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File #: 219168

August 21, 2026

VIA ELECTRONIC FILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division
Docket No. R-2026-3062192, et al.

Dear Secretary Homsher:

Attached for filing is the Joint Petition for Settlement and Statements in Support thereof on behalf of UGI Utilities, Inc. – Gas Division, the Bureau of Investigation & Enforcement, and the Office of Consumer Advocate. The Office of Small Business Advocate is not a party to the Settlement but has indicated that it does not object to the Settlement. Copies will be provided per the Certificate of Service.

Respectfully submitted,

Lindsay A. Berkstresser

Lindsay A. Berkstresser

LAB/sll
Enclosure

cc: Administrative Law Judge Alphonso Arnold III *(via email; w/enclosure)*
Administrative Law Judge Barbara Shadie Nause *(via email; w/enclosure)*
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL

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Date: August 21, 2026

Lindsay A. Berkstresser

Lindsay A. Berkstresser

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. 2026-3062192, *et al.*
	:	
UGI Utilities, Inc. – Gas Division 1307(f) Proceeding	: :	

JOINT PETITION FOR SETTLEMENT OF
SECTION 1307(f) RATE INVESTIGATION

TO ADMINISTRATIVE LAW JUDGES ALPHONSO ARNOLD III AND BARBARA SHADIE NAUSE:

UGI Utilities, Inc. - Gas Division ("UGI Gas" or the "Company"), the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), and the Office of Consumer Advocate ("OCA"), parties in the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners" or "Parties"), hereby submit this Joint Petition for Settlement of Section 1307(f) Rate Investigation ("Settlement") in the above-captioned proceeding.[1]

The Joint Petitioners request that Administrative Law Judge Alphonso Arnold III and Administrative Law Judge Barbara Shadie Nause (collectively, the "ALJs") and the Commission: (1) approve the terms of this Settlement; (2) authorize UGI Gas to file a tariff supplement for service rendered on or after December 1, 2026, that implements, subject to updates and tariff modifications traditionally performed on December 1, the Purchased Gas Cost ("PGC") rate of

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1 The Office of Small Business Advocate ("OSBA") has indicated that it does not oppose this Settlement.

$7.7727 per Mcf; and (3) make all associated findings required by Sections 1307(f) and 1318 of the Public Utility Code, 66 Pa. C.S. §§ 1307(f), 1318.

Statements in Support of the Settlement are attached as **Appendices A through C**.

I. BACKGROUND

1. On May 1, 2026, the Company made its 30-day pre-filing ("Book 1" or "UGI Gas Exhibit 1") with the Commission (containing data related to the recovery of purchased gas costs) pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and in accordance with the Commission's regulations at 52 Pa. Code §§ 53.64 and 53.65.

2. On May 7, 2026, OCA filed a Formal Complaint and Public Statement.

3. On May 8, 2026, I&E filed a Notice of Appearance.

4. On May 15, 2026, OSBA filed a Notice of Appearance.

5. On June 1, 2026, UGI Gas filed its definitive PGC filing ("Book 2"), including supporting information required by the Commission's regulations, the Company's direct testimony and exhibits and Pro Forma Tariff Supplement reflecting actual and projected changes in natural gas costs. UGI Gas is proposing a PGC rate of $7.7727 per Mcf, effective December 1, 2026.

6. On June 5, 2026, an Initial Telephonic Prehearing Conference Notice was issued scheduling a Prehearing Conference to be held telephonically before the ALJs at 10:00 a.m. on June 12, 2026.

7. On June 5, 2026, the ALJs issued a Prehearing Conference Order, in which the ALJs, among other things, directed the parties to file Prehearing Memoranda on or before 12:00 p.m. on June 10, 2026.

8. On June 9, 2026, OSBA filed a Formal Complaint and Public Statement.

9. On June 10, 2026, UGI Gas, I&E, OCA, and OSBA filed their Prehearing Memoranda.

10. The Telephonic Prehearing Conference was held as scheduled on June 12, 2026.

11. On June 22, 2026, the ALJs issued a Prehearing Order, which, among other things, set forth the litigation schedule for the proceeding.

12. On June 23, 2026, a Notice was issued scheduling an In-Person Evidentiary Hearing for 10:00 a.m. on Wednesday, July 29, 2026.

13. On June 30, 2026, UGI Gas submitted a Motion for Protective Order.

14. On July 1, 2026, the ALJs issued an Order granting UGI Gas's Motion for Protective Order.

15. On July 1, 2026, I&E served its written direct testimony and exhibit.

16. On July 15, 2026, UGI Gas served its written rebuttal testimony and exhibits.

17. As a result of settlement discussions held in this proceeding, and the efforts of the Parties to examine the issues raised, a full settlement in principle was achieved prior to the date for surrebuttal testimony and the evidentiary hearing.

18. On July 17, 2026, counsel for the Company advised the ALJs of the settlement in principle and requested that the scheduled evidentiary hearing be canceled and that the Parties be permitted to admit their evidence into the record by written stipulation. Counsel for UGI Gas also proposed that the Parties file the Joint Petition for Settlement and Joint Stipulation for Admission of Evidence by the August 21, 2026 due date for Reply Briefs.

19. On July 20, 2026, ALJ Arnold conveyed via email that the proposal circulated by UGI Gas's counsel was granted.

20. On July 20, 2026, a notice was issued canceling the Wednesday, July 29, 2026 In-Person Hearing.

21. On July 22, 2026, the ALJs issued an Order Directing the Filing of Settlement Documents.

22. This Settlement is submitted pursuant to the ALJs' July 22, 2026 Order.

23. Also pursuant to the July 22, 2026 Order, the Joint Petitioners filed a Joint Stipulation for Admission of Evidence concurrent with the filing of this Settlement, with accompanying signed verifications of the sponsoring witnesses, to admit the testimony and exhibits into the record.

II. TERMS OF SETTLEMENT[2]

A. DESIGN DAY

24. The Company will be permitted to use a design day figure for Winter 2026-2027 of 2.29 Billion Cubic Feet ("BCF"), which includes 2.223 BCF of design cold firm requirements and 0.057 BCF of capacity reserves for the Company's firm core market (PGC and Choice Customer markets) needs. *See* UGI Gas St. No. 2, pp. 4-5. For long-term planning purposes, UGI Gas will be permitted to use a peak day demand of 2.337 BCF to evaluate capacity opportunities.

