**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

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|  | Public Meeting held September 19, 2019 |
| Commissioners Present:  Gladys Brown Dutrieuille, Chairman  David W. Sweet, Vice Chairman  Norman J. Kennard  Andrew G. Place, Statement  John F. Coleman, Jr. |  |
| Pennsylvania Public Utility Commission  Office of Consumer Advocate  Office of Small Business Advocate  Keith P. Dolon  Gail L. Hoffer & Bernadette Margel  James J. Knowlton  Christopher Visco  Ruth E. Neely  Sam Galdieri  Billie Sue Atkinson  v.  UGI Utilities, Inc. Gas Division | R-2018-3006814  C-2019-3007753  C-2019-3007756  C-2019-3007953  C-2019-3008002  C-2019-3008606  C-2019-3008737  C-2019-3008833  C-2019-3009325  C-2019-3009949 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Recommended Decision (R.D.) of Deputy Chief Administrative Law Judge (ALJ) Christopher P. Pell, issued on August 22, 2019, in the above-captioned proceeding, in which the ALJ recommended approval of the Joint Petition for Approval of Settlement of All Issues (Settlement). The Settlement was filed by UGI Utilities, Inc. Gas Division (UGI Gas or the Company), the Commission’s Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), the Commission for Economic Opportunity (CEO), Natural Gas Supplier Parties (NGS) and the Retail Energy Supply Association (RESA) (collectively, NGS/RESA), UGI Energy Services, Inc. (UGIES), and Direct Energy[[1]](#footnote-1) (collectively, Joint Petitioners) on July 22, 2019. No Exceptions were filed. For the reasons stated below, we shall adopt the ALJ’s Recommended Decision as modified.

**History of the Proceeding**

On January 28, 2019, UGI Gas filed proposed Tariff Gas – Pa. P.U.C. Nos. 7 and 7S to become effective March 29, 2019. Tariff Nos. 7 and 7S set forth proposed changes in rates, rules, and regulations calculated to produce approximately $71.1 million (8.9%) in additional annual revenues.

On January 31, 2019, counsel for I&E entered a Notice of Appearance. On February 7, 2019, the OCA filed a Public Statement, a Notice of Appearance on behalf of its counsel and a formal Complaint, which was docketed at C-2019-3007753. Also, on February 7, 2019, the OSBA filed a Verification, Public Statement, a Notice of Appearance on behalf of its counsel and a formal Complaint, which was docketed at C‑2019-3007756.

On February 14, 2019, CAUSE-PA and CEO each separately filed Petitions to Intervene in this proceeding. On February 15, 2019, Keith P. Dolon filed a formal Complaint to the proposed rate increase, which was docketed at C‑2019‑3007953. On February 21, 2019, NGS and RESA filed a Petition to Intervene in this proceeding. Also, on February 21, 2019, Gail L. Hoffer and Bernadette Margel filed a formal Complaint to the proposed rate increase, which was docketed at C‑2019‑3008002.

On February 28, 2019, Direct Energy filed a Petition to Intervene in this proceeding.

By Order entered February 28, 2019, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase. Pursuant to Section 1308(d) of the Public Utility Code (Code), 66 Pa. C.S. § 1308(d), Tariff Gas – Pa. P.U.C. Nos. 7 and 7S was suspended by operation of law until October 29, 2019, unless permitted by Commission Order to become effective at an earlier date. In addition, the Commission ordered that the investigation include consideration of the lawfulness, justness and reasonableness of UGI Gas’ existing rates, rules, and regulations.

In compliance with the Commission’s Order of February 28, 2019, UGI Gas filed Supplement No. 1 to Tariff UGI Gas – Pa. P.U.C. Nos. 7 and 7S on March 6, 2019, to reflect the suspension of Tariff Nos. 7 and 7S until October 29, 2019.

On March 7, 2019, the Laborers’ District Council of Eastern Pennsylvania (LDCEPA) filed a Petition to Intervene in this proceeding.

No party opposed the Petitions to Intervene filed by CAUSE-PA, CEO, NGS/RESA, Direct Energy and the LDCEPA. Accordingly, ALJ Pell granted these Petitions pursuant to Prehearing Order #1 dated March 14, 2019.

On March 15, 2019, UGIES filed a Petition to Intervene in this proceeding.[[2]](#footnote-2) Thereafter, on March 19, 2019, James J. Knowlton and Christopher Visco filed formal Complaints to the proposed rate increase, which were docketed at C-2019-3008606 and C-2019-3008737 respectively.

On March 27, 2019, Ruth E. Neely filed a formal Complaint to the proposed rate increase, which was docketed at C-2019-3008833. On April 19, 2019, Sam Galdieri filed a formal Complaint to the proposed rate increase, which was docketed at C‑2019-3009325.

On April 22, 2019, public input Smart Hearings were held. A total of four people testified at these hearings.

On April 29, 2019, Billie Sue Atkinson filed a formal Complaint to the proposed rate increase, which was docketed at C-2019-3009949.

On April 30, 2019, the following parties served Direct Testimony: the OCA; I&E; the OSBA; CAUSE-PA; CEO; LDCEPA; and NGS/RESA. On May 30, 2019, the following parties served Rebuttal Testimony: UGI Gas; the OCA; the OSBA; and Direct Energy.

On June 13, 2019, the following parties served Surrebuttal Testimony: the OCA; I&E; the OSBA; CAUSE-PA; Direct Energy; and NGS/RESA. On June 18, 2019, UGI Gas served Rejoinder Testimonies and notified the ALJ that the Parties had reached a settlement on all issues.

At the evidentiary hearing held on June 20, 2019, UGI Gas, the OCA, I&E, the OSBA, CAUSE-PA, CEO, NGS/RESA and Direct Energy each appeared and moved to have their witnesses’ testimonies and exhibits entered into the record. As there were no objections, the aforementioned Parties’ testimony and/or exhibits were admitted into the record during the hearing.[[3]](#footnote-3)

On July 22, 2019, the Settlement was filed along with Statements in Support by UGI Gas, OCA, I&E, OSBA, CAUSE-PA, CEO, NGS/RESA, and Direct Energy. UGIES was a signatory to the Settlement but did not file a Statement in Support. LDCEPA has not taken any position on the Settlement.

By letter dated July 24, 2019, the ALJ informed the consumer Complainants in this matter of the Settlement and requested that they indicate if they wished to join, oppose or take no position on the proposed Settlement. The ALJ also enclosed a signature page that the consumer Complainants could sign and return if they wished to join in the Settlement. The ALJ did not receive a response from any of the consumer Complainants. R.D. at 7.

In his Recommended Decision issued on August 22, 2019, ALJ Pell found the Settlement to be fair, just, and reasonable and to reflect a reasonable compromise of the disputed issues in this proceeding. The ALJ also determined that the Settlement terms provided an appropriate balance of the interests of the Company and its customers. Accordingly, the ALJ recommended that the Settlement be approved without modification.

As previously noted, no Exceptions were filed.

