not result in just and reasonable rates. Based on the adjustments to the WNA Pilot under the Settlement, OCA states that the likelihood of harm is less than if UGI's pilot extension were granted as proposed. Furthermore, OCA points out that because the Settlement provides that the WNA pilot extension will expire at the time the Commission enters an order in UGI's next general rate increase request, which will not occur for at least two years of the WNA pilot extension's effective period, the parties to that proceeding will have the benefit of additional data regarding the equity of the pilot extension under the agreed-upon modifications. Therefore, OCA concludes that the modifications to UGI's WNA pilot extension proposal are in the public interest and reflect a likely outcome of fully litigating this proceeding.[158]

3. *OSBA's Position*

OSBA witness Mark D. Ewen expressed concerns over UGI's continued use of a pilot program, testifying that the program, which was approved as a limited program may, through successive renewals and expansions, effectively become a permanent feature of UGI's rate structure without the same level of regulatory scrutiny applied to other ratemaking proposals. Witness Ewen testified that UGI should have the data it needs to evaluate the proper design of its WNA and thus extension of the pilot to 2032 is unnecessary. Therefore, OSBA recommended that the Commission reject the Company's request to extend the WNA pilot program for a five-year period. Instead, the OSBA argued that the Commission should authorize no more than a limited two-year

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157 *Columbia 2025* at 299-302.
158 OCA St. in Support at 21-22.

extension of the WNA mechanism. If the Company wishes to adopt a permanent WNA mechanism, OSBA stated that the Company should be made to provide the Commission with a comprehensive evaluation of: (1) the WNA mechanism's impacts on UGI's revenues and cost of capital, (2) the WNA mechanism's impacts on customer bills, (3) alternatives considered, and (4) a customer outreach/education plan justifying and explaining the WNA mechanism to ratepayers. Without explicit consideration of the WNA mechanism's impacts on the Company's requested ROE and on ratepayers, OSBA argued that the Commission should discontinue the WNA mechanism.[159]

4. *I&E's Position*

I&E did not oppose extending the WNA but recommended increasing the deadband from 3% to 5%.[160] I&E argued that a 5% deadband would more adequately capture what could be considered normal weather fluctuations in Pennsylvania and places more of the burden for weather variation back onto the Company as a normal part of doing business.[161]

I&E fully supports the settled upon terms regarding the Second WNA Pilot, wherein UGI agrees to adopt the 5% deadband, as a full and fair compromise that was woven into the consideration of other terms within the Settlement.[162]

5. *CAUSE-PA's Position*

CAUSE-PA's witness testified that the WNA is unjust and unreasonable, is disproportionately harmful to low-income customers, and should be permitted to expire at

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159 OSBA St. No. 1 at 17.
160 I&E St. No. 3 at 15-16.
161 I&E St. No. 3 at 16; I&E St. No. 3-SR at 4-5.
162 I&E St. in Support at 9.

the end of the current pilot term rather than be renewed.[163] If the WNA were permitted to continue however, CAUSE-PA recommended that: (1) the switch to the 10-year normalization be approved; (2) the WNA pilot should be extended for no more than 3 years; (3) the WNA period should be limited to December through March; (4) WNA billed revenue should be excluded from the revenue upon which the DSIC is assessed; (5) the deadband should be increased from 3% to 5%; and (6) the WNA should be applied on a per class basis, reconciled annually, and surcharged over the full twelve months of the subsequent year rather than on a per customer basis.[164]

In its Letter Indicating Non-Opposition to the Settlement, CAUSE-PA expresses concern over the continuation of what it defines as UGI's "lop-sided" WNA. However, while CAUSE-PA does not affirmatively support the proposed Settlement, it has concluded that the Settlement's relative benefits warrant a position of non-opposition.

6. *RESA's Position*

RESA did not submit testimony regarding this issue.

7. *Disposition*

The purpose of the WNA mechanism is to adjust the temperature sensitive portion of a customer's bill in order to mitigate the impacts of warmer or colder than normal weather. In describing the elements of a properly designed WNA, Commission Chairman Stephen M. DeFrank stated that "[p]roperly designed WNAs can insulate customers from high bills during extremely cold months while allowing a gas utility to

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163 CAUSE-PA St. No. 1 at 57.
164 CAUSE-PA St. No. 1 at 65-67.

support its fixed costs during unseasonably warm heating months".[165] As noted, the Commission approved UGI's use of a WNA Pilot in UGI's 2021 base rate proceeding and approved modification to UGI's WNA Pilot in UGI's 2024 base rate proceeding. We recommend approval of the proposed Second WNA Pilot because it modifies UGI's current WNA Pilot to add additional customer protections.

Through these Settlement terms, UGI agrees to use 5% deadband, which means that a billing adjustment occurs only if the variation of actual HDDs is lower than 95% or higher than 105% of the NHDDs for an individual billing cycle. We agree with the position of I&E that by increasing the deadband from 3% to 5% the WNA will more adequately capture what could be considered normal weather fluctuations in Pennsylvania and places more of the burden for weather variation back onto the Company as a normal part of doing business.

The Settlement's proposal to adjust the time period for determining NHDDs from a 15-year normalization a 10-year normalization will allow for adjustments to be made to bills based on more recent warming weather trends.[166] This will likely have the effect of lessening the revenue provided to the Company through the WNA while providing more savings to UGI customers. As explained by UGI witness Taylor, UGI would have experienced a $63.31 million reduction in collections over the November 2022 to March 2026 period had a 10-year normalization been used instead of a 15-year normalization. This provision also complies with the terms of the Commission approved settlement in UGI's 2024 base rate proceeding, whereby UGI agreed to include a report and recommendation on the use of a rolling ten-year historical average period to

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[165] *Pa. Pub. Util. Comm'n, et al v. PECO Energy Co. – Gas Div.*, Docket No. R-2024-3046932, Statement of Chairman Stephen M. DeFrank dated Dec. 12, 2024, at 2 (Opinion and Order entered Dec. 12, 2024).

[166] *See* UGI Exhibit JDT-2.

be used to calculate its NHDD amounts for purposes of the WNA if UGI were to request continuation or modification of its WNA.[167]

Importantly, pursuant to the Settlement, the parties to UGI's next base rate proceeding maintain the ability to challenge the Second WNA Pilot. This will allow UGI to present data regarding the Second WNA Pilot and allow for recommendations to be made concerning whether the Second WNA Pilot should be extended, modified, or ended.

Lastly, as pointed out by OCA, UGI's Second WNA Pilot aligns closely with Columbia's WNA Pilot, which the Commission extended recently in *Columbia 2025*. In *Columbia 2025*, Columbia's WNA deadband was increased from 3% to 5%, the normalization period for the calculation of NHDDs was changed from a 20-year normalization to a 10-year normalization, and the month of May was removed from the WNA effective period. The Second WNA Pilot will have a 5% deadband, a 10-year normalization period, and it applies during the months of October through April.

Ultimately, we find that the proposed Second WNA Pilot adequately insulates customers from high bills during extremely cold months while allowing a gas utility to support its fixed costs during unseasonably warm heating months. Accordingly, we find these Settlement provisions are just, reasonable, in the public interest, and therefore, should be approved without modification.

E. Customer Assistance/Relations (Settlement, ¶¶ 44-57)

The Settlement contains twelve (12) specific provisions under Customer Assistance/Relations that were addressed individually by UGI, OCA, and CAUSE-PA,

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[167] *See* 2024 base rate proceeding at Settlement ¶ 58.

and are analyzed below. In addition, UGI also addressed Customer Assistance/Relations generally. According to UGI, the Company offers four programs under its Universal Service and Energy Conservation Plan (USECP) that assist low-income customers: (1) CAP; (2) the Hardship Fund (i.e., Operation Share); (3) the Low-Income Usage Reduction Program (LIURP); and (4) the Customer Assistance Referral and Evaluation Services (CARES).[168] UGI pointed out that it did not propose any changes to its USECP or any of its Universal Service Programs (USPs) as a part of this case, with the exception of an increase to Operation Share funding identified in UGI St. No. 1.[169]

UGI recognized OCA and CAUSE-PA raised concerns regarding the Company's CAP, including concerns related to screening and identification of low-income customers and marketing of CAP.[170] UGI also recognized that several parties raised affordability concerns, particularly concerns that external economic pressures are impacting customers' ability to afford utility bills.[171]

In response, UGI stated the Company recognizes the importance of balancing the incurrence of costs to provide safe and reliable service with maintaining affordable utility service for its customers.[172] UGI explained in detail how its focus on affordability is shown in how it operates and in the choices it affirmatively made in this case[173], highlighting:

- UGI has managed its operating costs effectively over time such that these costs have increased at a pace lower than general inflation during the same period;

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[168] UGI St. No. 12 at 3-5.
[169] UGI St. in Support at 21.
[170] CAUSE-PA St. No. 1 at 72-73; OCA St. 6 at 51-58.
[171] *See, e.g.,* OCA St. 1 at 10-20; OCA St. 5 at 8-9; OCA St. 6 at 5-41; and OCA St. 7 at 4-9; CAUSE-PA St. No. 1 at 15-34; Tr. 118, 120-121, 128, 158.
[172] UGI St. in Support at 21.
[173] UGI St. No. 15-R, at pp. 11-12.

- This winter, the Company's use of WNA returned more than $27 million to customers in the form of bill credits;

- The Company has proposed to continue modifications to its WNA that will exclude low-income customers on the Company's Customer Assistance Program ("CAP"), and has made adjustments in this proceeding that are expected to make its operation more balanced over time;

- UGI is seeking a return on equity in this proceeding that is below the mid-point of its peer group;

- The Company is not seeking a management effectiveness adjustment to its ROE in this case, despite providing evidence regarding the effectiveness of its management in its execution of safety related projects including achieving the removal of all known cast iron pipe, strong customer service performance, and the effective management of operating costs. Based on proposals in past cases for an incremental adjustment for management effectiveness, not including this adjustment reduced the Company's claim by more than $6 million;

- Over the past five years, UGI has donated more than $4.35 million to Operation Share to support payment troubled customers, and has indicated in testimony in this proceeding that it will increase its annual donation up to $1 million for the next three years;

- The Company has proposed to expand the application of the Universal Service Plan ("USP") Rider to provide UGI with the ability to negotiate contracts that include a contribution by Rate XD customers that would lower the cost of the USP Rider to residential customers while obtaining contributions from UGI's largest industrial customers;

- The Company continues to evolve and expand programs targeted at supporting energy efficiency and affordability. In FY2025, UGI's total support provided to payment troubled customers across its programs was approximately $31.9 million, excluding Operation Share.

OSBA also addressed the Customer Assistance/Relations Settlement terms generally. OSBA stated that UGI has had a small business payment plan in place since the conclusion of the Company's 2025 rate case and as set forth in the Settlement, UGI agrees to place that small business program into the Company's Tariff.[174] OSBA stated that it appreciates UGI's agreement in this regard.[175]

Additionally, under the settlement, UGI will convene a collaborative of interested stakeholders to discuss the development of targeted consumer communications regarding natural gas shopping and related affordability issues.[176] OSBA intends to participate in this collaborative.[177]

I&E did not submit testimony regarding UGI's customer assistance/relations issues. Nevertheless, I&E states that it shares the concerns of the interested Settling Parties and monitored the settlement negotiations, proposals and counter proposals offered by the parties throughout this proceeding regarding these issues. In consideration of all of the proffered evidence and arguments, I&E concluded that it does not oppose these settlement terms as a full and fair compromise that provides UGI, the Settling Parties, affected ratepayers, and the Commission with regulatory certainty and an amicable resolution of the customer assistance and universal service issues, all of which is in the public interest.[178]

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174 Settlement ¶ 77.
175 OSBA St. in Support at 4.
176 Settlement ¶ 54.
177 OSBA St. in Support at 4.
178 I&E St. in Support at 9.

