

BOOK IX

UGI Gas Exhibits D, D-1 and D-2

Witness: P.R. Herbert

6/2/16 *PHG TX*

UGI UTILITIES, INC. - GAS DIVISION

DOCKET NO. R-2015-2518438

COST OF SERVICE ALLOCATION STUDY AS OF SEPTEMBER 30, 2017



Gannett Fleming

Excellence Delivered As Promised

UGI UTILITIES, INC. - GAS DIVISION

Docket No. R-2015-2518438

COST OF SERVICE ALLOCATION STUDY

AS OF SEPTEMBER 30, 2017

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC
Harrisburg, Pennsylvania



Gannett Fleming

Excellence Delivered As Promised

January 18, 2016

UGI Utilities, Inc. - Gas Division
2525 N. 12th Street
P.O. Box 12677
Reading, PA 19612-2677

Attention Mr. Paul J. Szykman
Vice President - Rates and Government Relations

ii Ladies and Gentlemen:

Pursuant to your request, we have prepared a cost of service allocation study based on pro forma revenue requirements for the twelve months ended September 30, 2017.

The attached report presents the results of the study, as well as supporting schedules which set forth the detailed allocation calculations. Schedule A, on page 5, presents a comparison of the cost of service by service classification with the revenues produced by each classification under present and proposed rates.

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

PAUL R. HERBERT
President

PRH:krm

060799.200

Gannett Fleming Valuation and Rate Consultants, LLC

P.O. Box 67100 • Harrisburg, PA 17106-7100 | 207 Senate Avenue • Camp Hill, PA 17011
t: 717.763.7211 • f: 717.763.4590

www.gfvrc.com



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PART I. INTRODUCTION

UGI UTILITIES, INC. - GAS DIVISION
COST OF SERVICE ALLOCATION STUDY
AS OF SEPTEMBER 30, 2017

PART I. INTRODUCTION

PLAN OF REPORT

The report sets forth the results of the cost of service allocation study prepared for UGI Utilities, Inc. - Gas Division, based on the twelve months ended September 30, 2017 (FPFTY). Part I, Introduction, includes statements with respect to the basis of the study, the procedures employed, and a summary of the results of the study. Part II, Cost of Service by Service Classification, presents the detailed schedules of the allocation of costs to service classifications, the bases for the allocations, and the development of certain customer and demand costs.

BASIS OF THE STUDY

The purpose of the study was to allocate costs to the several customer classifications based on considerations of quantity of gas consumed; sales and transportation; demand characteristics; and costs associated with metering, billing, and accounting. The allocation study was based on recognized procedures for allocating costs to customer classifications in proportion to each classification's use of the facilities, commodity, and services which entail the total cost of providing gas service.

ALLOCATION PROCEDURES

The allocation study was based on the Average and Extra Demand Method for allocating costs to service classifications. The method is identified as the "Average and Excess Demand Method" in "Gas Rate Fundamentals," (published in 1987 by the

American Gas Association's Rate Committee) in which it is described. The three basic categories of cost responsibility are commodity, capacity, and customer costs. In the Average and Extra Demand Method, the capacity costs are allocated to service classifications on a combined basis of average use and use above average at peak demands. The following presents a brief discussion of costs and the manner in which they were allocated.

Commodity Costs are the costs that tend to vary with the quantity of gas used. Commodity costs in this study include production plant expenses and associated costs. Commodity costs were allocated to service classifications on the basis of average daily sales volumes.

Capacity Costs are costs associated with meeting the peak demands of the system. Capacity costs attributable to sales and transportation service include Distribution expenses and capital costs not associated with the customer costs category. The capacity costs were allocated to service classifications on a combined basis of average use and extra demand (demand in excess of average use). For presentation purposes, the commodity and capacity costs are combined into the volumetric function for each classification.

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. Customer costs include the expenses and capital costs related to meters, regulators, and services and expenses related to meter reading and billing. The customer costs were allocated to service classifications on the bases of the number of meters, services and customers.

The allocation of costs to service classifications and the bases for the allocations are presented in Part II, Cost of Service by Service Classification.

RESULTS OF STUDY

The data summarized in Schedule A, "Comparison of Cost of Service with Revenues Under Present and Proposed Rates by Service Classification for the Twelve Months Ended September 30, 2017," constitute the principal results of the allocation study. Schedules B through F in Part II of the report present the details of the allocation of costs of service, including the return based on the allocated measure of value, by service classification as well as the bases for the allocation factors.

Schedule G presents the development of customer costs per bill by service classification. Schedule H presents a cost analysis of the LFD and XD Service demand charges.

UGI UTILITIES, INC. - GAS DIVISION

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017
WITHOUT GAS COSTS

Service Classification (1)	Pro Forma Cost of Service		Pro Forma Margin Revenues,				Revenue Increase	
	Amount (2)	Percent (3)	Under Present Rates		Under Proposed Rates		Amount (8)	Percent Increase (9)
			Amount (4)	Percent (5)	Amount (6)	Percent (7)		
Rate R	\$ 181,619,912	66.2%	\$ 108,668,733 *	50.2%	\$ 152,001,162	55.4%	\$ 43,332,429	39.9%
Rate N	63,565,994	23.1%	55,100,277	25.5%	67,596,056	24.6%	12,495,779	22.7%
Rate DS	6,861,940	2.5%	10,602,234	4.9%	11,583,714	4.2%	981,480	9.3%
Rate LFD	10,692,747	3.9%	25,008,284	11.6%	26,762,521	9.7%	1,754,237	7.0%
Rate XD Firm	3,421,615	1.2%	11,785,496	5.5%	11,785,496	4.3%	-	0.0%
Interruptible	8,467,746	3.1%	4,900,000	2.3%	4,900,000	1.8%	-	0.0%
Total	\$ 274,629,954	100.0%	\$ 216,065,024	100.0%	\$ 274,628,950	100.0%	\$ 58,563,925	27.1%
Other Operating Revenues	4,480,000		4,480,000		4,480,000		0	
Total	\$279,109,954		\$220,545,024		\$279,108,950		\$58,563,925	26.6%

* Includes GL.

**PART II. COST OF SERVICE
BY SERVICE CLASSIFICATION**

UGI UTILITIES, INC. - GAS DIVISION

DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION
UNDER PRESENT RATES

Item (1)	Cost of Service (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD-Firm (7)	Interruptible (8)
1. Revenues From Tariff Sales and Transportation	\$ 216,065,024	\$ 108,668,733	\$ 55,100,277	\$ 10,602,234	\$ 25,008,284	\$ 11,785,496	\$ 4,900,000
2. Other Revenues	4,480,001	2,849,807	1,310,476	235,676	39,628	12,388	32,026
3. Total Operating Revenues	220,545,025	111,518,540	56,410,753	10,837,910	25,047,912	11,797,884	4,932,026
4. Less: Operating Expenses	164,808,952	112,105,589	36,352,198	3,693,136	5,995,168	2,003,327	4,659,534
5. Return and Income Taxes	55,736,073	(587,049)	20,058,555	7,144,774	19,052,744	9,794,557	272,492
6. Less: Interest Expense	20,044,000	12,611,685	5,053,092	603,324	837,839	256,563	681,496
7. Taxable Income	35,692,073	(13,198,734)	15,005,463	6,541,450	18,214,905	9,537,994	(409,004)
8. Less: Income Taxes	13,962,000	(5,161,751)	5,869,625	2,559,235	7,124,809	3,730,646	(160,563)
9. Net Return (Ln 5 - Ln 8)	41,774,073	4,574,702	14,188,930	4,585,539	11,927,935	6,063,911	433,055
10. Original Cost Measure of Value (Factor 15.)	923,709,059	581,312,395	232,852,117	27,795,706	38,595,796	11,791,007	31,362,038
11. Rate of Return, Percent	4.52%	0.79%	6.09%	16.50%	30.90%	51.43%	1.38%
12. Relative Rate of Return	1.00	0.17	1.35	3.65	6.83	11.37	0.31

