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File #: 180480

October 23, 2020

VIA ELECTRONIC FILING

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

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 Nos. P-2020-3019907 and G-2020-3019908

Dear Secretary Chiavetta:

Attached please find for filing the Joint Petition for Approval of Settlement in the above-referenced proceeding. Copies will be provided per the Certificate of Service.

Respectfully submitted,

Anthony D. Kanagy

ADK/kls
Attachment

cc: Honorable Dennis J. Buckley
Certificate of Service

CERTIFICATE OF SERVICE

Docket Nos. P-2020-3019907 & G-2020-3019908

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the parties in the manner and upon the persons listed below in accordance with requirements of 52 Pa. Code § 1.54 (relating to service by a participant):

VIA E-MAIL ONLY

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Anthony D. Kanagy

Date: October 23, 2020

Anthony D. Kanagy

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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 Nos. P-2020-3019907 G-2020-3019908

JOINT PETITION FOR SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:

UGI Utilities, Inc. – Electric Division ("UGI Electric"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA"), all parties to the above-captioned consolidated proceeding (hereinafter, collectively referred to as the "Joint Petitioners"), hereby file this Joint Petition for Settlement of the above-captioned Default Service Plan proceeding ("Settlement"). The Joint Petitioners respectfully request that Administrative Law Judge Dennis J. Buckley (the "ALJ") recommend approval of, and the Commission approve, this Settlement as set forth below without modification.

As explained below, the Joint Petitioners have agreed to a settlement that resolves all of the issues that have been raised in the above-captioned proceeding, which concerns UGI Electric's fourth Default Service Plan ("DSP IV" or the "Plan"). The Plan establishes the terms and conditions under which the Company will acquire default service supplies, including Alternative Energy Portfolio Standards ("AEPS") credits, from June 1, 2021, through May 31, 2025 ("DSP IV Term").

Subject to the terms of the Settlement, the Joint Petitioners request that the Commission: (1) authorize UGI Electric to file a tariff supplement consistent with the *pro forma* tariff supplement attached as **Appendix A** hereto, set to become effective June 1, 2021; and (2) grant UGI Electric's DSP IV, as modified by the Settlement. In support of this Settlement, the Joint Petitioners state the following:

I. <u>INTRODUCTION</u>

1. UGI Electric is a certificated electric distribution company providing electric distribution service to approximately 62,000 customers in portions of two counties in northeastern Pennsylvania.

2. Since the expiration of its generation rate cap in 2002, UGI Electric has provided default service pursuant to a series of Commission-approved default service plans.

3. On May 26, 2020, the Company filed its *Petition of UGI Utilities, Inc. – Electric Division for Approval of a Default Service Plan (DSP IV) for the Period of June 1, 2021 through May 31, 2025*.

4. On June 11, 2020, the OSBA filed its Answer, Notice of Intervention, and Public Statement.

5. On June 30, 2020, the OCA filed its Answer, Notice of Intervention, and Public Statement.

6. On July 8, 2020, the ALJ held a prehearing conference, and issued a Scheduling Order on July 10, 2020 that adopted the procedural schedule proposed by the Parties.

7. In accordance with the procedural schedule, OCA and OSBA submitted direct testimony on August 6, 2020.

8. On August 31, 2020, the Company, OCA, and OSBA all submitted written rebuttal testimony and exhibits.

9. On September 11, 2020, the Parties informally requested that the Surrebuttal testimony due date be revised (from September 15, 2020) to September 25, 2020 and the Hearing date be revised (from September 23, 2020) to October 2, 2020. On September 11, 2020, the ALJ issued an Order Revising the Litigation Schedule, which approved these amendments to the procedural schedule.

10. On September 23, 2020, the Parties informally requested that the Surrebuttal testimony due date be extended (from September 25, 2020) to September 30, 2020. The ALJ informally approved that request on the same day.

11. On September 30, 2020, the Company, OCA, and OSBA filed written Surrebuttal testimony and exhibits.

12. As a result of settlement discussions held in this proceeding, and the efforts of the Parties to examine the issues raised, a settlement in principle was achieved prior to the date for evidentiary hearing. On October 1, 2020, Counsel for the Company informally contacted the ALJ and informed him that the Parties: (1) resolved most of the issues and were working to resolve the remaining ones; waived cross examination for the hearing; and (2) requested that the testimony be admitted by oral stipulation at the time of hearing. The ALJ informally approved this request.

13. The hearing was held on October 2, 2020, and was attended by Counsel for the Parties. Because a court reporter was unable to join the hearing, the Parties agreed to admit the testimony and exhibits by way of written stipulation. The Parties also agreed to file a Joint Petition for Settlement of all issues by October 23, 2020.

14. On October 6, 2020, the ALJ issued an Order confirming the agreement of the Parties established during the Hearing and providing further instruction on implementing the agreed-upon provisions. The Order also officially accepted a previously requested revision to the

procedural schedule (i.e., extending the Surrebuttal due date to September 30, 2020). The Order requested that the Joint Petitioners provide the ALJ with a list of documents and exhibits (appropriately identified and marked as exhibits) to be entered into the record by way of written Stipulation. Regarding the Joint Petition for Settlement (to be filed by October 23, 2020), the ALJ directed the Parties to provide Statements in Support, which explain why the settlement is in the public interest. Finally, page 2 of the Order stated:

> [I]f a comprehensive Joint Settlement is not filed on October 23, 2020, then Main Briefs addressing any and all issues to be adjudicated must be filed on that date, regardless of whether settlement is still a possibility. If this matter or any of the issues related thereto must be adjudicated and a Recommended Decision issued, then I want the parties' individual litigation positions made clear on brief.

15. The Joint Petitioners are in full agreement that the Settlement is in the best interest of UGI Electric, the Joint Petitioners, and UGI Electric's customers.

16. The Joint Petitioners agree that UGI Electric's DSP IV filing should be approved except as modified by this Settlement. The Settlement terms agreed to by the Joint Petitioners are set forth in Section II, *infra*.

II. SETTLEMENT TERMS

A. PROCUREMENT PLAN FOR GSR-1

17. To serve its GSR-1 customer grouping during the term of DSP IV, the Company will procure 25% of supply through Block purchases and the remaining 75% through load following full-requirements purchases to implement a competitive procurement plan that that assures adequate and reliable service at the least cost over time. Variances between scheduled load and actual load will continue to be reconciled in the PJM hourly spot market (as set forth

in Section II. A(1)(c) of the Company's DSP IV Petition and as described in UGI Electric St. No. 1 at pp. 7-8).

B. PROCUREMENT SCHEDULE FOR GSR-1

18. To serve its GSR-1 customer grouping during the term of DSP IV, the Company will solicit bids for 12-month and 24-month supply deliveries for its load following full-requirement purchases as set forth in the following schedule. More specifically, the 75% of load following full requirement purchases will be satisfied through contracts with 12-month and 24-month delivery periods as set forth in **Appendix B** to this Settlement. For the 25% of Block procurements, the Company will solicit bids for 6-month supply deliveries as set forth in **Appendix B**.

19. If the Company is unsuccessful in obtaining bid responses for load following full-requirements supply to be delivered over 24-month periods, the Company will be permitted (as part of its Contingency Plan set forth in Section II. E of the Company's DSP IV Petition and as described in UGI Electric St. No. 1 at pp. 18-20, and if time permits) to satisfy its obligation to serve its GSR-1 customer grouping through 12-month load following full-requirements procurements during the term of DSP IV. To ensure there are no supply gaps between the end of DSP IV and the beginning of DSP V, the Company will issue a 12-month tranche (for load-following supplies) in the Fall of 2024. The delivery period for this tranche will be between December 2024 and November 2025.

C. GSR-1 PROCUREMENTS FOR RESIDENTIAL AND C&I CUSTOMERS

20. The Company will satisfy its GSR-1 supply needs through bids seeking residential and small commercial/industrial supply on a combined basis as set forth in Section II. A(1) of the Company's DSP IV Petition and as described in UGI Electric St. No. 1 at pp. 5-8.

D. PROCUREMENT SCHEDULE GSR-2

21. The Company will continue purchasing supplies for its GSR-2 customer grouping through the PJM hourly spot market as set forth in Section II. A(2) of the Company's DSP IV Petition and as described on UGI Electric St. No. 1 at pp. 8-9.

E. RECONCILIATIONS

22. The Company will revise its reconciliation method as applicable to situations when quarterly Energy Cost Adjustments ("ECA") would result in more than a five percent (5%) change in the average total residential bill for default service. Specifically, when the ECA would result in less than (or equal to) a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a three-month period. In instances when the ECA would result in more than a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a six, nine, or twelve-month period (as determined by the Company).

F. MARKET MONITOR

23. As requested in OCA St. No. 1, p. 16, the responsibilities of the Company's Market Monitor will include certifying that the Company's RFP solicitations are conducted in a resource-neutral, non-discriminatory, and competitive manner.

G. CONTINGENCY PLAN

24. The updates to the Company's Contingency Plan, as set forth in Section II. E of the DSP IV Petition, in UGI Electric St. No. 1 at pp. 18-20, and in Paragraph 2 above, are accepted. Additionally, DSP IV's Contingency Plan will make Block and load following full-requirements procurements (in consultation with Pace) only if time permits. If time does not permit, the Company will address any load following full-requirements shortfall by making purchases in the spot market.

H. REVERSE MIGRATION (GSR-2 TO GSR-1)

25. The Company will update the Rider B – Generation Supply Service Surcharge section in its Electric Tariff to include a provision for customers who switch from GSR-2 to GSR-1 during the DSP IV term. Customers who undergo this reverse migration will be exempted from any over/under collections as reflected in the Company's E-factor (existing as of May 31, 2021) for a period of 12 months after returning to GSR-1. The Company is permitted to recover, as a DSP administrative expense, programming costs required to implement a billing system change (required to implement this reverse migration provision) in an amount of $3,000.

I. TARIFF CLARIFICATIONS

26. In the Rider B - Generation Supply Service Surcharge section of the Company's Electric Tariff, the Company will:

a. Revise the Price To Compare provision to eliminate the reference to the Alternative Energy Cost Charge ("AECC") and applicable base transmission rate language.

b. Clarify that the customer's highest billing demand will be calculated over the twelve-month period ending September 30, 2020.

J. PROCUREMENT STUDY

27. Before June 30, 2022, the Company will file a study of the relative cost of default service supplies for GSR-1 residential and non-residential customers. The Company may select a consultant of its choosing to perform the study. The filing will include all workpapers and assumptions used in the analysis, subject to reasonable confidentiality restrictions as necessary. The study will rely on data from DSP III, DSP IV and actual data through at least the Fall of 2021. The study will evaluate the relative costs to GSR-1 residential and non-residential customers associated with: (1) both block-and-spot and full requirements procurements methods; and (2)

both separate procurements and cost allocations being made to the residential and non-residential customer groups under a combined procurement.

28. At the time of the filing, the Company will make recommendations regarding whether to: (1) continue its existing combined procurement methodology for residential and non-residential customers under the single GSR-1 rate; (2) propose separate procurements for residential and non-residential GSR-1 customers; or (3) maintain combined procurements with differentiated rates for residential and non-residential GSR-1 customers.

29. Nothing herein restricts any party's rights under law to make any filing in response to the Company's June 30, 2022 filing (e.g., study and recommendation). In response to the Company's June 30, 2022 filing, OCA and OSBA may make responsive proposals to revise the Company's proposal during the DSP IV period or may oppose such proposals, except that the parties agree not to propose a change in the procurement methodology for rates to become effective prior to June 1, 2023. This settlement provision does not restrict any position any party may take in any such proceeding or any other proceeding.

30. The Parties agree that the Company may recover the cost to perform the study described herein as an administrative expense in its current DSP IV proceeding.

III. PUBLIC INTEREST

31. This Settlement was achieved by the Joint Petitioners after an extensive investigation of UGI Electric's filing, including extensive informal and formal discovery and the service of written direct, rebuttal, and surrebuttal testimony by UGI Electric, OCA, and OSBA.

32. Acceptance of the Settlement avoids the necessity and costs of further administrative and potential appellate proceedings.

33. The Settlement provides for the acquisition of default service supplies, including AEPS credits, that are just and reasonable given the positions advanced in the testimony and exhibits of the various parties.

34. Attached as **Appendices C through E** are Statements in Support submitted by UGI Electric, OCA, and OSBA setting forth the bases upon which they believe the Settlement is in the public interest.

IV. CONDITIONS OF SETTLEMENT

35. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. This Settlement shall become effective on the date on which the Commission enters a final order that adopts the terms and conditions of this Settlement. If the Commission enters a final order that approves this Settlement, but with one or more modifications, this Settlement shall nonetheless become effective unless one or more of the Joint Petitioners elects to withdraw from the Settlement. Such election to withdraw must be made in writing, filed with the Secretary of the Commission, and served upon all parties within five business days after the entry of an Order modifying the Settlement. In such event, the Settlement shall be void and of no effect.

36. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding resulting in the establishment of rates that are just and reasonable.

37. This Settlement is proposed by the Joint Petitioners to settle all of their issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing, and argument. The Settlement is made without any

admission against, or prejudice to, any position that any party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

38. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

39. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of the Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities involving Default Service Plans or in any other proceeding.

I. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that: (1) the Honorable Administrative Law Judge Dennis J. Buckley recommend approval of and the Commission approve this Settlement, including all terms and conditions thereof without modification, and make the findings contained therein; and (2) the Commission enter a final order approving this Settlement.

Respectfully submitted,

DocuSigned by:
Anthony D Kanagy
37B9B434882A4C9...

Date: 10/23/2020

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Michael S. Swerling (ID # 94748)
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For UGI Utilities, Inc. – Electric Division

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Aron Beatty
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Date: 10/23/2020

Aron J. Beatty, Esquire
David T. Evrard, Esquire
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101

For Office of Consumer Advocate

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Steve Gray
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Date: 10/23/2020

Steven C. Gray, Esquire
Office of Small Business Advocate
555 Walnut Street, 1st Floor
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For Office of Small Business Advocate

APPENDIX A

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC SERVICE TARIFF

RULES AND RATES
FOR ELECTRIC DISTRIBUTION SERVICE AND
CHOICE AGGREGATION SERVICE

in the following service territory:

LUZERNE COUNTY

City of Nanticoke, and Boroughs of Courtdale, Dallas, Edwardsville, Forty-Fort, Harvey's Lake, Kingston, Larksville, Luzerne, New Columbus, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Wyoming and Wyoming.