**Settlement Terms**

The relevant terms of the Settlement are as follows with the original paragraph numbers maintained:

**General**

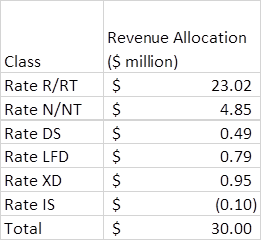
1. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all of the active Parties in this proceeding. The Joint Petitioners agree that the Settlement is in the public interest.
2. The Joint Petitioners agree that UGI Gas’s January 28, 2019 distribution base rate increase filing should be approved, including those tariff changes included in and specifically identified in **Appendix A** attached hereto, subject to the terms and conditions of this Settlement specified below.

**Revenue Requirement**

1. UGI Gas will be permitted to submit a revised tariff supplement designed to produce an annual distribution revenue increase of $30.0 million, to become effective on or before October 29, 2019 for service rendered thereafter. The increase in annual distribution rate revenue is in lieu of the as filed increase of approximately $71.1 million. The settlement as to revenue requirement shall be a “black box” settlement, except for the items set forth below.
2. Test Year Plant Reporting Obligation. An update to UGI Gas’s Revised Exhibit A, Schedule C-2 shall be submitted to I&E, OCA, and OSBA no later than January 2, 2020, which update should include actual capital expenditures, plant additions, and retirements by month from October 1, 2018 through September 30, 2019, and an additional update to Schedule C-2 for actual expenditures by month from October 1, 2019 through September 30, 2020 shall be filed no later than January 2, 2021.
3. DSIC-eligible Plant Balances. As of the effective date of rates in this proceeding, UGI Gas will be eligible to include plant additions in the Distribution System Improvement Charge (“DSIC”) once the total net plant balances reach the levels projected to be in service in Revised UGI Gas Exhibit A as of September 30, 2020 ($2,875,056,000). The foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in an FPFTY filing.
4. DSIC Calculation Return On Equity. For purposes of calculating its DSIC, UGI Gas shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).
5. EE&C. The overall revenue requirement assumes that the Company’s proposed Energy Efficiency and Conservation (“EE&C”) Plan test year modifications, including the expansion of the program into the UGI Central rate district, are approved as part of this proceeding subject to the modifications discussed below in Paragraphs 32 through 36. The overall revenue requirement includes annual EE&C expenditures.

**Revenue Allocation/Rate Design**

1. Billing Determinants. Use per customer and number of customer billing determinants utilized in the proof of revenue (UGI Gas Exhibit E) will be those set forth in the Company’s initial filing, except that the sales for Rate R/RT shall be increased by 1,128,518 Mcf (2 Mcf per year per Rate R/RT heating customer).
2. Revenue Allocation. Class revenue allocation will be based on the following table:



1. Uniform Distribution Rates and Riders. The Company’s proposal to move all rate classes to uniform distribution and purchased gas cost rates on the effective date of new rates established in this proceeding is accepted, provided, however, that for Rate N/NT and Rate DS, uniform distribution rates will be achieved in two steps (Step 1 beginning with the effective date of new rates and Step 2 effective with new rates established in the Company’s next general rate proceeding under 66 Pa. C.S. § 1308(d)). For Step 1, the Rate N/NT North rate district rates will be increased by twelve (12) percent and Rate DS North rate district rates will be increased by twenty (20) percent, with Rate N/NT and Rate DS South and Central rate districts being set uniformly by class to recover the remaining N/NT and DS revenue requirements, respectively. For Step 2, the parties reserve their rights to oppose the Company’s proposed rates and propose alternative rates. Purchase Gas Cost (“PGC”) rate consolidation will occur with the effective date of the new PGC year, December 1, 2019.
2. Monthly Customer Charges. The customer charges shall be those proposed by the Company except as set forth below:

* Rate R/RT: $14.60 ($19.00 proposed);
* N/NT: $23.50 ($37.00 proposed)
* DS: $260.00 ($280 proposed);
* LFD: $670.00 (as filed)

1. Interruptible Revenue. Proof of Revenue will include a total of $24.602 million of interruptible revenue (versus $14.9 million, as filed). The Company’s proposed Extension and Expansion Fund and Interruptible Sharing Mechanism are withdrawn.
2. GET Gas. The Company’s Growth Extension Tariff (“GET Gas”) pilot program will continue for an additional five years subject to annual reporting requirements. The Company will be permitted to implement GET Gas Surcharges, as reflected below:

* Residential: $29.00;
* Commercial customer charge: $20.03; and
* Commercial volumetric charge: $1.87/Mcf.

However, the GET Gas Rider Rate for customers accepted by the Company before October 29, 2019 at the following rates shall remain unchanged:

* Rate Schedules R and RT: $21.75 monthly charge
* Rate Schedules N and NT: $13.08 monthly charge plus $1.07 per Mcf for all usage.

Effective with the effective date of new rates in this proceeding, the Company may continue to use the GET Gas program to expand into additional underserved and unserved areas of its certificated service territory except in Gas Beyond the Mains territories already determined uneconomic by the Commission. The Company will include in each above-referenced annual report an economic evaluation including cost, saturation and revenue projections for each GET Gas project.

1. USP Rider. The Company’s proposed Universal Service Program (“USP”) Rider is accepted, provided that the 9.2 percent Customer Assistance Program (“CAP”) Credit bad debt offset will be applied where CAP enrollment exceeds 19,672 CAP customers rather than the Company’s proposed level of 21,530.
2. Tax Cuts and Jobs Act. The Company’s proposal to flow-back January through June 2018 Tax Cuts and Jobs Act tax savings to customers, including applicable interest, is accepted.
3. PGC Revenue Adjustment. The Company will agree to move the PGC Revenue Overcollection issue to the pending PGC rate proceeding at Docket No. R-2019-3009647. All parties reserve their right to support or oppose the Company’s position in the context of that proceeding.
4. ACH/Credit Card Fee Waiver. The Company’s proposal to eliminate credit card fees is accepted.

**Energy Efficiency and Conservation Plan**

1. General. The Company’s proposal to extend the current EE&C programs to the Central rate district is approved. The Company’s proposed modifications to the EE&C plan and associated budgets are accepted for the five year period covering fiscal years 2020 thru 2024.
2. Evaluation Costs. EE&C evaluation costs will be allocated amongst all rate classes for ratemaking recovery as they are incurred.
3. Program Budgets. EE&C program budgets will be restricted so that program funds cannot be moved between residential and nonresidential rate classes. Budget flexibility within a rate class’ portfolio should be limited to twenty-five (25) percent of a program’s five-year total budget. The parties agree that the Company will petition the Commission for approval of changes of twenty-five (25) percent or more of a five-year total program budget within a rate class.
4. Recovery of LIURP through EE&C. UGI Gas will discontinue recovery of $100,000 of LIURP funding through its EE&C Rider.
5. Assessment Fee for LIURP Participants. Starting with the effective date of new rates established in this proceeding, customers who contact the UGI LIURP Team and who are determined by the UGI LIURP Team to have income at or below two hundred (200) percent of FPL, but who do not meet LIURP high energy usage thresholds, or who request direct install measures not offered by LIURP but offered by the EE&C Residential Retrofit (“RR”) Program, will be referred to the RR Program to receive a fee-waived assessment. The RR assessment fee waiver, including all direct install measures implemented under a fee-waived assessment, will be capped at $250,000 annually. The $250,000 is not incremental of the RR Program budget. Direct install measures shall include, but not be limited to: smart thermostats, low flow devices, and water heater tank temperature setback.