B. CONTRACT APPROVALS

25. The parties agree that the renewal of the contracts identified in UGI Gas Statement No. 2, Section VII, shall be approved. *See* UGI Gas St. No. 2, Table 2 on p. 27, Table 3 on p. 28, and Table 4 on p. 29.

C. GAS PORTFOLIO PLANNING PROCESS

26. UGI Gas will modify the Company's hedge program to incorporate the recommendations provided in Gelber & Associates' Portfolio Optimization Study. *See*

2 All other portions of the Company's 1307(f) filing at Docket No. 2026-3062192 not specifically identified in this Settlement are approved as filed.

CONFIDENTIAL UGI Gas Exhibit JLJ-5. For the Winter 2027-2028 hedge planning cycle, UGI Gas will work with its existing hedging manager to establish an increased hedging volume target and to extend the hedge purchasing window to a two-year horizon. Additionally, UGI Gas will evaluate opportunities to incorporate additional storage capacity into its supply portfolio on an ongoing basis and will include an economic analysis of any added storage contract(s) in the Company's next annual PGC filing following contract execution. Finally, UGI Gas will explore analytical tools to modernize the Company's planning and forecasting practices and will present recommendations in its 2027 PGC proceeding.

D. REVENUE SHARING INCENTIVE MECHANISM ("RSIM")

27. The RSIM will be made a permanent part of the UGI Gas tariff, as proposed in UGI Gas Statement No. 1, p. 11.

E. RENEWABLE NATURAL GAS

28. UGI Gas will terminate its Renewable Natural Gas ("RNG") Pilot Program consistent with the provisions of the Settlement in Docket No. R-2021-3025652. UGI Gas will provide a final accounting of its RNG Pilot Program in its 2027 PGC proceeding. Going forward, UGI Gas will conduct an annual Request For Proposal ("RFP") to evaluate opportunities to purchase RNG and will identify any proposed purchases in its PGC for review and approval. For any executed RNG contracts, unless otherwise prescribed by the Commission, UGI Gas will monetize the Renewable Identification Numbers ("RINs") from the RNG purchases and apply the RSIM to any revenue generated by the RIN sales. The parties agree that UGI Gas can pursue RNG purchase agreements for the RNG supply bids identified in CONFIDENTIAL UGI Gas Exhibit JLJ-9.

F. PEAKING CONTRACT RFP MODIFICATIONS

29. UGI Gas will continue the peaking contract RFP pilot program, as agreed to in the 2025 PGC Settlement approved at Docket Nos. R-2025-3054398, et al. and will present the results in the Company's 2028 PGC proceeding.

G. QUARTERLY ADJUSTMENT METHODOLOGY ("QAM")

30. The Company will continue the side-by-side analysis of the QAM 1 and QAM 2 methods until the next PGC proceeding. In the Company's 2027 PGC filing, UGI Gas will propose criteria for use in determining when QAM1 and QAM 2 will be used prospectively to calculate the PGC rate change as agreed to in the 2023 PGC Settlement approved at Docket Nos. R-2023-3040290, *et al*.

H. INTEREST FROM FEBRUARY 2026 CAP ADJUSTMENT

31. UGI Gas agrees to reduce the interest applied to the E-Factor resulting from the *Petition of UGI Utilities, Inc. – Gas Division Requesting an Ex Parte Emergency Order to Temporarily Lower its Quarterly Adjustment Mechanism for its March 1, 2026, PGC Quarterly Adjustment*, Docket No. P-2026-3060521 by $1,156,172.

III. <u>STANDARDS AND FINDINGS</u>

32. This proceeding involves Commission review pursuant to Sections 1307 and 1318 of the Public Utility Code. Under Section 1307(f), the Commission, after hearing, must determine what portion of the gas costs UGI Gas may recover for a previous 12-month period under the standards set forth in Section 1318. In addition, the Commission must determine whether the requirements of Section 1318 can be met. This determination must precede Commission approval of the Company's proposed rates. The historic period reviewed in this proceeding is the 12-month reconciliation period ending March 31, 2026. The proposed rates are intended to become effective December 1, 2026.

A. HISTORIC RECONCILIATION PERIOD STANDARDS

33. With respect to UGI Gas's gas purchases and gas purchasing practices during the 12-month historic reconciliation period ending March 31, 2026, the Joint Petitioners agree that UGI Gas has met the standards set forth in Section 1318 of the Public Utility Code, as required by Section 1307(f)(5) of the Public Utility Code. As a result, the Joint Petitioners request that the Commission find, pursuant to Section 1307(f)(5) of the Public Utility Code, and based upon the evidence presented by the Joint Petitioners in this case, that during the 12-month period ended March 31, 2026, UGI Gas has pursued a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers, as required by Section 1318 of the Public Utility Code. Information submitted by UGI Gas in support of the required statutory findings can be found in the following sections of UGI Gas Exhibit 1 and UGI Gas Exhibit 2:[3]

a) <u>FERC Participation</u> (66 Pa. C.S. §§ 1317(a)(1), 1318(a)(1); 52 Pa. Code § 53.64(c)(4)): UGI Gas Exhibit 1, Section 3, and UGI Gas Exhibit 2, UGI Gas St. No. 2, Written Direct Testimony of Jamie Jowers, Sr. Manager – Energy Supply for UGI Utilities, Inc.

b) <u>Supplier Negotiations/Renegotiations</u> (66 Pa. C.S. §§ 1317(a)(2), 1318(a)(2); 52 Pa. Code §§ 53.64(c)(3), (c)(6)): UGI Gas Exhibit 1, Sections 1, 2 and 5, and UGI Gas Exhibit 2, UGI Gas St. No. 2, Written Direct Testimony of Jamie Jowers, Sr. Manager – Energy Supply for UGI Utilities, Inc.