First Class Townships of Hanover and Newport, and Second Class Townships, of Conyngham, Dallas, Fairmount, Franklin, Hunlock, Huntington, Jackson, Kingston, Lake, Lehman, Plymouth, Ross and Union.

WYOMING COUNTY

Townships of Monroe and Noxen

Issued: Effective:

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

NOTICE

THIS TARIFF MAKES CHANGES TO THE COMPANY'S RATES (PAGE 2).

LIST OF CHANGES MADE BY THIS SUPPLEMENT
(Page Numbers Refer to Official Tariff)

Pursuant to the Final Order entered ____________________ approving the Default Service Program at Docket No. __________________, the following changes have been made to incorporate default service rules beginning June 1, 2021 along with calculated default generation supply service rates effective June 1, 2021:

Rider B – Generation Supply Service, Pages 39-41.

- Dates have been revised to reflect the Default Service rules beginning June 1, 2021.
- Clarified that the customer's highest billing demand will be calculated over the twelve-month period ending September 30, 2020.
- The Company will revise its reconciliation method as applicable to situations when quarterly Energy Cost Adjustments ("ECA") would result in more than a five percent (5%) change in the average total residential bill for default service. Specifically, when the ECA would result in less than (or equal to) a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a three-month period. In instances when the ECA would result in more than a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a six, nine, or twelve-month period (as determined by the Company).
- Added a provision for customers who switch from GSR-2 to GSR-1 during the DSP IV term. Customers who undergo this reverse migration will be exempted from any over/under collections as reflected in the Company's E-factor (existing as of May 31, 2021) for a period of 12 months after returning to GSR-1.
- Revised the Price To Compare provision to eliminate the reference to the Alternative Energy Cost Charge ("AECC") and applicable base transmission rate language.

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(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE

(C) Company will supply Default Generation Supply Service (GSS) to customers in the Company's service territory not receiving service from an EGS. The rules and rates contained herein apply to service provided on and after June 1, 2021.

For customers served through the Company's GSS, a Generation Supply Rate (GSR) shall be applied to each kilowatt hour of energy used by the customer. Separate GSRs shall be calculated and apply to the rate schedules listed below.

GSR-1 shall apply to Rate Schedules R, GS-1, GS-5, FCP, BLR, OL, SOL, MHOL, LED-OL, SL, SSL, MHSL, LED-SL and LED-CO.

GSR-1 shall also apply to Rate Schedules GS-4 and LP where the customer's annual peak load is less than 100 kW.

GSR-2 shall apply to Rate Schedules GS-4, LP, and HTP where the customer's annual peak load is greater than or equal to 100 kW.

(C) Customer's highest billing demand in the twelve-month period ending September 30, 2020 shall be the annual peak load determinant for purposes of applying the GSR. For new customers without a twelve-month billing history, the billing demand shall be based on the Company's estimate using factors such as, but not limited to, similarly equipped buildings, similarly utilized buildings and square footage.

(C) The GSR-1 rate shall be calculated every three months beginning June 1, 2021. The GSR-1 rate shall be filed with the Commission with at least thirty days' notice prior to each three-month period and shall be posted on the Company's website. If the GSR-1 calculation results in a change in rate that is less than 2%, the Company, in its sole discretion, may file with the Commission a GSR-1 rate that is unchanged from the prior period.

$$\text{GSR-1} = \left[\frac{EC}{SEC} + \frac{ECA}{SECA} + \frac{Int}{Sint}\right] \times \frac{1}{(1-T)} \quad \text{where}$$

EC = Projected direct and indirect purchased power costs incurred by the Company to acquire electric supply for the GSR-1 group for the next three-month period including, a load following service, wholesale energy costs, alternative energy credits, capacity costs, transmission costs, and all other PJM bill line item expenses/credits excluding network transmission service credits and firm point-to-point transmission service credits/expenses. EC also includes administrative costs, legal costs, taxes, and any other applicable costs of providing default service for the GSR-1 group. The estimated EC shall be reduced by the estimated transmission revenues to be collected in accordance with the applicable rate schedules included in the GSR-1 group.

(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE (continued)

ECA = Net over or under collection of the EC defined above to be refunded/recovered. The ECA will be reconciled quarterly based on actual EC revenues received and actual EC costs incurred for the three-month period ending two months prior to the filed GSR effective date. Any over/under
(C) collection plus related interest, existing as of May 31, 2021, applicable to GSR-1 customers shall be
(C) included in the ECA component of the GSR-1 beginning June 1, 2021. The over/under collection
(C) existing as of May 31, 2021 shall be allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the period of the over/under collection attributed to those
(C) customers classified as GSR-1 and GSR-2 as of June 1, 2021. In the event the ECA would result in less than
(C) (or equal to) a five percent (5%) change in the average total residential bill, the Company will refund/recover
(C) the balance over a three-month period. In the event the ECA would result in more than a five percent (5%)
(C) change in the average total residential bill for default service, the Company will refund/recover the balance
(C) over a six, nine, or twelve month period (as determined by the Company).

Int = When revenues exceed costs, the over collections shall be refunded to customers with interest. When costs exceed revenues, the under collections shall be collected from customers with interest. Interest on over collections and under collections shall be computed at the prime rate of interest for commercial banking, not to exceed the legal rate of interest, in effect on the last day of the month the over collection or under collection occurs, as reported in the Wall Street Journal. Interest shall be computed monthly from the month the over collection or under collection occurs to the effective month that the over collection is refunded or the under collection is collected.

T = The Pennsylvania Gross Receipts Tax Rate reflected in the Company's base rates, expressed in decimal form.

SEC = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the next three-month period, in kilowatt hours.

SECA = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the refund/recover period, in kilowatt hours.

Sint = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the twelve-month period beginning December 1, in kilowatt hours.

The current GSR-1 rate is:

6.042 ¢/kWh

GSR-2 shall be calculated for each default service customer in this group. Company shall bill each customer on a calendar month based upon actual costs incurred to serve the customer. The costs will be allocated as follows:

Energy costs incurred by the Company to acquire electric supply shall be calculated for each GSR-2 customer by multiplying the customer's actual hourly energy use, adjusted for losses, by the Company real-time Locational Marginal Price (LMP) during each hour of the billing month.

(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE *(continued)*

Other power costs incurred by the Company to acquire electric supply for the GSR-2 group for the month shall be allocated to each GSR-2 customer based on metered sales. Other power costs include alternative energy credits and all PJM bill line item expenses/credits excluding the following: costs for capacity services, transmission services, network transmission service credits and firm point-to-point transmission service credits/expenses. Other costs included are administrative costs, legal costs, taxes, and any other applicable costs of providing default service for the GSR-2 group. The actual costs shall be reduced by the actual transmission revenues to be collected in accordance with the applicable rate schedules included in the GSR-2 group.

Cost for capacity and transmission services based on the PJM bill line item expenses/credits applicable to these services shall be allocated to each customer in the GSR-2 group. The capacity costs shall include the PJM bill line items for locational reliability, capacity transfer rights, RPM auction, and capacity resource deficiency. The capacity costs shall be allocated to each customer based on each customer's peak load contribution (PLC). The transmission costs shall include the PJM bill line items for network integration transmission service charges, transmission enhancement service charges/credits, and non-firm point-to-point transmission service charges/credits. The transmission costs shall be allocated to each customer based on each customer's network service peak load value (NSPL). Any expense/credit line items added by PJM related to these services shall be allocated based on the Customer's applicable PLC and NSPL.

(C) Any over/under collection plus related interest, existing as of May 31, 2021, applicable to GSR-2
(C) customers that migrate from rate GSR-1 shall be refunded/recovered from those customers directly over 12
(C) billing periods beginning September 1, 2021. The over/under collection existing as of May 31, 2021 shall be
allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the period of
(C) the over/under collection attributed to those customers classified as GSR-1 and GSR-2 as of June 1, 2021.

(C) Customers who undergo reverse migration, switching from GSR-2 to GSR-1 during the DSP IV term, will be exempted from any over/under collections as reflected in the Company's E-factor (existing as of May 31, 2021) for a period of 12 months after returning to GSR-1.

All costs for GSR-2 customers shall include the Pennsylvania Gross Receipts Tax Rate reflected in the Company's base rates.

(C) Price to Compare: The Price-To-Compare ("PTC") for GSR-1 shall include the Energy Charge ("EC"), and the Energy Cost Adjustment ("ECA")~~,~~ contained in UGI's tariff. The Price-To-Compare shall also include the State Tax Surcharge in Rider A. PTC is not applicable to GSR-2.

Annual Reconciliation Statement: On June 30 of each year, Company will file with the Commission, its Annual Reconciliation Statement for the GSR-1 rate for the preceding 12 months ending May 31.

(C) Indicates Change

Issued:	Effective:

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Issued: Effective: .

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

NOTICE

THIS TARIFF MAKES CHANGES TO THE COMPANY'S RATES (PAGE 2).

LIST OF CHANGES MADE BY THIS SUPPLEMENT
(Page Numbers Refer to Official Tariff)

Pursuant to the Final Order entered ____________________ approving the Default Service Program at Docket No. __________________, the following changes have been made to incorporate default service rules beginning June 1, 2021 along with calculated default generation supply service rates effective June 1, 2021:

Rule 5.6, Standard Offer Customer Referral Program ("SO Program"), Page 18.

- ➢ The cost that participating EGSs shall reimburse the Company to operate the program has increased.

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(C) Indicates Change

RULES AND REGULATIONS (continued)

5. DIRECT ACCESS PROCEDURES

5.5 Provisions Relating to an EGS's Customers

(a) Arrangements with EGS Customers - EGSs shall be solely responsible for having appropriate contractual or other arrangements with their Customers necessary to implement Direct Access consistent with all applicable laws, Commission requirements, and this Tariff. The Company shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements.

(b) Transfer of Cost Obligations Between EGSs and Customers - Nothing in this Tariff is intended to prevent an EGS and a Customer from agreeing to reallocate between them any charges that this Tariff imposes on the EGS, provided that any such agreement shall not change in any way the EGS's obligation to pay such charges to the Company, and that any such agreement shall not confer upon the Company any right to seek recourse directly from the EGS's Customer for any charges owed to the Company by the EGS.

5.6 Standard Offer Customer Referral Program ("SO Program")

(a) Under the Company's SO Program, participating EGSs agree to offer residential or small commercial customers a 7% discount off of the then current PTC for a twelve (12) month period.

(b) The Company shall transfer customers who express an interest in the SO Program to each participating EGS in a fair and impartial manner. Each participating EGS is responsible for enrolling customers who wish to participate in the SO Program. Participating EGSs shall reimburse the Company for the costs to operate the program of $12,000 per month. This charge shall be divided equally based on the number of participating EGSs each month. **(C)**

(C) Indicates Change

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC SERVICE TARIFF

RULES AND RATES
FOR ELECTRIC DISTRIBUTION SERVICE AND
CHOICE AGGREGATION SERVICE

in the following service territory:

LUZERNE COUNTY

City of Nanticoke, and Boroughs of Courtdale, Dallas, Edwardsville, Forty-Fort, Harvey's Lake, Kingston, Larksville, Luzerne, New Columbus, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Wyoming and Wyoming.

First Class Townships of Hanover and Newport, and Second Class Townships, of Conyngham, Dallas, Fairmount, Franklin, Hunlock, Huntington, Jackson, Kingston, Lake, Lehman, Plymouth, Ross and Union.

WYOMING COUNTY

Townships of Monroe and Noxen

Issued: Effective:

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

NOTICE

THIS TARIFF MAKES CHANGES TO THE COMPANY'S RATES (PAGE 2).

LIST OF CHANGES MADE BY THIS SUPPLEMENT

(Page Numbers Refer to Official Tariff)

Pursuant to the Final Order entered ____________________ approving the Default Service Program at Docket No. __________________, the following changes have been made to incorporate default service rules beginning June 1, 2021 along with calculated default generation supply service rates effective June 1, 2021:

Rider B – Generation Supply Service, Pages 39-41.

- Dates have been revised to reflect the Default Service rules beginning June 1, 2021.
- Clarified that the customer's highest billing demand will be calculated over the twelve-month period ending September 30, 2020.
- The Company will revise its reconciliation method as applicable to situations when quarterly Energy Cost Adjustments ("ECA") would result in more than a five percent (5%) change in the average total residential bill for default service. Specifically, when the ECA would result in less than (or equal to) a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a three-month period. In instances when the ECA would result in more than a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a six, nine, or twelve-month period (as determined by the Company).
- Added a provision for customers who switch from GSR-2 to GSR-1 during the DSP IV term. Customers who undergo this reverse migration will be exempted from any over/under collections as reflected in the Company's E-factor (existing as of May 31, 2021) for a period of 12 months after returning to GSR-1.
- Revised the Price To Compare provision to eliminate the reference to the Alternative Energy Cost Charge ("AECC") and applicable base transmission rate language.

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(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE

(C) Company will supply Default Generation Supply Service (GSS) to customers in the Company's service territory not receiving service from an EGS. The rules and rates contained herein apply to service provided on and after June 1, ~~2017~~ 2021.

For customers served through the Company's GSS, a Generation Supply Rate (GSR) shall be applied to each kilowatt hour of energy used by the customer. Separate GSRs shall be calculated and apply to the rate schedules listed below.

GSR-1 shall apply to Rate Schedules R, GS-1, GS-5, FCP, BLR, OL, SOL, MHOL, LED-OL, SL, SSL, MHSL, LED-SL and LED-CO.

GSR-1 shall also apply to Rate Schedules GS-4 and LP where the customer's annual peak load is less than 100 kW.

GSR-2 shall apply to Rate Schedules GS-4, LP, and HTP where the customer's annual peak load is greater than or equal to 100 kW.

(C) Customer's highest billing demand in the twelve-month period ending September 30, 2020 ~~2016~~ shall be the annual peak load determinant for purposes of applying the GSR. For new customers without a twelve-month billing history, the billing demand shall be based on the Company's estimate using factors such as, but not limited to, similarly equipped buildings, similarly utilized buildings and square footage.