RESA did not submit testimony regarding UGI's customer assistance/relations issues.

To the extent UGI, OCA and CAUSE-PA specifically addressed each of the twelve provisions contained in this portion of the Settlement, a more detailed analysis follows.

1. Operation Share (Settlement, ¶ 44)

a. UGI's Position

Pursuant to the Settlement, UGI voluntarily committed to donate a total of $1 million to its hardship fund program, Operation Share, each year for its next three fiscal years, 2027 through 2029[179], in addition to a one-time supplemental donation of $500,000 for its fiscal year for 2026.[180] This is an increase from current annual donation levels of $584,000 in UGI's fiscal year for 2025.[181] Customers can qualify for an Operation Share grant of up to $600 if they earn at or below 250% of the Federal Poverty Level (FPL), have not received an Operation Share grant in the last 12 months, have an outstanding balance on their bill, provide adequate information to demonstrate an inability to pay, and have discussed their options with UGI's credit department.[182] After the $250,000 contribution is made, UGI shall maintain no less than $1.5 million in total annual contributions (inclusive of the $1,000,000 identified in St. No. 1) until the effective date of rates in its next base rate case.[183] Further, the Company has agreed to provide an analysis in its next base rate case evaluating the impacts from the level of

179 UGI St. 12 at 2.
180 *Id*. at 9.
181 *Id*. at 12.
182 CAUSE-PA St. 1 at 76.
183 Settlement ¶ 44.

funding reflected in this Settlement.[184] UGI argues that this provision is reasonable and should be approved without modification.[185]

b. OCA's Position

OCA states that they submitted significant evidence that UGI's residential customers are experiencing significant affordability pressures.[186] OCA witness Deupree recommended that the Commission consider current macroeconomic conditions, such as high levels of prolonged inflation on consumer goods, when determining just and reasonable rates in this proceeding.[187] OCA witness Colton assessed the affordability of UGI's natural gas distribution rates, specifically, particularly through the lens of unaffordability for low-income customers in UGI's service territory.[188] Mr. Colton stated that "UGI does a poor job of then enrolling its Confirmed Low-Income customers into [its Customer Assistance Program (CAP)]"[189] as well as the federal Low-Income Home Energy Assistance Program (LIHEAP).[190] He further testified that "the average per-household Operation Share grant amount in [November 2025 through January 2026] declined," despite UGI's increase in spending during the period.[191] Further, because UGI filed a rate proceeding so quickly after the 2025 rate case Settlement was reached, OCA argues it is unclear whether the 2025 rate case Settlement commitments regarding Operation Share – reducing the income documentation required and permitting UGI more flexibility to reallocate Operation Share budgets between its operating divisions – have been effectuated.[192]

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184 *Id*.
185 UGI St. in Support at 22.
186 OCA St. in Support at 22.
187 OCA St. 1 at 7-20.
188 OCA St. 6 at 5-40.
189 *Id*. at 51.
190 *Id*. at 52-53.
191 OCA St. 1 at 79.
192 OCA St. 6 at 77-78.

Therefore, it is OCA's opinion, based on a thorough analysis of this issue, and considering prior Commission decisions in this area, this positive outcome for consumers could not have been achieved through litigation of this case and this Settlement provision is in the public interest.[193]

c. CAUSE-PA's Position

CAUSE-PA witness Cicero testified that UGI's commitment to donate a total of $1 million to Operation Share represents a reduction from the fiscal year 2026 Operation Share budget, as a result of UGI's voluntary $500,000 contribution and the contribution required under its 2025 rate case Settlement.[194] Mr. Cicero recommended that UGI, at a minimum, continue its donations at 2026 levels of $1.584 million, or increase its contribution levels to offset the affordability impact of the proposed rate increase.[195]

d. Disposition

We concur with the Settling Parties that this Settlement term reflects UGI's commitment to maintain its Operation Share account balance at approximately 2026 levels, as recommended by CAUSE-PA witness Cicero, until its next general rate increase request. We also concur with OCA that considering UGI's under-enrollment of its confirmed and estimated low-income customer population in its bill discount program and in federal energy assistance programs, the additional donation to Operation Share funding is likely to benefit UGI's low-income customers, especially those that were

193 OCA St. in Support at 24.
194 CAUSE-PA St. 1 at 76-77.
195 *Id*. at 77.

turned away from CAP or LIHEAP due to income eligibility concerns.[196] Further, the evidence indicates that UGI has been able to award much of its available Operation Share funding, meaning that it is also likely that the additional Operation Share funding will translate into direct benefits for low-income customers as more funding becomes available to meet the substantial arrearage balances accrued by UGI's customers.[197]

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

2. Social Security Numbers (Settlement, ¶ 45)

a. UGI's Position

UGI acknowledged that concerns were raised by OCA regarding the ongoing use of customer social security numbers given the rise in identity theft.[198] In rebuttal, UGI explained that customers are not required to provide social security numbers, and there are other options available.[199] Further, UGI expressed concerns that an alternative proposal for verifying customers' identities was not provided.[200] As part of the Settlement, UGI agrees to undertake a study that will identify the feasibility of ceasing the use of customer social security numbers, any associated policy/system changes required and the cost thereof, and the timeline for implementation.[201] UGI also agrees to provide the results of the study to the parties to this proceeding on or before

196 *Id*. at 24.
197 *See* CAUSE-PA Exh. 3-SR.
198 OCA St. 6 at 64-76.
199 UGI St. No. 13-R at 14-15.
200 *Id*. at 15.
201 Settlement ¶ 45.

October 1, 2027.[202] UGI contends this provision is reasonable and should be approved without modification, as it reflects a reasonable compromise of the parties' positions.[203]

b. OCA's Position

According to OCA, UGI collects Social Security Numbers (SSNs) from 99.3% of its customers to run a credit check on these customers through a third-party credit service and retains SSNs in perpetuity without providing customers with advance notice of UGI's use and retention of the SSNs.[204] OCA also contends that UGI did not propose any adjustments to its SSN collection or retention policies as part of this proceeding, including in response to the OCA's testimony regarding these policies.[205]

OCA witness Colton testified that the Commission should affirmatively prohibit UGI from collecting SSNs on a going forward basis and should be directed to seek out alternatives to the use of collecting SSNs, due to the use of SSNs in enabling the crime of identity theft.[206]

OCA points out that the risk of the undisciplined collection and retention of SSNs is sufficient that federal agencies have cut back on their own usage of SSNs, and the Federal Trade Commission has recommended that the unnecessary collection and retention of SSNs be eliminated, past two decades.[207] Thus, OCA supported UGI conducting efforts to eliminate the collection of SSNs and to eliminate all retained SSNs.[208]

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202 *Id*.
203 UGI St. in Support at 24.
204 OCA St. 6 at 71-72.
205 UGI St. 13-R at 14-15.
206 OCA St. 6 at 65-66.
207 *Id*. at 67-69.
208 OCA St. 6SR at 22.

c. Disposition

We concur with the Settling Parties that this Settlement provision reflects the thesis of OCA's recommendation and by agreeing to study the feasibility of transitioning to a different identity authentication methodology, UGI commits to developing a better record on how exactly that transition should take effect and the costs of making that transition. As OCA points out, this type of information would not be accessible to a non-utility party during the limited time frame of litigating a general rate increase request and will provide evidence needed to make concrete policy changes within UGI's infrastructure, resulting in safer, more reasonable utility service.[209]

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

3. Cost Effective Growth (Settlement, ¶ 46)

a. UGI's Position

Pursuant to the Settlement, UGI agreed to remove section 5.1(b)(1) from the UGI Gas Tariff[210]:

> (1) Service location is directly accessible from an existing or proposed (non-high pressure) Company main that would be extended up to one hundred fifty (150) feet.

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[209] OCA St. in Support at 26.
[210] Settlement ¶ 46.

According to UGI, the removal is intended to ensure that new customers are added to the distribution system in a manner that is cost effective by narrowing the criteria where UGI must extend service without a customer contribution.[211]

b. OCA's Position

OCA stated it did not submit evidence or testimony on issues pertaining to the Cost-Effective Growth terms contained in the Settlement, therefore, OCA defers to the Statements in Support submitted by the parties which submitted evidence and/or testimony on such issues.[212]

c. Disposition

We concur with UGI that this modification appropriately balances the interest of new customers that wish to connect to the system to obtain the benefits of gas service and existing customers that benefit from the cost-effective addition of new customers sharing system costs. Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

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[211] UGI St. in Support at 24.

[212] OCA St. in Support at 26.

4. Expanded Arrearage Forgiveness Pilot Program (Settlement, ¶ 47)

a. UGI's Position

UGI has committed to instating an Expanded Arrearage Forgiveness Pilot Program.[213] According to UGI, this Pilot Program will offer arrearage forgiveness to a group of customers that currently do not have that option available to them. UGI currently offers arrearage forgiveness to customers below 150% of the FPIG through its CAP and the Pilot Program will expand that benefit to customers with incomes between 150% and 300% of FPIG. UGI points out that the Pilot Program incorporates cost protections for non-participating customers by applying a program cap of $0.90 on the average customer's monthly bill. Further, UGI will collect data on the impact of this Pilot Program on factors such as the rates of successful completion and termination, and the impact on bad debt and will present a recommendation on the continuation of the Pilot Program in its next base rate case. UGI's position is that this provision addresses affordability concerns raised by the parties, is reasonable, and should be approved without modification.[214]

b. OCA's Position

OCA witness Colton testified that, at present rates, "[u]nless UGI Gas addresses the volatility in monthly bills, the Company places at risk substantial seasonal

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[213] Settlement ¶ 47; UGI noted that, consistent with Settlement ¶ 47(a), the compliance tariff contemplated by Appendix A to the Settlement does not reflect language to implement the Expanded Arrearage Forgiveness Pilot at this time. UGI intends to submit appropriate tariff language to implement the Expanded Arrearage Forgiveness Pilot Program approximately ten days prior to the effective date of the Pilot Program.

[214] UGI St. in Support at 26.

billings."[215] Namely, "[t]here is a population of low-income customers for whom the lack of resources, as well as income, will make it highly unlikely that their past-due account balances can or will be retired."[216] OCA witness Colton recommended that the Commission consider household resources, in addition to bill affordability, when setting rates in this proceeding.[217] Further, Mr. Colton recommended that UGI should improve its identification of low-income customers, its enrollment of low-income customers in CAP, its marketing of budget billing to customers experiencing payment difficulties, and its credit and collection techniques.[218] Finally, Mr. Colton recommended that the cost of UGI's credit and collection activities be shared equally between UGI's ratepayers and shareholders, reflecting the inefficiency, ineffectiveness, and inadequacy of UGI's current credit and collections practices.[219]

According to OCA, by establishing an arrearage forgiveness pilot for low- to moderate-income households, UGI will better address the affordability gap created by a lack of adequate household resources to handle current, pressing affordability challenges and an increase in its distribution rates. Further, OCA states the structure of the proposed pilot program incentivizes responsible customer payment behavior by requiring 24 in-full payments under a budget billing plan, mitigating seasonal volatility in the customers' bills while still requiring in-full payments. OCA also points out that the cost containment provisions of the pilot further ensure that customers that are not enrolled in the pilot program are not providing unreasonable intra-class subsidization; rather, the amount collected from unenrolled customers reflects un-incurred bad debt expenses, if the enrolled customer were to have been terminated for nonpayment, instead, meaning that the costs of arrearage forgiveness are reasonable. Moreover, OCA

[215] OCA St. 6 at 30.
[216] *Id*. at 31.
[217] *Id*. at 40.
[218] *Id*. at 40-41.
[219] *Id*. at 50.

highlights the fact that, due to the novelty of the pilot program for UGI's customers, the commitment to review the pilot's successes or failures in UGI's next general rate increase request ensures that the pilot program can be modified or terminated if UGI's credit and collection results remain poor. In total, OCA argues that because UGI must improve its credit and collection activities to ensure that it is not providing inadequate, inefficient, and/or unreasonable service, this provision of the Settlement is in the public interest and should be approved by the Commission.[220]

c. Disposition

We concur with the Settling Parties that this provision of the Settlement represents a significant compromise among the Settling Parties and will provide an important benefit to low-to-moderate-income customers who are struggling to pay their bills but may be ineligible for other forms of assistance. Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

5. Website Information (Settlement, ¶ 48)

a. UGI's Position

UGI states this provision enhances the information available to residential and small business customers regarding resources that are available to them to answer questions or concerns regarding their utility service.[221] Thus, UGI's position is that this provision is reasonable and should be approved without modification.