[3] UGI Gas Exhibits 1 and 2 are fully described in the Joint Stipulation for Admission of Evidence, which was filed on August 21, 2026.

c) <u>Efforts to Obtain Lower Cost Supplies</u> (66 Pa. C.S. §§ 1317(a)(3), 1318(a)(3); 52 Pa. Code §§ 53.64(c)(1), (c)(3), (c)(6)): UGI Gas Exhibit 1, Sections 1, 2, and 5, UGI Gas Exhibit 2, UGI Gas St. No. 2, Written Direct Testimony of Jamie Jowers, Sr. Manager – Energy Supply for UGI Utilities, Inc.

d) <u>Withheld Supplies</u> (66 Pa. C.S. §§ 1317(a)(4), 1318(a)(4); 52 Pa. Code § 53.64(c)(6)): UGI Gas Exhibit 1, Sections 5 and 13.

e) <u>Affiliated Purchases</u> (66 Pa. C.S. §§ 1317(b), 1318(b); 52 Pa. Code § 53.65): UGI Gas Exhibit 1, Section 13.

f) <u>Least Cost Fuel Procurement Policy</u> (66 Pa. C.S. §§ 1317(a), 1318(a); 52 Pa. Code §§ 53.64(c)(1), (c)(3), (c)(6)): UGI Gas Exhibit 1, Sections 1, 2 and 5, UGI Gas Exhibit 2, UGI Gas St. No. 2, Written Direct Testimony of Jamie Jowers, Sr. Manager – Energy Supply for UGI Utilities, Inc.

g) <u>Calculation of PGC Rates</u>:

i) UGI Gas Exhibit 2, Schedule A – Computation of Purchased Gas Cost Rate effective December 1, 2026;

ii) UGI Gas Exhibit 2, Schedule B (page 1) – Development of Projected Cost of Gas (C-factor);

iii) UGI Gas Exhibit 2, Schedule B (pages 2-13) – Projected Supply Volumes, Rates, Costs April 2026 through November 2027;

iv) UGI Gas Exhibit 2, Schedule C – Development of Experienced Cost of Gas (E-factor);

v) UGI Gas Exhibit 2, UGI Gas St. No. 1, Written Direct Testimony of Zachary J. Shirk, Principal Analyst – Rates.

h) Reliability (66 Pa. C.S. §1317(c)): UGI Gas Exhibit 1, Section 14, and UGI Gas Exhibit 2, UGI Gas St. No. 2, Written Direct Testimony of Jamie Jowers, Sr. Manager – Energy Supply for UGI Utilities, Inc.

B. PROJECTED PERIOD FINDINGS

34. With respect to the 12-month period beginning December 1, 2026, the period of time during which the proposed rates would be in effect, the Joint Petitioners agree and request the Commission find that UGI Gas has satisfied each of the standards for a least cost procurement policy set forth in Section 1318 of the Public Utility Code, including the standards set forth in Sections 1318(a)(1)-(4) and 1318(b)(1)-(3), based upon the evidence of record in this proceeding. Nevertheless, it is expressly understood and agreed that such findings, relating to the rates to become effective December 1, 2026, are made solely for the purpose of setting prospective rates and shall be subject to further review in an appropriate future proceeding. This Section of the Settlement, Section III.B, is not intended to limit or prevent any party from challenging projected gas purchases that actually have been made, including those made during the interim period of April 1, 2026, through November 30, 2026, and future gas purchasing practices that have been implemented, or from reviewing whether these gas purchases and gas purchasing practices have, in fact, complied with the standards of Section 1318, except as provided in Section II above.

35. If in an appropriate future proceeding gas purchases and gas purchasing practices relating to the period December 1, 2026, through November 30, 2027, are challenged, the Commission's findings made pursuant to Section III.B of this Settlement shall pose no bar to the examination of such purchases and practices including, but not limited to, disallowance of or

reductions to, such costs during the one-year period commencing December 1, 2026, except as provided in Section II above.

36. The Joint Petitioners also agree that future examination of the gas costs relating to the period April 1, 2026, through November 30, 2026, to determine whether UGI Gas's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, shall be permitted and that the Commission's adoption of the findings under Section III.B of this Settlement shall not be construed to limit or prevent any disallowance or reduction of such costs, except as provided in Section II above.

IV. GENERAL PROVISIONS

37. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification, addition or deletion. If the Commission modifies the Settlement or fails to approve, by December 1, 2026, the terms and conditions of this Settlement, then any of the Joint Petitioners may elect to withdraw from this Settlement and may proceed with litigation. In such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying or disapproving the Settlement.

38. If the Commission modifies or does not approve this Settlement and the proceeding continues to a hearing on the issues that are the subjects of this Settlement, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing and argument on these subjects.

39. If the ALJ approves this Settlement without modification, the Joint Petitioners waive their rights to file exceptions.

40. Except as otherwise specifically provided in this Settlement, this Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding and is made without any admission against, or prejudice to: (a) any position that any party may adopt during any subsequent litigation of this proceeding if the Commission disapproves or modifies this Settlement; or (b) any position that any party may adopt in any other proceeding.

41. It is understood and agreed among the Joint Petitioners that this Settlement is the result of compromises by all Joint Petitioners and does not necessarily represent the position(s) that would be advanced by any party in the event this proceeding were to be litigated fully.

42. This Settlement is being presented only in the context of this Section 1307(f) proceeding in an effort to resolve certain outstanding issues in a manner that is fair and reasonable. Except as otherwise specifically provided in this Settlement, the Settlement reflects compromises on all sides and is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the positions that any of the Joint Petitioners may advance in the future on the merits of the issues.

43. The Joint Petitioners acknowledge and agree that this Settlement shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding with regard to the historic period that ended on March 31, 2026.

44. This Settlement may be executed in counterparts.

V. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Alphonso Arnold III and Administrative Law Judge Barbara Shadie Nause and the Commission approve this Settlement, including all terms and conditions thereof;

2. That the Commission specifically approve the terms identified in Section II of the Settlement as just and reasonable, in the public interest, and consistent with UGI Gas's least cost gas purchase obligations;

3. That the Commission enter a Final Order consistent with this Settlement that: (a) finds that there is sufficient evidence in the record for this Commission to make the findings referenced in Sections III.A and III.B of this Settlement; and (b) sets forth the findings referenced in Sections III.A and III.B of this Settlement;

4. That the Commission enter a Final Order, consistent with this Settlement: (a) approving the proposed rates effective December 1, 2026, as modified to reflect updates and tariff modifications traditionally performed as part of UGI Gas's December 1 PGC compliance filing; and (b) directing UGI Gas to file a final tariff implementing such rates for gas service rendered by UGI Gas on and after December 1, 2026; and

5. That the Commission mark closed its inquiry and investigation at Docket Nos. R-2026-3062192, C-2026-3062304, and C-2026-3063114.