UGI UTILITIES, INC. - GAS DIVISION

DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION
UNDER PROPOSED RATES

Item (1)	Cost of Service (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD-Firm (7)	Interruptible (8)
1. Revenues From Tariff Sales and Transportation	274,628,950	\$ 152,001,162	\$ 67,596,056	\$ 11,583,714	\$ 26,762,521	\$ 11,785,496	\$ 4,900,000
2. Other Revenues	4,480,001	2,845,252	1,313,241	236,509	40,123	12,355	32,521
3. Total Operating Revenues	279,108,951	154,846,414	68,909,297	11,820,223	26,802,644	11,797,851	4,932,521
4. Less: Operating Expenses	165,785,954	113,150,370	36,321,587	3,687,396	5,984,595	1,994,755	4,647,251
5. Return and Income Taxes	113,322,997	41,696,044	32,587,710	8,132,827	20,818,049	9,803,096	285,270
6. Less: Interest Expense	20,044,000	12,613,689	5,051,088	603,324	837,839	256,563	681,496
7. Taxable Income	93,278,997	29,082,355	27,536,622	7,529,503	19,980,210	9,546,533	(396,226)
8. Less: Income Taxes	37,857,000	11,803,813	11,175,386	3,055,060	8,108,969	3,872,771	(158,999)
9. Net Return (Ln 5 - Ln 8)	75,465,997	29,892,231	21,412,324	5,077,767	12,709,080	5,930,325	444,269
10. Original Cost Measure of Value (Factor 15.)	923,709,064	581,399,088	232,770,455	27,780,388	38,606,047	11,780,795	31,372,291
11. Rate of Return, Percent	8.17%	5.14%	9.20%	18.28%	32.92%	50.34%	1.42%
12. Relative Rate of Return	1.00	0.63	1.13	2.24	4.03	6.16	0.17

UGI UTILITIES, INC. - GAS DIVISION

SUMMARY OF COST OF SERVICE BY SERVICE CLASSIFICATION

Cost Function (1)	Cost of Service (Schedule E) (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD Firm (7)	Interruptible (8)
Volumetric Costs							
Rate R	\$ 60,943,699	\$ 60,943,699					
Rate N	35,368,225		\$ 35,368,225				
Rate DS	5,938,246			\$ 5,938,246			
Rate LFD	8,681,850				\$ 8,681,850		
Rate XD Firm	3,244,864					\$ 3,244,864	
Rate IS/IL	7,938,217						\$ 7,938,217
Total Volumetric Costs	<u>122,115,101</u>	<u>60,943,699</u>	<u>35,368,225</u>	<u>5,938,246</u>	<u>8,681,850</u>	<u>3,244,864</u>	<u>7,938,217</u>
Customer Costs							
Rate R	\$ 120,676,213	\$ 120,676,213					
Rate N	28,197,769		\$ 28,197,769				
Rate DS	923,694			\$ 923,694			
Rate LFD	2,010,897				\$ 2,010,897		
Rate XD Firm	176,751					\$ 176,751	
Rate IS/IL	529,529						\$ 529,529
Total Customer Costs	<u>152,514,853</u>	<u>120,676,213</u>	<u>28,197,769</u>	<u>923,694</u>	<u>2,010,897</u>	<u>176,751</u>	<u>529,529</u>
Total Excluding Gas Costs	<u>\$ 274,629,954</u>	<u>\$ 181,619,912</u>	<u>\$ 63,565,994</u>	<u>\$ 6,861,940</u>	<u>\$ 10,692,747</u>	<u>\$ 3,421,615</u>	<u>\$ 8,467,746</u>

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
OPERATION AND MAINTENANCE EXPENSES														
NATURAL GAS PRODUCTION EXPENSES														
<u>Manufactured Gas Production Expenses</u>														
710		0	-	-	-	-	-	-	-	-	-	-	-	-
717		0	-	-	-	-	-	-	-	-	-	-	-	-
725-736		0	-	-	-	-	-	-	-	-	-	-	-	-
740-742		68,000	50,259	17,741	-	-	-	-	-	-	-	-	-	-
		68,000	50,259	17,741	-	-	-	-	-	-	-	-	-	-
<u>Production and Gathering</u>														
750 - 760		-	-	-	-	-	-	-	-	-	-	-	-	-
761 - 769		-	-	-	-	-	-	-	-	-	-	-	-	-
770 - 783		-	-	-	-	-	-	-	-	-	-	-	-	-
784 - 791		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Other Gas Supply Expenses</u>														
800 - 803		-	-	-	-	-	-	-	-	-	-	-	-	-
804		-	-	-	-	-	-	-	-	-	-	-	-	-
813		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		68,000	50,259	17,741	-	-	-	-	-	-	-	-	-	-
OTHER STORAGE EXPENSE														
840		-	-	-	-	-	-	-	-	-	-	-	-	-
841		-	-	-	-	-	-	-	-	-	-	-	-	-
342 - 842.3		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
TRANSMISSION EXPENSE														
850 - 860		-	-	-	-	-	-	-	-	-	-	-	-	-
861 - 867		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
DISTRIBUTION EXPENSES														
<u>Operation</u>														
870		2,402,000	471,993	292,083	50,202	74,462	43,476	88,153	873,357	431,399	15,373	50,682	4,564	6,245
871		554,000	207,362	128,196	20,886	36,121	63,876	97,559	-	-	-	-	-	-
872		-	-	-	-	-	-	-	-	-	-	-	-	-
873		1,000	186	116	27	119	142	411	-	-	-	-	-	-
874		2,077,287	1,103,455	683,012	120,275	56,294	-	114,251	-	-	-	-	-	-
		3,189,713	1,441,269	891,640	152,780	337,257	126,472	220,295	-	-	-	-	-	-
		5,247,000	-	-	-	-	-	-	4,510,321	636,461	41,451	32,531	3,673	22,562
875		425,000	159,078	98,345	16,023	27,710	49,003	74,843	-	-	-	-	-	-
876		417,000	-	-	-	-	-	-	-	97,203	-	294,027	25,103	667
877		348,000	130,256	80,527	13,120	22,690	40,124	61,283	-	-	-	-	-	-
878		1,959,000	-	-	-	-	-	-	676,443	1,237,500	34,674	-	-	10,383
879		1,281,000	-	-	-	-	-	-	442,329	809,208	22,674	-	-	6,789
880		2,527,000	496,556	307,283	52,814	78,337	45,739	92,741	918,817	453,849	16,173	53,320	4,601	6,570
881		89,000	13,559	8,390	1,442	2,139	1,249	2,532	25,086	12,392	442	1,458	131	179
		20,477,000	4,023,714	2,489,592	427,569	635,129	370,081	752,068	7,448,365	3,678,012	130,787	432,018	38,272	53,395