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220 OCA St. 6 at 30-31.
221 UGI St. in Support at 26.

b. OCA and OSBA's Position

According to OCA, UGI did not propose adjustments to the information offered on its website regarding access to advocacy resources.[222] The OSBA recommended that "UGI provide the OSBA's contact information and a description of the services the OSBA offers on the Company's website."[223] OCA and OSBA's positions are that increasing awareness of these resources is a significant benefit to UGI's customers, and therefore, this provision of the Settlement is in the public interest.[224]

c. Disposition

We concur with OCA's point that since customers already have familiarity with UGI and may not be aware of other resources that can provide assistance with utility matters, providing this information prominently on UGI's website will better inform UGI's customers of their options for assistance. Further, the inclusion of the Pennsylvania Bar Association's free legal answers as a resource assists customers who have legal questions regarding their utility service, which OCA and OSBA may not be able to provide. Thus, this Settlement provision promotes greater access to information regarding the resources ratepayers can turn to if they have questions regarding their natural gas service directly on UGI's website.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

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222 OCA St. in Support at 31.
223 OSBA St. 1 at 3.
224 *Id*.

6. Victims of Domestic Abuse (Settlement, ¶ 49)

a. UGI's Position

According to UGI, this provision further enhances UGI's existing protections for victims of domestic violence, is reasonable and should be approved without modification.[225]

b. OCA's Position

According to OCA, although no party provided testimony on this issue, OCA supports this provision as reasonable and in the public interest.[226] OCA points out that the Commission, through Chapter 56, provides specific provisions and exemptions in the areas of utility debt, billing, termination, and customer complaint procedures for victims of domestic violence.[227] However, these provisions apply only to "victims of domestic violence with a Protection from Abuse (PFA) order or a court order issued by a Court of Competent Jurisdiction in this Commonwealth which provides clear evidence of domestic violence."[228] The Commission's proposed modification to Chapter 1 utilizes the same language.[229] Thus, utilities are not required to provide protections to victims of domestic violence unless they can produce a PFA or Pennsylvania Court order.

OCA highlights that this settlement provision allows for the protections under Chapter 56 and the proposed modification to Chapter 1 to be applied to victims of domestic violence, who may be in the beginning stages of the process of receiving a PFA

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225 UGI St. in Support at 27.
226 OCA St. in Support at 32.
227 52 Pa. Code §§ 56.251-56.453.
228 52 Pa. Code § 56.251.
229 Clarified Notice of Proposed Rulemaking Order and Annex at 72.

or other similar court order, who may either choose not to pursue a PFA or court order from a Pennsylvania Court or who, for a variety of reasons, are otherwise unable to obtain a PFA or court order from a Pennsylvania Court. Allowing victims of domestic violence to provide a written certification from a domestic violence counselor/advocate permits the individual to receive appropriate protections and relief without the additional requirement of having completed going through the Pennsylvania Court system.[230]

c. Disposition

As this Settlement provision broadens the availability for some of UGI's most vulnerable customers, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

7. Security Deposit Refunds (Settlement, ¶ 50)

a. UGI's Position

According to UGI, this Settlement provision addresses concerns by OCA and CAUSE-PA regarding its application of security deposit exemptions.[231] Under the Settlement, UGI will be required to initiate a monthly review of security deposits and refund all security deposits being held from accounts designated as "income verified low income" to the customer within 30 days.[232] Related to this requirement, UGI will amend Tariff Rule 3.3 (f) to change the words "and *become enrolled* in the Company's customer assistance programs" to "and *are confirmed to be eligible* for the Company's customer assistance programs".[233] UGI will also modify its processes and procedures regarding the

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230 OCA St. in Support at 33.
231 UGI St. in Support at 27.
232 Settlement ¶ 50.
233 Settlement ¶ 50(a).

low-income exemption from deposits. UGI will accept any information beyond information on income and household size that would "attest to" the household's eligibility for a state benefit that is consistent with CAP income requirements.[234]

b. OCA's Position

OCA witness Colton found that "UGI Gas is in substantial non-compliance with the PUC's low-income deposit exemption requirements."[235] Specifically, Mr. Colton testified that UGI collects security deposits from low-income customers unless they apply for CAP, even if they do not, or intend to, enroll in CAP. According to OCA, UGI does not track whether security deposits have been collected from customers that are confirmed to be low-income, including whether those security deposits should be, or have been, refunded.[236] Under the Commission's regulations, a low-income customer does not need to provide income documentation to warrant a waiver of a security deposit; rather, the customer must only attest to their eligibility for state benefits based on household income.[237] There is no requirement that the customer's income be verified through a CAP application process.[238] As a result, OCA recommended that UGI be directed to modify the processes and procedures under which it collects security deposits from and refunds security deposits to customers who are exempt under the Commission's regulations.[239]

OCA states this Settlement provision is a reasonable compromise that improves UGI's compliance with the Commission's regulations.[240] OCA points out that

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234 Settlement ¶ 50(b).
235 OCA St. 6 at 59.
236 *Id*. at 59-60.
237 OCA St. 6 at 62; 52 Pa. Code §§ 56.32(e), 56.41(B)(4).
238 OCA St. 6SR at 16.
239 OCA St. 6 at 62.
240 OCA St. in Support at 35.

currently, UGI's tariff reads: "For existing customers that already have monies paid against a security deposit and become enrolled in the Company's customer assistance programs, the Company will provide the customer a direct refund of the security deposit amount, along with applicable interest."[241] OCA argues that by changing the language of this provision to permit a refund of a low-income customer's security deposit upon confirmation of income eligibility for a customer assistance program, instead of merely upon enrollment, it better reflects the customer's choice as to whether to enroll in an assistance program.[242] Further, OCA highlights that this change precludes a customer's inability to enroll in an assistance program from preventing income-eligible receiving a deposit refund to which they are entitled under the Commission's regulations.[243]

c. CAUSE-PA's Position

CAUSE-PA recommended that "UGI amend its tariff and all its internal processes so that customers who have been confirmed to be income eligible for CAP have their security deposit refunded to them regardless of whether they enroll in CAP or not."[244] In rebuttal, UGI clarified that CAP enrollment is not a prerequisite to receiving a deposit exemption, but the CAP application is utilized to streamline the process and have a uniform verification process for customers.[245]

d. Disposition

UGI's commitment to modify its processes and procedures regarding low-income exemptions from security deposits to accept any information which would attest

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241 UGI Exh. F.
242 OCA St. in Support at 35.
243 *Id*.
244 CAUSE-PA St. No. 1 at 86.
245 UGI St. No. 12-R at 26.

to a customer's income eligibility for a security deposit exemption is more consistent with the Commission's regulations. Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

8. Low Income Screening (Settlement, ¶ 51)

a. UGI's Position

According to UGI, CAUSE-PA witness Cicero proposed increased screening for new and moving customers as well as existing customers on non-emergency calls and the development of a method to income screen through an online portal.[246] In rebuttal, UGI noted that it recently conducted a random survey of customers and found that only 31% of customers were willing to share their income, while 47% were not and 22% were not sure.[247] UGI stated that given concerns over customer participation, it opposed this recommendation. However, pursuant to the comprehensive Settlement of all issues, UGI will implement the changes to its low-income screening protocols contained within these Settlement terms. Further, to clarify Paragraphs 59(b) and (c) of the 2025 Settlement, the Settling Parties agreed to add language to this Settlement to confirm that customers who have received a LIHEAP grant within the current or prior LIHEAP season and/or opted into LIHEAP data sharing are not required to provide income documentation for CAP, the LIURP, or Operation Share.[248] UGI asserts that these provisions reasonably balance UGI's concerns with those of the other parties and should be approved without modification.[249]

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246 CAUSE-PA St. No. 1 at p. 73.
247 UGI St. No. 12-R at p. 15.
248 Settlement ¶ 57.
249 UGI St. in Support at 28-29.

b. OCA's Position

OCA maintains that these Settlement provisions are consistent with the recommendations of Mr. Colton that UGI improve its outreach and screening for low-income customers who may be eligible for CAP. Further, OCA noted that UGI is obligated to ensure that its customers that are eligible for more than one rate receive the rate that is most beneficial to them. Therefore, OCA concludes that by conducting additional screening during UGI's "touch points" with customers, UGI will be more actively engaged in ensuring that income eligible customers are informed of their right to enroll in CAP.[250]

c. Disposition

We concur with the Settling Parties and find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

9. Low-Income Outreach and Assistance Pilot Program (Settlement, ¶ 52)

a. UGI's Position

A Low-Income Customer Assessment and Outreach Pilot was established as part of the Commission-approved Settlement at Docket No. R-2024-3052716 (2025 Settlement). Pursuant to the Settlement in the instant case, the parties agree that UGI will provide updates on the progress of its Low-Income Customer Assessment and Outreach

[250] OCA St. in Support at 37.

Pilot at each of its Universal Service Advisory Committee (USAC) meetings (*i.e*., between 2 to 4 times per year).[251]

b. OCA's Position

The Pilot program was established pursuant to UGI's 2021 rate case Settlement, and affirmatively continued in the 2025 Settlement, in which UGI "agreed to engage a third party consultant, selected through a competitive bid process, to engage in a low income identification and outreach program."[252] UGI estimated that it had enrolled 385 customers in CAP in the first 30 days that the Pilot had been in effect in 2026 as a result of the Pilot. However, "given the fact that the launch of this Pilot occurred fewer than six weeks prior to the time this testimony is being written, there has been insufficient time to assess the effectiveness or efficiency of the Pilot."[253]Thus, OCA recommended "that UGI Gas be directed to provide its Low-Income Advisory Committee regular three month reports on the operation and effectiveness of its Low-Income Customer Assessment and Outreach Pilot."[254] This Settlement provision reflects UGI's adoption of OCA's recommendation to provide reports regarding the operation and effectiveness of the Pilot.[255]

c. Disposition

We concur with the Settling Parties that providing these status updates requires little additional effort from UGI while ensuring that stakeholders remain informed regarding the Pilot and, at the USAC meetings, retain the ability to provide

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251 Settlement ¶ 52.
252 OCA St. 6 at 57.
253 *Id*. at 58.
254 *Id*.
255 OCA St. in Support at 38.

input and feedback on the Pilot and UGI's collection of data. Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

10. Field Contact (Settlement, ¶ 53)

a. UGI's Position

UGI recognized that OCA expressed concerns regarding the Company's training materials, particularly with regard to the training field technicians receive on consumer rights.[256] In rebuttal, UGI expressed concern with treating field technicians as customer service representatives and noted that customers are provided multiple notifications explaining their consumer rights, particularly as they impact potential service termination, prior to actual service termination.[257] Ultimately, UGI agreed to develop a new field training manual.[258]

b. OCA's Position

The 2025 Settlement included the following provision:

> 84. UGI Gas will develop additional training materials for its field representatives by April 1, 2026, regarding making personal contact with customers prior to termination and will incorporate these materials into the training of its field representatives. UGI Gas will consult with stakeholders for input related to the training materials and incorporate agreed-upon modifications.[259]

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256 OCA St. 5 at 14-15.
257 UGI St. No. 3 at 8-9.
258 UGI St. in Support at 30.
259 *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket No. R-2024-3052716, *et al*., Joint Petition for Approval of Settlement at ¶84 (July 9, 2025).