Respectfully submitted,

*/s/ Lindsay A. Berkstresser*_________ Date: _08/21/2026_______

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Attorneys for UGI Utilities Inc. – Gas Division

/s/ Adam J. William _____________ Date: 08/21/2026________

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/s/ Olivia M. Spergel _______ Date: _08/18/2026_________
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Counsel for the Office of Consumer Advocate

APPENDIX A

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. 2026-3062192, *et al.*
	:	
UGI Utilities, Inc. – Gas Division 1307(f) Proceeding	: :	

UGI UTILITIES, INC. – GAS DIVISION'S
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT OF
SECTION 1307(f) RATE INVESTIGATION

TO ADMINISTRATIVE LAW JUDGES ALPHONSO ARNOLD III AND BARBARA SHADIE NAUSE:

UGI Utilities, Inc. – Gas Division ("UGI Gas" or the "Company") hereby submits this Statement in Support of the Joint Petition for Settlement of Section 1307(f) Rate Investigation ("Settlement") entered into by UGI Gas, the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA"), and Office of Small Business Advocate ("OSBA"), parties in the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners" or "Parties"). UGI Gas believes that the Settlement is in the best interests of the Company, its customers, and the parties to the above-captioned proceeding and, therefore, is in the public interest and should be approved.

The Settlement was achieved only after a comprehensive investigation of the Company's gas procurement practices. UGI Gas responded to numerous formal discovery requests. The Joint Petitioners also submitted multiple rounds of testimony, including the direct testimony of UGI Gas, the direct testimony of I&E, and the rebuttal testimony of UGI Gas. In addition, the Joint

Petitioners participated in constructive settlement negotiations, which ultimately led to the Settlement.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. For the reasons set forth below, the Settlement is just and reasonable and should be approved in its entirety and without modification.

I. SETTLEMENT TERMS

A. DESIGN DAY

The Company's methodology for developing the firm peak-day demand and its associated capacity needs is fully described in Section III of the direct testimony of Jamie L. Jowers, UGI Gas St. No. 2. (UGI Gas St. No. 2 at 4-10.) In its direct testimony, UGI Gas projected a firm peak-day demand and reserve requirement of 2.29 BCF for the winter 2026-2027. (UGI Gas St. No. 2 at 4.) This peak-day demand reflects 2.223 BCF of design-cold firm requirements and 0.057 BCF of capacity reserve requirements. (UGI Gas St. No. 2 at 4.)

No party challenged UGI Gas's design day needs as identified by the Company. In Settlement, the Joint Petitioners agreed to adopt the Company's projected design day figure as identified in the Company's direct testimony. (Settlement ¶ 24.) Adopting UGI Gas's projected design day figure, which was unopposed by the parties to this proceeding, is in the public interest because it provides the Company with the capacity necessary to respond to the needs of its core market customers on peak winter days in accordance with its obligations as the supplier of last resort. The design day figure agreed to by the Joint Petitioners is essential for UGI Gas to ensure reliable service under design day conditions. (UGI Gas St. No. 2 at 4-10.) The Company's projected design day figure also accounts for the experienced growth of UGI Gas's core market customers, which UGI Gas anticipates will continue. (UGI Gas St. No. 2 at 8.) If the Company did not include this expected customer growth, it would put the Company at risk of underestimating peak day demand. (UGI Gas St. No. 2 at 8.) Therefore, this Settlement term is reasonable and in the public interest and should be approved.

B. CONTRACT APPROVALS

UGI Gas manages a portfolio of firm transportation, developed supplies, storage, and peaking agreements. (UGI Gas St. No. 2 at 26.) Many of these agreements permit the Company to continue service upon expiration of the initial term through automatic renewals, by exercising a Right of First Refusal ("ROFR") or by exercising a right to extend the service for an agreed upon term and price adjustment. (UGI Gas St. No. 2 at 26.) Pursuant to the Settlement, the parties agree that the renewal of the contracts identified in UGI Gas Statement No. 2, Section VII, shall be approved. (Settlement ¶ 25.) See UGI Gas St. No. 2, Table 2 on p. 27, Table 3 on p. 28, and Table 4 on p. 29. (Settlement ¶ 25.) The Company will renew service agreements that are needed to meet the Company's design firm capacity requirements, are reliable, and are at the lowest cost. (UGI Gas St. No. 2 at 27.) Renewing these existing capacity and storage contracts is important to the Company meeting its firm service obligations given difficulties in constructing new interstate pipeline capacity. (UGI Gas St. No. 2 at 27.) No party challenged the proposed contract renewals and UGI Gas's direct testimony supports their approval. Therefore, this Settlement term is reasonable and in the public interest and should be approved without modification.

C. GAS PORTFOLIO PLANNING PROCESS

The Gas Portfolio Optimization Study (the "Study") is an independent and comprehensive evaluation of UGI Gas's natural gas procurement practices, supply portfolio composition, weather modeling, and risk management framework, conducted by Gelber & Associates ("Gelber") in response to increasing severity and market volatility associated with episodic winter cold events. (UGI Gas St. No. 2 at 17.) These events have highlighted the importance of ensuring that UGI Gas's portfolio planning and procurement practices are aligned with evolving market conditions and best practices. (UGI Gas St. No. 2 at 17.) This Study found that while UGI Gas's procurement practices were structured and compliant, there was a pattern of long-term demand forecasts used in seasonal hedge plans being consistently below actual realized demand. (UGI Gas St. No. 2 at 18.) Though short term forecasts had higher accuracy, long range projections underperformed. (UGI Gas St. No. 2 at 18.) Accordingly, Gelber made five recommendations:

> (1) Reduce reliance on winter monthly and daily purchases; (2) Extend the hedge program purchasing window; (3) Explore opportunities to increase storage supply options; (4) Strengthen short-term planning and procurement; and finally (5) Improve long-term forecasting inputs.