**Universal Service AND OTHER LOW INCOME ISSUES**

1. Use of Community Based Organizations. The Company commits to maintaining its existing business relationship with Community Based Organizations (“CBOs”), subject to each individual CBO’s continued performance in conformance with the Company’s Universal Service and Energy Conservation Plan (“USECP”) rules and its contract with the Company.
2. Distribution of Universal Services Funding. The Company will maintain its current funding allocation as proposed in its pending USECP at Docket No. M-2017-2598190 across the geographic footprint of its former three rate districts unless and until a new allocation is proposed and approved as part of its next triennial USECP filing. Any additional funding agreed to in this proceeding will be distributed accordingly. The Company is permitted to reallocate no more than five (5) percent of that initial allocation across its former rate districts in a given program year. The parties may raise issues about the Company’s Consolidated LIURP and Hardship Fund programs in the next triennial USECP filing. Any revision to this funding allocation will be circulated to all parties and shared with Commission staff at the Bureau of Consumer Services, and will include data about the actual spending for each of the two programs to date.
3. Unspent Program Dollars. Unspent program dollars for UGI Gas’s Consolidated LIURP and Hardship Fund programs at the end of a program year will roll over and be added to the budget for the following year.
4. Annual LIURP Funding Increase. The Company agrees to increase its aggregate LIURP expenditures by $400,000 for its pending triennial USECP with such funding to commence no earlier than January 1, 2020.
5. Emergency Furnace Repair Program. Starting no earlier than January 1, 2020, UGI Gas will increase its aggregate Gas LIURP budget by $100,000 per year to provide additional funding for its Emergency Furnace Repair Program. The Company will permit all eligible customers throughout the service territory to participate.
6. Third Party Notification Program. UGI Gas will agree to provide Third Party Notification (“TPN”) forms to its CBOs for inclusion in their assistance applications. To the extent that CBOs charge UGI Gas for use of these TPN forms, UGI Gas will be permitted to recover these costs through the USP Rider.
7. Forms of Income Verification for Cold Weather Protections. UGI Gas will agree to amend its tariff language on cold weather protection to adopt the language from the Columbia Gas of Pennsylvania tariff. UGI Gas’s tariff will be revised to state as follows: “The Company will use financial information from the customer provided within the most recent twelve (12) month period to determine if a customer exceeds the 250% federal poverty threshold.”
8. Government Identification to Establish Service. UGI Gas will agree to modify its tariff to specifically identify that any current form of government-issued identification, including identification issued by a foreign government, will be accepted to establish service.
9. Security Deposit Waiver. UGI Gas will agree to revise its letter, as well as its call scripts, training materials, and other written policies and procedures, to clarify that enrollment in CAP is not a requirement to obtain a security deposit waiver, and to clarify the steps that the customer must take to obtain a security deposit waiver. UGI Gas will review its revised materials at its annual Universal Service Program Collaborative Meeting, and will solicit feedback and recommendations for further revisions from participants at the meeting.
10. Release of Previously Collected Security Deposits. On a monthly basis, UGI Gas will review currently held security deposits, and will issue a bill credit or refund for any deposit previously collected from a confirmed low income customer. UGI Gas will continue this monthly review process until programming for a permanent fix to its billing system is complete and operationalized.
11. Quarterly CAP Rate Plan Review. On a quarterly basis, UGI Gas will review CAP rates for those enrolled in the average bill or percentage of income CAP rate plans to determine whether a more affordable rate plan is available. To the extent the CAP customer qualifies, the CAP customer’s applicable CAP rate will be adjusted to the lowest available rate at the time of review. UGI Gas will be permitted to recover any just and reasonably incurred Information Technology costs associated with formalizing this practice in its customer billing system through its Rider USP. Such costs to be recovered through the USP will be capped at $125,000. UGI Gas will be permitted to recover all Information Technology costs associated with formalizing this practice in its customer billing system through its Rider USP. UGI Gas will begin this review process within 10 months of the effective date of rates. Within 90 days after the first quarterly CAP rate adjustment is made, UGI Gas will report to the parties on the number of rate adjustments made through this review process.
12. Budget Billing Enrollment. UGI Gas will eliminate its restriction on Budget Billing enrollment that bars the enrollment of customers in arrears in Budget Billing. Any arrearage balance and payments towards the arrearage balance will be accounted for separately from the customer’s Budget Bill amount.
13. Timing. Except as otherwise indicated, the Company agrees to implement the agreed upon enhancements to its universal service program changes specified above within ninety (90) days of the effective date of the rate increase. The Company will file a status report with the Commission certifying that the agreed-upon policy changes have been implemented within one hundred and eighty (180) days of the effective date of the rate increase.

**Transportation**

1. General. Unless modified in the following paragraphs, the Company’s proposed choice and non-choice transportation program rules are approved and shall become effective November 1, 2019, in the case of the choice transportation program and November 1, 2020, in the case of the non-choice transportation program.

1. Delivered Supply Service. Effective November 1, 2020, the Company will make necessary tariff changes in its compliance filing in this case to allow deliveries of delivered supply service available to a Natural Gas Supplier (“NGS”) under the choice program to be used to meet its non-choice delivery requirements to the extent the delivered supply capacity is not needed to serve a NGS’s choice load. Such deliveries will be subject to delivery region deliverability requirements.
2. Non-Choice Daily Balancing. Effective November 1, 2020, the applicable daily balancing tolerance shall be four and one-half (4.5) percent.
3. Rate NNS. The Company will adjust the storage trip cost in the calculation of Rate NNS charges to $0.3483 per Mcf. The Company shall clarify in its tariff that Rate NNS service elections in excess of four and one-half (4.5) percent are interruptible. The resulting Rate NNS charges will be as follows:

|  |  |  |
| --- | --- | --- |
|  | As Filed 1/28/2019 | Settlement  6/13/2019 |
| NNS Unit Cost $/mcf | 0.0092 | 0.0244 |
| NNS Unit of Demand $/mcf per month | 0.1840 | 0.4880 |

1. Rate MBS. The following changes to the Rate MBS shall be made: 1) OCA’s proposed inclusion of storage demand charges on a 100 percent load factor basis in the development of the rate shall be adopted; and 2) the Company will update the average monthly imbalance utilized in the development of Rate MBS charges annually with the actual average monthly imbalance for the 12 month period ending September to determine the new Rate MBS charges effective December 1 each year. The Company shall include the new Rate MBS charges as part of its annual PGC compliance filing. The resulting initial Rate MBS charges would be as follows:

|  |  |  |
| --- | --- | --- |
|  | As Filed 1/28/2019 | Settlement 6/13/2019  (with avg storage use = 1.54% as-filed) |
| MBS – DS     $/mcf | 0.0141 | 0.0190 |
| MBS – LFD    $/mcf | 0.0082 | 0.0110 |
| MBS – XD Firm   $/mcf | 0.0084 | 0.0113 |