According to OCA, UGI has not sufficiently complied with the agreed upon settlement provision to develop additional training materials regarding making personal contact with customers prior to termination.[260] OCA witness Alexander testified that UGI's revised training materials do not sufficiently respond to the 2025 settlement provision above.[261] Ms. Alexander identified outstanding concerns and noted areas where UGI should further revise its materials to ensure field service technicians have the appropriate information and training for making personal contact with customers prior to termination.[262] Ms. Alexander recommended that as part of any increase granted in this rate case, UGI should be required to further reform the revised training materials in line with her concerns to ensure compliance with the 2025 settlement.[263]

Under the Settlement, UGI agrees to develop a field training manual setting forth conditions under which its field technicians cannot terminate service under the Commission's Chapter 56 regulations, and to submit a draft to its USAC within 90 days of a final order.[264] UGI also agreed to a timeframe for training its field technicians on how to identify customers in need of support and the appropriate procedures for referring such customers for outreach by the company or community partners.[265] OCA believes that UGI's agreement to develop a field training manual for its field technicians regarding compliance with Chapter 56 and to train its field technicians on identifying customers in need of assistance address Ms. Alexander's concerns.[266]

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260 OCA St. 5 (PUBLIC) at 14-15.
261 OCA St. 5 (PUBLIC) at 14.
262 *See* OCA St. 5 (PUBLIC) at 14-15.
263 OCA St. 5 (PUBLIC) at 8, 14-15.
264 Settlement, ¶ 53
265 *Id.*
266 *See* OCA St. 5 (PUBLIC) at 14-15.

c. Disposition

UGI's agreement will provide more easily accessible training materials for its field employees that will potentially result in fewer terminations as field technicians understand their responsibilities under Chapter 56 and can access the dedicated referral process to better support customers facing termination of service. This provision of the Settlement ensures that UGI is able to meet its 2025 Settlement commitments by providing additional detail and clarification regarding what the 2025 Settlement, and the Commission's regulations, require from UGI. Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

11. Targeted Customer Communications (Settlement, ¶ 54)

a. UGI's Position

Pursuant to the Settlement,

> UGI Gas will convene a collaborative of interested stakeholders, including the parties to this proceeding, to discuss the development of targeted customer communications regarding natural gas shopping within 60 days of the entry of an order approving the settlement. As part of the collaborative, UGI Gas will propose additional and/or more targeted customer communications to assist customers in ensuring affordability for basic natural gas service due to high natural gas supplier (NGS) charges that appear on the customer bill that UGI Gas collects under threat of termination of service.[267]

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[267] Settlement ¶ 54.

UGI asserts that this provision is reasonable and should be approved without modification.[268]

b. OCA's Position

According to OCA, in its filing, UGI did not provide information about its communications with customers regarding supplier shopping and how to compare the prices charged by a NGS with UGI's Price to Compare (PTC), but did provide information in response to discovery by the OCA and CAUSE-PA.[269] OCA witness Alexander testified that UGI did move their PTC to the front page of the customer's bill, complying with the 2025 Settlement provision.[270] However, Ms. Alexander recommended further revisions to more directly link the presentation of the NGS charges with the PTC by "tell[ing] the customer to compare this rate to the NGS 'commodity charge.'"[271] Additionally, Ms. Alexander testified that UGI does not provide any customer specific communications about comparing NGS charges to the PTC and that UGI should be required to address this issue because it affects the affordability of basic and essential natural gas service.[272] To better inform customers about their likelihood of paying more to an NGS as compared to the PTC, Ms. Alexander further recommended that "UGI develop targeted communication to customers with NGS charges that increase significantly over the PTC to alert them to compare that price to the PTC and include a calculation that documents this difference in the customer's recent bill(s)."[273]

It's OCA's position that this Settlement provision represents a reasonable compromise to address Ms. Alexander's concerns. OCA states it is also important that

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268 UGI St. in Support at 30.
269 OCA St. in Support at 40-41.
270 OCA St. 5 (PUBLIC) at 18.
271 OCA St. 5 (PUBLIC) at 18; OCA St. 5SR at 8.
272 *Id.* at 23, 25.
273 *Id.* at 25:11-14.

the parties to the proceeding are given the opportunity to review and discuss the additional customer communications proposed by UGI to ensure that the communications are clear and fully address party concerns.[274]

c. Disposition

The proposed collaborative allows the parties to offer feedback on UGI's proposed communications that will help improve overall customer communication and education about shopping for alternative suppliers and better assist customers with understanding natural gas shopping. As such, this Settlement provision represents a reasonable compromise that the Settling Parties may not have obtained through litigation. Moreover, this agreement reached through settlement is an example of an issue that cannot be readily reduced to any specific dollar value but may provide substantial benefits to customers who choose to shop. Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

12. Customer Service (Settlement, ¶ 55)

a. UGI's Position

UGI recognized that concerns were raised with variability in the Company's Call Center Performance.[275] UGI presented evidence in rebuttal indicating that that the performance has not changed meaningfully year-over year.[276] As part of this Settlement, UGI is committing to maintaining its call center performance at levels consistent with its average 2025-2026 (through May) performance as reported to the

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274 OCA St. in Support at 42.
275 OCA St. 5 at 12-13.
276 UGI St. No. 13-R at 4-5.

Commission during the effective years of the rates established by the Settlement.[277] UGI will meet with the parties to this proceeding at least annually to discuss areas of challenge and the Company's plans to address the challenges.[278] UGI asserts that this commitment provides assurance that UGI will maintain an appropriate quality of service to its customers while the rates established in this proceeding are in effect.[279]

Additionally, UGI will report on internal performance and compliance-related performance indicators for its third-party call contractors in the meetings identified in Paragraph 55(a) of the Settlement and will include them in the direct testimony in its next base rate proceeding.[280] UGI asserts these provisions are reasonable and should be approved without modification.

b. OCA's Position

According to OCA, in its filing, UGI did not address any customer service performance indicators or compliance related issues as reported to the Commission, nor did it discuss ongoing implementation of customer service conditions from its 2025 rate case.[281] OCA witness Alexander noted her concern regarding UGI's failure to present this information as part of a new base rate case[282] as well as her concern that the rate base case was filed before the deadline for many of UGI's commitments agreed to in the 2025 Settlement.[283] Ms. Alexander testified that UGI had not complied with its "soft" obligation as set forth in the 2025 rate case settlement to continue meeting its 2024

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277 Settlement ¶ 55(a).
278 *Id*.
279 UGI St. in Support at 31.
280 Settlement ¶ 55(b).
281 OCA St. 5 (PUBLIC) at 6.
282 *Id.* at 6-8.
283 *Id.* at 12.

performance results,[284] which UGI denied in rebuttal.[285] Ms. Alexander recommended that UGI be held to its 2024 performance metrics to ensure further deterioration does not occur as a result of this base rate case.[286]

Ms. Alexander also testified regarding UGI's internal call center performance standards and metrics, concluding that "the overall contractual provisions and specific efforts to track compliance with Pennsylvania consumer protection regulations and the Company's training documents are reasonable."[287] Additionally, Ms. Alexander supports UGI's model of oversight to third party call centers as compared to other Pennsylvania utilities. To that end, Ms. Alexander recommended that the current internal UGI performance metrics be formally adopted as a benchmark for UGI's call center performance as part of any rate increase.[288]

Finally, Ms. Alexander testified regarding her concern that UGI had not included information about, nor reported on, its compliance with Customer Service Settlement provisions from the 2025 base rate case in its current filing. Ms. Alexander opined that as part of any rate increase, the Commission should continue to monitor UGI's compliance with the 2025 Joint Settlement and that UGI should report on its compliance with any new requirements.[289]

OCA states that, although it disagrees with UGI on whether the 2025-2026 call center performance levels match UGI's commitment in the 2025 rate case settlement, if this proceeding were fully litigated, the Commission may not require a targeted call center performance level with the opportunity for follow-up discussion regarding call

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284 OCA St. 5 (PUBLIC) at 12-13; OCA St. 5R at 3-6.
285 OCA St. 5R at 3; *see* UGI St. 13R at 4-5.
286 OCA St. 5R at 3, 11.
287 OCA St. 5 (PUBLIC) at 21-22.
288 *Id.*
289 *Id.* at 6-8.

center performance. Additionally, the Commission may not require UGI to formally adopt and report on its internal indicators for its third-party call contractors so that the Parties can determine whether performance is deteriorating.[290]

c. *Disposition*

These Settlement provisions represent a reasonable compromise to maintain UGI's call center performance and provide Company accountability. They also address OCA's concerns regarding parties' ability to monitor UGI's compliance with its Settlement commitments in both the prior 2025 base rate case and these proceedings in the areas of both Universal Service and Customer Service. Finally, including information about these provisions and commitments in the next base rate case will simplify review of UGI's Universal Service programs and Customer Service in its next filing instead of requiring witnesses to request the relevant information through discovery.

Accordingly, we find these Settlement provisions are just, reasonable, in the public interest, and therefore, should be approved without modification.

F. **DSIC/REPORTING (Settlement ¶¶ 58-60)**

At the outset, we note that OSBA, CAUSE-PA, and RESA did not submit testimony regarding this issue.

1. *UGI's Position*

Regarding UGI's Distribution System Improvement Charge (DSIC), pursuant to the Settlement the Company will submit an update to UGI Exhibit A,

[290] OCA St. in Support at 45.

Schedule C-2 no later than January 4, 2027, which will include actual capital expenditures, plant additions, and retirements by month from October 1, 2025, through September 30, 2026. An additional update for actuals from October 1, 2026, through September 30, 2027, shall be filed no later than January 3, 2028.[291]

The Settlement provides that, as of the effective date of rates in this proceeding, UGI will be eligible to include plant additions in the DSIC at the later of (1) the end of the FPFTY or (2) once the total Utility Plant account balance exceeds $6,676,559,000, as projected by UGI at September 30, 2027 per UGI Exhibit A, Schedule C-1, line 1. The Joint Petitioners agree that this provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a future base rate case filing.[292]

In addition, the Settlement provides that for purposes of calculating its DSIC, UGI shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities as updated each quarter consistent with any changes to the equity return rate for natural gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa.C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa.C.S. § 1358(b)(1).[293]

UGI submits that the DSIC/Reporting provisions in the Settlement are reasonable and should be approved without modification.[294]

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[291] Settlement ¶ 60.
[292] Settlement ¶ 58.
[293] Settlement ¶ 59.
[294] UGI St. in Support at 32.