(UGI Gas St. No. 2 at 23.)

Pursuant to the Settlement, UGI Gas will modify the Company's hedge program to incorporate the recommendations provided in the Study. *See* CONFIDENTIAL UGI Gas Exhibit JLJ-5. (Settlement ¶ 26.) For the Winter 2027-2028 hedge planning cycle, UGI Gas will work with its existing hedging manager to establish an increased hedging volume target and to extend the hedge purchasing window to a two-year horizon. (Settlement ¶ 26.) Additionally, UGI Gas will evaluate opportunities to incorporate additional storage capacity into its supply portfolio on an ongoing basis and will include an economic analysis of any added storage contract(s) in the Company's next annual PGC filing following contract execution. (Settlement ¶ 26.) Finally, UGI Gas will explore analytical tools to modernize the Company's planning and forecasting practices and will present recommendations in its 2027 PGC proceeding. (Settlement ¶ 26.) No party challenged the Study or recommendations. These modifications to the Company's practices are expected to provide long-term cost benefits and are intended to reduce volatility over time to UGI Gas customers. (UGI Gas St. No. 2 at 25.) Therefore, this Settlement term is reasonable and in the public interest and should be approved without modification.

D. REVENUE SHARING INCENTIVE MECHANISM ("RSIM")

Net margins derived from natural gas off-system sales, exchanges, and capacity releases (excluding Choice and operational releases) are allocated 75% to the PGC customers and 25% to the Company, with the 25% being treated below-the-line for ratemaking purposes. (UGI Gas St. No. 1 at 10.) The current RSIM, which the Company has had as part of its tariff for more than a decade, will expire on November 30, 2026. (UGI Gas St. No. 1 at 10.) Pursuant to the Settlement, this RSIM will be made a permanent part of the UGI Gas tariff. (Settlement ¶ 27.) The RSIM is beneficial to customers, because it incentivizes the Company to engage in off-system sales, exchanges, and capacity releases where it is feasible to do so, crediting the majority (75%) of the net margin to customers and producing lower PGC rates than if no RSIM was in place. The method has operated successfully and to the benefit of customers for many years, and therefore it is appropriate to make this a permanent part of the Company's tariff. This proposal was unopposed, is in the public interest, and should be approved.

E. RENEWABLE NATURAL GAS

Pursuant to the Settlement, UGI Gas will terminate its Renewable Natural Gas ("RNG") Pilot Program consistent with the provisions of the Settlement in Docket No. R-2021-3025652. (Settlement ¶ 28.) UGI Gas will provide a final accounting of its RNG Pilot Program in its 2027 PGC proceeding. (Settlement ¶ 28.) Going forward, UGI Gas will conduct an annual Request for Proposal ("RFP") to evaluate opportunities to purchase RNG and will identify any proposed purchases in its PGC for review and approval. (Settlement ¶ 28.) Consistent with the Company's direct testimony (UGI Gas St. No. 2 at 41), for any executed RNG contracts, unless otherwise prescribed by the Commission, UGI Gas will monetize the RINs from the RNG purchases and apply the RSIM to any revenue generated by the RIN sales. (Settlement ¶ 28.) The parties agree that UGI Gas can pursue RNG purchase agreements for the RNG supply bids identified in CONFIDENTIAL UGI Gas Exhibit JLJ-9. (Settlement ¶ 28.)

UGI Gas is interested in incorporating additional RNG into its PGC supply as there are several RNG facilities connected to its distribution system. Fostering RNG production will provide both economic and environmental benefits for local communities and the Commonwealth. (UGI Gas St. No. 2 at 41.) Monetizing the RINs will lower the cost of the RNG to PGC customers. Further, this provision was unopposed, is in the public interest, and therefore, should be approved.

F. PEAKING CONTRACT REQUESTS FOR PROPOSAL

UGI Gas will continue the peaking contract RFP pilot program, as agreed to in the 2025 PGC Settlement approved at Docket Nos. R-2025-3054398, *et al.* and will present the results in the Company's 2028 PGC proceeding. (Settlement ¶ 29.) This extension of the pilot program provides UGI Gas opportunity to gather information on the differences between four-month and five-month bids and to address the issue more thoroughly in the 2028 PGC proceeding. Although I&E continues to disagree with the inclusion of the November payment for peaking contracts, it declined to make a related recommendation acknowledging that the parties had agreed to a three-year study in the 2025 Settlement. (I&E St. No. 1 at 8.) Thus, consistent with the 2025 PGC Settlement approved at Docket Nos. R-2025-3054398, this Settlement term is reasonable and in the public interest and should be approved without modification.

G. QUARTERLY ADJUSTMENT METHODOLOGY ("QAM")

Under the Settlement, the Company will continue the side-by-side analysis of the QAM 1 and QAM 2 methods until the next PGC proceeding. In the Company's 2027 PGC filing, UGI Gas will propose criteria for use in determining when QAM1 and QAM 2 will be used prospectively to calculate the PGC rate change as agreed to in the 2023 PGC Settlement approved at Docket Nos. R-2023-3040290, *et al.* (Settlement ¶ 30.)

I&E's direct testimony notes that while it does not agree with the methodology used by the Company, it agreed to the terms in the 2023 PGC Settlement and that the results of the evaluation of the current methodology will be reviewed in the 2027 PGC proceeding. (I&E St. No. 1 at 11-12.) This Settlement provision provides that the parties will continue to honor the prior Settlement commitment, and the Company will continue to collect information for the purpose of presenting an analysis in its next PGC filing. For these reasons, this Settlement provision is reasonable and in the public interest and therefore, should be approved.