(C) The GSR-1 rate shall be calculated every three months beginning June 1, ~~2017~~ 2021. The GSR-1 rate shall be filed with the Commission with at least thirty days' notice prior to each three-month period and shall be posted on the Company's website. If the GSR-1 calculation results in a change in rate that is less than 2%, the Company, in its sole discretion, may file with the Commission a GSR-1 rate that is unchanged from the prior period.

$$\text{GSR-1} = \left[\frac{EC}{SEC} + \frac{ECA}{SECA} + \frac{Int}{Sint} \right] X \frac{1}{(1-T)} \quad \text{where}$$

EC = Projected direct and indirect purchased power costs incurred by the Company to acquire electric supply for the GSR-1 group for the next three-month period including, a load following service, wholesale energy costs, alternative energy credits, capacity costs, transmission costs, and all other PJM bill line item expenses/credits excluding network transmission service credits and firm point-to-point transmission service credits/expenses. EC also includes administrative costs, legal costs, taxes, and any other applicable costs of providing default service for the GSR-1 group. The estimated EC shall be reduced by the estimated transmission revenues to be collected in accordance with the applicable rate schedules included in the GSR-1 group.

(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE (continued)

ECA = Net over or under collection of the EC defined above to be refunded/recovered. The ECA will be reconciled quarterly based on actual EC revenues received and actual EC costs incurred for the three-month period ending two months prior to the filed GSR effective date. Any over/under
(C) collection plus related interest, existing as of May 31, ~~2017~~ 2021, applicable to GSR-1 customers shall be
(C) included in the ECA component of the GSR-1 beginning June 1, ~~2017~~ 2021. The over/under collection
(C) existing as of May 31, ~~2017~~ 2021 shall be allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the period of the over/under collection attributed to those
(C) customers classified as GSR-1 and GSR-2 as of June 1, ~~2017~~ 2021. In the event the ECA would result in less
(C) than (or equal to) a five percent (5%) change in the average total residential bill, the Company will
(C) refund/recover the balance over a three-month period. In the event the ECA would result in
(C) more than a five percent (5%) change in the ~~system~~ average total residential bill for default service, the
(C) Company ~~may~~ will refund/recover the balance over ~~more than a three-month period, but no longer than~~
(C) ~~twelve months.~~ a six, nine, or twelve month period (as determined by the Company).

Int = When revenues exceed costs, the over collections shall be refunded to customers with interest. When costs exceed revenues, the under collections shall be collected from customers with interest. Interest on over collections and under collections shall be computed at the prime rate of interest for commercial banking, not to exceed the legal rate of interest, in effect on the last day of the month the over collection or under collection occurs, as reported in the Wall Street Journal. Interest shall be computed monthly from the month the over collection or under collection occurs to the effective month that the over collection is refunded or the under collection is collected.

T = The Pennsylvania Gross Receipts Tax Rate reflected in the Company's base rates, expressed in decimal form.

SEC = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the next three-month period, in kilowatt hours.

SECA = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the refund/recover period, in kilowatt hours.

Sint = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the twelve-month period beginning December 1, in kilowatt hours.

The current GSR-1 rate is:

6.042 ¢/kWh

GSR-2 shall be calculated for each default service customer in this group. Company shall bill each customer on a calendar month based upon actual costs incurred to serve the customer. The costs will be allocated as follows:

Energy costs incurred by the Company to acquire electric supply shall be calculated for each GSR-2 customer by multiplying the customer's actual hourly energy use, adjusted for losses, by the Company real-time Locational Marginal Price (LMP) during each hour of the billing month.

(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE (continued)

Other power costs incurred by the Company to acquire electric supply for the GSR-2 group for the month shall be allocated to each GSR-2 customer based on metered sales. Other power costs include alternative energy credits and all PJM bill line item expenses/credits excluding the following: costs for capacity services, transmission services, network transmission service credits and firm point-to-point transmission service credits/expenses. Other costs included are administrative costs, legal costs, taxes, and any other applicable costs of providing default service for the GSR-2 group. The actual costs shall be reduced by the actual transmission revenues to be collected in accordance with the applicable rate schedules included in the GSR-2 group.

Cost for capacity and transmission services based on the PJM bill line item expenses/credits applicable to these services shall be allocated to each customer in the GSR-2 group. The capacity costs shall include the PJM bill line items for locational reliability, capacity transfer rights, RPM auction, and capacity resource deficiency. The capacity costs shall be allocated to each customer based on each customer's peak load contribution (PLC). The transmission costs shall include the PJM bill line items for network integration transmission service charges, transmission enhancement service charges/credits, and non-firm point-to-point transmission service charges/credits. The transmission costs shall be allocated to each customer based on each customer's network service peak load value (NSPL). Any expense/credit line items added by PJM related to these services shall be allocated based on the Customer's applicable PLC and NSPL.

(C) Any over/under collection plus related interest, existing as of May 31, ~~2017~~ 2021, applicable to GSR-2
(C) customers that migrate from rate GSR-1 shall be refunded/recovered from those customers directly over 12
(C) billing periods beginning ~~June~~ September 1, ~~2017~~ 2021. The over/under collection existing as of May 31,
(C) ~~2017~~ 2021 shall be allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the period of the over/under collection attributed to those customers classified as GSR-1 and GSR-2
(C) as of June 1, ~~2017~~ 2021.

(C) Customers who undergo reverse migration, switching from GSR-2 to GSR-1 during the DSP IV term, will be exempted from any over/under collections as reflected in the Company's E-factor (existing as of May 31, 2021) for a period of 12 months after returning to GSR-1.

All costs for GSR-2 customers shall include the Pennsylvania Gross Receipts Tax Rate reflected in the Company's base rates.

(C) Price to Compare: The Price-To-Compare ("PTC") for GSR-1 shall include the Energy Charge ("EC")~~,~~ and the Energy Cost Adjustment ("ECA")~~, the Alternative Energy Cost Charge ("AECC") and the applicable base transmission rate~~ contained in UGI's tariff. The Price-To-Compare shall also include the State Tax Surcharge in Rider A. PTC is not applicable to GSR-2.

Annual Reconciliation Statement: On June 30 of each year, Company will file with the Commission, its Annual Reconciliation Statement for the GSR-1 rate for the preceding 12 months ending May 31.

(C) Indicates Change

Issued:	Effective:

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Issued: Effective: .

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

NOTICE

THIS TARIFF MAKES CHANGES TO THE COMPANY'S RATES (PAGE 2).

LIST OF CHANGES MADE BY THIS SUPPLEMENT

(Page Numbers Refer to Official Tariff)

Pursuant to the Final Order entered ____________________ approving the Default Service Program at Docket No. __________________, the following changes have been made to incorporate default service rules beginning June 1, 2021 along with calculated default generation supply service rates effective June 1, 2021:

Rule 5.6, Standard Offer Customer Referral Program ("SO Program"), Page 18.

- The cost that participating EGSs shall reimburse the Company to operate the program has increased.

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(C) Indicates Change

RULES AND REGULATIONS (continued)

5. DIRECT ACCESS PROCEDURES

5.5 Provisions Relating to an EGS's Customers

(a) Arrangements with EGS Customers - EGSs shall be solely responsible for having appropriate contractual or other arrangements with their Customers necessary to implement Direct Access consistent with all applicable laws, Commission requirements, and this Tariff. The Company shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements.

(b) Transfer of Cost Obligations Between EGSs and Customers - Nothing in this Tariff is intended to prevent an EGS and a Customer from agreeing to reallocate between them any charges that this Tariff imposes on the EGS, provided that any such agreement shall not change in any way the EGS's obligation to pay such charges to the Company, and that any such agreement shall not confer upon the Company any right to seek recourse directly from the EGS's Customer for any charges owed to the Company by the EGS.

5.6 Standard Offer Customer Referral Program ("SO Program")

(a) Under the Company's SO Program, participating EGSs agree to offer residential or small commercial customers a 7% discount off of the then current PTC for a twelve (12) month period.

(b) The Company shall transfer customers who express an interest in the SO Program to each participating EGS in a fair and impartial manner. Each participating EGS is responsible for enrolling customers who wish to participate in the SO Program. Participating EGSs shall reimburse the Company for the costs to operate the program of ~~$10,000~~ $12,000 per month. This charge shall be divided equally based on the number of participating EGSs each month. **(C)**

(C) Indicates Change

APPENDIX B

Appendix B

				GSR-1 Supply Procurement Schedule for DSP IV								
Load-Following Procurements (DSP IV - Year 1)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
DSP IV (Spring 2021) 6 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Spring 2021) 12 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Spring 2021) 24 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall 2021) 12 Month							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 1)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
DSP IV (Spring 2021) 6 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Fall 2021) 6 Month							25%	25%	25%	25%	25%	25%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 2)	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
DSP IV (Spring 2021 Continuation) 24 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall 2021 Continuation) 12 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Spring 2022) 12 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall 2022) 12 month							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 2)	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
DSP IV (Spring 2022) 6 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Fall 2022) 6 Month							25%	25%	25%	25%	25%	25%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 3)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
DSP IV (Fall 2022 Continuation) 12 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Spring 2022) 12 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Spring 2023) 24 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall 2023) 12 Month							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 3)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
DSP IV (Spring 2023) 6 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Fall 2023) 6 Month							25%	25%	25%	25%	25%	25%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 4)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
DSP IV (Spring 2023 Continuation) 24 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall 2023 Continuation) 12 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Spring 2024) 12 Month	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall 2024) 12 Month							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 4)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
DSP IV (Spring 2024) 6 Month	25%	25%	25%	25%	25%	25%						
DSP IV (Fall 2024) 6 Month							25%	25%	25%	25%	25%	25%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 4 Continuation)	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
DSP IV (Fall 2024 Continution) 12 Month	25%	25%	25%	25%	25%	25%						

APPENDIX C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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 Nos. P-2020-3019907 G-2020-3019908

UGI UTILITIES, INC. – ELECTRIC DIVISION'S STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:

I. INTRODUCTION

UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company") hereby files this Statement in Support of the Joint Petition for Settlement ("Settlement") entered into by the Company, the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") (hereinafter, collectively the "Joint Petitioners" or the "Parties"). As explained herein, the Settlement resolves all of the issues that have been raised concerning UGI Electric's fourth Default Service Plan ("DSP IV" or the "Plan"), which establishes the terms and conditions under which the Company will acquire default service supplies, including Alternative Energy Portfolio Standards ("AEPS") credits, from June 1, 2021, through May 31, 2025 ("DSP IV Term").

UGI Electric respectfully requests that Administrative Law Judge Dennis J. Buckley ("ALJ") and the Pennsylvania Public Utility Commission ("Commission") approve the above-captioned Petition for Approval of a Default Service Plan for the Period of June 1, 2021 through May 31, 2025 ("Petition") subject to the terms and conditions of the Settlement. The Settlement reflects a carefully balanced compromise of the Joint Petitioners' interests and the issues they raised in this proceeding. Moreover, approval of the Settlement will obviate the need for the case to proceed to litigation, thereby conserving parties' and the Commission's time and resources.

For these reasons and as explained in more detail below, the Settlement is in the public interest, just and reasonable, and supported by substantial evidence and, therefore, should be approved without modification.

II. STANDARD FOR APPROVAL OF AN UNOPPOSED SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has stated that settlement results are often preferable to the results achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401.

The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Order entered Dec. 5, 2013). To approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Order entered July 22, 1991).

As explained in the next section of this Statement in Support, the Settlement is just and reasonable and in the public interest and, therefore, should be approved without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Settlement is just, reasonable, and in the public interest. The Settlement was achieved only after a comprehensive investigation of UGI Electric's DSP IV. In addition to a comprehensive filing, UGI Electric responded to numerous formal discovery requests (many of which had multiple subparts). In support of their positions, UGI Electric, OCA, and OSBA served testimony and accompanying exhibits. The Joint Petitioners participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

The Settlement also reflects a carefully-balanced compromise of the interests of all of the Joint Petitioners. (Settlement ¶ 38.) The Joint Petitioners, as well as their experts and counsel, have considerable experience in default service proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to attempt to build a consensus in this proceeding. The fact that the Settlement is supported by parties representing a diversity of constituents and interests, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest.

Furthermore, the parties faced a unique challenge in this proceeding. On March 6, 2020, pursuant to subsection 7301(c) of the Emergency Management Services Code, 35 Pa. C.S. §§ 7101, *et seq.*, Governor Tom Wolf issued a Proclamation of Disaster Emergency proclaiming the existence of a disaster emergency throughout the Commonwealth for a period of up to ninety (90) days, unless renewed by the Governor. Shortly thereafter, on March 11, 2020, the World Health Organization declared COVID-19, a novel coronavirus, a pandemic ("COVID-19 Pandemic"). Subsequently and in response, on March 13, 2020, the Commission issued an Emergency Order instituting a Public Utility Service Termination Moratorium at Docket No. M-2020-3019244 ("PUC Emergency Order"). Since that time, the Pennsylvania state government and the federal government have been working to address the impacts that COVID-19 is having on the health of Pennsylvanians, and on the state and national economy. The parties have investigated UGI Electric's DSP IV and negotiated a full Settlement under unique and challenging circumstances.

For these reasons and the more specific reasons set forth below, the Settlement, as a whole, is just, reasonable, and in the public interest. Therefore, the terms and conditions of the Settlement should be approved without modification. (Settlement ¶¶ 17-30).

A. PROCUREMENT PLAN FOR GSR-1

In its DSP IV Petition, UGI Electric proposed to continue procuring both full requirements load-following supplies and block supplies to satisfy the total GSR-1 load requirement. (UGI Electric St. No. 1, pp. 6-7.) Specifically, for the GSR-1 full requirements load-following bids, each year, the Company proposed to procure 50% of the total estimated annual supply (needed to satisfy half of the total GSR-1 load requirement) through two bid rounds or "tranches." (UGI Electric St. No. 1, p. 6.) Each bid round (one in the Spring and Fall of each Plan year) would seek load-following supplies to be delivered over staggered 12-month periods in an amount of 25% (of total GSR-1 load during each month of the 12-month period). (UGI Electric St. No. 1, p. 6.) Being on a full requirements basis, the selected bidder would be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service supplies to the Company. (UGI Electric St. No. 1, p. 6.)