1. Acceptable Substitute Delivery Points. The Company’s proposal is accepted with the following qualifications. First, the Company will delay implementation of the interconnections with the Sunbury Pipeline and Mt. Bethel Pipeline as Acceptable Substitute Delivery Points for non-choice transportation customer deliveries until November 1, 2023, provided that those points may be used for purchased gas cost obligations and choice related peaking and delivered services. Second, UGI Gas shall provide written notice on its Gas Management Website of any proposed interconnection points within thirty (30) days of the execution of an Interconnection Agreement with the Company where the interconnecting entity elects to have the Interconnection Point included as an Acceptable Substitute Delivery Point. Such notice will include a posting of the interconnecting entity’s name and contact information with the express goal of allowing NGSs sufficient opportunity to consider adjustments to their supply plans.
2. Capacity Assignment. As reflected in Rule 22A.6 of the compliance tariff, effective November 1, 2020, the weighted average cost of demand (“WACOD”) charges to customers, or their NGS, served under Rates DS and LFD, and who utilize assigned PGC capacity, shall be modified as follows:
   1. The WACOD charges for Rate DS shall include the associated demand charges for Peaking Services on a 100% percent basis, and the revised WACOD will be assessed to all Rate DS transportation customers;
   2. The WACOD charges for Rate LFD shall include the associated demand charges of Peaking Services on a 50% percent basis, and the revised WACOD will be assessed to all Rate LFD customers electing assigned capacity;
   3. The resulting WACOD charges under (i) and (ii) shall be reduced by the Economic Benefit of Peaking Service commodity supply defined in Rule 22A.6 (EBPS Credit), which shall be included as a monthly deduction (credit) to the WACOD calculation for Rate DS and Rate LFD customers on an actual experienced basis, subject to review and reconciliation through the 2021 PGC filing;
   4. Modifications set forth in subparagraphs (i) – (iii) shall be implemented without further change on a pilot basis, and will become permanent unless changed by order of the Commission pursuant to a proposed change by the Company or any other party, which proposal may become effective only for periods after December 1, 2021;
   5. The Company shall be held harmless in the application of the changes to the WACOD mechanism in this paragraph; and
   6. The Company shall post on its password protected gas management website the calculation of the associated demand charges and the EBPS Credit on a monthly basis.

The Company’s capacity assignment proposals for Rate XD are accepted as filed.

1. Non-Choice Excess Imbalances.

**Cash-out Price**. The Company’s currently effective cash-out pricing methodology (Sections 20.2c and 20.4 in the UGI South Rate District and UGI North Rate District Gas Service Tariffs No. 6 and 9, respectively, and Sections 16.3c and 16.5 in UGI Central Rate District Gas Service Tariff No. 4) shall remain unchanged up through and including October 31, 2020 (“Transition Period”). Effective on and after November 1, 2020 (“Post-Transition Period”), the Company’s proposed delivery region cash-out pricing methodology shall become effective. The Company will include in the compliance tariff rules applicable to each of the Transition Period and the Post-Transition Period.

**Monthly Cash-out Volume.** The Company will include in the compliance tariff rules applicable to each of the Transition Period and the Post-Transition Period. For the Transition Period the Company’s monthly cash-out rules, as proposed by the Company, will be unchanged. For the Post-Transition Period, the Company will specify a cash-out methodology that cashes out, for both long and short positions, only the increment that is greater than 5% (rather than cash out the entire balance) once the 10% threshold is exceeded, but shall otherwise be as proposed by Company.

1. Supply Nomination Process.

**Supply Nomination Process** – The deadline for Delivered Supply under the choice program shall remain 8:45 am. The Company shall provide the Daily Delivery Requirement target no later than 8:15 am. The deadline for Bundled Supply under the choice program shall be extended from 9:00 am to 2:00 pm.

**DUNS numbers** – Effective November 1, 2019, the Company will institute a common DUNS number for the purpose of making customer and delivery nominations under the choice transportation program. Effective November 1, 2020, the Company will institute a common DUNS number for the purpose of making customer and delivery nominations under the non-choice transportation program.

1. Daily Metering Expansion. The Company’s proposal is accepted, as discussed in the Direct Testimony of Shaun Hart, UGI Statement No. 9, and the Company will exercise best efforts to transfer the remaining non-choice transportation accounts to calendar month billing and balancing pools by no later than November 1, 2020.
2. Merger of Southeast and Southwest Regions. The Company agrees to merge these regions. The updated delivery split requirements will be as follows:

|  |  |
| --- | --- |
| Revised Delivery Regions and Requirements  (Merged SW and SE regions) | |
| **Region** | **Delivery Requirement** |
| North | 100% Tennessee |
| Central | 100% Transco |
| South | 30%-45% Columbia MA 21, 23, 25, 29  55%-70% Texas Eastern (Up to 8% of Texas Eastern supplies may be delivered to meters West of Dauphin and York) |
| West | 100% Columbia – Market Area 36 |

1. Eligible Customer Delivery List. The Company agrees to modify its Eligible Customer List to provide associated customer delivery region designations. UGI Gas will continue to provide certain information concerning choice customers in accordance with the Commission’s customer information disclosure regulations at 52 Pa. Code §62.78. For non-choice customers, the Company will post a listing of account numbers and their respective delivery region designations on its website. Such posting will be made on a password protected website accessible only by authorized Company personnel and licensed NGSs qualified to do business on the UGI Gas system.
2. Producer List. UGI Gas shall release to suppliers a full list of producers directly connected to the UGI Gas system. Such posting will be made on a password protected website accessible only by authorized Company personnel and licensed NGSs.
3. Access to Storage.  The Company commits to analyze the capability to provide a virtual storage proposal (“VSP”) to NGSs who provide “choice” natural gas supply service on the UGI Gas distribution system that will allow suppliers to manage injections and withdrawals of supply through nominations made to the Company.  The VSP analysis shall include a review of allowable mechanisms pursuant to FERC policy and rules in order to identify potential legal barriers and solutions, if any, and provide a strawman proposal to the extent the Company identifies a workable VSP construct. Such proposal may include, but may not be limited to, the identification of all associated costs related to specific asset utilization, administrative costs and IT architecture costs. The VSP analysis shall be completed no later than March 1, 2020.  The Company will thereafter hold a collaborative meeting for stakeholder input, and pending the outcome of that collaborative, may thereafter make a VSP  filing with the Commission; with such filing, if made, being no later than October 1, 2020.  If UGI Gas determines not to make a filing, all parties expressly preserve their rights regarding future litigation of this issue.

**Accounting**

64. Environmental Cost Recovery.

**Normalized Allowance**. The Settlement reflects an annual normalized amount of $4.188 million for prospective environmental expenditures under the Pennsylvania Department of Environmental Protection (“DEP”) Consent Order Agreements (“COAs”), as shown on UGI Gas Exhibit A (FPFTY), Schedule D-8, line 4.

Annual differences between $4.188 million and actual expenditures will be deferred as a regulatory asset (where expenditures are greater than $4.188 million per year) or as a regulatory liability (where expenditures are less than $4.188 million on an annual basis) and accumulated for book and ratemaking purposes until the Company’s next base rate case.

**Amortization of Prior Balances**. The Settlement reflects the use of a five-year amortization period to be applied to the combined regulatory asset balances of $8.103 million set forth on UGI Gas Exhibit A, Schedule D-8, lines 9 and 13, to establish a combined expense to be amortized for book and ratemaking purposes of $1.621 million per year.