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs						
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)	
Maintenance															
885	11	786,000	320,138	198,072	34,270	49,754	18,707	45,745	77,342	30,811	1,179	8,646	786	550	
886	18	3,000	1,453	899	156	227	74	192	-	-	-	-	-	-	
887	5	5,287,245	2,808,585	1,738,446	306,131	143,284	-	290,798	-	-	-	-	-	-	
	17	8,067,756	3,988,409	2,269,460	388,866	858,409	321,903	560,709	-	-	-	-	-	-	
888	4	-	-	-	-	-	-	-	-	-	-	-	-	-	
889	4a	167,000	62,508	38,644	6,296	10,888	19,255	29,409	-	-	-	-	-	-	
890	6B	242,000	-	-	-	-	-	-	-	58,410	-	170,634	14,568	387	
891	4a	436,000	163,195	100,890	16,437	28,427	50,271	76,780	-	-	-	-	-	-	
892	6C	1,640,000	-	-	-	-	-	-	1,408,744	198,932	12,956	10,168	1,148	7,052	
893	6	617,000	-	-	-	-	-	-	213,050	389,759	10,921	-	-	3,270	
894	11	102,000	41,545	25,704	4,447	6,457	2,428	5,936	10,037	3,998	153	1,122	102	71	
895	11	(176,000)	(71,885)	(44,352)	(7,674)	(11,141)	(4,189)	(10,243)	(17,318)	(6,899)	(264)	(1,836)	(176)	(123)	
		<u>17,172,001</u>	<u>6,994,148</u>	<u>4,327,763</u>	<u>748,929</u>	<u>1,086,305</u>	<u>408,449</u>	<u>999,326</u>	<u>1,692,855</u>	<u>673,011</u>	<u>24,945</u>	<u>188,834</u>	<u>16,428</u>	<u>11,207</u>	
Total Maintenance															
Total Distribution Expenses		<u>37,649,001</u>	<u>11,017,862</u>	<u>6,617,355</u>	<u>1,176,498</u>	<u>1,721,434</u>	<u>778,530</u>	<u>1,751,394</u>	<u>9,139,220</u>	<u>4,351,023</u>	<u>155,732</u>	<u>620,650</u>	<u>54,700</u>	<u>64,602</u>	
CUSTOMER ACCOUNTING EXPENSES															
Operation															
901	7	425,000	-	-	-	-	-	-	381,395	42,075	638	510	43	340	
902	7	1,001,000	-	-	-	-	-	-	898,297	99,099	1,502	1,201	100	801	
903	7	13,681,000	-	-	-	-	-	-	12,277,329	1,354,419	20,522	16,417	1,368	10,945	
904	19	5,611,000	1,781,484	134,987	-	-	-	-	3,372,781	217,384	33,666	44,327	-	26,372	
905	7	358,000	-	-	-	-	-	-	321,289	35,442	537	430	36	286	
Total Customer Accounting Expenses		<u>21,076,000</u>	<u>1,781,484</u>	<u>134,987</u>	-	-	-	-	<u>17,251,071</u>	<u>1,748,419</u>	<u>56,865</u>	<u>62,885</u>	<u>1,547</u>	<u>38,744</u>	
CUSTOMER SERVICE AND INFORMATION EXPENSES															
Operation															
907	7	164,000	-	-	-	-	-	-	147,173	16,236	246	197	16	131	
908	9	1,308,000	-	-	-	-	-	-	1,308,000	-	-	-	-	-	
909	7	721,000	-	-	-	-	-	-	647,025	71,379	1,082	865	72	577	
910	7	118,000	-	-	-	-	-	-	104,098	11,484	174	139	12	93	
Total Customer Service & Info Expenses		<u>2,309,000</u>	-	-	-	-	-	-	<u>2,206,296</u>	<u>99,099</u>	<u>1,502</u>	<u>1,201</u>	<u>100</u>	<u>801</u>	
SALES EXPENSES															
Operation															
911	8	-	-	-	-	-	-	-	-	-	-	-	-	-	
912	8	3,635,000	-	-	-	-	-	-	3,274,045	360,956	-	-	-	-	
913	8	111,000	-	-	-	-	-	-	99,978	11,022	-	-	-	-	
916	8	104,000	-	-	-	-	-	-	83,673	10,327	-	-	-	-	
Total Sales Expenses		<u>3,850,000</u>	-	-	-	-	-	-	<u>3,467,696</u>	<u>382,305</u>	-	-	-	-	
ADMINISTRATIVE AND GENERAL EXPENSES															
Operation															
920	12	9,958,000	1,964,713	1,067,498	180,240	263,887	119,496	268,866	4,920,248	1,009,741	32,861	105,555	8,962	15,933	
921	12	9,639,000	1,901,775	1,033,301	174,466	255,434	115,668	260,253	4,782,830	977,395	31,809	102,173	8,675	15,422	
923	12	9,243,000	1,823,644	990,850	167,298	244,940	110,916	249,561	4,566,966	937,240	30,502	97,978	8,319	14,789	
924	12	195,000	38,474	20,904	3,530	5,188	2,340	5,265	96,350	19,773	644	2,067	176	312	
925	12	7,041,000	1,389,189	754,795	127,442	186,587	84,492	190,107	3,478,958	713,957	23,235	74,635	6,337	11,266	
926	13	11,272,000	2,048,122	1,216,249	207,405	304,344	152,172	328,015	5,332,783	1,472,123	45,088	135,264	11,272	19,162	
928	16	628,000	137,595	78,819	13,378	19,594	7,348	17,898	277,576	66,128	2,575	4,522	377	1,193	
930	12	678,000	133,789	72,882	12,272	17,967	8,136	18,306	335,000	68,749	2,237	7,187	610	1,085	
930	12	1,517,000	299,304	182,622	27,458	40,201	18,204	40,959	749,550	153,824	5,006	18,080	1,385	2,427	
931	12	277,000	54,652	29,894	5,014	7,341	3,324	7,479	136,866	28,088	814	2,938	249	443	
Total Operation		<u>50,448,000</u>	<u>9,791,237</u>	<u>5,428,414</u>	<u>918,501</u>	<u>1,345,483</u>	<u>622,096</u>	<u>1,386,708</u>	<u>24,656,927</u>	<u>5,447,018</u>	<u>174,871</u>	<u>548,395</u>	<u>46,342</u>	<u>82,032</u>	