2. *OCA's Position*

OCA states that paragraph 58 of the Settlement establishes the base level of plant investment that must be realized before any incremental expenditures can be recovered through the DSIC as well as the fact that even if this plant level is met before the end of the FPFTY period, no DISC can go into effect until June 30, 2027 at the earliest. OCA asserts that this provision provides clarity with regard to the timing and implementation of a DSIC and affords protection for ratepayers that the DSIC will not begin until after the FPFTY and the plant investment noted in the settlement are reached. Furthermore, this term supports the inclusion of the phase-in of rates, whereby UGI will be permitted to begin collecting the DSIC as soon as the time that ratepayers begin paying rates on the second phase of the rate increase. Without this provision of the Settlement, the phase-in structure may not have been achieved through Settlement.[295]

Moreover, in paragraph 59, the Settlement provides, for purposes of 66 Pa. C.S. § 1358(b)(1) relating to the DSIC earnings cap, that it shall use the equity return rate contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities. The OCA submits that such a provision is common element of settlements.[296]

OCA submits that paragraph 60 of the Settlement is in the public interest because it is consistent with 66 Pa.C.S. § 315(e), which states that whenever a public utility uses a FPFTY as the basis for its rate increase, the utility shall provide appropriate data evidencing the accuracy of the estimates of its FPFTY. This reporting requirement

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[295] OCA St. in Support, at 47.

[296] *See Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Tentative Implementation Order at 14-15 (May 11, 2012).

will permit parties to compare the accuracy of the Company's projections in this matter to its actual expenditures.[297]

Taken together, OCA submits that these DSIC/Reporting provisions are common terms for rate case settlements and are part of ensuring that UGI does not prematurely begin collecting DSIC revenues, meets its plant investment targets, and is able to recover the costs associated with investment in reliability-related plant.[298]

3. *I&E's Position*

I&E notes that it did not submit testimony regarding UGI's DSIC and DSIC reporting recommendations but states that there is value in determining how closely a utility's projected investments in future plant, compare to the actual investments that are made by the end of the FTY and FPFTY. Therefore, I&E fully supports the settled upon terms regarding rate base, DSIC, and the capital expenditure reporting as a full and fair compromise that provides UGI, the Joint Petitioners, affected ratepayers, and the Commission with an amicable resolution and regulatory certainty which is in the public interest.[299]

4. *Disposition*

The Settlement terms, which provide an accurate calculation of the DSIC based on a known and reliable quarterly report as an index for the DSIC, assure no duplicative recovery of DSIC-eligible expenditures in base rates, and contains an agreement for UGI to provide updates to actual capital expenditures, plant additions, and retirements, yield substantial evidence of concluding these provisions are in the public

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297 OCA St. in Support at 48.
298 *Id.*.
299 I&E St. in Support at 10.

interest. Specifically, UGI's agreement to provide updates pursuant to Paragraph 60 of the Settlement will enable the parties and interested stakeholders to track these figures for the FPFTY and evaluate to what extent the actual figures match the Company's projections in this proceeding.

Accordingly, we find these Settlement provisions are just, reasonable, in the public interest, and therefore, should be approved without modification.

G. Accounting (Settlement ¶¶ 61-66)

The Settlement contains six (6) specific provisions under Accounting. Each was addressed individually by UGI. OCA addressed the Depreciation portion of the Settlement under the Accounting provision. A more detailed analysis follows below.

I&E submitted limited testimony regarding the identified accounting methodology issues.[300] According to I&E, these issues were negotiated in good faith by the interested parties and in consideration of all of the proffered evidence and arguments, I&E does not oppose these settlement provisions as a full and fair compromise that provides UGI, the Settling Parties, affected ratepayers, and the Commission with regulatory certainty and an amicable resolution of the accounting methodology issues for purposes of this Settlement, all of which is in the public interest.

OSBA, CAUSE-PA, and RESA did not comment on the Accounting provisions.

[300] I&E St. in Support at 10.

1. Environmental Cost Recovery (Settlement ¶ 61)

According to UGI, consistent with the methodology it used in past rate cases, UGI utilized two adjustments to reconcile past Environmental Remediation expense rate recoveries with actual incurred costs and to recover a projected annual level of Environmental Remediation expense. UGI states these costs are incurred in connection with UGI's obligations under a Consent Order Agreement (COA) with the Pennsylvania Department of Environmental Protection (DEP).

The first of these adjustments provided UGI with normalized ratemaking recovery of ongoing annual cash expenditures primarily to remediate former manufactured gas plant (MGP) sites in accordance with the COA, based upon the last three years of cash expenditures for remediation expense under the COA. The second of these adjustments shows the net under-recovery of UGI's MGP remediation expense incurred in past years and the planned amortization for this net under-recovery, which collects this amount from customers over a two-year period. This two-year amortization period is consistent with the period approved in the 2025 Settlement.[301]

This provision of the Settlement maintains previously approved adjustments related to environmental remediation expense from UGI's prior base rate cases and also provides for the recovery of certain amounts previously not charged to ratepayers. Moreover, no party opposed the proposals regarding accounting treatment and recovery of the identified environmental costs.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

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[301] UGI St. No. 5 at 16-18.

2. ADIT/EDFIT (Settlement ¶ 62)

In the Settlement, the Settling Parties agree UGI's Accumulated Deferred Income Tax (ADIT) and pro-rationing methodology as required by Treasury Regulation 1.167(l)-1(h)(6)(ii) is accepted. The Settlement also provides that UGI's method to amortize Excess Accumulated Deferred Federal Income Taxes (EDFIT) according to the Average Rate Assumption Method (ARAM) is accepted. The Settlement further provides that absent a change in federal or state law, regulation, judicial precedent or policy, the remaining unamortized EDFIT balance will continue as a reduction to rate base in all future base rate proceedings until the full amount is returned to ratepayers.[302]

According to UGI, in its filing, the Company calculated an FPFTY ending balance for federal ADIT and deducted this amount from rate base.[303] UGI witness Espigh explained that the federal ADIT amount "reflects the difference in income tax expense for book and tax purposes attributable to the difference between the accelerated tax depreciation and straight-line book depreciation on test year plant balances, net of offsets associated with contributions in aid of construction."[304] In addition, as the state tax consequence of accelerated depreciation is flowed through, there is no associated state ADIT balance. UGI also included a reduction to rate base associated with the unamortized EDFIT in its ADIT balance. Finally, UGI witness Espigh testified that the Company's calculation of its federal ADIT rate base deduction properly reflects the pro-rationing concept in accordance with Treasury Regulation 1.167(l)-1(h)(6)(ii) that it must follow for ratemaking purposes to comply with IRS normalization requirements.[305]

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[302] Settlement ¶ 62.
[303] UGI St. No. 9 at 6.
[304] *Id.*
[305] UGI St. No. 9 at 6-7.

The Settlement provision reflects that the Company's claim is based on a FPFTY and ensures compliance with Internal Revenue Service ("IRS") normalization requirements. Also, it is noted that none of the parties challenged UGI's proposals regarding ADIT/EDFIT.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

3. Repairs Allowance

In its initial filing, UGI explained that in its tax return for the year ended September 30, 2009, UGI adopted a tax accounting method to expense as repairs certain items capitalized for book purposes in accordance with federal tax regulations. UGI chose to normalize its federal income tax expense claim, inclusive of the repairs tax deduction, the same as it did in its previous base rate case. UGI states that this difference between accelerated tax depreciation versus book depreciation in the calculation of federal tax expense creates ADIT. Therefore, UGI reduced its rate base by the sum of the federal ADIT balance and the state repair regulatory liability.[306]

In addition, effective for tax year September 30, 2024, UGI adopted the safe harbor method under IRS Revenue Procedure 2023-15 ("Rev. Proc. 2023-15") for purposes of determining the applicable repairs deduction for tax purposes. UGI states these results are the basis for the estimated repairs deductions used in this case and the adoption of the new guidance only clarifies what expenditures qualify as tax deductions. UGI maintains that there has been no change in the Company's accounting treatment of repair deductions.[307]

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[306] UGI St. No. 9 at 7-8.
[307] UGI St. in Support at 35.

The Settlement continues the practice that UGI has followed since its adoption of the current methodology used for calculating the repairs allowance. Normalization benefits customers by ensuring that they receive a fair portion of the benefit of the repairs allowance deduction through a rate base reduction, over the life of the plant giving rise to the deductions, regardless of when UGI files a rate case. Moreover, normalizing the repairs allowance deduction provides an important source of cash flow to UGI that can be used to support its large, related capital spending program and reduce outside borrowing.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

4. Depreciation Rates (Settlement ¶ 64)

UGI presented detailed depreciation studies on the Company's plant for the Historic Test Year (HTY), the Future Test Year (FTY), and the FPFTY.[308] The depreciation studies were sponsored and supported by the direct testimony of UGI witness Wiedmayer.[309] UGI presented its claim for depreciation expense and depreciation reserve based upon the Equal Life Group (ELG) procedure, which it has used previously.[310]

OCA proposed a change in those procedures. OCA proposed that the Company convert from the ELG procedure to the Average Life Group (ALG), also known as the Average Service Life (ASL) procedure. OCA submitted that it would be in

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[308] UGI Exhibit C – Fully Projected, UGI Exhibit C – Future, and UGI Exhibit C – Historic.

[309] UGI St. No. 6.

[310] UGI St. No. 6-R at 4, 17.

the best interests of ratepayers if the ALG procedure were used because it would significantly reduce the revenue requirement recovered through rates while still allowing the Company to recover the full amount of the investment over the service life of the plant.[311] Based upon this proposed change, OCA recommended a $20.8 million reduction to UGI's depreciation expense in the FPFTY.[312]

UGI opposed OCA's proposal, arguing that it improperly shifted costs from current customers to future customers.[313] The proper depreciation procedure to use for UGI's revenue requirement is the subject of continued disagreement between the parties.[314] Ultimately, OCA determined to preserve this issue for litigation in a later proceeding while moving forward with Settlement in this proceeding, based on the significant reduction in the proposed revenue increase agreed to by the Settling Parties.[315]

In the Settlement, UGI's as-filed depreciation and amortization rates will be used. As a part of the Settlement, all parties reserve their rights to address the proper depreciation method/procedure for the Company in any future proceeding.[316]

Achieving a settlement of the accounting treatment for the depreciation rates was an integral part of achieving an overall resolution of this case, while still maintaining parties' right to address this issue in future proceedings.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

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311 OCA St. 4 at 22-30.
312 OCA St. 4 at 5-6.
313 UGI St. No. 6-R at 19-21.
314 Settlement ¶ 64.
315 OCA St. in Support at 49.
316 Settlement ¶ 64.

5. Rate Case Expense (Settlement ¶ 65)

UGI proposed to recover rate case expenses totaling $1.760 million as a part of its initial filing.[317] I&E and OCA recommended that UGI's rate case expense be decreased by $880,000, based on the use of a two-year normalization period.[318] UGI opposed these adjustments based on its belief that I&E and OCA's proposed normalization periods were not reflective of the Company's anticipated rate case filing frequency, which was based upon its assessment of future capital requirements, continued information system improvements, and the cost of other improvements as detailed in the Company's Commission-approved third Long-Term Infrastructure Improvement Plan (LTIIP).[319]

Ultimately, the Settlement provides that the Company's revenue increase reflects a three-year normalization for ratemaking purposes and a three-year amortization for accounting purposes consistent with the period of time reflected in the stay-out provision.[320] Further, the Company will not claim any unamortized amount in a future rate case and agrees that normalization of rate case expense (as opposed to amortization) is the proper treatment for ratemaking purposes.[321]

We find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

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[317] UGI St. No. 2 at 12.
[318] I&E St. 1 at 9-15; OCA St. 2 at 7.
[319] UGI St. No. 2-R at 6.
[320] Settlement ¶ 65.
[321] *Id*.