As for the GSR-1 block purchase bids, each year, the Company proposed to procure 50% of the total estimated annual supply (needed to satisfy the other half of the total GSR-1 load requirement) through two bid rounds or tranches. (UGI Electric St. No. 1, p. 7.) Each bid round (one in Spring and Fall of each Plan year) would seek block supplies to be delivered over 6-month periods in an amount of 50% (of total GSR-1 load needed during each month of the 6-month period). (UGI Electric St. No. 1, p. 7.) The Company would issue Requests for Proposals ("RFPs") seeking 5x16 energy blocks (covering 5-day periods at peak hours) and 7x24 energy blocks (covering 7-day periods around the clock). (UGI Electric St. No. 1, p. 7.) For these procurements, the Company will be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company. (UGI Electric St. No. 1, p. 7.)

In direct testimony, OCA witness Dr. Serhan Ogur recommended that "the residential and small commercial default service supply portfolio consist entirely of fixed price, full requirements ("FPFR"), load-following supply contracts, where half of the supply is procured through 12-month FPFR contracts and the other half through 24-month FPFR contracts." (OCA St. No. 1, p. 3.) In other words, the supply portfolio would consist of "50 percent of 12-month FPFR contracts and 50 percent [of] 24-month FPFR contracts." (OCA St. No. 1, p. 9.) According to Dr. Ogur, his recommendation was preferable for several reasons, including that it allegedly "offers better rate stability due to the product durations," "provides enhanced rate stability due to the nature of the FPFR products," "reduces the administrative and operational burden on the Company," and "eliminates all price and volume risk for UGI and its residential and small commercial customers," and "brings UGI in line with the practices of other Pennsylvania EDCs." (OCA St. No. 1, pp. 11-12.)

OSBA witness Robert D. Knecht initially noted in his direct testimony how "the actual costs incurred by the Company" for the past seven years "under the block-and-spot approach have represented the lowest supply costs, not only relative to the [full requirements load-following or FRLF] contracts but also relative to the spot market approach for the GSR-2 load." (OSBA St. No. 1, p. 7.) This "historical price advantage of the block-and-spot approach combined with the relative stability of shopping rates indicate[d]" to Mr. Knecht "that the Company should seriously evaluate expanding the share of supplies purchased with that method." (OSBA St. No. 1, pp. 7-8.)

In rebuttal, UGI Electric disagreed with OCA witness Dr. Ogur's conclusion that purchasing blocks creates rate instability because, over time, the Company's GSR-1 rate has demonstrated its stability as compared to the actual Energy Cost ("EC") for default service. (UGI Electric St. No. 1-R, pp. 2-3.) Likewise, from a customer perspective, the Company's approach has provided relatively stable GSR-1 rates, given that "seven of the thirteen quarterly rate updates during DSP III resulted in no change to customer rates." (UGI Electric St. No. 1-R, pp. 3-4.) And while eliminating blocks may provide additional rate stability and eliminate price and volume risk associated with the Company's spot market procurements, those should not be the only considerations. (UGI Electric St. No. 1-R, pp. 4-6.) Indeed, the Company's DSP IV is designed to achieve the least cost over time. (UGI Electric St. No. 1-R, p. 4.)

Nevertheless, UGI Electric witness Angelina M. Borelli stated that the Company is willing to issue bids seeking load following supplies in 12-month and 24-month installments. (UGI Electric St. No. 1-R, p. 16.) To be prudent, however, she proposed amending the Company's Contingency Plan such that if the Company is unsuccessful in obtaining any bid responses for load following supply to be delivered over 24-month periods, the Company would then plan to procure load following supplies through contracts with 12-month delivery periods. (UGI Electric St. No. 1-R, pp. 16-17.)

OSBA witness Mr. Knecht also submitted rebuttal testimony addressing, among other issues, Dr. Ogur's recommended change to the procurement plan for GSR-1 customers. (OSBA St. No. 1-R, pp. 1-4.) Mr. Knecht found OCA witness Dr. Ogur's rationale for relying entirely on FPFR contracts to be "reasonable and credible." (OSBA St. No. 1-R, p. 2.) Mr. Knecht then presented an updated cost comparison analysis, which "indicate[d] that the two methods," *i.e.*, the Company's proposal and Dr. Ogur's recommendation, "produce roughly the same supply cost, with neither method being obviously superior." (OSBA St. No. 1-R, pp. 2-3.)

In surrebuttal, OCA witness Dr. Ogur disputed UGI Electric witness Ms. Borelli's arguments related to block supply procurements, stating, among other things, that the OCA's past positions in prior DSP cases should not be considered because parties' positions naturally evolve over time. (OCA St. No. 1-S, pp. 15-17.) He also argued that "block-and-spot will typically outperform FPFR contracts modestly" in normal years" and "significantly underperform FPFR contracts under extreme market conditions." (OCA St. No. 1-S, p. 17.) As to UGI Electric's willingness "to procure half of the FPFR contracts in the form of 24-month FPFR contracts . . . and the other half . . . in the form of 12-month FPFR contracts," he found that change to be an improvement should the Commission approve the Company's proposal to "retain the block-and-spot portion of the Company's portfolio." (OCA St. No. 1-S, p. 19.)

Under the Settlement, the Joint Petitioners have agreed that in order to serve its GSR-1 customer grouping during the term of DSP IV, the Company will procure 25% of supply through block purchases and the remaining 75% through load following full-requirements purchases to implement a competitive procurement plan that that assures adequate and reliable service at the least cost over time. Variances between scheduled load and actual load will continue to be reconciled in the PJM hourly spot market (as set forth in Section II. A(1)(c) of the Company's DSP IV Petition and as described in UGI Electric St. No. 1 at pp. 7-8). (Settlement ¶ 17.)

These Settlement terms reflect a reasonable compromise of the parties' positions. Whereas UGI Electric proposed procuring 50% supply through block purchases and the other 50% supply through load following full requirements purchases, OCA recommended that the

Company entirely rely on load following full requirements purchases. By agreeing to 75% load following full requirements purchases and 25% block purchases, the parties' have reached an equitable compromise of their positions. Importantly, the Settlement assures that the competitive procurement plan will provide customers with "adequate and reliable service at the least cost over time." (Settlement ¶ 17.) Moreover, these Settlement terms are designed to provide greater stability to the Company's GSR-1 rates, which ultimately will benefit UGI Electric's customers. Thus, as a result of the parties reaching a resolution of the GSR-1 procurement issues, customers will still continue to receive adequate and reliable service. For these reasons, these Settlement terms are just, reasonable, and in the public interest and should be approved without modification.

B. PROCUREMENT SCHEDULE FOR GSR-1

As explained in Section III.A., *supra*, UGI Electric proposed in its DSP IV Petition that the Company continue procuring full requirements load following supplies and block supplies in accordance with the procurement schedule used in DSP III. (UGI Electric St. No. 1, pp. 6-7.)

In direct testimony, OCA witness Dr. Ogur proposed a GSR-1 contract procurement schedule based around his recommendation that UGI Electric's default service portfolio consist of 50% of 12-month FPFR contracts and 50% of 24-month FPFR contracts. (OCA St. No. 1, pp. 9-10.) Dr. Ogur "split the residential and commercial default service load into four equal tranches," with "each tranche representing 25 percent of the load in each hour." (OCA St. No. 1, p. 10.) Two of those tranches would "be served through 12-month FPFR contracts," while "the other two tranches" would be served "through 24-month FPFR contracts." (OCA St. No. 1, p. 10.) "The delivery periods and procurement dates for the 12-month FPFR contracts" would be "identical to those proposed by the Company." (OCA St. No. 1, p. 10.) For the recommended 24-month FPFR contracts, the Company would procure them "each spring, which implies that the delivery periods of the 12-month FPFR contracts overlap by 12 months." (OCA St. No. 1, p. 10.)

As mentioned previously, the Company stated in its rebuttal testimony that the Company is willing to issue bids seeking load following supplies in 12-month and 24-month installments. (UGI Electric St. No. 1-R, p. 16.) To be prudent, however, UGI Electric witness Ms. Borelli proposed amending the Company's Contingency Plan such that if the Company is unsuccessful in obtaining any bid responses for load following supply to be delivered over 24-month periods, the Company would then plan to procure load following supplies through contracts with 12-month delivery periods. (UGI Electric St. No. 1-R, pp. 16-17.) UGI Electric also presented a revised procurement schedule in its rebuttal testimony, which assumed that the Company received bid responses that include load following contracts with 24-month delivery periods. (UGI Electric St. No. 1-R, pp. 17-18.)

The Settlement provides that in order to serve its GSR-1 customer grouping during the term of DSP IV, the Company will solicit bids for 12-month and 24-month supply deliveries for its load following full-requirement purchases. More specifically, the 75% of load following full requirement purchases will be satisfied through contracts with 12-month and 24-month delivery periods as set forth in **Appendix B** to the Settlement. For the 25% of Block procurements, the Company will solicit bids for 6-month supply deliveries as set forth in the Settlement's **Appendix B**. (Settlement ¶ 18.)

Furthermore, if the Company is unsuccessful in obtaining bid responses for load following full requirements supply to be delivered over 24-month periods, the Company will be permitted (as part of its Contingency Plan set forth in Section II. E of the Company's DSP IV Petition and as described in UGI Electric St. No. 1 at pp. 18-20, and if time permits) to satisfy its obligation to serve its GSR-1 customer grouping through 12-month load following full-requirements procurements during the term of DSP IV. To ensure there are no supply gaps between the end of DSP IV and the beginning of DSP V, the Company will issue a 12-month tranche (for load-following supplies) in the Fall of 2024. The delivery period for this tranche will be between December 2024 and November 2025. (Settlement ¶ 19.)

As a result, the Settlement is a reasonable compromise of the parties' positions. UGI Electric will satisfy 75% of load following full requirement purchases through contracts with 12-month and 24-month delivery periods, with the other 25% being satisfied through block procurements. Both of those procurements will be undertaken pursuant to reasonable procurement schedules agreed to by the Joint Petitioners. And if the Company is unsuccessful in obtaining bids for load following full requirements supply to be delivered over 24-month periods, the Settlement contains provisions to address that outcome. Further, the Settlement is designed to prevent any supply gaps as the DSP IV period ends and the DSP V period begins. Lastly, as mentioned previously, these procurements are designed to provide GSR-1 customers with adequate and reliable service at the least cost over time and to improve the stability of the Company's GSR-1 rates. Thus, the Settlement is just, reasonable, and in the public interest and should be approved without modification.

C. GSR-1 PROCUREMENTS FOR RESIDENTIAL AND C&I CUSTOMERS

In this proceeding, the Company proposed to "maintain its current practice of obtaining load-following supply (for GSR-1 customers) on a combined basis because doing so achieves the least cost for customers over time." (UGI Electric St. No. 1, p. 27.) As explained below, OCA and OSBA raised issues concerning Pace Global Energy Services, LLC's ("Pace") study of the estimated costs of supplies for residential and non-residential customers ("Pace Study").

In direct testimony, OCA witness Dr. Ogur observed that UGI Electric stated in discovery that the Pace Study's "estimates were developed by Pace using a proprietary model which takes into account various factors such as the forward price of energy at the PJM Western Hub, capacity, transmission, ancillary services, Auction Revenue Rights value, and AECs when developing price estimates." (OCA St. No. 1, p. 20.) Also, UGI Electric did "not have access to the workpapers used to develop these cost estimates." (OCA St. No. 1, p. 20.) Dr. Ogur averred that Pace's proprietary model failed to account for "customer migration" and "size of the tranche," which he contended are "two major factors that should have been included in the development of the cost estimates." (OCA St. No. 1, pp. 20-21.) For the factors that were listed, Dr. Ogur still claimed that there were unanswered questions due to his claimed inability to review the cost estimates in more detail, such as "what assumptions were used, which factors were taken into account and which factors were ignored, how each cost and risk factor was priced or which methodology was employed in developing these cost estimates." (OCA St. No. 1, pp. 21-22.) Therefore, Dr. Ogur believed that the Pace Study's estimates could not be relied upon to compare the standalone cost to serve residential customers with the standalone cost to serve small commercial customers through FPFR contracts. (OCA St. No. 1, pp. 21-22.)

OSBA witness Mr. Knecht similarly contended in direct testimony that "the Company's analytical basis for continuing combined procurements is based on a black-box model, which neither the Company nor the participants to this proceeding can evaluate." (OSBA St. No. 1, p. 9.) Further, Mr. Knecht claimed that he had "analytical concerns regarding the reliability of the Pace estimates," such as Pace's conclusion that "the non-residential load procurement cost would average 28 percent below the procurement cost for stand-alone residential." (OSBA St. No. 1, p. 10.) Even if the Pace Study's estimates were reasonable, Mr. Knecht argued that "[t]he Pace analysis implies that non-residential default service customers are materially harmed by the combined procurement, since independent procurement would result in lower rates for non-residential customers." (OSBA St. No. 1, p. 11.) He suggested this alleged "inequity" could be resolved in one of two ways: (1) UGI Electric "could adopt separate procurements for residential and non-residential loads," which, as he conceded, would likely be "administratively costly" and have "an overall higher procurement cost"; or (2) the Company could "establish separate GSR-1 rates for residential and non-residential customers." (OSBA St. No. 1, p. 11.)

In rebuttal, UGI Electric argued that the cost estimates set forth in the Pace Study were accurate and could be relied upon by the parties in this proceeding. (UGI Electric St. No. 1-R, pp. 19-20.) Specifically, Pace consistently has served as the Company's market monitor since DSP I and has provided accurate estimates of the costs associated with each of the Company's load following RFPs. (UGI Electric St. No. 1-R, p. 19.) During each installment of UGI Electric's DSP, Pace has provided expert electric market analyses and electric generation analyses. (UGI Electric St. No. 1-R, p. 19.) Moreover, all of the Company's load-following and block tranches in DSP III, which have provided default supplies to customers at one of the lowest costs in Pennsylvania, were developed in consultation with Pace. (UGI Electric St. No. 1-R, p. 19.) These low cost procurements are a testament to Pace's market expertise and the reliability of their study in this case. (UGI Electric St. No. 1-R, pp. 19-20.)