H. INTEREST FROM FEBRUARY 2026 CAP ADJUSTMENT

During the winter months of 2025-2026, UGI Gas experienced natural gas commodity prices above what was forecasted in its December 1st PGC rate. Even at the 25% cap, the Company would not have been able to fully reflect the gas costs incurred since December 1, 2025, and increasing the PGC rate to that level could have presented affordability challenges to customers who had already experienced an unusually cold winter with high consumption at higher than anticipated gas prices. (UGI Gas St. No. 1-R at 5.) To address these concerns, the Company filed its *Petition of UGI Utilities, Inc. – Gas Division Requesting an Ex Parte Emergency Order to Temporarily Lower its Quarterly Adjustment Mechanism for its March 1, 2026, PGC Quarterly Adjustment*, Docket No. P-2026-3060521, in which the Company requested that it be permitted to lower its rate cap from 25% to 10% in its March 1, 2026 quarterly filing. This modification was approved by the Commission as in the public interest because it would "protect customers from immediate financial hardship during the winter heating season as costs [sic] recovery will be over a longer period of time and a lower bill impact."[1]

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[1] *Petition of UGI Utilities, Inc. – Gas Division Requesting an Ex Parte Emergency Order to Temporarily Lower its Quarterly Adjustment Mechanism for its March 1, 2026, PGC Quarterly Adjustment,* Docket No. P-2026-3060521 (Ex Parte Emergency Order issued February 19, 2026) (Ratification Order entered March 12, 2026).

In its direct testimony, I&E witness Keller took issue with the interest on the undercollection associated with the Commission's decision allowing the Company to temporarily lower the rate cap. (I&E St. No. 1 at 15.) Specifically, I&E expressed concerns that ratepayers would be responsible for an additional $1,656,172 in interest. (I&E St. No. 1 at 15.) I&E recommended that the Company absorb this interest. (I&E St. No. 1 at 17.) UGI Gas opposed this recommendation in its rebuttal testimony, noting that the Company is permitted to collect interest on the undercollection. (UGI Gas St. No. 1-R at 9.) Further, the Company's rebuttal testimony highlighted the negligible impact on customer bills, with the increase being approximately 3 cents per Mcf charge. (UGI Gas St. No. 1-R at 9.)

Despite its opposition, the Company has agreed to reduce the interest applied to the E-Factor by $1,156,172. (Settlement ¶ 30.) Thus, in addition to the benefits customers received from temporarily lowering the rate cap as explained by UGI Gas witness Shirk in rebuttal testimony, per the Settlement, customers will also receive the benefit of paying only a small portion of the resulting interest on the undercollection. This provision is a reasonable compromise of the parties' positions, is in the public interest, and should be approved.

II. CONCLUSION

As explained above, the Settlement is reasonable and in the public interest and should be approved. The Settlement was achieved only after considerable investigation of the Company's gas procurement practices, through both discovery and the submission of testimony. The Settlement, if approved by the Administrative Law Judges and the Commission, will reduce the amount of expense and effort that will be required by the parties and the Commission to bring this matter to a conclusion, including preparation for and participation in hearings, preparation of briefs, reply briefs, exceptions, and replies to exceptions.

UGI Gas also requests that the required statutory findings be made in this proceeding. These statutory findings are appropriate and are amply supported by the Settlement, UGI Gas's pre-filing information (UGI Gas Exhibit 1), UGI Gas's definitive PGC filing (UGI Gas Exhibit 2), and UGI Gas's testimony in this proceeding.

The Settlement is the result of compromise. To the extent that a term of the Settlement resolved a disputed issue amongst the parties, it did so fairly and without the expense and uncertainty associated with litigation. UGI Gas accordingly fully supports the Settlement and respectfully requests that Administrative Law Judge Alphonso Arnold III, Administrative Law Judge Barbara Shadie Nause, and the Commission approve the Settlement without modification.

Respectfully submitted,

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Dated: August 21, 2026

Counsel for UGI Utilities, Inc. – Gas Division

APPENDIX B

APPENDIX B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2026-3062192, *et al*
	:	
UGI Utilities, Inc. – Gas Division 1307(f)	:	
	:	

BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT OF
1307(f) RATES INVESTIGATION

TO: ADMINISTRATIVE LAW JUDGES ALPHONSO ARNOLD III AND BARBARA SHADIE NAUSE:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (PUC or Commission), by and through its Prosecutor Adam J. Williams, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Section 1307(f) Rate Investigation (Joint Petition or Settlement) are in the public interest and represent a fair, just, and reasonable balance of the interests of UGI Utilities, Inc., Gas Division (UGI or Company), I&E, the Office of Consumer Advocate (OCA), and UGI ratepayers. The Office of Small Business Advocate (OSBA),who is also a party to this proceeding, has indicated they do not oppose the settlement.

I. INTRODUCTION/BACKGROUND

I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding benefits the public interest and to ensure that the public interest is served. Based upon I&E's analysis of UGI's Section 1307(f) purchased gas costs (PGC) filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that Administrative Law Judges Alphonso Arnold III and Barbara Shadie Nause ("The ALJs") and the Commission approve the Settlement in its entirety.

1. On May 1, 2026, pursuant to 52 Pa. Code Sections 53.64 and 53.65 of the Commission's Rules and Regulations, UGI submitted its pre-filing information in support of its annual reconciliation of its PGC tariffs.

2. On May 7, 2026, the OCA filed its Notice of Appearance, Formal Complaint and Public Statement.

3. On May 8, 2026, Adam J. Williams entered his appearance on behalf of I&E.

4. On May 15, 2026, the OSBA filed a Notice of Appearance.

5. On June 1, 2026, pursuant to 66 Pa. C.S. Section 1307(f) and 52 Pa. Code Section 53.64(a), UGI submitted its definitive PGC filing to the Commission, which included UGI's proposed *Pro Forma* Tariff Addendums and its supporting written direct testimony and supporting exhibits.

7. On June 12, 2026, The ALJs presided over a telephonic prehearing conference, during which the Parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings. As no evidence of the need for public input hearings was presented nor a request for one made, none were scheduled or held.

8. Per the litigation schedule set in the prehearing order of June 22, 2026, I&E submitted the direct testimony of Christopher Keller on July 1, 2026. I&E was the only party to submit direct testimony.

9. UGI submitted the rebuttal testimony of Zachary Shirk on July 15, 2026.

10. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in settlement discussions with the Company and the other Parties to the proceeding. Following settlement negotiations and recognizing that a settlement is the result of compromises made by all Parties, the Parties in this proceeding reached a full and complete Settlement of all issues. As a result on July 17, 2026,

Counsel for UGI advised The ALJs that a Settlement in Principle had been agreed to or not opposed by all Parties to this proceeding.