6. IT Capital Cost Treatment (Settlement ¶ 66)

The Settling Parties have agreed that, for purposes of the Settlement, UGI's as-filed accounting treatment of certain IT costs is accepted as set forth in the direct testimony of UGI witness Ressler, UGI Statement No. 4, pages 9 - 10.[322]

According to UGI, since 2016, it has capitalized certain IT costs associated with software implementation projects. UGI states these IT costs consist of internal labor, external consulting expenses, other expenses related to the preparation of the vendor and system integrator requests for proposals, current-state assessments, reengineering business processes to adapt to the new system, data conversion, cleansing and migration (including field verification and digitization of asset attributes required for accurate data and facility capture), and implementation training costs. Additionally, UGI states it capitalizes the above-mentioned cost items for cloud computing software implementation projects. Further, beginning in 2019, UGI began capitalizing Hypercare costs associated with large software implementation projects. UGI explains that Hypercare is a term for post-implementation support following the deployment of an IT project to ensure that the newly implemented system operates as planned. UGI points out that it continues to capitalize such costs in line with the authorizations received previously, and all such costs which are claimed in the current case are included within the Company's budgeted capital as laid out in Exhibit A (Future) and Exhibit A (Fully Projected).[323]

This Settlement provision recognizes that the new databases will provide benefits to customers over extended periods of time and not just the period in which the costs are incurred. It also recognizes that post-implementation technical support is part of

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322 Settlement ¶ 66.

323 UGI St. No. 4 at 9-10.

the necessary process to achieve the functionality anticipated from the new technology. Lastly, no party opposed this Settlement provision.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

H. Gas Safety (Settlement ¶¶ 67-68)

Initially, we note that OCA, OSBA, CAUSE-PA, and RESA did not submit testimony regarding this issue.

1. *UGI's Position*

The Gas Safety section of the Settlement addresses pipeline replacement costs and methane detectors.

Concerning pipeline replacement costs, witness Jill E. Walter explained that restoration costs associated with replacing and retiring natural gas mains have increased steadily over the life of the Company's accelerated main replacement program articulated in its Long-Term Infrastructure and Improvement Plan. A reason that costs have increased cited in witness Walter's testimony is due to installation of American with Disabilities Act ramps. To reduce costs, witness Walter explains that UGI continues to engage with municipalities to develop and partner in cost-share agreements and replace pipelines ahead of municipality planned paving projects.[324]

In the Settlement, UGI agreed to continue to produce a report for pipeline replacements, to be filed annually as part of its AAOP filing, identifying its ten most

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[324] UGI St. No. 3-R at 3-4.

expensive restoration projects per year over the past three years, and specifically identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards including: paving, shoulders, sidewalks, etc., and permitting fees. The Company will discuss the results of the annual reporting on restoration costs with the Commission's Pipeline Safety Division.[325]

UGI submits that this Pipeline Restoration Costs Settlement provision is reasonable, in the public interest and should be approved without modification.[326]

Regarding methane detectors, witness Walter explained that UGI is piloting the use of in-home methane detection devices pursuant to the Commission-approved Settlement in UGI's 2024 base rate proceeding. Witness Walter explained that this initiative is designed to evaluate the effectiveness of commercially available methane detectors in providing early warning of potential gas leaks within customer homes.[327] The pilot further is designed to collect data on efficacy, adoption rates, and cost effectiveness, as well as other information that would inform a larger, programmatic deployment of methane detectors in the future.[328] Moreover, UGI is participating in a broader pilot program conducted by the GTI to specifically evaluate issues relating to the deployment and use of SRMDs.[329] UGI opposed I&E suggestion to expand deployment of SRMDs to 3,000 during the pilot timeframe arguing that early widespread deployment may thwart the careful and thoughtful development and deployment of this technology.[330]

UGI agrees pursuant to the Settlement to provide a copy of any analysis produced at the conclusion of the GTI pilot program investigating the use of SRMDs to

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[325] Settlement ¶ 67.
[326] UGI St. in Support at 39.
[327] UGI St. No. 3 at 19.
[328] UGI St. No. 3-R at 7.
[329] UGI St. in Support at 40.
[330] UGI St. No. 3-R at 7.

the Pipeline Safety Division within 30 days of its production to UGI. The Company also agrees to host a technical conference open to parties, Commission personnel, and other NGDCs to review the results of the GTI pilot, UGI's pilot, RMDs, and SRMDs within 90 days of the conclusion of the GTI pilot.[331]

UGI argues that the methane detectors provision will provide for the continued and consistent development in Pennsylvania of this important safety initiative. Therefore, UGI submits that this provision is reasonable and should be approved.[332]

2. *I&E's Position*

I&E witness Anna L. Ritchie testified regarding UGI's pipeline restoration costs, noting that UGI has seen a 47% increase in restoration costs from 2020 to 2025. Noting UGI's recent efforts to reduce pipeline restoration costs as presented in its testimony in this proceeding, Witness Ritchie recommended that UGI continue to take positive steps toward reducing restoration costs as shown in 2025, by coordinating pipe replacement projects with other street projects and replacing pipe using trenchless construction techniques where it is economically feasible. Witness Ritchie recommended that UGI work to negotiate with state, county, and local entities to reduce restoration requirements associated with pipeline replacement. Further, witness Ritchie recommended that UGI analyze and consider these costs on a project-by-project basis in an effort to continue to decrease and draw down these replacement costs annually.[333]

Witness Ritchie also addressed UGI's efforts to install in-home methane detectors, recommending that UGI continue to expand the SRMD pilot program by identifying areas that are prone to leaks, high risk pipeline areas, buildings or homes,

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331 Settlement ¶ 68.
332 UGI St. in Support at 40.
333 I&E St. No. 4 at 11-14.

businesses, and places of congregation with inside meter sets and regulators to place these methane detector units within these higher risk areas first. To effectuate the expansion of the pilot program, witness Ritchie recommended that the pilot program be increased to require installation of 3,000 SRMD units during the pilot timeframe. Further, witness Ritchie recommended that UGI continue to expand the methane detector program until every gas customer has an SRMD unit.[334]

Regarding reporting for the methane detector program, witness Ritchie recommended that UGI file quarterly reports with the Commission under the docket number of this base rate proceeding, within 30 days of the end of each calendar quarter, beginning with the calendar quarter that ends December 31, 2026, and ending with the calendar quarter that ends December 31, 2031, or when otherwise directed by the Commission. Witness Ritchie recommended that each report includes, separately, details for RMDs and SRMDs.[335]

Ultimately, I&E supports the settled upon pipeline restoration costs and methane detector settlement terms as a full and fair resolution that provides UGI, the Joint Petitioners, affected ratepayers, and the Commission with regulatory certainty and is in the public interest.[336]

3. *Disposition*

Regarding the pipeline restoration costs terms of the Settlement, UGI's agreement to continue to provide pipeline replacement reports, in addition to its agreement to discuss the results with the Commission's Pipeline Safety Division, will allow for the Commission to monitor the effectiveness of UGI's efforts in reducing these

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334 I&E St. No. 4 at 9.
335 I&E St. No. 4 at 9-10.
336 I&E St. in Support at 11.

pipeline restoration costs. The Commission will be able to suggest strategies to support UGI's efforts in reducing costs. It is in the public interest to reduce these costs, as the costs associated with pipeline restoration may be passed on to customers in base rates.

Concerning the methane detectors terms of the Settlement, customers benefit from UGI's continued efforts in its deployment of methane detectors. This is because devices provide UGI customers with a safety tool that provides early warning alarms signaling a gas leak and potentially hazardous situations. Through these Settlement terms, UGI will continue to develop its methane detectors deployment pilot in collaboration with the Commission's Pipeline Safety Division.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

I. Supplier Issues (Settlement ¶¶ 69-72)

1. Purchase of Receivables (Settlement ¶ 69)

Initially, we note that OSBA and I&E did not submit testimony regarding this issue.

a. UGI's Position

UGI offers a Purchase of Receivables (POR) Program, under which the Company "purchases the uncollected receivables from participating suppliers and assumes responsibility for billing the customer and collecting the associated revenue."[337]

[337] UGI St. No. 15-R at 32.

UGI states that it proposed no changes to its POR Program in this proceeding.[338] UGI noted in its rebuttal testimony that the current POR Program is offered "consistent with the Commission's regulations and requirements."[339]

b. CAUSE-PA's Position

CAUSE-PA proposed certain modifications to the POR Program. Specifically, CAUSE-PA recommended that "UGI provide notice to suppliers that effective January 1, 2027," the Company "will no longer be purchasing the receivables from participating suppliers, unless the supplier provides natural gas service at a price that is at or below UGI's default service price."[340] CAUSE-PA witness Cicero also recommended that UGI modify its POR contracts with NGSs "to require that to participate in POR and have UGI buy its receivables an NGS would have to certify that its rates are at or below the applicable default service price."[341] Mr. Cicero testified that "[i]f a supplier wants to take advantage of UGI's POR program, it should not be permitted to charge rates that are in excess of what UGI charges."[342]

c. OCA's Position

OCA witness Alexander supported the modifications as proposed by Mr. Cicero, testifying that "[t]he modification of this policy would directly improve the affordability of UGI's bills and impact its collection costs incurred to collect higher NGS charges for the same commodity natural gas that is provided through the default service mechanism."[343] OCA points out that UGI witness Rogers commended CAUSE-PA

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338 UGI St. in Support at 41.
339 UGI St. No. 15-R at 33.
340 CAUSE-PA St. No. 1 at 2, 87.
341 *Id*. at 90.
342 *Id*.
343 OCA St. 5R at 13.

witness Cicero "for focusing on an area where many customers are paying excessive costs that do not produce any incremental benefits in safety or service quality."[344] Ms. Rogers testified that NGS rates can be more volatile, it is not clear how a modified POR program would work in practice, and that UGI would need to evaluate the potential costs to "facilitate the structure of a modified POR program."[345]

OCA states that if this proceeding were fully litigated, the Commission may not require UGI to develop annual Choice Program reporting so that the parties can better understand its impact on affordability, and as such, this Settlement provision represents a reasonable compromise that the Settling Parties may not have obtained through litigation.[346]

d. RESA's Position

RESA stated that it understands that affordability of utility service is concern for the Commission and customers as well. Further, like competitors in most markets, RESA's members and other NGS seek to provide competitive products and services that provide customers with valuable alternatives to utility default supply. RESA concluded that it is happy to participate in a process that will explore reporting that will allow the Parties and the Commission to better understand the important role that Choice plays in keeping prices in check.[347]

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344 UGI St. 15R at 33.
345 *Id*.
346 OCA St. in Support at 51.
347 RESA St. in Support at 3.

e. Disposition

Pursuant to the Settlement, within 90 days of the approval of the Settlement in this proceeding, UGI will hold a workshop with interested parties, including the parties to this proceeding, to develop annual Choice Program reporting components to provide parties with a better understanding of the function of the Choice program and any impacts it may have on affordability.[348]

This Settlement provision represents a reasonable compromise to look at the POR program and to provide better data to the participating parties to determine if the POR program can be modified in future base rate cases to better address how the Choice program affects the affordability of UGI's bills, especially during a time when UGI's customers are facing significant affordability pressures.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

2. Daily Imbalance Trading (Settlement ¶ 70)

Initially, we note that OCA, OSBA, I&E, and CAUSE-PA did not submit testimony regarding this issue.

a. *UGI's Position*

Pursuant to the Settlement, UGI will conduct a study to evaluate the feasibility and cost associated with offering daily imbalance trading. UGI will provide the results of that study to the parties to this proceeding on or before March 1, 2027.

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[348] Settlement ¶ 69.