Furthermore, UGI Electric only committed in the DSP III Settlement to "have its independent market monitor Pace provide an annual cost estimate for load-following service for C&I customers with peak loads less than 100 kw for years 1 through 3 of the 4-year DSP III." (UGI Electric St. No. 1-R, p. 20.) The DSP III Settlement did not state that UGI Electric would provide the methods and controls that Pace used in developing its cost estimate; rather, the DSP

Settlement only stated that the Company would provide the estimate, which UGI Electric did in this case. (UGI Electric St. No. 1-R, p. 20.) As to OSBA witness Mr. Knecht's recommendations, UGI Electric disagreed with them and argued that the Company's combined GSR-1 rates for both residential and non-residential customers should be maintained. (UGI Electric St. No. 1-R, pp. 20-22.)

In the Company's surrebuttal testimony, UGI Electric witness Ms. Borelli responded to the OCA's and OSBA's concerns about the transmission and capacity cost estimates used in the Pace Study. (UGI Electric St. No. 1-SR, pp. 2-6.) She explained that the Company presented a revised Pace Study, which fixed the incorrect historical load factors that were inadvertently used in the original Pace Study to estimate the transmission and capacity costs applicable to both customer groups. (UGI Electric St. No. 1-SR, pp. 3-5.) The results of the revised Pace Study, however, did not warrant any change to the Company's current procurement plan for GSR-1 supplies because, among other reasons: (1) the results of the revised Pace Study showed smaller estimated price differences for residential and commercial GSR-1 customers, as compared to the original Pace Study; and (2) the Pace Studies did not include any risk premium that suppliers may include on the smaller loads that would result if the Company moved to separate procurements. (UGI Electric St. No. 1-SR, pp. 5-6.)

Nonetheless, in surrebuttal, OCA witness Dr. Ogur stated that he had the same concerns about the revised Pace Study as he did about the original Pace Study, including that he could not access "accompanying information on the assumptions, data, or methodologies of the analysis." (OCA St. No. 1-S, pp. 5-6.) OSBA witness Mr. Knecht also raised issues concerning the revised Pace Study and recommended that before December 31, 2021, the Company be required to file a study of the relative cost of default service supplies for GSR-1 residential and non-residential customers, which would include all workpapers and assumptions used in the analysis. (OSBA St. No. 1-S, p. 12.) In that filing, UGI Electric also "would make a recommendation as to whether the combined procurement . . . should be retained, or whether an alternative plan with differentiated rates should be adopted following the completion of the first two years of DSP IV." (OSBA St. No. 1-S, p. 12.)

Under the Settlement, the Company will satisfy its GSR-1 supply needs through bids seeking residential and small commercial/industrial supply on a combined basis as set forth in Section II. A(1) of the Company's DSP IV Petition and as described in UGI Electric St. No. 1 at pp. 5-8. (Settlement ¶ 20.) However, the Settlement also provides detailed commitments for the Company to address OCA's and OSBA's concerns about the original and revised Pace Studies and their potential recommendations to make changes to the Company's current practice of procuring GSR-1 supplies on a combined basis for residential and small commercial customers. Therefore, this Settlement provision, when combined with the commitments addressed in Section III.J., *infra*, is in just, reasonable, and in the public interest and should be approved without modification.

D. PROCUREMENT SCHEDULE GSR-2

In the Company's direct testimony, UGI Electric witness Ms. Borelli explained that the GSR-2 group will consist of customers being served under Rate Schedules GS-4, LP and HTP where the customer's annual peak load is greater than or equal to 100 kW (as was done in DSP III). (UGI Electric St. No. 1, p. 9.) To meet the GSR-2 load requirements during DSP IV, the Company would use the same procurement methodology that was used in DSP III for GSR-2 customers. (UGI Electric St. No. 1, p. 9.) Accordingly, through DSP IV, the Company would acquire default service supplies for these customers through PJM's real-time hourly market (consistent with DSP III). (UGI Electric St. No. 1, p. 9.) For these procurements, the Company would be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company. (UGI Electric St. No. 1, p. 9.)

No parties raised any issues concerning the Company's strategy for procuring default service supplies for GSR-2 customers.

The Settlement provides that UGI Electric will continue purchasing supplies for its GSR-2 customer grouping through the PJM hourly spot market as set forth in Section II. A(2) of the Company's DSP IV Petition and as described on UGI Electric St. No. 1 at pp. 8-9. (Settlement ¶ 21.) Therefore, the Settlement simply memorializes the Company's unopposed procurement strategy for GSR-2 default service supplies. Given that the Company's DSP IV filing was thoroughly investigated by the other parties, their non-opposition to the Company's proposed procurement strategy for GSR-2 supplies is a strong indication that this proposal is appropriate. Thus, this Settlement provision is just, reasonable, and in the public interest and should be approved without modification.

E. RECONCILIATIONS

In its Petition, UGI Electric proposed a rate design plan for DSP IV that mirrored the rate design plan adopted in DSP III and that would recover the Company's default service procurement costs through a Section 1307 reconcilable adjustment clause (including costs for complying with the AEPS Act). (UGI Electric St. No. 2, p. 15.) For the GSR-1 tariff rate, it would equal the sum of several components: (1) energy costs ("EC"); (2) energy cost adjustment ("ECA"); (3) interest; and (4) taxes. (UGI Electric St. No. 2, pp. 15-16.) The GSR-1 rate would continue to be calculated quarterly, beginning each June 1st. (UGI Electric St. No. 1, p. 17.) Default Service revenues and costs, including administrative costs, would be reconciled each quarter for actual results. (UGI

Electric St. No. 1, p. 17.) Specifically, the ECA is defined as the net over or under collection related to the EC, which is collected/refunded for the quarter based on EC revenues received and actual EC costs incurred for the 3-month period ending 2 months before the GSR effective date. (UGI Electric St. No. 1, p. 15.) If the ECA would result in more than a 5% change in the system average total bill for default service, adjustments may be reconciled over more than a 3-month period, but no longer than 12 months. (UGI Electric St. No. 1, pp. 15-16.)

OCA witness Dr. Ogur recommended that the Company adopt "a 'six-month/12-month' reconciliation mechanism" for the GSR-1, "where cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent 12-month period, with a lag." (OCA St. No. 1, p. 19.) According to Dr. Ogur, "[t]his would provide additional stability in rates for residential and small commercial default service customers, and also permit the default service rates to be reflective of market prices since the reconciliation adjustment can be expected to be smaller than if amortization of the amounts were made over a six-month period." (OCA St. No. 1, p. 19.) This recommendation also would "obviate the need for the Company to change the GSR-1 rate quarterly," as it would enable UGI Electric "to limit GSR-1 rate changes to twice per year, June 1 and December 1 of each year." (OCA St. No. 1, p. 19.)

In rebuttal, UGI Electric witness Stephen F. Anzaldo disagreed with OCA witness Dr. Ogur's recommendation. (UGI Electric St. No. 2-R, pp. 2-6.) Mr. Anzaldo observed that "the Company's default service procurements provide rate stability for customers." (UGI Electric St. No. 2-R, p. 5.) Moreover, "the Company's reconciliation method provides sufficient flexibility for appropriately and reasonably smoothing out variance impacts on customer bills." (UGI Electric St. No. 2-R, p. 5.) In the instances where the Company's proposed rate change is greater than a 5% change in the system average total bill for default service, Mr. Anzaldo explained that "[t]he Company generally will amortize the rate change over 6, 9, or 12-months based on the total percentage change to the average customer's bill under each of these scenarios." (UGI Electric St. No. 2-R, p. 6.) In other words, the Company normally selects the appropriate amortization period to minimize the impact to the customers, unless there are other extenuating circumstances (e.g., a rate case or extraordinary change to the power market) that would cause the Company to deviate from this practice. (UGI Electric St. No. 2-R, p. 6.) Having this flexibility allows the Company to minimize rate changes to customers by flexing or changing the amortization period accordingly. (UGI Electric St. No. 2-R, p. 6.)

OSBA witness Mr. Knecht also submitted rebuttal testimony on OCA witness Dr. Ogur's proposed reconciliation mechanism, stating that although he had "no conceptual disagreement with Dr. Ogur" and that Dr. Ogur's proposal "is difficult to evaluate" as "compared to the Company's present method, due to the complexities and flexibilities in UGI Electric's current approach." (OSBA St. No. 1-R, pp. 4-5.)

In surrebuttal, OCA witness Dr. Ogur opined various reasons for maintaining his opposition to the Company's continuation of the quarterly reconciliation mechanism. (OCA St. No. 1-S, pp. 21-22.) However, while he still preferred a 6-month/12-month reconciliation, Dr. Ogur stated that he "would have no objections to a 3-month/12-month reconciliation mechanism either." (OCA St. No. 1-S, p. 21.)

Under the Settlement, UGI Electric will revise its reconciliation method as applicable to situations when the quarterly ECA would result in more than a five percent (5%) change in the average total residential bill for default service. Specifically, when the ECA would result in less than (or equal to) a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a three-month period. In instances when the ECA would result in more than a five percent (5%) change in the average total residential bill, the Company will refund/recover the balance over a six, nine, or twelve-month period (as determined by the Company). (Settlement ¶ 22.) These Settlement terms are a reasonable compromise of the parties' positions and provide additional clarity on the manner in which the Company will refund/recover over/under collections. They also will help ensure that the Company timely recovers any under collections and that GSR-1 customers are timely refunded for any over collections. Thus, these Settlement terms are just, reasonable, and in the public interest and should be approved without modification.

F. MARKET MONITOR

OCA witness Dr. Ogur questioned in direct testimony whether the Company's DSP IV, as proposed, meets all four criteria proposed by PJM Interconnection, LLC ("PJM") for a state default service auction,[1] such as UGI Electric's "RFPs for the procurement of wholesale FPFR supply contracts for its default service customers" to be "competitive and resource-neutral" and, therefore, "exempt from the definition of state subsidy." (OCA St. No. 1, pp. 13-16.) One of those four criteria is that "the state default service auction must be subject to oversight by a consultant or manager, independent of the Market Participants, who certifies that the auction was conducted through a non-discriminatory and competitive bidding process." (OCA St. No. 1, p. 14.) While Dr. Ogur agreed that UGI Electric's DSP IV met the other three criteria proposed by PJM, he claimed that UGI Electric's DSP IV did not meet the independent monitor criterion because the Company's "proposed role for the independent monitor does not include certifying that the procurement process is designed and conducted in accordance with a resource-neutral, non-discriminatory, and competitive bidding process." (OCA St. No. 1, pp. 15-16.) Therefore, Dr.

[1] PJM proposed this criteria in the Minimum Offer Price Rule proceeding at FERC Docket No. EL18-178 consolidated.

Ogur recommended that the independent monitor's proposed role be expanded to include providing that certification. (OCA St. No. 1, p. 16.)

In rebuttal, UGI Electric witness Ms. Borelli explained that Pace, who is the current market monitor, already provides a letter to the Commission's Bureau of Technical Utility Services ("TUS") for each of the Company's solicitations. (UGI Electric St. No. 1-R, p. 18.) This letter provides a "detailed description of the process taken to ensure a fair and competitive solicitation." (UGI Electric St. No. 1-R, p. 18.) Therefore, the Company maintained that this letter meets Dr. Ogur's certification request. (UGI Electric St. No. 1-R, p. 18.) Ms. Borelli also stated that "[t]he Company will comply with any notification requirements associated with the final order in the PJM Minimum Offer Price Rule ("MOPR") proceeding at FERC Docket No. EL18-178 consolidated." (UGI Electric St. No. 1-R, pp. 18-19.)

The Settlement provides that as requested in OCA St. No. 1, p. 16, the responsibilities of the Company's Market Monitor will include certifying that the Company's RFP solicitations are conducted in a resource-neutral, non-discriminatory, and competitive manner. (Settlement ¶ 23.) This commitment will help ensure that UGI Electric's DSP IV meets all of PJM's proposed criteria for a state default service auction to be exempt from the definition of a state subsidy. As alleged by OCA witness Dr. Ogur, the failure to qualify for the exemption could result in a default service auction that is deemed not competitive and resource-neutral, which could have several negative effects, such as the failure to attract any bidders. (OCA St. No. 1, p. 15.) Thus, by helping to avoid such a scenario, this Settlement provision is just, reasonable, and in the public interest and should be approved without modification.

G. CONTINGENCY PLAN

In its DSP IV Petition, UGI Electric witness Ms. Borelli explained that the Company's DSP IV incorporates contingency plans in the event that the Company cannot secure wholesale generation supplies required to meet the default service obligation. (UGI Electric St. No. 1, p. 18.) Similar to DSP III, DSP IV's contingency plan will address situations where the Company either cannot secure bids from wholesale suppliers or cannot receive default supplies (under existing contracts) to satisfy its load requirements. (UGI Electric St. No. 1, p. 18.) The contingency plan for DSP IV has minor revisions from the one used in DSP III. (UGI Electric St. No. 1, p. 18.) Specifically, different from DSP III, DSP IV's contingency plan will use block procurements and subsequent full requirement bids (in consultation with Pace) only if time permits. (UGI Electric St. No. 1, p. 19.) If time does not permit, the Company would address the load following shortfall by making purchases in the spot market. (UGI Electric St. No. 1, p. 19.) No parties opposed the Company's contingency plan.

Under the Settlement, the updates to the Company's contingency plan, as set forth in Section II. E of the DSP IV Petition, in UGI Electric St. No. 1 at pp. 18-20, and in Paragraph 2 above, are accepted. Additionally, DSP IV's Contingency Plan will make block and load following full-requirements procurements (in consultation with Pace) only if time permits. If time does not permit, the Company will address any load following full-requirements shortfall by making purchases in the spot market. (Settlement ¶ 24.) Thus, the Settlement memorializes the Company's unopposed changes to its contingency plan, which will help ensure that the Company has procured sufficient supplies to serve its default service customers. Consequently, the Settlement term is just, reasonable, and in the public interest and should be approved without modification.