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

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

67. UNITE/Hypercare. The Company’s proposed accounting treatment for UNITE and Hypercare costs is accepted.

68. Accounting for Mechanical Tee Programs. Effective October 1, 2018, the Company will be permitted, for book accounting purposes, to record the costs associated with its mechanical tee remediation program as capital investment.

69. Depreciation Rates. For purposes of this settlement, the Company’s as-filed depreciation rates are accepted for the Company’s accounting purposes.

**Safety**

70. UGI Gas agrees to continue conducting separate risk analyses for each of the three districts and will continue to maintain a combined system-wide calculated risk for all assets across company territories in one master DIMP record which will be utilized for LTIIP prioritization purposes.

71. UGI Gas agrees to continue taking affirmative steps to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible.

72. UGI Gas agrees to hold a one-time stakeholder meeting with the Commission’s Safety Division, and any other interested parties to this proceeding, within sixty (60) days following the final order in this proceeding, to elicit input into potential strategies designed to reduce construction and restoration costs associated with pipeline replacement projects.

**Other Issues**

73. Interruptible Customer Competitive Analysis.The Company agrees to maintain a competitive alternative analysis for each interruptible customer with alternate fuel capability every five (5) years. The competitive alternative analysis will include twelve (12) months of historical usage, the date the analysis was completed, and a reasonable proxy cost on an equivalent BTU basis the customer would incur to utilize the alternative fuel based on published index prices for the alternative fuel. The analysis will compare the IS rates each customer pays with the cost that customer would incur to utilize the alternative fuel. The competitive analysis for each customer will include a listing of actual interruptions with dates and duration in the past five years. The first Interruptible Customer Competitive Analysis will be provided in the next base rate case.

Settlement at 7-23.

The Joint Petitioners acknowledge that the Settlement was achieved after extensive investigation of the Company’s filing, including informal and formal discovery and the filing of substantial testimony of the Parties. Additionally, the Joint Petitioners reference the various Statements in Support which highlight the public interest benefits of the Settlement. Settlement at 23.

Moreover, the Joint Petitioners note that the Settlement is conditioned on the Commission’s approval of the terms and conditions without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and proceed with litigation, and thereby, voiding the Settlement. Pursuant to the terms, any such withdraw must be filed with the Secretary of the Commission and served upon all the Joint Petitioners within five business days after the entry of an Order modifying the Settlement. *Id.* at 24.

**Discussion**

**Legal Standard**

The purpose of this investigation is to establish rates for the Company’s customers which are “just and reasonable” pursuant to Section 1301 of the Public Utility Code (Code), 66 Pa. C.S. § 1301. This Commission possesses a great deal of flexibility in the ratemaking function.

In determining just and reasonable rates, the [Commission] has discretion to determine the proper balance between interests of ratepayers and utilities. [*Pennsylvania Public Utility Commission v. Philadelphia Electric Co.*, 522 Pa. 338, 342-43, 561 A.2d 1224, 1226 (1989)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=1989108734&pubNum=162&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)). As this Court stated in [*Pennsylvania Public Utility Commission v. Pennsylvania Gas and Water Co.*, 492 Pa. 326, 337, 424 A.2d 1213, 1219 (1980)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=1980194813&pubNum=162&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)#co_pp_sp_162_1219), cert. denied, [454 U.S. 824, 102 S. Ct. 112, 70 L. Ed. 2d 97 (1981)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&pubNum=708&cite=102SCT112&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)),

There is ample authority for the proposition that the power to fix “just and reasonable” rates imports a flexibility in the exercise of a complicated regulatory function by a specialized decision-making body and that the term “just and reasonable” was not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulation but rather to confer upon the regulatory body the power to make and apply policy concerning the appropriate balance between prices charged to utility customers and returns on capital to utility investors consonant with constitutional protections applicable to both.

[*Popowsky v. Pa. PUC*, 542 Pa. 99, 108, 665 A.2d 808, 812 (1995)](https://a.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=1995190393&pubNum=162&originationContext=document&transitionType=DocumentItem&contextData=(sc.Keycite)).

Commission policy promotes settlements, 52 Pa. Code §§ 5.231 and 69.401. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. Rate cases are expensive to litigate and the cost of such litigation at a reasonable level is an operating expense recovered in the rates approved by the Commission. This means that a settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission’s decision, yields significant savings for the company’s customers. That is one reason why settlements are encouraged by long-standing Commission policy.

In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered January 7, 2004).

Section 315(a) of the Code reads as follows:

§ 315. Burden of proof

(a) Reasonableness of rates.--In any proceeding upon the motion of the commission, involving any proposed or existing rate of any public utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility. The commission shall give to the hearing and decision of any such proceeding preference over all other proceedings, and decide the same as speedily as possible.

66 Pa. C.S. § 315(a). Consequently, in this proceeding, UGI Gas has the burden to prove that the rate increase it has proposed through the Settlement is just and reasonable. The Joint Petitioners have reached an accord on the issues and claims that arose in this proceeding and submitted a Settlement for Commission review. In reviewing the Settlement, the question which must be answered is whether it is in the public interest. The Joint Petitioners have the burden to prove that the Settlement is in the public interest. *Pa. PUC, et al. v. Pike County Light & Power (Electric)*, Docket Nos. R-2013-2397237, C‑2014-2405317, *et al.* (Order entered September 11, 2014) at 9.

**Disposition**

Based on our review of the record, we find that the Settlement is in the public interest. Thus, we shall adopt the ALJ’s recommendations to the extent that they are consistent with this Opinion and Order.

Although we find that the Settlement should be adopted, we note that it includes a potentially problematic provision regarding information technology (IT) changes associated with the quarterly review of rates provided to customers participating in UGI Gas’ Customer Assistance Program (CAP). The provision appears to contain conflicting language and, as such, may lead to misinterpretation.

Specifically, Ordering Paragraph 38 of the Recommended Decision (which mirrors verbatim paragraph 47 of the Settlement) states the following:

That UGI Gas review CAP rates for those enrolled in the average bill or percentage of income CAP rate plans on a quarterly basis in order to determine whether a more affordable rate plan is available. To the extent the CAP customer qualifies, the CAP customer's applicable CAP rate will be adjusted to the lowest available rate at the time of review. *UGI Gas will be permitted to recover any just and reasonably incurred Information Technology costs associated with formalizing this practice in its customer billing system through its Rider USP. Such costs to be recovered through the USP will be capped at $125,000. UGI Gas will be permitted to recover all Information Technology costs associated with formalizing this practice in its customer billing system through its Rider USP.*UGI Gas will begin this review process within 10 months of the effective date of rates. Within 90 days after the first quarterly CAP rate adjustment is made, UGI Gas will report to the parties on the number of rate adjustments made through this review process.

R.D. at 129 (emphasis added).

We find that the language regarding the recovery of IT costs tied to formalizing the quarterly CAP bill review practice is unclear. Initially, it is stated that IT costs may be recovered through UGI Gas’ Rider USP up to a cap of $125,000. Then, the following sentence states that *all* IT costs associated with formalizing the practice may be recovered through Rider USP. This leads to the question of whether the costs are or are not capped at $125,000.