Further, UGI will address the study on daily imbalance trading in its 2027 purchased gas cost (PGC) proceeding, including any cost recovery associated with the implementation of IT upgrades necessary to facilitate daily imbalance trading.[349]

b. RESA's Position

RESA explained the significance of this provision as follows:

> [D]aily imbalance trading allows NGS, that may have overdelivered gas on a particular day, perhaps because a large customer had to shut down or any one of a number of reasons, to move that gas to the account of some other supplier that for whatever reason was short gas on that same day. This trading of imbalances can solve problems for both parties and avoid the imposition of penalties, which in the UGI service territory are very aggressive. UGI presently provides a monthly imbalance trading platform. Part of the investigation will be around cost and the recovery of cost. RESA anticipates that platforms such as a daily imbalance trading system will benefit suppliers and may result in increased costs, which means that NGS may be asked to pay at least some portion of the costs.[350]

c. *Disposition*

We concur with RESA and find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

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[349] Settlement ¶ 70.
[350] RESA St. in Support at 3-4.

3. Force Majeure (Settlement ¶ 71)

Initially, we note that OCA, OSBA, I&E, and CAUSE-PA did not submit testimony regarding this issue.

a. *UGI's Position*

Historically, UGI's practice allowed for supplier force majeure on a case-by-case basis.[351] Pursuant to the Settlement, UGI will revise its tariff to provide clarity regarding the process and documentation required for acceptance of force majeure declarations by suppliers.[352] The revisions to its tariff are reflected in Appendix A to the Settlement.[353]

b. *RESA's Position*

As RESA explained, previously, there has been no specific standard, which can leave suppliers and UGI in a no-man's land when force majeure events occur. The proposed force majeure tariff will provide specific notification requirements, the need to present documentation to verify that an force majeure event did occur and did impact the party, and also a demonstration that the impacted party took all reasonable steps to mitigate the harm. Assuming the claiming party can substantiate that it faced an impossible situation that did not allow it to mitigate the problem, that party can be excused from penalties and other fees. This is how force majeure provisions are supposed to work and will work on the UGI system after the new tariff provision is approved.[354]

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[351] UGI St. No. 14-R at 7-9.
[352] Settlement ¶ 71.
[353] *Id.*
[354] RESA St. in Support at 4.

c. *Disposition*

The force majeure tariff provisions agreed upon in this proceeding provide documentation of that practice and will provide clarity on the documentation and process that will benefit both UGI and NGSs. With this defined process, suppliers faced with those impossible situations that lead to, will know what they must do, when they must do it, and when they need to provide the appropriate documentation to make a claim of force majeure. Having an established tariff requirement that is within the bounds of industry standards will allow all shippers to more adeptly navigate what could otherwise be a highly uncertain and potentially punitive process. This provision allows suppliers to operate with less risk associated with occurrences outside of their control and will bring more certainty as a consequence.

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

4. Rate for No Notice Service (NNS) (Settlement ¶ 72)

a. *UGI's Position*

As part of the Settlement, UGI and the parties have agreed to reduce the NNS rate by 2 cents to $ 0.20/MCF.[355]

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355 Settlement ¶ 72.

b. *RESA's Position*

The current NNS rate is $0.22 cents/MCF of increased bandwidth.[356] This means that if a commercial or industrial customer wants to protect against usage swings that can cause it to be liable for penalties for being over or under the monthly delivery targets enforced by UGI, it can participate in NNS and pay for increased bandwidth +/- on its delivery requirements.[357]

c. *Disposition*

Participation in NNS can be less expensive than penalties that can be incurred with just one delivery mismatch. Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

J. Universal Service Cost Recovery (Settlement ¶¶ 73-74)

1. *UGI's Position*

UGI assigns recovery of its universal service programs (USPs) costs to residential customers through its Universal Service Cost Recovery Rider (Rider USP). In this proceeding, UGI will continue to assign these costs to residential customers but also proposed to assign universal service programs costs to Extra Large Firm Delivery Service customers, Rate XD, on a negotiated basis in its initial filing.[358] Rate XD is the rate classification for negotiated rate customers with projected consumption of at least

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[356] UGI St. in Support at 41.
[357] RESA St. in Support at 5.
[358] UGI St. No. 10 at 22.

200,000 MCF per year, subject to a minimum three-year initial contract period.[359] UGI stated this proposal would allow "certain Rate XD customers to contribute to Rider USP and otherwise lower USP costs borne by the Company's residential customers."[360]

The Settlement provides that UGI's proposal to assign universal service costs to Rate XD on a negotiated basis is accepted as filed.[361] UGI agrees to include a proposal for universal service and DSIC contributions each time it enters into contract negotiations with a Rate XD customer beginning on and after October 1, 2026, or the first day of the first month after the Commission enters an order approving the Settlement.[362]

UGI submits that the Universal Service Cost Recovery Settlement provisions are reasonable and should be approved without modification.[363]

2. *OCA's Position*

OCA submits that the Universal Service Cost Recovery Settlement provisions reflect the agreement of all parties to this proceeding that, should Rate XD agree to contribute to Rider USP as part of their service contract with UGI, they should be permitted to do so.[364]

In support of these Settlement provisions, OCA cites to the Code for the proposition that universal service costs are "public policy costs" under the Code that "[t]he commission shall ensure…are appropriately funded and available in each natural

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[359] UGI Exh. F.
[360] UGI St. No. 10 at 22.
[361] Settlement ¶ 73.
[362] Settlement ¶ 74.
[363] UGI St. in Support at 43.
[364] OCA St. in Support at 52.

gas distribution service territory.[365] Further, OCA highlights an additional provision of the Code that states that nothing in the Code "shall be construed to prohibit public funding or voluntary funding by third parties of a natural gas distribution company's universal service and energy conservation programs."[366] OCA additionally cites to a recent Commission Order regarding tariffs for large load customers wherein the Commission reaffirmed its long-standing policy and declared "[n]o rate class should be considered routinely exempt from CAP and other universal service obligations."[367] In that Order, the Commission also stated that new, large load electric customers should be required to contribute the electric utility's universal service program costs.[368]

OCA submits that because Rate XD reflects UGI's equivalent of a "large load" class for an electric distribution company, permitting such customers to contribute to UGI's universal service program costs is consistent with recent guidance for electric utilities as well as long-standing direction that no customer class is guaranteed to avoid cost responsibility for universal service program costs. By requiring UGI to propose the allocation of universal service and DSIC revenues to new Rate XD customers, these provisions OCA claims also ensure that the option to contribute is not merely a token recognition of current residential customers' affordability concerns. For these reasons, OCA submits that these provisions of the Settlement are in the public interest and should be approved by the Commission.[369]

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[365] 66 Pa.C.S. § 2203(8).

[366] 66 Pa.C.S. § 2203(6).

[367] Interconnection and Tariffs for Large Load Customers, Docket No. M-2025-3054271, Order at 107 (May 12, 2026) (*quoting* 52 Pa. Code § 69.266).

[368] *Id*.

[369] OCA St. in Support at 53.

3. *OSBA's Position*

OSBA opposed CAUSE-PA proposal to allocate universal service costs to all rate classes. Specially, OSBA argued that small business customers should not contribute to universal service programs because these customers cannot take advantage of the residential-only programs. In addition, OSBA argued that assigning costs for the universal service programs to all rate classes would impose a burden on all hearing participants, including the OSBA, who would have an obligation to ensure that these programs are properly designed, effective, and necessary. OSBA explained that it generally does not expend the resources to retain the necessary specialized experts in these fields because most utilities in Pennsylvania do not assign universal service costs to all rate classes.[370]

OSBA did not comment on the Universal Service Cost Recovery Settlement Terms, but is a signatory to the Settlement, and as such, supports its terms.

4. *I&E's Position*

I&E did not submit testimony regarding this issue.

5. *CAUSE-PA's Position*

CAUSE-PA argued that residential customers should not solely bear the burden of supporting USP costs because these costs are public purpose costs as they assist poor Pennsylvania families in being able to maintain access to essential natural gas service.[371] As highlighted by CAUSE-PA in its direct testimony, households who cannot afford utility service are prone to several consequences, including increased rates of

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[370] OSBA St. No. 1-R at 1-2.
[371] CAUSE-PA St. No. 1 at 80.

health complications and hospitalization, eviction, and food insecurity.[372] CAUSE-PA therefore recommended that USP costs "be assigned to all rate classes based on their respective distribution revenue requirements per the Company's cost of service study (COSS) filed in the current case." In the alternative, CAUSE-PA recommended "at the very least, these costs should be assessed consistent with UGI's proposal to assign them to Rate class XD, but with the modification that such assignment should be required rather than permissive."[373]

In its Letter Indicating Non-Opposition to Settlement, CAUSE-PA explains that while CAUSE-PA stands by its litigated positions, it has decided to take a position of non-opposition to the proposed Settlement.

6. *RESA's Position*

RESA did not submit testimony regarding this issue.

7. *Disposition*

UGI's USPs contain assistance programs that help low-income households remain connected to service. We agree with the testimony of CAUSE-PA that details the importance of the ability of low-income households to maintain utility service. The Commission has recognized the importance of these programs, committing to ensure that these programs are appropriately funded and available in every natural gas distribution service territory.[374] Permitting large load electric customers to contribute to the funding of these programs is in the public interest as it will aid in making certain that these important programs remain adequately funded.

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372 CAUSE-PA St. No. 1 at 81.
373 CAUSE-PA St. No. 1 at 83.
374 66 Pa.C.S.A. § 2203(8).

Accordingly, we find this Settlement provision is just, reasonable, in the public interest, and therefore, should be approved without modification.

K. Tariff Cleanup (Settlement ¶¶ 75-77)

In this proceeding, CAUSE-PA recommended Rule 9 of UGI's tariff involving termination be amended.[375] Specifically, CAUSE-PA recommended to provide at least 10 days' written notice of termination (as opposed to the current language that requires "reasonable notice") and to remove "violation of tariff Rules and Regulations" as a ground for termination of service.[376] CAUSE-PA witness Cicero claimed that the latter provision "is overly broad and is not authorized by existing PUC regulations of the Public Utility Code."[377]

Pursuant to the Settlement, UGI agreed to amend Tariff Rule 9.1 (a) as follows, and as reflected in Appendix A to the Settlement:

> a) Amend the rule to delineate grounds for termination that require notice from those that do not,
>
> b) Specify 10-day notice is necessary prior to terminations that require notice.
>
> c) Remove the phrase "(v) violation of tariff Rules and Regulations."[378]

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375 CAUSE-PA St. No. 1 at 92-93.
376 *Id.*
377 CAUSE-PA St. No. 1 at 92.
378 Settlement ¶ 75.

UGI also agreed to review and revise its tariff to correct outdated references to state agencies and eliminate all references to expired sections of the Public Utility Code.[379] These revisions are also reflected in Appendix A to the Settlement.

Finally, UGI agreed to provide tariff clarity on the availability of payment arrangements for Rate N/NT, consistent with the terms and conditions of the Commission-approved settlement of its 2025 Base Rate Case.[380] These revisions are also reflected in Appendix A to the Settlement.

We find these Settlement provisions are just, reasonable, in the public interest, and therefore, should be approved without modification.

VIII. RECOMMENDATION

The Settlement here is a "black box" settlement. That is, the Settling Parties have agreed to an overall revenue requirement without agreeing to each and every adjustment of the components of the rate filing. The Commission has historically permitted the use of "black box" settlements as a means of promoting settlement among the parties in contentious base rate proceedings.[381] "Black box" settlements of rate cases save a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between

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379 Settlement ¶ 76.