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
Maintenance														
932		1,435,000	283,126	153,832	25,974	38,028	17,220	38,745	709,034	145,509	4,736	15,211	1,292	2,296
935		12,000	2,368	1,288	217	318	144	324	5,929	1,217	40	127	11	19
		<u>1,447,000</u>	<u>285,494</u>	<u>155,118</u>	<u>26,191</u>	<u>38,346</u>	<u>17,364</u>	<u>39,069</u>	<u>714,963</u>	<u>146,726</u>	<u>4,776</u>	<u>15,338</u>	<u>1,303</u>	<u>2,315</u>
Total Administrative & General Expenses		51,895,000	10,076,731	5,583,532	944,692	1,383,809	639,460	1,425,778	25,371,890	5,593,744	179,647	563,733	47,645	84,347
Total Operation and Maintenance Expenses		116,847,001	22,926,336	12,553,615	2,121,190	3,105,243	1,417,990	3,177,172	57,436,173	12,174,590	393,746	1,248,469	103,992	188,494
DEPRECIATION AND AMORTIZATION EXPENSE														
DISTRIBUTION PLANT														
305		207,811	153,593	54,218	-	-	-	-	-	-	-	-	-	-
375		27,612	13,370	8,273	1,436	2,093	676	1,764	-	-	-	-	-	-
376		5,007,323	2,659,890	1,646,408	289,924	135,698	-	275,403	-	-	-	-	-	-
		<u>7,640,626</u>	<u>3,623,949</u>	<u>2,241,760</u>	<u>384,323</u>	<u>848,109</u>	-	<u>542,484</u>	-	-	-	-	-	-
		310,359	-	-	-	-	301,344	9,015	-	-	-	-	-	-
378		1,128,978	546,651	338,242	58,707	85,577	27,860	72,142	-	-	-	-	-	-
378		107,140	51,877	32,099	5,571	8,121	2,625	6,846	-	-	-	-	-	-
379		88,508	42,856	28,517	4,602	6,709	2,168	5,656	-	-	-	-	-	-
380		18,440,532	-	-	-	-	-	-	15,851,481	2,236,837	145,680	114,331	12,908	78,294
381		1,553,801	-	-	-	-	-	-	536,527	981,536	27,502	-	-	8,235
381.2		445,841	-	-	-	-	-	-	153,949	281,838	7,891	-	-	2,363
382		1,578,782	-	-	-	-	-	-	545,152	997,317	27,944	-	-	8,368
383		404,313	-	-	-	-	-	-	139,609	255,405	7,156	-	-	2,143
384		268,996	-	-	-	-	-	-	92,884	169,925	4,761	-	-	1,426
385		128,680	-	-	-	-	-	-	-	29,995	-	90,732	7,747	206
386		23,414	-	-	-	-	-	-	8,085	14,791	414	-	-	124
387		105,852	20,800	12,872	2,212	3,281	1,916	3,885	38,488	19,011	677	2,233	201	275
387.1		4,539	892	552	95	141	82	167	1,651	815	29	96	9	12
		<u>37,473,107</u>	<u>7,113,876</u>	<u>4,360,941</u>	<u>746,870</u>	<u>1,089,729</u>	<u>336,471</u>	<u>917,362</u>	<u>17,367,626</u>	<u>4,987,270</u>	<u>222,054</u>	<u>207,392</u>	<u>20,865</u>	<u>102,446</u>
GENERAL PLANT														
390		1,124,899	221,943	120,589	20,361	29,810	13,499	30,372	555,813	114,065	3,712	11,924	1,012	1,800
391		109,370	21,579	11,724	1,980	2,898	1,312	2,953	54,040	11,090	381	1,159	98	175
392		80,541	15,891	8,634	1,458	2,134	966	854	39,795	8,167	286	854	72	129
394		501,958	99,036	53,810	9,085	13,302	6,023	13,553	248,017	50,899	1,656	5,321	452	803
396		8,536	1,884	915	155	226	102	230	4,218	866	28	90	8	14
397		40,154	7,921	4,305	727	1,064	482	1,084	19,840	4,072	133	426	36	64
398		85,585	16,885	9,175	1,549	2,268	1,027	2,311	42,288	6,678	282	907	77	137
399		-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>1,951,043</u>	<u>384,939</u>	<u>209,152</u>	<u>35,315</u>	<u>51,702</u>	<u>23,411</u>	<u>52,678</u>	<u>964,011</u>	<u>197,837</u>	<u>6,438</u>	<u>20,681</u>	<u>1,755</u>	<u>3,122</u>
COMMON PLANT ALLOCATED @ 15.36%														
390.2		2,114	417	227	38	56	25	57	1,045	214	7	22	2	3
391		14,784	2,917	1,585	268	392	177	399	7,305	1,499	49	157	13	24
392.1		533	105	57	10	14	6	14	263	54	2	6	-	1
		<u>17,431</u>	<u>3,439</u>	<u>1,869</u>	<u>316</u>	<u>462</u>	<u>208</u>	<u>470</u>	<u>8,613</u>	<u>1,767</u>	<u>58</u>	<u>185</u>	<u>15</u>	<u>28</u>
INFORMATION SERVICES (IS) ALLOCATED @ 48.83%														
391		1,556,244	307,047	166,829	28,168	41,240	18,675	42,019	768,940	157,803	5,138	16,496	1,401	2,490
391.1		2,867,067	307,047	166,829	28,168	41,240	18,675	42,019	2,572,906	283,840	4,301	3,440	287	2,294
		<u>4,423,311</u>	<u>307,047</u>	<u>166,829</u>	<u>28,168</u>	<u>41,240</u>	<u>18,675</u>	<u>42,019</u>	<u>3,341,846</u>	<u>441,643</u>	<u>9,437</u>	<u>19,936</u>	<u>1,688</u>	<u>4,784</u>
Less:														
		(637,000)	(125,680)	(68,286)	(11,530)	(16,881)	(7,644)	(17,199)	(314,742)	(64,592)	(2,102)	(6,752)	(573)	(1,019)
390.1		(38,944)	(7,884)	(4,175)	(705)	(1,032)	(467)	(1,051)	(19,242)	(3,949)	(129)	(413)	(35)	(62)
Total Depreciation & Amortization Expense		43,188,948	7,675,939	4,666,330	798,434	1,165,220	370,654	994,279	21,348,312	5,559,976	235,756	241,029	23,715	109,299