In reviewing the Statements in Support of the Settlement, UGI Gas is the only party to specifically address the cost recovery provision, noting that the Company “will be permitted to recover any just and reasonably incurred Information Technology costs associated with formalizing this practice in its customer billing system through its USP Rider, such costs being capped at $125,000.” *See* UGI Gas Statement in Support of Settlement at 42.

It appears that UGI Gas and the Joint Petitioners intend to have a $125,000 aggregate cap on the IT costs in this provision and that the sentence with the reference to “all costs” may simply be an unintentional error. Although we recognize the work and negotiations involved in resolving this matter through the Settlement, we will not issue a Commission Order containing potentially ambiguous language. As such, we shall modify the Recommended Decision to remove the following sentence in Ordering Paragraph 38: “UGI Gas will be permitted to recover all Information Technology costs associated with formalizing this practice in its customer billing system through its Rider USP.” Removal of this sentence eliminates any ambiguity and makes clear what we believe to be the intention of the Joint Petitioners – that the IT costs associated with the quarterly CAP bill reviews may be recovered through the Company’s Rider USP up to an aggregate, as opposed to an annual, total of $125,000.

We further recognize that this change is amending a full settlement. In adopting this modified settlement, we are adopting, among other things, the provision permitting the Joint Petitioners a five-day period, from the entry date of an Order modifying the Settlement, to withdraw from the Settlement. *See* Settlement at 24, ¶ 78. Should any Joint Petitioner disagree with the modification directed herein, they may avail themselves of that five-day withdrawal period.

**Conclusion**

Based upon the foregoing discussion, we shall adopt the ALJ’s Recommended Decision, as modified, to the extent consistent with this Opinion and Order; **THEREFORE,**

**IT IS ORDERED:**

1. That the Recommended Decision of Deputy Chief Administrative Law Judge of Christopher P. Pell, issued on August 22, 2019, in the above-captioned proceeding, is adopted, as modified, consistent with this Opinion and Order.

2. That the Joint Petition for Approval of Settlement of All Issues (Settlement) filed on July 22, 2019, by UGI Utilities, Inc. Gas Division, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, the Commission for Economic Opportunity, Natural Gas Supplier Parties and the Retail Energy Supply Association, UGI Energy Services, Inc., and Direct Energy (collectively, Joint Petitioners) is approved, as modified, consistent with this Opinion and Order.

3. That, within five days of the entry of this Opinion and Order, any of the Joint Petitioners to the Settlement may file with the Secretary of the Commission at the above referenced docket numbers a notice that it is withdrawing from the Settlement entered into between the Joint Petitioners and filed with the Commission on July 22, 2019. If any of the Joint Petitioners withdraws from the Settlement, the Settlement shall be disapproved without further action of this Commission and this matter shall be returned to the Office of Administrative Law Judge for such further action as may be warranted.

4. That if none of the Joint Petitioners withdraws from the Settlement pursuant to Ordering Paragraph No. 3, this Opinion and Order shall become final without further action, and it is further ordered:

(1) That the proposals set forth in the January 28, 2019, distribution base rate increase filing by UGI Utilities, Inc. Gas Division at Docket No. R‑2018-3006814, be approved subject to the terms and conditions of the Settlement.

(2) That the *pro forma* tariff attached to the Settlement as Appendix A be approved.

(3) That UGI Utilities, Inc. Gas Division be authorized to file the tariff approved in Ordering Paragraph No. 4(2) to be effective on one-day’s notice on or before October 29, 2019, for service rendered thereafter.

(4) That the proof of revenues attached to the Settlement as Appendix B be approved.

(5) That UGI Utilities, Inc. Gas Division be authorized to file the proof of revenues referred to in Ordering Paragraph No. 4(4) with its tariff filing.

(6) That UGI Utilities, Inc. Gas Division allocate the authorized increase in operating revenue to each customer class and rate schedule within each in the manner prescribed consistent with this Opinion and Order.

(7) That UGI Utilities, Inc. Gas Division be authorized to implement rates designed to produce an annual distribution rate revenue increase of $30.0 million, to become effective on or before October 29, 2019, for service rendered thereafter.

(8) That UGI Utilities, Inc. Gas Division submit an update to Revised Exhibit A, Schedule C-2 to the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate no later than January 2, 2020, which update should include actual capital expenditures, plant additions, and retirements by month from October 1, 2018, through September 30, 2019, and an additional update to Schedule C-2 for actual expenditures by month from October 1, 2019, through September 30, 2020, shall be filed no later than January 2, 2021.

(9) That, as of the entry date of this Opinion and Order, UGI Utilities, Inc. Gas Division be eligible to include plant additions in the Distribution System Improvement Charge (DSIC) once the total net plant balances reach the levels projected to be in service in Revised UGI Gas Exhibit A as of September 30, 2020 ($2,875,056,000.00), consistent with Settlement Paragraph 19.

(10) That, for purposes of calculating its DSIC, UGI Utilities, Inc. Gas Division shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report per Settlement Paragraph 20.

(11) That the overall revenue requirement established in this proceeding assumes that UGI Utilities, Inc. Gas Division’s proposed Energy Efficiency and Conservation (EE&C) Plan test year modifications, including the expansion of the program into the UGI Central rate district, be approved as part of this proceeding subject to the modifications in Settlement Paragraphs 32 through 36. The overall revenue requirement includes annual EE&C expenditures.

(12) That the use per customer and number of customer billing determinants utilized in the proof of revenue (UGI Gas Exhibit E) are those set forth in the initial filing of UGI Utilities, Inc. Gas Division, except that the sales for Rate R/RT shall be increased by 1,128,518 Mcf (2 Mcf per year per Rate R/RT heating customer).

(13) That the revenue allocations in Settlement Paragraph 23 be approved.

(14) That UGI Utilities, Inc. Gas Division’s proposal to move all rate classes to uniform distribution rates on the effective date of new rates established in this proceeding be accepted, provided, however, that for Rate N/NT and Rate DS, uniform distribution rates will be achieved in two steps consistent with Settlement Paragraph 24.

(15) That Purchased Gas Cost (PGC) rate consolidation occur with the effective date of the new PGC year, December 1, 2019.

(16) That the customer charges in Settlement Paragraph 25 be approved.

(17) That UGI Utilities, Inc. Gas Division’s proposed Extension and Expansion Fund and Interruptible Sharing Mechanism be withdrawn.

(18) That the Growth Extension Tariff (GET Gas) pilot program continue for an additional five years subject to annual reporting requirements, and that the customer surcharges identified in Settlement Paragraph 27 be approved. Effective with the effective date of new rates in this proceeding, UGI Utilities, Inc. Gas Division may continue to use the GET Gas program to expand into additional underserved and unserved areas of its certificated service territory except in Gas Beyond the Mains territories already determined uneconomic by the Commission. UGI Utilities, Inc. Gas Division will include in each above-referenced annual report an economic evaluation including cost, saturation and revenue projections for each GET Gas project.

(19) That the UGI Utilities, Inc. Gas Division’s proposed Universal Service Program (USP) Rider be accepted, provided that the 9.2 percent Customer Assistance Program (CAP) Credit bad debt offset will be applied where CAP enrollment exceeds 19,672 CAP customers.