380 Settlement ¶ 77.

381 *See Pa. Pub. Util. Comm'n v. Peoples TWP, LLC,* Docket No. R-2013-2355886, at p. 28 (Opinion and Order entered Dec. 19, 2013); *Pa. Pub. Util. Comm'n v. PECO Energy Co., Docket No. R-2018-3000164 (Opinion and Order entered Dec. 20, 2018).*

various parties on each component of a rate increase can be difficult and impractical in many cases.[382]

The Commission has also stated:

> Despite the policy favoring settlements, the Commission does not simply rubber stamp settlements without further inquiry. In order to accept a settlement such as those proposed here, the Commission must determine that the proposed terms and conditions are in the public interest. The focus of the inquiry for determining whether a proposed settlement should be approved by the Commission is whether the proposed terms and conditions foster, promote and serve the public interest. Because the Joint Petitioners request the Commission enter an order in this proceeding approving the Partial Settlement without modification, they share the burden of proof to show that the terms and conditions of the Partial Settlement are in the public interest.[383]

The Joint Petitioners in this proceeding represent many interests. To reach a settlement of all issues with the aforementioned parties in such a base rate case is unusual. It represents hours of negotiation and a great deal of cooperation. Because all of the diverse interests represented by the Joint Petitioners have been satisfied, the Settlement benefits UGI's customers. It saves the parties and the Commission the time and expense of fully litigating this matter. The parties have avoided the need to prepare briefs, reply briefs, exceptions, replies to exceptions and possible appellate litigation. UGI's customers benefit from this cost savings.

The Joint Petition for Approval of Settlement of All Issues was served on all non-signatory parties to this base rate case. Objections to the proposed Settlement

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[382] *Pa. Pub. Util. Comm'n v. Peoples TWP, LLC,* Docket No. R-2013-2355886, at p. 28 (Opinion and Order entered Dec. 19, 2013).

[383] *Pa. Pub. Util. Comm'n v. PECO Energy Co.*, Docket No. R-2018-3000164, at p. 15 (Opinion and Order entered Dec. 20, 2018).

were to have been filed on or before July 15, 2026. No objections or comments were filed.

Upon due consideration of the terms and conditions of the Joint Petition for Approval of Settlement of All Issues, including the Statements in Support of the Joint Petitioners, this Settlement constitutes a fair, just and reasonable resolution of the Commission's investigation. Therefore, the Joint Petition for Approval of Settlement of All Issues is in the public interest and should be approved.

The Revenue Requirement, Revenue Allocation and Rate Design agreed to by the Joint Petitioners in the Settlement are all within the range of likely outcomes should this matter have been fully litigated by the Joint Petitioners. The Joint Petitioners all agree that the Settlement and all of its terms are within the public interest and satisfy their concerns. The Joint Petitioners each filed Statements in Support which accompanied the Settlement stating as much. When the statutory advocates fully support a settlement, it is strong evidence that the terms and conditions are just and reasonable and in the public interest.[384]

Notably, through approval of the Settlement, UGI customers will be subject to a rate increase that is less than what was initially proposed. The phase-in of the rates over two phases benefits UGI customers by mitigating the impact that the rate increase will have on the customers by spreading out the increase over time. UGI's agreement through the Settlement to not file for another base rate increase until January 2029 provides its customers with a stability in rates for at least the next few years.

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[384] *See Pa. Pub. Util. Comm'n v. T.W. Phillips Gas & Oil Co.*, Docket No. R--2010-2167797 (Order entered Nov. 4, 2010).

The changes to UGI's Customer Assistance/Universal Service Programs, as agreed to by the Joint Petitioners under the Settlement, will lead to vast improvements in the areas of customer service, program enrollment, payment options, customer outreach and bill clarity for customers. The Joint Petitioners agree that the agreed-upon terms are within the public interest and will greatly benefit the public. These opinions are supported by the Joint Petitioners' Statements in Support of the Settlement.

We find the Settlement is a reasonable balance of the competing needs of the stakeholders subject to the ratemaking process: residential consumers – both those who struggle to pay their bills and those who struggle less – and small businesses, large industrial customers, and the utility investors. We agree with the Joint Petitioners that the Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first glance to be irreconcilable regulatory differences. Therefore, we recommend that the Commission approve the Joint Petition for Approval of Settlement of All Issues without modification because the Settlement is in the public interest.

IX. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the Parties to this proceeding. 66 Pa.C.S. §§ 1301, 1308(d).

2. A public utility's rates must be just and reasonable. 66 Pa.C.S. § 1301.

3. A public utility seeking a rate increase has the burden of proof to establish the justness and reasonableness of each element of its request. 66 Pa.C.S. § 315(a).

4. Pursuant to the just and reasonable standard, a utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment." *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002).

5. In proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing absent prior notice that such action is to be challenged. *Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n*, 570 A.2d 149 (Pa. Cmwlth. 1990); *see also Pa. Pub. Util. Comm'n v. Equitable Gas Co*., 73 Pa.P.U.C. 310 (1990).

6. The Commission must consider the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates in exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return. 66 Pa.C.S. § 523.

7. Rates must not be unduly discriminatory among customer groups. 66 Pa.C.S. § 1304.

8. The Commission has discretion to determine reasonable classification of service of rates as may be justified "by a variety of considerations including the quantity of service used, the nature of the use, the time of the use, the pattern of the use, differences of conditions of service or cost of service." *Zucker v. Pa. Pub. Util. Comm'n*, 402 A.2d 1377, 1382 (Pa. Cmwlth. 1979).

9. The Commission must authorize a sufficient, or fair, rate of return to public utilities to ensure adequate revenues to cover operating expenses, debt service expenses and common and preferred (if necessary) dividends, as well as to maintain the financial integrity of the utility and enable the public utility to attract needed debt and

equity capital in the marketplace or on reasonable terms, in competition with firms of similar risk. *Federal Power Comm'n v. Hope Nat. Gas Co*., 320 U.S. 591 (1944); *Bluefield Water Works Improvement Co. v. Pub. Serv. Comm'n of W.V.*, 262 U.S. 679 (1923).

10. A utility's cost of providing service guides the ratemaking process. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Cmwlth. 2006). Additional important ratemaking concerns include quality of service, rate gradualism, and rate affordability. *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa, Inc*., Docket No. R-2020-3018835 (Opinion and Order entered Feb. 19, 2021); 66 Pa.C.S. §§ 523, 526(a); *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Cmwlth. 2006); *Pa. Pub. Util. Comm'n v. Twin Lakes Util., Inc*., 2020 Pa.P.U.C. LEXIS 340, *46-54 (Order Mar. 26, 2020)).

11. The Commission has broad discretion in determining whether rates are reasonable and to decide what factors it will consider in setting or evaluating a utility's rates. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (citing *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996)*; see also*, *Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808 (Pa. 1995).

12. The application of science and policy to the allocation of a revenue increase is within the Commission's discretion: There is no set formula for determining proper ratios among the rates of different customer classes. What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the Commission to decide. *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996); *Peoples Nat. Gas Co. v. Pa. Publ. Util. Comm'n*, 409 A.2d 446 (Pa. Cmwlth. 1979).

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

14. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

15. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n, v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2015-2518438 (Opinion and Order entered Oct. 14, 2016); *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assoc*., 74 Pa.P.U.C. 767 (1991).

16. Parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc*., Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

17. The joint petitioners have the burden to prove that the Settlement is in the public interest. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't,* Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021).

18. The Commission recognizes that settlements represent "a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest." *Pa. Pub. Util. Comm'n v. CS Water and Sewer Assocs*., 74 Pa.P.U.C. 767, 771 (1991).

19. When the statutory advocates fully support a settlement, it is strong evidence that the terms and conditions are just and reasonable and in the public interest. *Pa. Pub. Util. Comm'n v. T.W. Phillips Gas & Oil Co.*, Docket No. R-2010-2167797 (Order entered Nov. 4, 2010).

20. The Commission has historically permitted the use of "black box" settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See Pa. Pub. Util. Comm'n v. Peoples TWP, LLC,* Docket No. R-2013-2355886, at p. 28 (Opinion and Order entered Dec. 19, 2013); *Pa. Pub. Util. Comm'n v. PECO Energy Co.,* Docket No. R-2018-3000164 (Opinion and Order entered Dec. 20, 2018).

21. "Black box" settlements of rate cases save a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. *Pa. Pub. Util. Comm'n v. Peoples TWP, LLC,* Docket No. R-2013-2355886, at p. 28 (Opinion and Order entered Dec. 19, 2013).

22. A utility's distribution system improvement charge must be reset to zero on the effective date of new base rates that provide for the prospective recovery of the annual fixed costs of eligible property that were previously recovered under the utility's DSIC. 66 Pa.C.S. § 1358(b)(1).

23. A Commission decision must be supported by substantial evidence in the record. "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. PUC*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment*

Comp. Bd. of Rev., 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm. Dept. of Pub. Welfare, White Haven Ctr*., 480 A.2d 382 (Pa. Cmwlth. 1984).

X. <u>ORDER</u>

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Approval of Settlement of All Issues filed on July 6, 2026 and signed by UGI Utilities Inc. – Gas Division, the Office of Consumer Advocate, the Office of Small Business Advocate, the Bureau of Investigation and Enforcement, and the Retail Energy Supply Association be granted, and the Settlement be adopted, in full, without modification.

2. That UGI Utilities Inc. – Gas Division shall be permitted to file the *pro forma* tariff supplements attached to the Settlement as Appendix A, to become effective upon at least one day's notice, for service rendered on and after October 1, 2026.

3. That UGI Utilities Inc. – Gas Division, the Office of Consumer Advocate, the Office of Small Business Advocate, the Bureau of Investigation and Enforcement, and the Retail Energy Supply Association, shall comply with the terms of the Joint Petition for Approval of Settlement of All Issues as though each term and condition stated therein had been the subject of an individual ordering paragraph.

4. That the formal complaints of the Office of Consumer Advocate at Docket No. C-2026-3060342, the Office of Small Business Advocate at Docket No. C-

2026-3060353, and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania at Docket No. C-2026-3060448 be deemed satisfied and marked closed.

5. That the *pro se* formal complaints opposing the proposed rate increase of Thomas Nagies at Docket No. C-2026-3060116, Mustafa Kirisci at Docket No. C-2026-3060190, Rik Bhattacharyya at Docket No. C-2026-3060305, Josh Durham at Docket No. C-2026-3060434, Daniel J. Luce II at Docket No. C-2026-3060290, Serafima Zhuravska at Docket No. C-2026-3060439, Roberta Zeek at Docket No. C--2026-3060442, Cassandra Price at Docket Nos. C-2026-3060450, Nathan Bahn at Docket No. C-2026-3060451, Robert L. Spradley, Jr. at Docket No. C-2026-3060452, Joseph Kohler at Docket No. C-2026-3060526, Brian Dugas at Docket No. C--2026--3060745, Kevin Clinebell at Docket No. C-2026-3061011, David E. Gundrum at Docket No. C-2026-3061018, Shannon Brown at Docket No. C-2026-3060947, Carl E. Reichart at Docket No. C-2026-3061125, Barbara Dunn at Docket No. C-2026-3061385, William Davis at Docket No. C-2026-3061439, Mary E. Hibbard at Docket No. C-2026-3061794, Roxann E. Curran at Docket No. C-2026-3061856, and Merle Ward at Docket No. C-2026-3062680 be dismissed and marked closed.

6. That upon acceptance and approval by the Commission of the *pro forma* tariff supplements filed by UGI Utilities Inc. – Gas Division, this investigation proceeding shall be terminated and marked closed.

Date: July 31, 2026

/s/
F. Joseph Brady
Administrative Law Judge

/s/
Alphonso Arnold III
Administrative Law Judge