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June 30, 2016

VIA ELECTRONIC FILING

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

RE: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division
Docket No. R-2015-2518438; **STATEMENT IN SUPPORT**

Dear Secretary Chiavetta:

Enclosed for electronic filing with the Commission, please find the Natural Gas Supplier Parties' Statement in Support of Settlement in the above-captioned matter. Copies of the Statement have been served in accordance with the attached Certificate of Service.

Thank you for your attention to this matter. If you have any questions related to this filing, please do not hesitate to contact my office.

Very truly yours,

Todd S. Stewart
Counsel for the NGS Parties

TSS/jld

Enclosure

cc: Administrative Law Judge Susan D. Colwell (via electronic and first-class mail)
Per Certificate of Service

CERTIFICATE OF SERVICE

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

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DATED: June 30, 2016

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2518438
	:	
UGI Utilities, Inc. – Gas Division	:	

**NATURAL GAS SUPPLIER PARTIES’
STATEMENT IN SUPPORT OF SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

NOW COME Dominion Retail, Inc. d/b/a/ Dominion Energy Solutions (“DES”), Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”), Shipley Choice LLC d/b/a Shipley Energy (“Shipley”), AmeriGreen Energy, and Rhoads Energy (“Rhoads) (collectively, “NGS Parties”) and hereby submit their Statement in Support of the Joint Petition for Approval of Settlement of All Issues (“Settlement”) being filed simultaneously herewith in the above-captioned matter. The NGS Parties respectfully submit that the Settlement is in the public interest and should be approved by the Pennsylvania Public Utility Commission (“Commission”) as presented. In support thereof, the NGS Parties state as follows:

I. BACKGROUND

1. On January 19, 2016, UGI Utilities, Inc. (“UGI or “Company”) filed its Tariff Gas - Pa. P.U.C. No. 6 and 6-S to become effective on March 19, 2016. Through its filing, UGI seeks a general rate increase calculated to produce \$58.6 million in additional annual revenues.

2. On February 11, 2016, the Company's filing was suspended by operation of law until October 19, 2016, unless permitted by a Commission Order to become effective at an earlier date.

3. On February 12, 2016, the NGS Parties filed a Petition to Intervene in the above-captioned matter. A prehearing conference was held, as scheduled, on February 17, 2016. The Petition to Intervene of the NGS Parties was granted. In their Prehearing Conference Memorandum, the NGS Parties identified a number of issues to be litigated in this case and also identified James L. Crist, President of the Lumen Group, as their witness. The issues of concern to the NGS Parties are:

- UGI's proposal to reduce the gas procurement charge ("GPC") from \$.04/McF to \$.0146/McF;
- UGI's \$10 switching fee;
- Capacity issues revolving around the fact that UGI does not provide physical storage to NGSs; and,
- UGI's financial security requirements.

4. In his Direct Testimony on behalf of the NGS Parties, Mr. Crist identified a more appropriate GPC as \$.1701/Mcf. Mr. Crist also recommended eliminating the \$10 switching fee, and recommended several modifications to UGI's use of Transco Pipeline capacity. Finally, Mr. Crist recommended a substantial reduction in the amount of financial security that is required for suppliers serving customers on the UGI system.

II. SETTLEMENT

5. The Settlement proposes a number of concessions that the NGS Parties feel are substantial and which are sufficient to allow them to support without hesitation the entirety of the Settlement.

6. UGI has agreed (§ 83) to add back in the call option method of providing security found in its tariff and in addition, has agreed to modify the security requirements to \$60 per residential customer. UGI also agreed to reduce the per dekatherm security amount to \$94.24 per dekatherm for non-residential customers, which is multiplied by the design day requirement for the customer to achieve the total dollar amount of security per non-residential customer. These substantial reductions in the requirement for financial security will free up capital for suppliers operating on the UGI system and will reduce barriers to entering and remaining in the UGI market.

7. UGI has also agreed to increase the gas procurement charge from \$0.0146 to \$0.09/Mcf. This modification will ensure that default service customers pay a GPC that more accurately reflects the actual costs of procurement of natural gas supplies and will, at the same time, ensure that shopping customers are not paying twice for those costs through distribution rates.

8. Moreover, UGI has agreed to eliminate the Choice Customer Switching Fee which applied when a customer would change their NGS more than once in any year. However, the fee applied only if the customer switched to another NGS, but did not apply if a customer switched to UGI. The \$10 fee is charged to NGSs. Eliminating the fee removes a discriminatory and anti-competitive feature of UGI's tariff.

9. UGI has also agreed to modify the monthly balancing requirements in response to testimony provided by RESA and has modified its monthly balancing charges.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

10. These concessions represent substantial progress in ensuring better conditions for competition on the UGI system, by better allocating costs to cost causers by increasing the GPC, by reducing the barriers to entry and the on ongoing, non-productive entanglement of capital that was caused by UGI's extremely high financial security requirements, and by eliminating a discriminatory, non-cost-based switching fee that imposed costs on suppliers for having customers choose them, when there was not any real cost associated with switching and when UGI did not assess the fee on switches to itself. The changes represented in this settlement are all positive for the market and represent a real compromise from UGI's positions as represented in its filing and in the testimony of its witnesses. Accordingly, the NGS Parties believe that these changes in particular, and the entire settlement as a whole, are reasonable and promote the public interest and request that the Settlement be approved without modification.

WHEREFORE, the NGS Parties respectfully request the Honorable Presiding Administrative Law Judge and the Commission, approve the Joint Petition for Partial Settlement, as presented, and with all due haste.

Respectfully submitted,



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Dated: June 30, 2016