H. REVERSE MIGRATION (GSR-2 TO GSR-1)

Under the Company's proposed GSR-2 tariff rate, the "adjustments" component of the rate was defined as "over/under collections plus interest will be refunded/recovered over 12 billing periods to customers who migrate from GSR-1 to GSR-2 during the DSP term." (UGI Electric St.

No. 2, p. 17.) For the customers who migrate from GSR-1 to GSR-2, the Company explained that the over/under collection existing as of May 31, 2021, would be allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the period of the over/under collection attributed to those customers classified as GSR-1 and GSR-2 as of June 1, 2021. (UGI Electric St. No. 2, p. 17.) In addition, these migrated customers would be billed over 12 billing periods effective with the September rate change. (UGI Electric St. No. 2, p. 17.)

In his direct testimony, OSBA witness Mr. Knecht observed that "[n]o parallel exemption from the reconciliation charge is proposed for customers transitioning from GSR-2 to GSR-1, although the Company . . . expressed a willingness to consider it." (OSBA St. No. 1, p. 2.)

UGI Electric stated in its rebuttal testimony that it would update the Rider B – Generation Supply Service Surcharge section in its Electric Tariff to include a provision for customers who switch from GSR-2 to GSR-1 during the DSP IV term. (UGI Electric St. No. 2-R, p. 7.) Customers who undergo this reverse migration will be exempted from any over/under collections as reflected in the Company's E-factor (existing as of May 31, 2021) for a period of 12 months after returning to GSR-1, which would occur in September 2021. (UGI Electric St. No. 2-R, p. 7.)

The Settlement explicitly incorporates these commitments that the Company made in its rebuttal testimony. (Settlement ¶ 25.) Also, the Settlement provides that the Company is permitted to recover, as a DSP administrative expense, programming costs required to implement a billing system change (required to implement this reverse migration provision) in an amount of $3,000. (Settlement ¶ 25.) Therefore, the Settlement provisions will resolve the issue raised by OSBA concerning the lack of a parallel exemption for customers migrating from GSR-2 to GSR-1 from the reconciliation charge. As a result, the treatment of migrating GSR-1 and GSR-2 customers will be fair and equitable. The Settlement provisions also will enable UGI Electric to recover the expenses needed to implement this change in the Company's billing system. Thus, these Settlement terms are just, reasonable, and in the public interest and should be approved without modification.

I. TARIFF CLARIFICATIONS

In OSBA's direct testimony, Mr. Knecht noted how the Company's tariff's definition of "price-to-compare" includes references to the Alternative Energy Cost Charge ("AECC") and the "applicable base transmission rate." (OSBA St. No. 1, p. 4.) However, "[a]s neither 'AECC' or "base transmission rate' is mentioned elsewhere in the Company's tariff," Mr. Knecht averred that "this excess verbiage should probably be excised." (OSBA St. No. 1, p. 4.) He also noted how the Company's proposed "100-kW demarcation" for determining GSR-2 customers "would be a one-time determination, remaining in effect for the four-year plan, based on maximum billing demand in the 12 months prior to September 30, 2020." (OSBA St. No. 1, p. 2.) Mr. Knecht further observed the Company agreed in discovery to correct its proposed tariff language to clarify this proposal. (OSBA St. No. 1, p. 2.)

UGI Electric witness Ms. Borelli later stated in her surrebuttal testimony that the Company agreed to: (1) modify its tariff to remove the AECC and applicable base transmission rate language from its tariff; and (2) clarify that the customer's highest billing demand will be calculated over the twelve-month period ending September 30, 2020. (UGI Electric St. No. 1-SR, p. 7.)

Under the Settlement, in the Rider B - Generation Supply Service Surcharge section of the Company's Electric Tariff, the Company will:

a. Revise the Price To Compare provision to eliminate the reference to the Alternative Energy Cost Charge ("AECC") and applicable base transmission rate language.

b. Clarify that the customer's highest billing demand will be calculated over the twelve-month period ending September 30, 2020.

(Settlement ¶ 26.) These changes to the Company's proposed tariff are designed to address the issues identified by OSBA witness Mr. Knecht. By clarifying these tariff provisions, customers will have a clearer understanding of the tariff provisions and their application. Thus, this Settlement terms is just, reasonable, and in the public interest and should be approved without modification.

J. PROCUREMENT STUDY

In the Settlement for DSP III,[2] the Company agreed to provide load research data for June 1, 2017 through December 31, 2019 in its DSP IV filing to facilitate the evaluation of continuing to use a combined grouping of residential and commercial customers with peak loads less than 100 kW (i.e., the GSR-1 customer grouping). (UGI Electric St. No. 1, p. 25.) Additionally, the Company agreed in Settlement of DSP III to have its market monitor, Pace, provide an annual cost estimate for load-following supply service for commercial and industrial customers with peak loads less than 100 kW for years 1 through 3 of DSP III. (UGI Electric St. No. 1, p. 25.) UGI Electric complied with these obligations and presented Pace's cost estimates for residential supply, commercial supply, and a combined product (*i.e.*, residential and commercial supply) during each tranche of DSP III (for Plan years 2017-2020). (UGI Electric St. No. 1, p. 25.) For each bid round, Pace estimated the overall cost of load-following supply to be lower for a combined procurement. (UGI Electric St. No. 1, p. 26.) Therefore, as noted above, UGI Electric proposed in this proceeding that the Company "maintain its current practice of obtaining load-following supply (for GSR-1 customers) on a combined basis because doing so achieves the least cost for customers over time." (UGI Electric St. No. 1, p. 27.)

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[2] The Joint Petition for Settlement in Docket Nos. P-2016-2543523 and G-2016-2543527 was filed on September 1, 2016.

As also noted above, OCA and OSBA criticized the Pace study and OSBA recommended that the Company submit a further study, which included the workpapers and assumptions used in the analysis. (OSBA St. No. 1-S, p. 12.)

The Settlement provides that before June 30, 2022, the Company will file a different study of the relative cost of default service supplies for GSR-1 residential and non-residential customers. The Company may select a consultant of its choosing to perform the study. The filing will include all workpapers and assumptions used in the analysis, subject to reasonable confidentiality restrictions as necessary. The study will rely on data from DSP III, DSP IV, and actual data through at least the Fall of 2021. The study will evaluate the relative costs to GSR-1 residential and non-residential customers associated with: (1) both block-and-spot and full requirements procurements methods; and (2) both separate procurements and cost allocations being made to the residential and non-residential customer groups under a combined procurement. (Settlement ¶ 27.)

At the time of the filing, the Company will make recommendations regarding whether to: (1) continue its existing combined procurement methodology for residential and non-residential customers under the single GSR-1 rate; (2) propose separate procurements for residential and non-residential GSR-1 customers; or (3) maintain combined procurements with differentiated rates for residential and non-residential GSR-1 customers. (Settlement ¶ 28.)

Additionally, nothing in the Settlement restricts any party's rights under law to make any filing in response to the Company's June 30, 2022 filing (e.g., study and recommendation). In response to the Company's June 30, 2022 filing, OCA and OSBA may make responsive proposals to revise the Company's proposal during the DSP IV period or may oppose such proposals, except that the parties agree not to propose a change in the procurement methodology for rates to become effective prior to June 1, 2023. This settlement provision does not restrict any position any party may take in any such proceeding or any other proceeding. (Settlement ¶ 29.) The Joint Petitioners also agree that the Company may recover the cost to perform the study described herein as an administrative expense in its current DSP IV proceeding. (Settlement ¶ 30.)

In sum, these Settlement provisions are a reasonable approach to address the parties' perceived issues with UGI Electric's Pace Study. Both the OCA and OSBA raised issues concerning their inability to review all of the information and factors considered in the Pace Study, due to Pace's use of its proprietary model. By undertaking this new study, the parties will have access to more detailed information about the relative cost of default service supplies for GSR-1 residential and non-residential customers. Moreover, UGI Electric's filing of study will enable the parties to conduct a more complete analysis of the Company's combined procurement of GSR-1 supplies for residential and small commercial customers. The new study will have searchable inputs and is designed to consider total cost differences, including risk premiums. The Company also will make recommendations on whether to continue this current practice or to adopt one of the OSBA's two recommendations set forth in Mr. Knecht's direct testimony. (*See* OSBA St. No. 1, pp. 11-12.) The parties then can review the information and make responsive proposals to the Company's recommendations. As a result, these Settlement provisions are designed to completely resolve this issue in a limited timeframe, to provide the parties with a more accurate estimate of the cost difference, and to better equip the parties to make fully informed decisions and recommendations on how to proceed and resolve perceived cross class subsidization concerns.

Therefore, the Settlement will provide the parties with: (1) access to the information they deemed to be lacking with the Pace Study; and (2) a better opportunity to resolve any issues they have with the combined procurement of GSR-1 supplies for residential and small commercial customers. Thus, these Settlement provisions are just, reasonable, and in the public interest and should be approved without modification.

IV. CONCLUSION

This Settlement is the result of detailed examination of UGI Electric's proposed DSP IV filing, extensive discovery by the parties, multiple rounds of testimony, and reasonable compromise by knowledgeable Joint Petitioners. The Company believes that a fair and reasonable compromise of all issues has been achieved in this case. UGI Electric fully supports the Settlement and respectfully requests that Administrative Law Judge Dennis J. Buckley recommend, and the Pennsylvania Public Utility Commission approve, the Company's DSP IV filing as modified by the Settlement without any modification to the terms proposed in this Settlement.

Respectfully submitted,

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Date: October 23, 2020

APPENDIX D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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 Nos. P-2020-3019907 G-2020-3019908

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Settlement (Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Partial Settlement be approved by Administrative Law Judge Dennis J. Buckley and the Pennsylvania Public Utility Commission (Commission). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of the residential customers of UGI Utilities, Inc. – Electric Division (UGI Electric or Company).

I. INTRODUCTION

On May 26, 2020, UGI Electric filed its Petition for Approval of a Default Service Plan (DSP IV) for the Period of June 21, 2021 through May 31, 2025 (Petition). The Petition sets forth the terms and conditions by which the Company will acquire and price default service supplies for its non-shopping customers for the four year duration of DSP IV. Included in the acquisition would be the Alternative Energy Credits (AECs) necessary to meet UGI Electric's obligations under the Alternative Energy Portfolio Standards Act (AEPSA).

Notice of UGI Electric's filing was published in the June 20, 2020 issue of the *Pennsylvania Bulletin* with direction that any protests, petitions to intervene or answers were to be filed by July 10, 2020. The case was assigned to Administrative Law Judge Dennis J. Buckley and a prehearing conference was set for July 8, 2020.

The Office of Consumer Advocate (OCA) entered this proceeding with the filing of its Notice of Intervention and Answer on June 30, 2020. The Office of Small Business Advocate (OSBA) filed its Notice of Intervention and Answer on June 11, 2020. No other parties intervened in the proceeding.

The OCA retained the services of an expert witness, Dr. Serhan Ogur, to assist in its review of the case.[1] The OCA engaged in three rounds of discovery and Dr. Ogur submitted Direct, Rebuttal and Surrebuttal testimony.

Consistent with Commission's policy encouraging settlements (52 Pa. Code §5.231), UGI Electric entered into settlement discussions with the parties during the course of the proceeding, and has been successful in reaching a full settlement on all issues.

II. BACKGROUND

A. Default Service Products

[1] Dr. Serhan Ogur is a Principal with Exeter Associates, Inc.. an energy and economics consulting firm specializing in public utility regulation. Dr. Ogur received a B.A. degree in Economics from Bogazici University (Istanbul, Turkey) in 1996 and a Ph.D. in Economics from Northwestern University in 2007. Dr. Ogur has 19 years of experience in the energy industry specializing in organized wholesale and retail electricity markets. He was previously employed as an Economic Analyst at the Illinois Commerce Commission; a Senior Economist at PJM Interconnection LLC; and a Senior System Operator at Fellon-McCord & Associates. Dr. Ogur's qualifications are detailed in OCA St. 1 at 1-2, App. A.

As it has done in its current DSP III, UGI Electric proposed to acquire default service supply for its residential and small commercial customer classes through a combined procurement in DSP IV. The Company proposed to provide one half of the residential and small commercial default service power supply through competitively procured, laddered, 12-month fixed price, full requirements (FPFR) contracts. The other half of the power supply would be provided through 6-month around-the-clock (7x24) and on-peak (5x16) block energy purchases. Under the Company's plan, it would balance the load-block energy differences through hourly spot market purchases and sales in PJM.[2] UGI-E St. 1 at 6-7.

OCA witness Dr. Ogur proposed an alternative product mix for serving the residential and small commercial classes. He recommended that the Company eliminate the block energy purchases and replace them with 24-month FPFR contracts while retaining the 12-month FPFR contracts and the weight of the 12-month product in the supply portfolio. Under this proposal, the supply portfolio would consist of 50 percent 12-month FPFR contracts and 50 percent 24-month FPFR contracts. OCA St. 1 at 9. Dr. Ogur offered a number of reasons for why his recommended portfolio was preferable to that proposed by the Company:

> (1) It offers better rate stability due to the product durations. While 75 percent of the Company's proposed portfolio turns over every six months on average, only 37.5 percent of Dr. Ogur's proposed portfolio turns over every six months.
>
> (2) It provides enhanced rate stability due to the nature of the FPFR products. While the reconciliation adjustment (E Factor rate) is expected to be very small under Dr. Ogur's recommended portfolio, the large (50 percent) block-and-spot component under the Company's proposed portfolio exposes the GSR-1 rate (the default service rate paid by residential and small commercial customers) to volatility through large fluctuations in the E Factor rate.
>
> (3) It reduces the administrative and operational burden on the Company. When block energy purchases are eliminated from the residential and small commercial default service supply

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[2] PJM is short for PJM Interconnection, LLC, the Federal Energy Regulatory Commission (FERC)-authorized regional transmission organization (RTO) serving the Mid-Atlantic and certain Midwestern states. Among other functions, PJM administers both a day-ahead and a spot market for the sale of electricity.

portfolio, it also eliminates the need for UGI Electric to perform load forecasts to determine block sizes; make spot market energy purchases and sales and perform the associated settlements in PJM; acquire AECs required to serve the load associated with the energy blocks; and settle capacity, transmission, congestion, and ancillary services costs in PJM.