II. TERMS AND CONDITIONS OF SETTLEMENT

11. "The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest."[1] The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."[2]

12. I&E submits that the Settlement in the instant proceeding balances the interests of the Company, its customers, and the Parties in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement, I&E requests that the Settlement be recommended by The ALJs and approved by the Commission, without modification.

13. I&E witness Christopher Keller testified as to concerns regarding additional interest that would be applied to UGI's E-Factor based on the granting of their Petition to lower their rate cap from 25% to 10% for March 1, 2026.[3] I&E opposed the lowering of the rate cap in part due to concerns of potential rate shock in December 2026 when the projected rates will be set[4]. In the Joint Petition at paragraph 31, the parties have agreed to reduce the reduce the interest applied to the E-factor by $1,156,172, which I&E considers to be a reasonable compromise among the parties and to be in the public interest.

14. I&E agrees that the remaining specific items addressed in paragraphs 24-30 of the Joint Petition, including Design Day, Contract Approvals, modification of UGI's hedge program, incorporation of the Revenue Sharing Incentive Mechanism, termination of the Renewable Natural Gas Pilot, continuation of the peaking contract Request for

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1 *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

2 *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

3 *Petition of UGI Utilities, Inc. – Gas Division Requesting an Ex Parte Emergency Order to Temporarily Lower its Quarterly Adjustment Mechanism for its March 1, 2026, PGC Quarterly Adjustment*, Docket No. P-2026-3060521, Order (Feb. 19, 2026) (*Ex Parte Emergency Order*).

4 I&E Statement No. 1, pp. 13-14

Proposal pilot program per the 2025 PGC settlement[5], and continued use of side-by-side analysis of Quarterly Adjustment Methodology methods per the 2023 PGC settlement[6], are in the public interest and represent reasonable compromise among the parties.

16. After review of the filing and discovery, I&E agrees that the information provided by the Company indicates that its gas purchasing practices have satisfied its least cost procurement obligation under the Public Utility Code[7]. Adhering to a least cost procurement policy benefits ratepayers is in the public interest because least cost gas directly impacts customer gas bills, while still ensuring that customers receive safe, adequate and reliable service.

17. For the historic reconciliation period ended March 31, 2026, I&E agrees the Company has met the various requirements of sections 1317 and 1318 as detailed in paragraph 33 of the Joint Petition.

18. For the projected 12-month period beginning December 1, 2026, which is the period of time during which the rates proposed in this settlement would be in effect, I&E believes the Company's projected gas costs are consistent with a least cost fuel procurement policy. While those costs are subject to review in a future PGC proceeding, I&E maintains that ratepayers are protected in that UGI gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies. Accordingly, I&E represents that the Settlement maintains the proper balance of the interests of all parties.

19. With respect to the historic reconciliation period and with respect to the projected 12-month period noted above, I&E agrees and request the Commission find that UGI has satisfied each of the standards for a least cost procurement policy set forth in Section 1318 of the Public Utility Code, including the standards set forth in Sections 1318(a)(1), 1318(a)(2), 1318(a)(3), 1318(a)(4), 1318(b)(1), 1318(b)(2), and 1318(b)(3), based upon the evidence of record in this proceeding. Nevertheless, it is expressly understood and agreed that such findings, relating to the rates, are made solely for the

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5 R-2025-3054398
6 R-2023-3040290
7 66 Pa. C.S. § 1318

purpose of setting prospective rates and shall be subject to further review in an appropriate future proceeding. Further, no current party or future complainant is limited or prevented from challenging projected gas purchases that actually have been made, including those made during the historic reconciliation period noted above, and future gas purchasing practices that have been implemented, or from reviewing whether these gas purchases and gas purchasing practices have, in fact, complied with the standards of Section 1318. I&E supports this settlement as it provides regulatory certainty and a resolution of the issues; all of which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest. I&E believes these agreed upon Settlement terms reflect an amicable agreement among the parties.

III. CONCLUSION

20. Based upon I&E's analysis of the filing, acceptance of the proposed Settlement is in the public interest because it appropriately resolves the issue in this proceeding in a way that is mutually agreeable to the Company, OCA, and I&E. Further, resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

21. I&E further submits that the acceptance of this Settlement negates the need for extensive evidentiary hearings, which would compel the devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all the Parties agree benefits their discrete interests and is in the public interest.

22. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Party.

23. This Settlement is being presented only in the context of this Section 1307(f) proceeding to resolve certain outstanding issues in a manner that is fair and reasonable. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any other Parties to the Settlement.

24. If The ALJs recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by The ALJs in her Recommended Decision. Further, I&E does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement of Section 1307(f) Rate Investigation as being in the public interest and respectfully requests that Administrative Law Judges Alphonso Arnold III and Barbara Shadie Nause recommend, and the Commission approve, the terms and conditions contained in the Settlement without modification.

Respectfully submitted,

Adam J. Williams
Prosecutor
PA Attorney ID No. 310019

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Dated: August 21, 2026

APPENDIX C

BEFORE THE
PENNSYLVANIA PUBLIC UTILTY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket Nos. R-2026-3062192, *et al.*
	:	
UGI Utilities, Inc. – Gas Division	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Pennsylvania Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of UGI Utilities, Inc. – Gas Division (UGI or Company) Purchase Gas Cost (PGC) proceeding (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On May 1, 2026, UGI submitted its 30-day PGC pre-filing pursuant to 52 Pa. Code Sections 53.64, 53.65. The Company's filing was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Administrative Law Judges (ALJs) Alphonso Arnold III and Barbara Shadie Nause for investigation and scheduling of hearings to determine whether UGI's purchased gas costs comply with the standards set forth in the Public Utility Code.

On May 7, 2026, the OCA filed a Formal Complaint and Public Statement. On May 8, 2026, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On May 15, 2026, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance.

On June 1, 2026, the Company submitted its definitive filing pursuant to Section 1307(f) of the Public Utility Code. 66 Pa. C.S. § 1307(f).

On June 5, 2026, the ALJs issued an Order setting the date and time for the prehearing conference in this matter for June 12, 2026, at 10:00 A.M. On June 9, 2026, OSBA filed a Formal Complaint and Public Statement.