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
TAXES OTHER THAN INCOME TAXES														
408.10 Capital Stock	15	-	-	-	-	-	-	-	-	-	-	-	-	-
408.10 County and Municipal Taxes	16	177,000	38,780	22,497	3,770	5,522	2,071	5,045	78,234	18,638	726	1,274	106	336
408.10 Payroll Related Tax	13	3,397,000	617,235	366,536	62,505	91,719	45,860	98,853	1,607,121	443,648	13,588	40,764	3,397	5,775
408.10 Public Utility Assessment	16	1,683,000	364,363	211,367	35,422	51,886	19,457	47,396	735,046	175,114	6,818	11,974	998	3,160
408.10 Public Utility Realty Tax	15	513,000	133,072	79,618	13,235	18,340	6,310	16,416	189,759	49,658	2,206	2,155	205	1,026
408.10 Miscellaneous Taxes	16	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Taxes Other Than Income		5,750,000	1,153,450	680,018	114,932	168,467	73,698	167,710	2,610,160	687,058	23,336	56,167	4,706	10,297
Total Operating Expenses		185,785,949	31,755,725	17,899,963	3,034,556	4,438,930	1,862,342	4,339,161	81,394,645	18,421,624	652,840	1,545,665	132,413	308,090
INCOME TAXES	15	37,857,000	8,820,107	5,875,406	976,711	1,427,209	465,641	1,211,424	14,003,304	3,684,558	162,785	158,999	15,143	75,714
OPERATING INCOME AVAILABLE FOR RETURN	15	75,487,000	19,576,140	11,712,478	1,947,049	2,845,106	928,244	2,414,944	27,915,243	7,305,206	324,508	316,961	30,187	150,934
TOTAL COST OF SERVICE		279,109,949	61,151,972	35,487,847	5,958,316	8,711,245	3,256,227	7,965,529	123,313,192	29,391,388	1,140,133	2,021,625	177,743	534,738
Less: Other Revenues														
Reconnection Charges	6C	517,000	-	-	-	-	-	-	444,413	62,712	4,084	3,205	362	2,223
Rent From Gas Property	12	185,000	32,555	17,688	2,987	4,373	1,980	4,455	81,527	16,731	545	1,749	149	264
Forfeited Discounts/Penalties	20	2,996,000	-	-	-	-	-	-	1,756,555	1,029,725	208,522	-	-	1,198
Other Miscellaneous Revenues	16	802,000	175,718	101,934	17,083	25,022	9,383	22,857	354,484	84,451	3,288	5,774	481	1,524
Subtotal		4,480,000	208,273	119,622	20,070	29,395	11,363	27,312	2,636,979	1,183,619	216,439	10,728	992	5,209
TOTAL COST OF SERVICE RELATED TO TARIFF SALES AND TRANSPORTATION		\$ 274,629,949	\$ 60,943,699	\$ 35,368,225	\$ 5,938,246	\$ 8,681,850	\$ 3,244,864	\$ 7,938,217	\$ 120,676,213	\$ 28,197,769	\$ 923,694	\$ 2,010,897	\$ 176,751	\$ 529,529

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY DIRECTLY WITH PGC SALES.

Factors are based on the pro forma average daily PGC sales volumes for each service classification.

<u>Service Classification</u> (1)	<u>Pro Forma Average Daily PGC Volumes (Mcf)</u> (2)	<u>Allocation Factor</u> (3)
<u>Volumetric Costs</u>		
Rate R	52,240	0.7391
Rate N	18,444	0.2609
Rate DS	-	-
Rate LFD	-	-
Rate XD	-	-
Interruptible	-	-
	<hr/>	<hr/>
Total	<u>70,684</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTORS 2 . ALLOCATION OF COMPRESSOR STATION FUEL.

Factors are based on the pro forma average daily throughput volumes for each service classification.

<u>Service Classification</u> (1)	<u>Pro Forma Average Daily Throughput Volumes (Mcf)</u> (2)	<u>Allocation Factor 2</u> (3)
<u>Volumetric Costs</u>		
Rate R	62,313	0.1859
Rate N	38,743	0.1155
Rate DS	8,875	0.0265
Rate LFD	39,903	0.1190
Rate XD Firm	47,722	0.1423
Interruptible	<u>137,744</u>	<u>0.4108</u>
Total	<u><u>335,300</u></u>	<u><u>1.0000</u></u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 3. CALCULATION OF MAXIMUM DAY EXTRA DEMAND FACTORS.

Factors are based on the maximum day extra demand throughput for each classification.

Service Classification	Pro Forma Average Daily Throughput Volumes (Mcf)	Peak Day Capacity (Mcf)	Extra Capacity (Mcf)	Allocation Factor 3	Allocation Factor 3A
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(5)
<u>Volumetric Costs</u>					
Rate R	62,313	363,772	301,459	0.5157	0.5698
Rate N	38,743	224,930	186,187	0.3185	0.3519
Rate DS	8,875	35,791	26,916	0.0460	0.0509
Rate LFD	39,903	54,422	14,519	0.0248	0.0274
Subtotal	149,834	678,915	529,081	0.9050	1.0000
Rate XD Firm	47,722	103,283	55,561	0.0950	-
Total	197,556	782,198	584,642	1.0000	1.0000

FACTOR 3B. CALCULATION OF MAXIMUM DAY EXTRA DEMAND FACTORS FOR SMALL MAINS ALLOCATION.

Factors are based on the maximum day extra demand throughput for each classification, excluding XD and Interruptible classifications.

Service Classification	Pro Forma Average Daily Throughput Volumes (Mcf)	Peak Day Capacity (Mcf)	Extra Capacity (Mcf)	Allocation Factor 3B
(1)	(2)	(3)	(4)=(3)-(2)	(5)
<u>Volumetric Costs</u>				
Rate R	62,313	363,772	301,459	0.5828
Rate N	38,743	224,930	186,187	0.3599
Rate DS	8,875	35,791	26,916	0.0520
Rate LFD	7,582	10,340	2,758	0.0053
Total	117,513	634,833	517,320	1.0000

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH LARGE DISTRIBUTION MAINS.

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Average Daily Throughput			Maximum Day Extra Demand		Allocation Factor 4 (7)=(4)+(6)
	Interruptible	Allocation Factor	Weighted Factor*	Allocation Factor 3A	Weighted Factor	
(1)	(2)	(3)	(4)=(3)x 0.4287	(5)	(6)=(5)x 0.5713	
<u>Volumetric Costs</u>						
Rate R	62,313	0.3470	0.1488	0.5698	0.3255	0.4743
Rate N	38,743	0.2157	0.0924	0.3519	0.2010	0.2934
Rate DS	8,875	0.0494	0.0212	0.0509	0.0291	0.0503
Rate LFD	39,903	0.2222	0.0953	0.0274	0.0157	0.1110
Rate XD Firm		-	-	-	-	-
Interruptible	29,762	0.1657	0.0710		-	0.0710
Total	179,596	1.0000	0.4287	1.0000	0.5713	1.0000

* The weighting of the factors is based on the percentage of average daily throughput of 335,300 mcf divided by peak day demand of 782,198 mcf. $(335,300 / 782,198 = 42.87\%)$

FACTOR 4A. ALLOCATION OF COSTS ASSOCIATED WITH LOAD DISPATCHING AND M&R STATION EQUIPMENT.

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Throughput	Average Daily Throughput		Maximum Day Extra Demand		Allocation Factor (7)=(4)+(6)
		Allocation Factor 2	Weighted Factor	Allocation Factor 3	Weighted Factor	
(1)	(2)	(3)	(4)=(3)x 0.4287	(5)	(6)=(5)x 0.5713	
<u>Volumetric</u>						
Rate R	62,313	0.1859	0.0798	0.5157	0.2945	0.3743
Rate N	38,743	0.1155	0.0494	0.3185	0.1820	0.2314
Rate DS	8,875	0.0265	0.0114	0.0460	0.0263	0.0377
Rate LFD	39,903	0.1190	0.0510	0.0248	0.0142	0.0652
Rate XD-Firm	47,722	0.1423	0.0610	0.0950	0.0543	0.1153
Interruptible	137,744	0.4108	0.1761	-	-	0.1761
Total	335,300	1.0000	0.4287	1.0000	0.5713	1.0000

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH SMALL DISTRIBUTION MAINS.

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Average Daily Throughput			Maximum Day Extra Demand		Allocation Factor 5
	Volumes (Mcf)	Allocation Factor	Weighted Factor (4)=(3)x 0.4287	Allocation Factor 3B	Weighted Factor (6)=(5)x 0.5713	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Volumetric Costs</u>						
Rate R	62,313	0.4624	0.1982	0.5828	0.3330	0.5312
Rate N	38,743	0.2874	0.1232	0.3599	0.2056	0.3288
Rate DS	8,875	0.0658	0.0282	0.0520	0.0297	0.0579
Rate LFD	7,582	0.0562	0.0241	0.0053	0.0030	0.0271
Rate XD - Firm Interruptible (IS)	17,284	0.1282	0.0550	-	-	0.0550
Total	134,797	1.0000	0.4287	1.0000	0.5713	1.0000

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH ACCOUNT 381, METERS.