(4) It eliminates all price and volume risk for UGI Electric and its residential and small commercial customers, and places those risks on the wholesale suppliers that are more experienced in and better equipped for managing such risks.

(5) It brings UGI Electric in line with the practices of other Pennsylvania EDCs. Exclusive or near-exclusive reliance on FPFR contracts for serving the power supply needs of residential default service customers is adopted by nearly all state-jurisdictional Pennsylvania EDCs, small and large.

(6) A 24-month FPFR contract is more appealing than a 12-month FPFR contract to wholesale suppliers due to the larger sales volume associated with the 24-month FPFR contract. Therefore, the inclusion of 24-month FPFR contracts can be expected to increase supplier interest and competition for the Company's FPFR contracts.

OCA St. 1 at 11-12.

In its Rebuttal testimony, UGI Electric disagreed with Dr. Ogur's recommendation to eliminate the block purchases proposed by the Company. It argued that its default service rate, including block purchases, has been stable over time and that block procurements are less costly than load-following procurements, enabling it to better comply with the "least cost over time" statutory requirement for default service. UGI-E St. 1-R at 2-6. The Company did, however, indicate its willingness to incorporate some 24-month FPFR contracts in its portfolio, albeit with the caveat that if the Company is unsuccessful in obtaining any bids for such contracts it would then procure the needed supply through 12-month FPFR contracts. UGI-E St. 1-R at 16-17.

B. <u>Reconciliation Mechanism</u>

UGI proposed a quarterly reconciliation mechanism in connection with its default service rate (GSR-1) for residential and small commercial customers. This means that cost recovery of over- or under-collections occurring over a three-month period would be collected over the subsequent three-month period, with a lag of two months. However, if the reconciliation would result in more than a 5 percent change in the system average total bill for default service, adjustments could be reconciled over more than a three-month period, but no longer than a 12-month period. Petition, Appendix D, Pro Forma Tariff Page No. 40.

In the alternative, OCA witness Dr. Ogur recommended a "six-month/12-month" reconciliation mechanism by which cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent 12-month period, with a lag. Dr. Ogur maintained that this would provide additional stability in rates for residential and small commercial default service customers, and also permit the default service rates to be reflective of market prices since the reconciliation adjustment can be expected to be smaller than if amortization of the amounts were made over a three- or six-month period. OCA St. 1 at 19.

In Rebuttal testimony, UGI Electric opposed Dr. Ogur's six month/12-month reconciliation proposal and argued for retaining its proposed reconciliation procedure, pointing out that its default service procurements already provide rate stability for customers and that its reconciliation method provides sufficient flexibility for smoothing out the impact of any cost/revenue variance on customer bills. UGI-E St.2-R at 5.

C. Independent Evaluator (Market Monitor)

This issue arose as a result of a relatively recent FERC ruling in connection with the wholesale capacity market run by PJM. As Dr. Ogur testified, FERC determined "to eliminate the effects of state subsidies to certain resources in PJM's capacity auctions. [FERC] included payments made to suppliers in connection with state-ordered default service auctions in the definition of 'state subsidy.' " OCA St. 1 at 13. FERC's action was taken as part of its review of PJM's "Minimum Offer Pricing Rule," (MOPR), a component of PJM's capacity market construct. On June 1, 2020, PJM made a compliance filing with FERC in which it proposed tariff language to exempt state default service auctions from the definition of "state subsidy" and the application of MOPR[3] to resources associated with winning bidders in those auctions if the auctions met certain criteria.

Under PJM's proposal, a default service auction such as UGI Electric's, would be deemed competitive and resource neutral and thus exempt from the definition of state subsidy if: (1) it is subject to oversight by a consultant or manager, independent of the market participants, who certifies that the auction was conducted through a competitive and non-discriminatory competitive bidding process; (2) the auction must not place any conditions based on the ownership, location, affiliation, fuel type, technology, or emissions, of any resources or supply; (3) the auction must not result in any contracts between winning wholesale supplier and an Electric Distribution Company (Duquesne) that would impose conditions requiring any upstream bilateral transactions to be sourced from any specific capacity resource or resource type; and (4) retail customers must have the option to choose a competitive retail supplier and, in effect, bypass any supply charges that result from the default service auction awards.[4]

In Dr. Ogur's estimation, the procurement process proposed for DSP IV meets criteria (2), (3) and (4) above, but not (1). As Dr. Ogur observed:

> While UGI proposes to engage an independent auction monitor to monitor and conduct the competitive solicitations, the independent auction monitor's role appears to be limited to managing UGI's default service bidding process; overseeing the RFP process; advertising notice of the RFPs in industry publications; participating in the conference calls conducted by UGI where all potential suppliers can attend and ask questions about the RFPs; conducting the

[3] Under the MOPR, capacity resources found to be receiving a state subsidy would have their bid into the capacity market increased to a level that would remove the effect of the subsidy. Once raised, the resource's bid would be less likely to clear the market, all else equal.

[4] As Dr. Ogur explains, capacity resource owners, and their subsidiaries and affiliates, would likely choose not to participate in a default supply procurement that was not deemed competitive and resource-neutral. Furthermore, wholesale counterparties associated with capacity resource ownership may also decline to transact with the entities awarded such state default service contracts, making it costly or perhaps outright impossible for bidders in such state default service solicitations to hedge their price risks. Ultimately, auctions that are not deemed resource-neutral and competitive may struggle to attract bidders. OCA St. 1 at 15.

> RFPs; and receiving the bids, evaluating the responses, and determining the winning bidders. UGI's proposed role for the independent monitor does not include certifying that the procurement process is designed and conducted in accordance with a resource-neutral, non-discriminatory, and competitive bidding process.

OCA St. 1 at 15-16. Accordingly, Dr. Ogur recommended that the role of the independent auction monitor be expanded to include certifying that UGI Electric's default service solicitations are conducted through a resource-neutral, non-discriminatory and competitive bidding process; and that the Company's RFPs meet all requirements for an exemption from the definition of state subsidy. Id.

In its Rebuttal Testimony, UGI Electric noted that the independent evaluator of its default service auctions, Pace Global Energy Services (Pace), provides a letter to the Commission's Bureau of Technical Utility Services for each of the Company's solicitations. The letter includes a detailed description of the process employed to ensure a fair and competitive solicitation. The Company stated that it believes this letter meets Dr. Ogur's certification request. Further, the Company stated that it will comply with any notification requirements associated with the final FERC order in the PJM MOPR proceeding. UGI-E St. 1-R at 18-19.

D. Pace Study

Fulfilling a commitment made in the settlement of its DSP III case, UGI Electric included in its filing the results of a study conducted by its independent auction evaluator, Pace, which was intended to provide an annual cost estimate for load-following supply service for residential and small commercial customers for years 1 through 3 of DSP III. In addition, the DSP III settlement obligated UGI Electric to submit in its DSP IV filing load research data for the period from June 1, 2017 through December 31, 2019. The results of these analyses were to be used to inform the

Company whether to continue to procure default supply for residential and small commercial customers on a combined basis. UGI-E St. 1 at 25.

Both OCA witness Dr. Ogur and OSBA witness Robert Knecht identified certain anomalies in the results of the Pace study. OCA St. 1 at 20-21; OSBA St. 1 at 10. In addition, both Dr. Ogur and Mr. Knecht noted that the Pace study made use of a proprietary model and that the UGI Electric did not have access to the workpapers used to develop the cost estimates included in the Company's filing. OCA St. 1 at 20; OSBA St. 1 at 9. Again, in their respective Rebuttal testimonies, Messrs. Ogur and Knecht expressed concern about the validity and reliability of Pace's cost estimates. OCA St. 1-R at 4-5; OSBA St. 1-R at 8.[5]

After the filing of Rebuttal testimony, the Company determined that certain errors were made in the Pace study and that Pace would be revising the study. UGI-E St. 1-SR at 3. Subsequently, a revised Pace study was presented to the parties. As with the original Pace study, UGI Electric represented that Pace used its proprietary model and that the Company did not have access to the files, calculations or workpapers used to produce Pace's cost estimates. OCA Exh. SO-1SR.

The results of the revised study indicated a lower cost-to-serve differential between residential and small commercial customers compared to the initial Pace study. The revised Pace estimates suggest material cost-to-serve differences between residential and small commercial customers, with the small commercial class appearing to be less costly to serve than the residential class for the three most recent solicitations for load-following products (spring 2019, fall 2019 and spring 2020), while differences for the four prior solicitations (spring 2017, fall 2017, spring 2018,

[5] These concerns were in response to Pace cost estimates which had only recently been supplied that showed marked differences between residential and small commercial customers for peak-demand related costs, specifically the costs for generation and transmission capacity. OSBA St. 1-S at 3.

fall 2018) were more modest at 5% or less. OCA St. 1-S at 3. In addition, the revised study indicated that for the three most recent periods, the cost of combined procurement for the two customer classes was more than the cost of separate procurements. OSBA St. 1-S at 6. From these results, the parties came to different conclusions regarding next steps. OCA witness Dr. Ogur took the position that because UGI Electric could not provide the underlying workpapers and calculations for the revised Pace study, its results were unverifiable and should not be relied upon to draw any conclusions with respect to the cost to serve residential or small commercial customers or whether procurement should be carried out on a separate or combined basis. OCA St. 1-S at 4, 5. Accordingly, Dr. Ogur recommended following the Company's proposal to continue combined procurement and to set a single rate applicable to all residential and small commercial default service customers. Id. at 10. For its part, the Company also did not find that the revised Pace estimates warranted any change in its proposed procurement approach. UGI-E St. 1-SR at 6.

OSBA witness Knecht disagreed with the OCA and the Company. His assessment was that the UGI Electric had demonstrated that the cost to serve small commercial customers is significantly lower than the cost to serve residential customers and that the current combined procurement approach, along with a uniform rate for the two customer classes, results in a subsidy from small commercial customers to the residential class. OSBA St. 1-S at 6. As a consequence, Mr. Knecht offered three potential options for a path forward: (1) pursue separate procurements for residential and small commercial default service supplies; (2) maintain a combined procurement for the two classes but allocate costs based on cost causation principles which would lead to different rates for the two classes; and (3) follow the Company's proposed procurement approach while working on finding alternative ratemaking methods to reflect the cost differences between the two classes. Id. Mr. Knecht did not recommend the separate procurement approach.

Id. at 7. However, he offered significant detail as to the other two options – setting differentiated rates for the two classes and following the Company's procurement approach while seeking a suitable ratemaking alternative. This latter option bears further explanation. Mr. Knecht proposed that a more definitive evaluation of separate procurement and cost allocation methods should be conducted. However, he argued that given the apparent cost differences between the classes, the definitive evaluation should not wait until UGI Electric's next default service proceeding. Instead, Mr. Knecht proposed that before December 31, 2021, the Company should be required to file with the Commission its definitive evaluation of the relative cost of providing default service supply to residential and small commercial customers, respectively. As Mr. Knecht states, this definitive study should be a "more careful, thorough, and transparent version of the Pace analysis." Id. at 12. Once the study is completed, the Company would make a recommendation as to whether the combined procurement should be continued or whether an alternative plan with differentiated rates should be adopted for the second half of DSP IV, beginning June 1, 2023.

III. TERMS AND CONDITIONS OF SETTLEMENT

A. Procurement Plan and Procurement Schedule for GSR-1 Customers (Settlement ¶¶ 17-20)

Settlement ¶ 17 provides that to serve the default service load of the residential and small commercial customer classes, the Company will procure 25% of that supply through block purchases and the remaining 75% through load following, full-requirements (LFFR) purchases.[6] Settlement ¶ 18 provides that for the LFFR portion of its portfolio UGI Electric will solicit bids for both 12-month and 24-month products. For the block purchase portion of its portfolio, the Company will solicit bids for blocks of 6-month duration. Variances between scheduled load and actual load will be reconciled in

[6] For purposes of this Statement in Support load following, full requirements (LFFR) contracts should be considered synonymous with fixed price, full requirements (FPFR) contracts.

the PJM hourly spot market. Settlement ¶ 17. Settlement ¶ 19 provides that if the Company is unsuccessful in securing bids for the 24-month load following product, it will be permitted to satisfy its default service load obligation to the GSR-1 customers through procurement of 12-month LFFR products. Settlement ¶ 20 states that procurement for the GSR-1 customers will be conducted on a combined basis.

These Settlement provisions represent a reasonable compromise between the Company's proposal for a 50/50 split between block purchases and load following full-requirements contracts and the OCA's proposal for 100% load following contracts, made up of a 50/50 split between 12- and 24-month contracts. A greater percentage of the overall portfolio will consist of LFFR products and 24-month contracts will be introduced to the portfolio for the first time. The OCA submits that these Settlement provisions will enhance default service rate stability over time and are in the interests of the Company's GSR-1 customers.

B. Reconciliation Mechanism (Settlement ¶ 22)

The Settlement provides that UGI Electric will revise its reconciliation method for instances where a quarterly reconciliation adjustment would result in more than a five percent change in the average total residential bill for default service. In such a case, the Company will refund or recover the balance to customers over either a six, nine or twelve-month period. Under the Company's proposal, adjustments greater than five percent would be refunded or recovered over a period of between three and twelve months. Quarterly reconciliation adjustments less than or equal to a five percent change in the average total residential will continue to be refunded or recovered over a three-month period.

This provision of the Settlement reaches a compromise between the positions of the OCA and the Company with respect to reconciliation. While the OCA preferred Dr. Ogur's "six month/twelve month" proposal, it recognizes that by altering the default supply product mix to include 75% fixed price, load following full-requirements contracts, volatility of the quarterly reconciliation adjustments should be dampened. OCA St. 1 at 18. The reconciliation modification made by the Settlement eliminates the possibility that quarterly adjustments of greater than five percent can be recovered over as little as three months. On balance, the OCA is satisfied that this change coupled with the change in portfolio mix will contribute to moderating default service rate volatility for customers and should be approved.