(20) That UGI Utilities, Inc. Gas Division’s proposal to flow-back January through June 2018 Tax Cuts And Jobs Act tax savings to customers, including applicable interest, be accepted.

(21) That the question of how to address an error in the recovery of PGC revenues described in the testimony of UGI Utilities, Inc. Gas Division’s witness Megan Mattern be addressed in the 2019 PGC proceeding.

(22) That UGI Utilities, Inc. Gas Division’s proposal to eliminate ACH and credit card fees be accepted.

(23) That UGI Utilities, Inc. Gas Division’s EE&C Plan be approved as revised by the Settlement, consistent with Settlement Paragraph 32, including UGI Utilities, Inc. Gas Division’s proposal to extend the current EE&C programs to the Central rate district. UGI Utilities, Inc. Gas Division’s proposed modifications to the EE&C plan and associated budgets be accepted for the five year period covering fiscal years 2020 thru 2024.

(24) That the proposal to allocate EE&C evaluation costs amongst all rate classes for ratemaking recovery as they are incurred be approved.

(25) That the proposal to restrict EE&C program budgets so that program funds cannot be moved between residential and nonresidential rate classes be approved. Specifically, budget flexibility within a rate class’ portfolio will be limited to twenty-five (25) percent of a program’s five-year total budget, and UGI Utilities, Inc. Gas Division will petition the Commission for approval of changes of twenty-five (25) percent or more of a five-year total program budget within a rate class.

(26) That UGI Utilities, Inc. Gas Division discontinue recovery of $100,000 of LIURP funding through its EE&C Rider.

(27) That the EE&C Residential Retrofit Program be modified as described in Settlement Paragraph 36. The Residential Retrofit Program assessment fee waiver, including all direct install measures implemented under a fee-waived assessment, will be capped at $250,000 annually. The $250,000 is not incremental of the Residential Retrofit Program budget.

(28) That the commitment made by UGI Utilities, Inc. Gas Division to maintain its existing business relationship with Community Based Organizations (CBOs), subject to each individual CBO’s continued performance in conformance with UGI Utilities, Inc. Gas Division’s Universal Service and Energy Conservation Plan (USECP) rules and its contract with UGI Utilities, Inc. Gas Division, be adopted.

(29) That UGI Utilities, Inc. Gas Division maintain the current funding allocation proposed in its pending USECP at Docket No. M-2017-2598190 across the geographic footprint of its former three rate districts unless and until a new allocation is proposed and approved as part of its next triennial USECP filing. Modifications to funding shall be consistent with Settlement Paragraph 38.

(30) That the Commission approve the proposal to roll over unspent program dollars for UGI Utilities, Inc. Gas Division’s Consolidated LIURP and Hardship Fund programs at the end of a program year. The unspent program dollars will be added to the budget for the following year.

(31) That the increase to UGI Utilities, Inc. Gas Division’s aggregate LIURP expenditures by $400,000 for its pending triennial USECP, with such funding to commence no earlier than January 1, 2020, be approved.

(32) That the Commission approve the proposal to increase UGI Utilities, Inc. Gas Division’s aggregate Gas LIURP budget by $100,000 per year starting no earlier than January 1, 2020, in order to provide additional funding for the UGI Gas Emergency Furnace Repair Program. The Program will be open to all eligible customers throughout the service territory.

(33) That UGI Utilities, Inc. Gas Division provide third party notification forms to its CBOs for inclusion in their assistance applications. To the extent that CBOs charge UGI Utilities, Inc. Gas Division for use of these third party notification forms, UGI Utilities, Inc. Gas Division be permitted to recover these costs through the USP Rider.

(34) That UGI Utilities, Inc. Gas Division revise its letter, as well as its call scripts, training materials, and other written policies and procedures, to clarify that enrollment in CAP is not a requirement to obtain a security deposit waiver, and to clarify the steps that the customer must take to obtain a security deposit waiver. UGI Utilities, Inc. Gas Division will review its revised materials at its annual Universal Service Program Collaborative Meeting, and will solicit feedback and recommendations for further revisions from participants at the meeting.

(35) That UGI Utilities, Inc. Gas Division review currently held security deposits on a monthly basis, and issue a bill credit or refund for any deposit previously collected from a confirmed low income customer. UGI Utilities, Inc. Gas Division will continue this monthly review process until programming for a permanent fix to its billing system is complete and operationalized.

(36) That UGI Utilities, Inc. Gas Division review CAP rates for those enrolled in the average bill or percentage of income CAP rate plans on a quarterly basis in order to determine whether a more affordable rate plan is available. To the extent the CAP customer qualifies, the CAP customer’s applicable CAP rate will be adjusted to the lowest available rate at the time of review. UGI Utilities, Inc. Gas Division will be permitted to recover any just and reasonably incurred Information Technology costs associated with formalizing this practice in its customer billing system through its Rider USP. Such costs to be recovered through the USP will be capped at $125,000. UGI Utilities, Inc. Gas Division will begin this review process within 10 months of the effective date of rates. Within 90 days after the first quarterly CAP rate adjustment is made, UGI Utilities, Inc. Gas Division will report to the parties on the number of rate adjustments made through this review process.

(37) That UGI Utilities, Inc. Gas Division eliminate its restriction on Budget Billing enrollment that bars the enrollment of customers in arrears in Budget Billing. Any arrearage balance and payments towards the arrearage balance will be accounted for separately from the customer’s Budget Bill amount.

(38) That UGI Utilities, Inc. Gas Division implement the settlement provisions relating to changes to its universal service program within ninety (90) days of the effective date of the rate increase, except where otherwise indicated. UGI Utilities, Inc. Gas Division will file a status report with the Commission certifying that the agreed-upon policy changes have been implemented within one hundred and eighty (180) days of the effective date of the rate increase.

(39) That the UGI Utilities, Inc. Gas Division’s proposed choice and non-choice transportation program rules be approved and become effective November 1, 2019, in the case of the choice transportation program and November 1, 2020, in the case of the non-choice transportation program, except where modified by the Settlement.

(40) That UGI Utilities, Inc. Gas Division’s proposal to adopt a non-choice daily balancing tolerance of four and one-half percent (4.5%) effective November 1, 2020 be approved.

(41) That, for Rate NNS, UGI Utilities, Inc. Gas Division adjust the storage trip cost in the calculation of Rate NNS charges to $0.3483 per Mcf. The resulting Rate NNS charges will be as stated in Settlement Paragraph 53.

(42) That, for Rate MBS, UGI Utilities, Inc. Gas Division include storage demand charges on a 100 percent load factor basis in the development of the rate, and update the average monthly imbalance utilized in the development of Rate MBS charges annually with the actual average monthly imbalance for the 12 month period ending September to determine the new Rate MBS charges effective December 1 of each year. UGI Utilities, Inc. Gas Division shall include the new Rate MBS charges as part of its annual PGC compliance filing. The resulting initial Rate MBS charges be as stated in Settlement Paragraph 54.

(43) That UGI Utilities, Inc. Gas Division delay implementation of the interconnections with the Sunbury Pipeline and Mt. Bethel Pipeline as Acceptable Substitute Delivery Points for non-choice transportation customer deliveries until November 1, 2023, provided that those points may be used for purchased gas cost obligations and choice related peaking and delivered services.

