


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 30, 2020

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Re: Petition of UGI Utilities, Inc. – Electric Division for  
Approval of a Default Service Plan for the Period of  
June 1, 2021 through May 31, 2025  
Docket No. P-2020-3019907

Dear Secretary Chiavetta:

Enclosed please find the Answer of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ David T. Evrard  
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Enclosures:

cc: The Honorable Dennis J. Buckley (**email only**)  
Certificate of Service

\*290994

CERTIFICATE OF SERVICE

Re: Petition of UGI Utilities, Inc. – Electric Division :  
for Approval of a Default Service Plan for the : Docket No. P-2020-3019907  
Period of June 1, 2021 through May 31, 2025 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 30<sup>th</sup> day of June 2020.

**SERVICE BY E-MAIL ONLY**

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Fax: (717) 783-7152  
Dated: June 30, 2020  
\*290997

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

|  |   |                            |
|--|---|----------------------------|
| Petition of UGI Utilities, Inc. – Electric | : |                            |
| Division for Approval of a Default         | : |                            |
| Service Plan for the Period June 1, 2021   | : | Docket Nos. P-2020-3019907 |
| Through May 31, 2025                       | : |                            |

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ANSWER OF THE  
OFFICE OF CONSUMER ADVOCATE

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I. INTRODUCTION

On May 26, 2020, UGI Utilities, Inc. – Electric Division (UGI or the Company) filed a Petition (Petition) with the Pennsylvania Public Utility Commission (Commission) seeking approval of its default service plan (DSP IV) for the period June 1, 2021 through May 31, 2025. This filing has been made pursuant to the requirements of Act 129 of 2008 (Act 129), the Commission’s Default Service Regulations, the Commission’s Policy Statement on Default Service, and related Commission Orders. The Office of Consumer Advocate (OCA) files this Answer to the Company’s Petition to help ensure that a reasonable default service plan is approved that fully complies with Act 129 and the Commission’s Regulations.

In its Petition, the Company states that its proposed default service plan is largely identical to its current DSP III. Petition at ¶ 31. As part of DSP IV, the Company proposes to continue to combine the loads residential customers with non-residential customers, including larger C&I customers with annual peak loads under 100 kW. Petition at ¶ 35. These customers will receive default service under GSR-1. Petition at ¶ 35. UGI proposes to procure 50% of the estimated annual requirement for all GSR-1 default service customers from a full requirement load-following service in two tranches. The remaining 50% of the estimated annual requirement

will be procured in blocks. Petition at ¶¶ 37, 38. The Company proposes to acquire two equal tranches for this combined group, with one tranche procured in the September/October period, and the other during the March/April period. Petition at ¶ 37. As proposed, the full requirements contracts will include energy, capacity, and transmission service to UGI's system, ancillary services, line losses, congestion management costs, and Alternative Energy Portfolio Standards Act (AEPS) credits. Petition at ¶ 37.

UGI proposes to obtain the remaining 50% of its annual requirement in blocks and spot purchases from and into the PJM market. The Company proposes to stagger the procurement of blocks and load following services every six months. Petition at ¶ 38. The Company proposes to balance its actual load through spot market purchases in the real-time market administered by PJM. Petition at ¶ 39. The Company's filing includes a contingency plan that would expand the use of block and spot purchases to address the possibility that UGI is unable to attract sufficient bidding interest in its full requirement, load following auctions. Petition at ¶¶ 75-79.

The Company proposes to recover default service costs for both residential and small C&I customers through a reconcilable rate mechanism termed the GSR-1. Petition at ¶¶ 35, 71. The GSR-1 rate proposed includes energy costs, an energy cost adjustment, interest and taxes. Petition at ¶ 71. The Company proposes to continue to adjust the rate on a quarterly basis beginning June 1, 2021. UGI Electric St. 2 at 17.

In addition to the default service provisions of its filing, UGI includes two Retail Market Enhancement Programs in its filing. Petition at ¶¶ 85-87. The proposed programs include a New/Moving Customer Referral Program, and a Standard Offer Customer Referral Program. The Company further states that there are currently no retail marketers making offers

to residential customers at this time and therefore no participants in the Standard Offer Program. Petition at ¶ 87.

## II. ANSWER

The OCA has preliminarily reviewed the Company's Petition and identified a number of issues presented by the filing. The OCA anticipates that additional issues will arise as a more comprehensive review of the Company's filing is undertaken and after discovery is conducted. The preliminary issues identified by the OCA include:

- Residential Default Service Supply Mix: UGI proposes to procure 50% of the estimated annual requirement for all default service customers from a full requirement load-following service in two tranches. The Company proposes to acquire two equal tranches for this combined group, with one tranche procured in the September/October period, and the other during the March/April period. The remaining 50% of the estimated annual requirement will be procured in blocks and spot purchases from and into the PJM market in a staggered 6 month schedule. The OCA will review the Company's supply plan to ensure that it meets the requirements of Act 129 of 2008, and the Commission's Regulations, to ensure that customers receive reasonable, affordable, and stably-priced service.
- Procurement Classes: UGI proposes to continue its current practice of combining the residential customer class with small commercial classes for procurement purposes. The OCA will review this practice to ensure that it remains reasonable going forward.
- Purchasing schedule: Under the Company's proposal, UGI would procure all default energy for service for each upcoming year in two auctions, held in the fall and spring leading up to June 1 delivery. The OCA will review the impact of the proposed procurement schedule on rate stability.
- Retail Market Enhancements: The Company has proposed to continue its current Retail Market Enhancements. The Company has acknowledged that there are currently no retail marketers offering to serve UGI's residential customers under a Standard Offer Program. The OCA will review the proposed Retail Market Enhancements to ensure that the costs of any programs are reasonable. This is particularly important in this proceeding given UGI's small customer base over which the Company intends to recover the Retail Market Enhancement costs. In addition, the OCA will review the Company's filing to ensure that appropriate customer protections remain in place.
- Reconciliation mechanism: The Company proposes to reconcile and true-up default service costs on a quarterly basis. The OCA submits that quarterly reconciliations have the potential to increase rate volatility, and that the Company's proposal must

be reviewed thoroughly to ensure that such volatility is kept to a minimum.

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Company's default service filing must be thoroughly reviewed to ensure that the default service rates that will be charged starting June 1, 2021 are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully Submitted,

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Dated: June 30, 2020

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