C. Market Monitor (Settlement ¶ 23)

The Settlement provides that the responsibilities of the Company's market monitor, Pace, will include certifying that UGI Electric's solicitations for default service products are conducted in a resource-neutral, non-discriminatory and competitive manner. This satisfies the proposal put forth by the OCA. The importance of this is reinforced by the fact that on October 15, 2020, FERC approved the PJM proposal for exempting from the definition of "state subsidy," default service auctions that meet the four criteria listed in Section II. C. of this Statement in Support.[7] The Settlement provision ensures that the Company meets all of those criteria.

D. Procurement Study (Settlement ¶¶ 27-30)

This Settlement term addresses the issues raised by the Pace study. It is similar to the proposal made by OSBA witness Knecht. Settlement ¶ 27 provides that on or before June 30, 2022, UGI Electric will file a study of the relative cost of default service supplies for GSR-1 residential and small commercial customers. Importantly, the filing will be required to include all workpapers and assumptions used in the study. The study will utilize data from DSP III, DSP IV and actual data through at least the fall of 2021. It will evaluate the relative costs to GSR-1 residential and small commercial customers associated with: (1) both block-and-spot and full requirements procurements methods; and (2) both separate procurements and cost allocations being made to the residential and small commercial customer classes under a combined procurement.

Settlement ¶ 28 provides that upon filing the study, the Company will make recommendations regarding whether to: (1) continue its existing combined procurement methodology for residential and small commercial customers under a single GSR-1 rate; (2) propose separate procurements for residential and small commercial customers including separate GSR-1 rates for each respective customer class; or (3)

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[7] Calpine Corp. *et al.* v. PJM Interconnection, LLC 173 FERC ¶ 61,061 (FERC Docket Nos. EL16-49; EL18-178; ER18-1314) (Issued October 15, 2020)

maintain combined procurements with differentiated rates for residential and small commercial GSR-1 customers.

Settlement ¶ 29 preserves the right of parties to make responsive filings to the Company's June 2022 filing, including alternative proposals to that submitted by the Company. If the Commission determines that a change to the status quo is warranted, the change will take effect on June 1, 2023, midway through DSP IV.

This Settlement term reflects a compromise between the Company and the OCA, both of whom supported pursuing the Company's proposed procurement and rate-setting methods for the full term of DSP IV, and the OSBA, who was concerned about the issues raised by the Pace study and did not want to wait four years for those issues to be addressed. Under the Settlement, a study of the costs of serving residential and small commercial customers will be presented roughly one year into DSP IV and if it is determined that changes should be made on the basis of that study, those changes will be implemented halfway through DSP IV and will be in effect for the remainder of that term. As noted above, an important element of the Settlement is that the study UGI Electric will submit by June 30, 2022 will include all assumptions, worksheets and calculations used in reaching the results of the study. This will remove some of the concern and uncertainty both OCA and OSBA had with respect to the Pace study. In light of the questions raised by the Pace study and concern for the reliability of its results, the OCA submits that the approach taken in this Settlement represents a reasonable means of examining the costs of providing default service for the residential and small commercial classes and of determining whether any changes to procurement or rate-setting for the balance of DSP IV are warranted.

IV. CONCLUSION

The OCA submits that the Settlement is a reasonable and balanced resolution of the issues addressed therein. It provides for an appropriate mix of block energy purchases and load following, full-requirements 12 and 24-month contracts, designed to enhance rate stability for customers. It ensures that reconciliation adjustments of more than 5% of the average residential default service bill will be amortized over a minimum of six months. It further ensures that winners of the Company's default service solicitations or the capacity resources they rely upon will not be deemed to be receiving a state subsidy and therefore subject to the PJM MOPR rule. Finally, it provides a prudent approach for examining cost of service issues between residential and small commercial customers and determining whether any midcourse correction is needed for DSP IV. For these reasons, the OCA finds the Settlement to be in the public interest and in the interest of UGI Electric's residential customers and submits that its terms and conditions should be approved by the Commission.

Respectfully Submitted,

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Dated: October 23, 2020
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APPENDIX E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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**

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate ("OSBA") filed an Answer and Notice of Intervention in the above-captioned proceeding which was initiated by UGI Utilities, Inc. - Electric Division ("UGI Electric" or the "Company") on May 26, 2020.

The OSBA actively participated in the negotiations that led to the proposed partial settlement and is a signatory to the Joint Petition for Settlement ("*Joint Petition*"). The OSBA submits this statement in support of the *Joint Petition*.

The *Joint Petition*

The *Joint Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Joint Petition* was in the best interests of UGI Electric's small business customers.

1. Default Service Procurement Classes

As a general rule, the OSBA supports default service procurement plans that involve separate purchases of supplies by customer class. This allows for the use of the procurement method that is most appropriate for each class, and ensures that default service costs are properly allocated among the classes. The circumstances facing UGI Electric, however, may require a different approach.

The *Joint Petition* proposes to continue the current combined procurement plan for residential and non-residential customers with maximum demand below 100 kW (a group UGI Electric calls "GSR-1" for default service purposes). *See Joint Petition*, Paragraph 20. Mr. Knecht currently supports this proposal:

> I do not recommend separate procurements at this time, for three reasons.
>
> First, separate procurements would increase administrative costs to the detriment of ratepayers.
>
> Second, UGI Electric's historical experience with separate procurements argues against a return to that approach. In its initial default service plan, the Company relied on separate procurements for residential and non-residential default service customers, with the non-residential group including customers with loads up to 500 kW. The Company attempted to procure full requirements load following ('FRLF') supplies for the non-residential group, but most of the procurements were rejected by the Commission. While it is possible that these earlier procurement efforts failed because larger customers (maximum demand from 100 kW to 500

> kW) with a higher propensity to shop were included in the non-residential category, there is no evidence or analysis on record in this proceeding that would ensure this problem would not recur.
>
> Third, if a separate procurement approach were adopted, it would be necessary to revisit the overall procurement approach for both residential and commercial load. As [Pennsylvania Office of Consumer Advocate witness] Dr. Ogur notes in his direct testimony, and as I discuss in my rebuttal testimony, the overall load size for commercial customers is relatively small, and the complex mix of contracts envisioned by the Company would not be appropriate for this rate class group.

OSBA Statement No. 1-S, at 7 (footnote omitted) (formatting added).

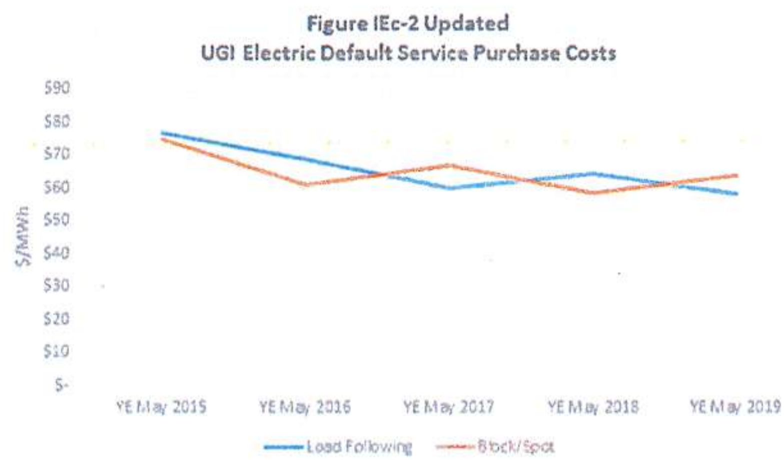
Consequently, the OSBA recognizes that it is not currently reasonable to have a separate default service procurement for smaller, non-residential customers. As a result, the OSBA supports the *Joint Petition's* proposal for the Company to continue to combine the residential and non-residential customers under 100 kW in maximum demand into a single rate class group for procurement, denoted the "GSR-1" class. The *Joint Petition* is consistent with Mr. Knecht's testimony, and is a reasonable solution in light of UGI Electric's unique characteristics.

2. <u>Procurement Methodology</u>

For other Pennsylvania default service providers, the OSBA has generally supported the use of full requirements load following ("FRLF") contracts for smaller, non-residential customers. FRLF contracts should result in reasonably stable default service rates and shift the risk of large changes in shopping rates to default service suppliers. Nevertheless, due to the specific circumstances facing UGI Electric and its history with default service procurements, the OSBA supports a different approach in this proceeding.

In his direct testimony, Mr. Knecht laid out the relative conceptual advantages and disadvantages of the FRLF methodology and the "block and spot" approach. *See* OSBA Statement No. 1, at 6-8. Mr. Knecht initially expressed a preference for the "block and spot" approach based on erroneous information provided by the Company.[1] Armed with accurate data, however, Mr. Knecht ultimately concluded that there was no clear advantage to the "block and spot" approach over FRLF contracts, and thus either the OCA proposal for 100 percent FRLF or the Company's 50/50 split would be reasonable. Mr. Knecht stated, as follows:

> In my direct testimony, I advocated for continued and potentially expanded use of the block-and-spot approach, based on information from the Company that indicated that the block-and-spot approach resulted in materially lower costs than the FRLF method. I should have been more skeptical, as the UGI Electric data imply patently unrealistic purchase costs. Despite OSBA asking the Company to provide all costs incurred for default supplies, split between the FRLF and block-and-spot approaches, the Company's response to OSBA-I-3 excluded PJM generation capacity, PJM transmission network integration transmission service ("NITS"), PJM transmission enhancement charges ("TEC"); and other PJM costs. I therefore updated my cost comparison analysis to reflect the additional data provided by the Company. I then produced the updated of Figure IEc-2 from my direct testimony as shown below, with updated analysis in my RDK WPR2 electronic workpaper.



> As shown in the updated Figure IEc-2, the revised analysis indicates that the two methods produce roughly the same supply cost, with neither method being obviously superior.

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[1] The Company justified providing erroneous information on the grounds that it had provided erroneous information in its last DSP proceeding, and was simply continuing to do so. UGI Electric Statement 1-SR, at 8.

OSBA Statement No. 1-R, at 6.

As the *Joint Petition* offers a compromise position between those two alternatives, it is obviously within Mr. Knecht's range of reasonable approaches. The OSBA therefore supports the *Joint Petition* proposal for the 25/75 "block and spot" / FRLF combination approach. *See Joint Petition*, Paragraph 17.

3. Timing the Procurements

The *Joint Petition's* timing for the individual procurements for the settlement mix of FRLF and block contracts is set forth in Appendix B, with clarifying explanations at Paragraphs 18 and 19. This timing is conceptually consistent with the Company's initial filing regarding the timing for these procurements, adjusted only to change the mix of contracts. The OSBA deemed the initial proposal to be reasonable and did not contest it, and thus similarly concludes that the *Joint Petition's* approach is reasonable.

4. The Pace Study

As noted above, the OSBA generally supports separate procurement of default service supplies from residential and smaller non-residential customers. This ensures that the procurement approach for smaller non-residential is reasonable, and that costs for default service are properly attributed. The UGI Electric combined approach implies that the same procurement rates and the same per-MWh default service charges apply to both customer groups. To address the reasonableness of this approach, the parties agreed in the Company's last DSP that UGI Electric would evaluate the relative cost for standalone procurement of the two rate class groups. OSBA Statement No. 1, at 8-9.

The Company's response to that provision of the settlement was the "Pace Study," the results (but not the details) of which were submitted and then belatedly revised in this proceeding. In short, even with the belated corrections, the Pace Study concluded that (a) the non-residential class would be substantially less expensive to serve on a stand-alone basis, and (b) the overall cost of combined procurement was modestly lower than separate procurements. OSBA Statement No. 1, at 9-10; OSBA Statement No. 1-S, at 5-6. Thus, the Company's analysis indicated that small business customers are not being treated reasonably under the current combined procurement approach. Unfortunately, the Pace Study is severely lacking in credibility.

Mr. Knecht testified in detail about the problems presented by the Pace Study. The identified problems include: the undisclosed methodology used by Pace; the undisclosed data used by Pace; the lateness of the Pace results provided during this proceeding;[2] the multiple revisions to the study provided by Pace; substantial swings and differentials in class load factors over a relatively short period; and the unusual cost differentials reported by the Pace Study (that residential customers are up to 20% more expensive to serve than smaller non-residential customers) compared to standalone procurements at other Pennsylvania EDCs. OSBA Statement No. 1, at 8-12; OSBA Statement No. 1-R, at 6-8; OSBA Statement No. 1-S, at 1-13.

As a result of all the problems (and questions) presented by the Pace Study, the *Joint Petition* proposes to have UGI Electric conduct a new study. The details of that proposed study are set forth in Section J of the *Joint Petition*, at Paragraphs 27-29.

The OSBA submits the proposed new study is a reasonable solution to a difficult problem – a problem that may have significant impact upon the rates paid by the Company's residential and small business customers. Furthermore, Mr. Knecht recommended a new study as a possible

[2] The initial Pace Study results were filed by the Company on May 26. Direct testimony by Mr. Knecht and Dr. Ogur both cast doubt on the results of that study in direct testimony served on August 6. The Company then provided some additional detail from the Pace Study on August 31, one day prior to the due date for rebuttal testimony. Further discovery regarding the revised results was conducted, resulting in the submission of a revised Pace Report on September 16 and responses to associated discovery on September 22. OSBA Statement No. 1-S, at 1-4.

solution to the problem. OSBA Statement No. 1-S, at 6 ("Continue the existing method while the anomalies in the Pace analysis are resolved and alternative ratemaking approaches are more fully developed.")

Therefore, the OSBA fully supports the *Joint Petition* proposal to conduct a new study that will thoroughly examine the issues purportedly addressed by the Pace Study.

5. <u>Other Issues</u>

In his direct testimony, Mr. Knecht flagged some unnecessary vestigial language in the Company's proposed tariff regarding the price-to-compare calculation. OSBA Statement No. 1, at 4, footnote 6. Mr. Knecht also flagged an ambiguity in the proposed tariff regarding how the 100-kW limit for GSR-1 would be derived. The *Joint Petition* addresses both issues at Paragraph 26, items a and b.

Additionally, in its original filing the Company proposed to adopt a migration rider for customers switching from GSR-1 to GSR-2. Mr. Knecht observed that there was no parallel migration rider for customers switching in the other direction, although he did not propose a specific modification. OSBA Statement No. 1, at 2. The *Joint Petition* addresses this concern at Paragraph 25, by adopting a "reverse migration" rider.

Conclusion

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

Respectfully submitted,

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