The OCA retained Jerome D. Mierzwa[1] to provide technical assistance and to review the Company's gas purchasing practices and operations. Mr. Mierzwa reviewed the Company's preliminary and definitive filings in this matter. In addition, the OCA served discovery on the Company and reviewed all Company responses.

Subsequently, in accordance with the Pennsylvania Public Utility Commission's (Commission) Rules and Regulations at 52 Pa. Code Section 5.321, the parties undertook discussions in an attempt to reach settlement. On July 17, 2026, the Company informed the ALJs that the parties reached a settlement in principle of all issues in the proceeding. The terms and conditions of the settlement agreement reached by the Joint Petitioners (UGI, OCA, I&E, and OSBA) are now embodied in the Settlement that accompanies this instant Appendix/Statement in Support. The OCA submits that the Company has met the requirements of 66 Pa. C.S. Sections 1307(f) and 1318, and that the Settlement is in the public interest for the reasons set forth below.

II. LEGAL STANDARDS

The Commission encourages parties in contested, on-the-record proceedings to settle cases. *See* 52 Pa. Code § 5.231. A settlement, by definition, reflects a compromise of the parties'

[1] Mr. Mierzwa is a Principal with and Vice President of Exeter Associates, Inc. ("Exeter"). Since joining Exeter in 1990, he has specialized in evaluating the gas purchasing practices and policies of natural gas distribution companies ("NGDCs"), utility class cost of service and rate design analysis, sales and rate forecasting, performance-based incentive regulation, revenue requirement analysis, the unbundling of utility services and the evaluation of customer choice natural gas transportation programs.

positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement is in the public interest. *Pa. PUC v. CS Water and Sewer Associates*, 74 Pa. PUC 767, 711 (1991). When the settling parties submit their joint settlement petition for approval, the principal issue for the Commission is whether the agreement serves the public interest. *Pa. PUC v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

III. TERMS AND CONDITIONS OF SETTLEMENT

Following the OCA's review of UGI's filing and discovery responses, the OCA did not identify issues that would require the OCA to submit testimony in this proceeding. In reaching its determination to settle, the OCA examined several aspects of the Company's filing.

First, OCA witness Mierzwa examined the reasonableness and prudence of the Company's mix of demand entitlements and storage, including an assessment of the reasonableness of the Company's estimate of design day requirements. OCA Prehearing Memorandum at 2-3. Mr. Mierzwa reviewed the Company's design day forecast model(s) and daily data relied upon to determine the design day temperature in each of UGI's service territories through discovery. OCA witness Mierzwa determined that there were no issues with UGI's design day methodology.

OCA witness Mierzwa also reviewed the workpapers, calculations and supporting documentation developing UGI's projected total design firm peak day demand for the 2026-2027 winter season, as well as the design peak day demands of PGC and end-user firm transportation customers through discovery. Mr. Mierzwa determined that there were no significant issues with UGI's workpapers, calculations, and supporting documentation that necessitated filing testimony. As Mr. Mierzwa did not identify any issues necessitating testimony, the OCA did not file testimony in this matter.

Under the terms of the Settlement, for the upcoming 2026-2027 winter season, the Company will be permitted to use a design day figure of 2.29 Billion Cubic Feet (BCF), which includes 2.223 BCF of design cold firm requirements and 0.057 BCF of capacity reserve requirements for the Company's firm core market (PGC and Choice Customer markets) needs. Settlement ¶ 24.

Also, under the Settlement, UGI agrees to reduce the interest applied to the E-Factor by $1,156,172 resulting from the *Petition of UGI Utilities, Inc. – Gas Division Requesting an Ex Parte Emergency Order to Temporarily Lower its Quarterly Adjustment Mechanism for its March 1, 2026, PGC Quarterly Adjustment*, Docket No. P-2026-3060521, Order (Feb. 19, 2026) (*Ex Parte Emergency Order*). Settlement ¶ 31. I&E witness Keller recommended that "customers not be forced to pay for the additional interest as a result of lowering the rate cap from 25% to 10% in the March 1, 2026 quarterly filing" as I&E opposed UGI's request to lower the rate cap in the *Ex Parte Emergency Order* proceeding. I&E St. 1 at 13-15. The OCA did not oppose UGI's request in the aforementioned proceeding, and the Commission subsequently granted its request finding that "[l]owering the QAM cap to 10% serves the public interest and will protect customers from immediate financial hardship during the winter heating season as costs [] recovery will be over a longer period of time and a lower bill impact." UGI St. 1-R at 6 (*quoting Ex Parte Emergency Order* at 3). Accordingly, the reduction of the interest by $1,156,172 is a reasonable compromise and is in the public interest.

Additionally, the Settlement requires that UGI continue the peaking contract Request for Proposal (RFP) pilot program, as agreed to in the 2025 PGC Settlement approved at Docket Nos. R-2025-3054398, et al., where the results will be reviewed in the Company's 2028 PGC proceeding. Settlement ¶ 29. The OCA reviewed the peaking contract RFP pilot program in UGI's

PGC filing for 2023, and in support of the 2023 settlement, noted that the agreed upon provision resolved any concerns. *Pa. PUC v. UGI Utilities Inc. - Gas Division*, Docket No. R-2023-3040290, Joint Petition for Settlement, App. C at 6 (Oct. 9, 2023). After reviewing the same matter in the above-captioned proceeding, the OCA agrees that the continuation of the peaking contract RFP pilot program as outlined in Settlement is reasonable and in the public interest.

Additional terms of the Settlement agreement include modification of UGI's hedge program to incorporate recommendations from a Portfolio Optimization Study, the Revenue Sharing Incentive Mechanism (RSIM) becoming a permanent part of the UGI Gas Tariff, termination of UGI's Renewable Natural Cas (RNG) Pilot, and continued use of the side-by-side analysis of the Quarterly Adjustment Methodology (QAM) 1 and QAM 2 methods until the next PGC proceeding. Settlement ¶¶ 26-28, 30.

IV. CONCLUSION

The Office of Consumer Advocate submits that the terms of the Settlement are in the public interest and in the interest of UGI's ratepayers. Based on the above reasons, the Office of Consumer Advocate submits that the Commission should approve the proposed Settlement without modification.

Respectfully Submitted,

<u>/s/ Olivia M. Spergel</u>
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Dated: August 21, 2026