(44) That UGI Utilities, Inc. Gas Division provide written notice on its Gas Management Website of any proposed interconnection points within thirty days of the execution of an Interconnection Agreement with the UGI Utilities, Inc. Gas Division where the interconnecting entity elects to have the Interconnection Point included as an Acceptable Substitute Delivery Point consistent with Settlement Paragraph 55.

(45) That the weighted average cost of demand for customers served under Rates DS and LFD be as provided in Settlement Paragraph 56. The UGI Utilities, Inc. Gas Division’s capacity assignment proposals for Rate XD be accepted as filed.

(46) That UGI Utilities, Inc. Gas Division maintain a supply nomination deadline for Delivered Supply under the choice program of 8:45 a.m. UGI Utilities, Inc. Gas Division shall provide the Daily Delivery Requirement target no later than 8:15 a.m. The deadline for Bundled Supply under the choice program shall be at 2:00 p.m.

(47) That UGI Utilities, Inc. Gas Division institute a common DUNS number for the purpose of making customer and delivery nominations under the choice transportation program effective November 1, 2019. Effective November 1, 2020, UGI Utilities, Inc. Gas Division will institute a common DUNS number for the purpose of making customer and delivery nominations under the non-choice transportation program.

(48) That UGI Utilities, Inc. Gas Division’s proposal to expand daily metering be accepted, as discussed in the Direct Testimony of Shaun Hart, UGI Statement No. 9. UGI Utilities, Inc. Gas Division will exercise best efforts to transfer the remaining non-choice transportation accounts to calendar month billing and balancing pools by no later than November 1, 2020.

(49) That UGI Utilities, Inc. Gas Division merge the Southeast and Southwest regions. The updated delivery split requirements will be as stated in Settlement Paragraph 60.

(50) That UGI Utilities, Inc. Gas Division modify its Eligible Customer List to provide associated customer delivery region designations. UGI Utilities, Inc. Gas Division will continue to provide certain information concerning choice customers in accordance with the Commission’s customer information disclosure regulations at 52 Pa. Code § 62.78. For non-choice customers, UGI Utilities, Inc. Gas Division will post a listing of account numbers and their respective delivery region designations on its password protected website accessible only to authorized UGI Utilities, Inc. Gas Division personnel and licensed NGSs qualified to do business on the UGI Utilities, Inc. Gas Division system.

(51) That UGI Utilities, Inc. Gas Division release to suppliers a full list of producers directly connected to the UGI Utilities, Inc. Gas Division system on a password protected website accessible only by authorized UGI Utilities, Inc. Gas Division personnel and licensed NGSs.

(52) That UGI Utilities, Inc. Gas Division analyze the capability to provide a virtual storage proposal to NGSs who provide “choice” natural gas supply service on the UGI Utilities, Inc. Gas Division distribution system that will allow suppliers to manage injections and withdrawals of supply through nominations made to UGI Utilities, Inc. Gas Division consistent with the provisions in Settlement Paragraph 63.

(53) That annual differences between $4.188 million and actual expenditures for environmental costs be deferred as a regulatory asset where expenditures are greater than $4.188 million per year or as a regulatory liability where expenditures are less than $4.188 million on an annual basis and accumulated for book and ratemaking purposes until UGI Utilities, Inc. Gas Division’s next base rate case, consistent with Settlement Paragraph 64.

(54) That the Commission approve the combined annual environmental remediation expense, amortized for book and ratemaking purposes, of $1.621 million, which reflects the use of a five-year amortization period applied to the combined regulatory asset balances of $8.103 million set forth on UGI Gas Exhibit A, Schedule D-8, lines 9 and 13.

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

(56) That the Commission accept that for purposes of determining the revenue requirement in this case, all capitalized repairs deductions claimed on a tax return have been normalized for ratemaking purposes and the appropriate related amount of tax effect of those deductions has been reflected as Accumulated Deferred Income Taxes as a reduction to UGI Utilities, Inc. Gas Division’s rate base.

(57) That UGI Utilities, Inc. Gas Division’s proposed accounting treatment for UNITE and Hypercare costs be approved.

(58) That the Commission approve UGI Utilities, Inc. Gas Division’s proposal to record the costs associated with its mechanical tee remediation program as capital investment for book accounting purposes, effective October 1, 2018.

(59) That the Commission adopt UGI Utilities, Inc. Gas Division’s as-filed depreciation rates, which are accepted for UGI Utilities, Inc. Gas Division’s accounting purposes.

(60) That UGI Utilities, Inc. Gas Division continue conducting separate risk analyses for each of the three districts and continue to maintain a combined system-wide calculated risk for all assets across company territories in one master DIMP record which will be utilized for LTIIP prioritization purposes.

(61) That UGI Utilities, Inc. Gas Division continue taking affirmative steps to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible.

(62) That UGI Utilities, Inc. Gas Division hold a one-time stakeholder meeting with the Commission’s Safety Division, and any other interested parties to this proceeding, within sixty (60) days following the entry of this Opinion and Order, to elicit input into potential strategies designed to reduce construction and restoration costs associated with pipeline replacement projects.

(63) That UGI Utilities, Inc. Gas Division maintain a competitive alternative analysis for each interruptible customer with alternate fuel capability every five (5) years consistent with the provisions of Settlement Paragraph 73. The first Interruptible Customer Competitive Analysis will be provided in the next base rate case.

(64) That the investigation at Docket No. R-2018-3006814 be terminated upon the filing of the approved tariffs.

(65) That the formal Complaint filed by the Office of Consumer Advocate at Docket No. C-2019-3007753, be closed as satisfied.

(66) That the formal Complaint filed by the Office of Small Business Advocate at Docket No. C-2019-3007756, be closed as satisfied.

(67) That the formal Complaint filed by Keith P. Dolon at Docket No. C-2019-3007953, be dismissed.

(68) That the formal Complaint filed by Gail L. Hoffer and Bernadette Margel at Docket No. C-2019-3008002, be dismissed.

(69) That the formal Complaint filed by James J. Knowlton at Docket No. C 2019-3008606, be dismissed.

(70) That the formal Complaint filed by Christopher Visco at Docket No. C 2019-3008737, be dismissed.

(71) That the formal Complaint filed by Ruth E. Neely at Docket No. C-2019-3008833, be dismissed.

(72) That the formal Complaint filed by Sam Galdieri at Docket No. C-2019­3009325, be dismissed.

(73) That the formal Complaint filed by Billie Sue Atkinson at Docket No. C 2019-3009949, be dismissed.

**BY THE COMMISSION,**



Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: September 19, 2019

ORDER ENTERED: October 4, 2019

1. Direct Energy collectively refers to Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC. [↑](#footnote-ref-1)
2. In accordance with Prehearing Order #1, UGIES’ Petition to Intervene was deemed granted as no party objected to their Petition to Intervene within three business days of the date of the filing. [↑](#footnote-ref-2)
3. LDCEPA did not appear at the evidentiary hearing on June 20, 2019, and thus its Direct Testimony was not entered into the record. Thus, LDCEPA’s testimony is not part of the record in this proceeding. [↑](#footnote-ref-3)