Factors are based on the cost of meters by class included in Account 381, Meters.

<u>Service Classification</u> (1)	<u>Cost of Meters</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate R	\$ 15,645,801	0.3453
Rate N	28,616,967	0.6317
Rate DS	800,115	0.0177
Rate LFD	-	-
Interruptible	<u>240,109</u>	<u>0.0053</u>
 Total	 <u><u>\$ 45,302,992</u></u>	 <u><u>1.0000</u></u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 6B. ALLOCATION OF COSTS ASSOCIATED WITH INDUSTRIAL MEASURING AND REGULATING EQUIPMENT, ACCOUNT 385.

Factors are based on the cost of M&R equipment by class included in Account 385, Industrial Measuring and Regulating Equipment.

<u>Service Classification</u> (1)	<u>Cost of M&R Equipment</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate N	\$ 1,223,583	0.2331
Rate LFD	3,702,212	0.7051
Rate XD - Firm	316,174	0.0602
Interruptible	8,475	0.0016
Total	<u>\$ 5,250,444</u>	<u>1.0000</u>

FACTOR 6C. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the cost of services by class included in Account 380, Service Lines.

<u>Service Classification</u> (1)	<u>Cost of Services</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate R	\$ 436,652,618	0.8596
Rate N	61,565,658	0.1213
Rate DS	3,993,767	0.0079
Rate LFD	3,130,250	0.0062
Rate XD - Firm	372,098	0.0007
Interruptible	2,172,285	0.0043
Total	<u>\$ 507,886,676</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH CUSTOMER ACCOUNTING.
AND METER READING

Factors are based on the number of customers for each classification, as follows.

<u>Service Classification</u> (1)	<u>Number of Customers</u> (2)	<u>Allocation Factor 7</u> (3)
<u>Customer Costs</u>		
Rate R	348,120	0.8974
Rate N	38,394	0.0990
Rate DS	592	0.0015
Rate LFD	464	0.0012
Rate XD Firm	27	0.0001
Interruptible	<u>322</u>	<u>0.0008</u>
Total	<u><u>387,919</u></u>	<u><u>1.0000</u></u>

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH SALES EXPENSES.

Factors are based on the number of Rate R and Rate N customers.

<u>Service Classification</u> (1)	<u>Number of Customers</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate R	348,120	0.9007
Rate N	<u>38,394</u>	<u>0.0993</u>
Total	<u><u>386,514</u></u>	<u><u>1.0000</u></u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 9 (DA). ALLOCATION OF CUSTOMER ASSISTANCE EXPENSES.

These costs are directly assigned to the Residential Classification.

<u>Service Classification</u>	<u>Allocation Factor</u>
(1)	(3)
<u>Customer Costs</u> Rate R	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 10. ALLOCATION OF DISTRIBUTION OPERATION OTHER EXPENSES AND RENT.

Factors are based on distribution operation expenses other than those being allocated.

Service Classification	Operation Expenses	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 3,041,606	0.1965
Rate N	1,881,836	0.1216
Rate DS	323,111	0.0209
Rate LFD	480,191	0.0310
Rate XD	279,617	0.0181
Interruptible	568,642	0.0367
<u>Customer Costs</u>		
Rate R	5,629,093	0.3636
Rate N	2,780,372	0.1796
Rate DS	98,799	0.0064
Rate LFD	326,558	0.0211
Rate XD	28,776	0.0019
Interruptible	40,401	0.0026
Total	<u>\$ 15,479,002</u>	<u>1.0000</u>

FACTOR 11. ALLOCATION OF DISTRIBUTION MAINTENANCE OTHER EXPENSES.

Factors are based on distribution maintenance expenses other than those being allocated.

Service Classification	Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 6,702,697	0.4073
Rate N	4,147,440	0.2520
Rate DS	717,730	0.0436
Rate LFD	1,041,008	0.0633
Rate XD	391,429	0.0238
Interruptible	957,696	0.0582
<u>Customer Costs</u>		
Rate R	1,622,794	0.0984
Rate N	645,101	0.0392
Rate DS	23,877	0.0015
Rate LFD	180,802	0.0110
Rate XD	15,716	0.0010
Interruptible	10,709	0.0007
Total	<u>\$ 16,456,999</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 12. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES.

Factors are based on the allocation of operation and maintenance expenses.

Service Classification <u>(1)</u>	Operation & Maintenance Expenses <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 12,799,346	0.1973
Rate N	6,952,342	0.1072
Rate DS	1,176,498	0.0181
Rate LFD	1,721,434	0.0265
Rate XD	778,530	0.0120
Interruptible	1,751,394	0.0270
<u>Customer Costs</u>		
Rate R	32,064,283	0.4941
Rate N	6,580,846	0.1014
Rate DS	214,099	0.0033
Rate LFD	684,736	0.0106
Rate XD	56,347	0.0009
Interruptible	104,147	0.0016
Total	<u>\$ 64,884,002</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 13. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of total operation and maintenance direct labor expense to service classifications as shown on the following page.

Service Classification <u>(1)</u>	Total Labor Expense <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 6,313,030	0.1817
Rate N	3,747,088	0.1079
Rate DS	638,573	0.0184
Rate LFD	939,499	0.0270
Rate XD	468,679	0.0135
Interruptible	1,011,849	0.0291
<u>Customer Costs</u>		
Rate R	16,437,559	0.4731
Rate N	4,535,978	0.1306
Rate DS	138,727	0.0040
Rate LFD	417,239	0.0120
Rate XD	36,457	0.0010
Interruptible	58,325	0.0017
Total	<u>\$ 34,743,003</u>	<u>1.0000</u>

FACTOR 14. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS, MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation excluding the items being allocated, as follows:

Service Classification <u>(1)</u>	Original Cost Less Depreciation <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 319,134,206	0.2594
Rate N	190,874,528	0.1552
Rate DS	31,732,605	0.0258
Rate LFD	46,304,412	0.0376
Rate XD	15,165,501	0.0123
Interruptible	39,300,883	0.0319
<u>Customer Costs</u>		
Rate R	455,139,051	0.3701
Rate N	119,117,959	0.0968
Rate DS	5,281,401	0.0043
Rate LFD	5,124,401	0.0042
Rate XD	511,205	0.0004
Interruptible	2,470,732	0.0020
Total	<u>\$ 1,230,156,884</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R	Rate N	Rate DS	Rate LFD	Rate XD Firm	Interruptible	Rate R	Rate N	Rate DS	Rate LFD	Rate XD Firm	Interruptible
			(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
DIRECT LABOR EXPENSE														
750-760	Total Production & Gathering Operation Expenses	1	-	-	-	-	-	-	-	-	-	-	-	-
761 - 769	Total Gas Raw Materials Expenses	1	68,000	-	-	-	-	-	-	-	-	-	-	-
850 - 860	Total Transmission Operation Expenses	4	-	-	-	-	-	-	-	-	-	-	-	-
861 - 867	Total Transmission Maintenance Expenses	4	-	-	-	-	-	-	-	-	-	-	-	-
870	Operation Supervision and Engineering	10	2,093,000	411,275	254,509	43,744	64,883	37,883	76,813	761,015	375,903	13,395	44,162	3,977
871	Distribution Load Dispatching	4a	436,000	163,195	100,890	16,437	28,427	50,271	76,780	-	-	-	-	-
874	Mains And Services Expenses													
	Mains - Small	5	768,244	408,091	252,599	44,481	20,819	-	42,253	-	-	-	-	-
	Mains - Large	17	1,172,256	533,025	329,758	56,503	124,728	46,773	81,472	-	-	-	-	-
	Services	6C	1,940,500	-	-	-	-	-	-	1,668,054	235,383	15,330	12,031	1,358
875	M & R Station Expenses -General	4a	233,000	87,212	53,918	8,784	15,192	26,885	41,031	-	-	-	-	-
876	Measuring and Regulating Station Expenses-Indust	6B	225,000	-	-	-	-	-	-	-	52,448	-	158,848	13,545
877	Measuring and Regulating Station Expenses-City G	4a	168,000	62,882	38,875	6,334	10,954	19,370	29,585	-	-	-	-	-
878	Meter And House Regulator Expenses	6	1,447,000	-	-	-	-	-	-	499,649	914,070	25,612	-	7,669
879	Customer Installation Expenses	6	994,000	-	-	-	-	-	-	343,228	627,910	17,594	-	5,268
880	Other Expenses	10	1,698,000	333,657	206,477	35,488	52,638	30,734	62,317	617,393	304,961	10,867	35,828	3,226
881	Rent	10	-	-	-	-	-	-	-	-	-	-	-	-
885	Supervision - Engineering and Labor	11	661,000	269,225	166,572	28,820	41,841	15,732	38,470	65,042	25,911	992	7,271	661
886	Structures & Improvements	16	-	-	-	-	-	-	-	-	-	-	-	-
887	Mains - Small	5	1,801,811	850,882	526,675	82,745	43,409	-	88,100	-	-	-	-	-
888	Mains - Large	17	2,444,189	1,111,373	687,550	117,810	280,062	97,523	169,871	-	-	-	-	-
889	M & R Equip - General	4a	36,000	13,475	8,330	1,357	2,347	4,151	6,340	-	-	-	-	-
890	M & R Equip - Ind	6B	60,000	-	-	-	-	-	-	-	13,986	-	42,306	3,612
891	M & R Equip - CG Check Station	4a	180,000	67,374	41,652	6,786	11,736	20,754	31,698	-	-	-	-	-
892	Services	6C	882,000	-	-	-	-	-	-	758,167	106,987	6,968	5,468	617
893	Meters & House Regulators	6	371,000	-	-	-	-	-	-	128,108	234,361	6,567	-	1,966
895	Other Equipment	11	47,000	19,143	11,844	2,049	2,975	1,119	2,735	4,625	1,842	71	517	47
894	Other Equipment	11	-	-	-	-	-	-	-	-	-	-	-	-
901	Supervision	7	362,000	-	-	-	-	-	-	324,859	35,838	543	434	36
902	Meter Reading Expenses	7	626,000	-	-	-	-	-	-	561,772	61,974	939	751	63
903	Customer Records & Coll Expenses	7	4,861,000	-	-	-	-	-	-	4,362,261	481,239	7,292	5,833	486
907	Supervision	7	134,000	-	-	-	-	-	-	120,252	13,266	201	181	13
908	Customer Assistance Expenses	9	868,000	-	-	-	-	-	-	868,000	-	-	-	-
910	Miscellaneous Customer Service & Info Exp.	7	28,000	-	-	-	-	-	-	25,127	2,772	42	34	3
911	Supervision	8	-	-	-	-	-	-	-	-	-	-	-	-
912	Demonstrating And Selling Expenses	8	546,000	-	-	-	-	-	-	491,782	54,218	-	-	-
920	Administrative & General Salaries	12	8,808,000	1,737,818	944,218	159,425	233,412	105,698	237,816	4,352,033	893,131	29,066	93,365	7,927
921	Office Supplies And Expenses	12	240,000	47,352	25,728	4,344	6,360	2,880	6,480	118,584	24,336	792	2,544	216
925	Injuries and Damages	12	552,000	108,910	59,174	9,991	14,628	6,624	14,904	272,743	55,973	1,822	5,851	497
932	Maintenance of General Plant	12	192,000	37,882	20,582	3,475	5,088	2,304	5,184	94,867	19,469	634	2,036	173
	Total Direct Labor Expense		34,743,000	6,313,030	3,747,088	638,573	939,499	468,679	1,011,849	16,437,559	4,535,978	138,727	417,239	36,457

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 15. ALLOCATION OF RETURN AND TAXES.

Factors are based on the result of allocating the original cost measure of value, as presented on the following page.

Service Classification <u>(1)</u>	Original Cost Less Depreciation <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 239,559,432	0.2594
Rate N	143,264,639	0.1552
Rate DS	23,818,075	0.0258
Rate LFD	34,770,057	0.0377
Rate XD	11,392,295	0.0123
Interruptible	29,515,088	0.0320
<u>Customer Costs</u>		
Rate R	341,605,418	0.3699
Rate N	89,423,131	0.0968
Rate DS	3,962,313	0.0043
Rate LFD	3,835,990	0.0042
Rate XD	388,500	0.0004
Interruptible	1,857,203	0.0020
Total	<u>\$ 923,392,141</u>	<u>1.0000</u>

FACTOR 16. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER REVENUES.

Factors are based on the allocated cost of service excluding those items being allocated.

Service Classification <u>(1)</u>	Total Cost of Service <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 60,611,234	0.2191
Rate N	35,174,164	0.1271
Rate DS	5,905,748	0.0213
Rate LFD	8,634,243	0.0312
Rate XD	3,227,351	0.0117
Interruptible	7,895,190	0.0285
<u>Customer Costs</u>		
Rate R	122,222,336	0.4420
Rate N	29,131,508	0.1053
Rate DS	1,130,014	0.0041
Rate LFD	2,003,855	0.0072
Rate XD	176,262	0.0006
Interruptible	530,049	0.0019
Total	<u>\$ 276,641,954</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
RATE BASE														
DISTRIBUTION PLANT														
374	Land	18	2,273,343	1,100,753	681,094	118,214	172,319	55,697	145,267	-	-	-	-	-
374	Land Rights of Way	4	-	-	-	-	-	-	-	-	-	-	-	-
375	Structures And Improvements	18	739,180	357,911	221,458	38,437	56,030	18,110	47,234	-	-	-	-	-
376	Mains - Small	5	215,322,849	114,379,487	70,796,153	12,467,193	5,935,249	-	11,842,757	-	-	-	-	-
	Mains - Large	4	328,559,063	155,835,564	96,399,229	16,526,521	36,470,056	-	23,327,693	-	-	-	-	-
	Mains - Direct Assign	DA	14,193,075	-	-	-	-	13,686,419	506,656	-	-	-	-	-
378	Measuring & Regulating Equipment - General	18	28,975,073	14,029,730	8,880,932	1,506,704	2,198,311	709,889	1,851,507	-	-	-	-	-
379	Measuring & Regulating Equipment - SCADA	18	656,319	317,790	196,833	34,129	49,749	16,080	41,939	-	-	-	-	-
379	Measuring & Regulating Equipment - City Gate	18	1,700,598	823,430	509,499	88,431	128,905	41,665	108,668	-	-	-	-	-
380	Services	6C	433,144,508	-	-	-	-	-	-	372,331,019	52,540,429	3,421,842	2,685,496	303,201
381	Meters	6	36,121,391	-	-	-	-	-	-	12,472,718	22,817,883	639,349	-	-
382	Meter Installations	6	42,041,136	-	-	-	-	-	-	14,516,804	26,557,386	744,128	-	-
383	House Regulators	6	5,737,053	-	-	-	-	-	-	1,981,004	3,624,096	101,546	-	-
384	House Regulator Installations	6	6,828,942	-	-	-	-	-	-	2,392,564	4,377,013	122,642	-	-
385	Industrial Measuring & Regulating Equipment	6B	2,578,972	-	-	-	-	-	-	600,692	-	1,817,023	155,134	4,123
386	Other Property on Customer Premises	6	206,382	-	-	-	-	-	-	71,264	130,372	3,653	-	1,094
386	Other Property on Customer Premises - Farm Taps	6	362,939	-	-	-	-	-	-	125,323	229,269	6,424	-	1,924
386	Other Property on Customer Premises - Gas Lights	6	1,113	-	-	-	-	-	-	384	703	20	-	6
386	Other Property on Customer Premises - CNG Refu	6	(1,038)	-	-	-	-	-	-	(358)	(654)	(18)	-	(5)
387	Other Equipment	10	1,330,441	261,432	161,782	27,808	41,244	24,081	48,827	483,748	238,947	8,515	28,072	2,528
387	Other Equipment - Graphic Data Base	10	44,275	8,700	5,384	925	1,373	801	1,825	16,098	7,952	283	934	64
	Total Distribution Plant		1,120,913,616	287,114,807	177,654,164	30,808,360	44,951,236	14,552,742	37,922,173	404,390,566	111,124,088	5,048,384	4,531,525	460,947
GENERAL PLANT														
389	Land and Land Rights	12	1,492,767	294,523	160,025	27,019	39,558	17,913	40,305	737,576	151,367	4,926	15,823	1,343
390	Structures And Improvements	12	16,370,674	3,229,934	1,754,936	296,309	433,823	196,448	442,008	8,088,750	1,659,986	54,023	173,529	14,734
391	Office Furniture And Equipment	12	1,227,472	242,180	131,585	22,217	32,528	14,730	33,142	606,494	124,466	4,051	13,011	1,105
392	Transportation Equipment	12	720,695	142,193	77,259	13,045	18,098	8,648	19,459	356,095	73,078	2,378	7,639	649
394	Tools, Shop And Garage Equipment	12	6,627,397	1,307,585	710,457	119,956	175,826	79,529	178,940	3,274,597	672,018	21,870	70,250	5,965
396	Power Operated Equipment	12	55,398	10,930	5,939	1,003	1,468	665	1,496	27,372	5,817	183	587	50
397	Communication Equipment	12	90,438	17,843	9,685	1,837	2,397	1,085	2,442	44,685	9,170	298	959	81
398	Miscellaneous Equipment	12	515,186	101,646	55,228	9,325	13,652	6,182	13,910	254,553	52,240	1,700	5,461	464
399	Other Tangible Property	12	-	-	-	-	-	-	-	-	-	-	-	-
	Total General Plant		27,100,027	5,348,834	2,905,124	490,511	718,150	325,200	731,702	13,390,122	2,747,942	89,429	287,259	24,391
	Total Plant		1,148,013,643	292,461,641	180,559,288	31,298,871	45,669,386	14,877,942	38,653,875	417,780,688	113,872,030	5,137,813	4,818,784	485,338
COMMON PLANT ALLOCATED @ 15.36%														
390.2	Structures and Improvements	12	3,171	626	340	57	84	38	86	1,567	322	10	34	3
391	Office Furniture and Equipment	12	110,464	21,795	11,842	1,999	2,927	1,328	2,983	54,580	11,201	385	1,171	69
392.1	Transportation Equipment	12	1,520	300	163	28	40	18	41	751	154	5	18	1
	Total Common Plant		115,155	22,721	12,345	2,084	3,051	1,382	3,110	56,898	11,677	380	1,221	103
INFORMATION SERVICES (IS) ALLOCATED @ 48.83%														
391	Office Furniture and Equipment	12	9,425,306	1,859,613	1,010,393	170,598	249,771	113,104	254,483	4,657,044	955,726	31,104	99,908	8,483
391.1	Office Furniture and Equip. - New CIS Software	7	43,006,009	-	-	-	-	-	-	38,593,592	4,257,595	64,509	51,807	4,301
	Total Information Services		52,431,315	1,859,613	1,010,393	170,598	249,771	113,104	254,483	43,250,636	5,213,321	95,613	151,515	12,784
Less: Reading Service Center Allocated to Other Divisions														
390.1	Structures And Improvements @ 51.74%	12	(476,228)	(93,960)	(51,052)	(8,620)	(12,620)	(5,715)	(12,858)	(235,305)	(48,290)	(1,572)	(5,048)	(429)
INTANGIBLE PLANT														
301	Organization (Allocated at 15.36%)	14	21,345	5,537	3,313	551	803	263	681	7,900	2,066	92	90	9
302	Franchises And Consents	14	28,256	7,330	4,385	729	1,062	348	901	10,458	2,735	122	119	11
304	Land and Land Rights	14	381,652	99,001	59,232	9,847	14,350	4,894	12,175	141,249	36,944	1,641	1,603	153
305	Manufactured Gas Plant Remediation	1	316,923	234,238	82,685	-	-	-	-	-	-	-	-	-
	Total Nondepreciable Plant		748,178	348,108	149,815	11,127	16,215	5,305	13,757	159,607	41,745	1,855	1,812	173
	Total Utility Plant in Service		1,200,832,080	294,598,121	181,680,589	31,474,080	45,925,603	14,992,018	38,912,367	461,012,524	119,090,483	5,234,089	4,968,284	497,969

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs					Customer Costs							
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)	
OTHER RATE BASE ELEMENTS															
Gas Storage Inventory	1	21,730,000	18,080,843	5,669,357	-	-	128,244	288,549	-	5,280,447	1,083,662	35,267	113,282	9,618	17,099
Cash Working Capital	12	10,887,000	2,108,545	1,145,846	193,435	283,206	-	-	-	-	-	-	-	-	-
Cash Working Capital - Purchased Gas Related	1	7,961,000	5,883,875	2,077,025	-	-	-	-	-	-	-	-	-	-	-
Materials & Supplies	12	4,212,000	831,028	451,526	76,237	111,618	50,544	113,724	2,081,149	427,097	13,900	44,647	3,791	8,739	
Deferred Taxes	14	(307,196,000)	(79,686,642)	(47,676,819)	(7,925,657)	(11,550,570)	(3,778,511)	(9,799,552)	(113,693,240)	(29,736,573)	(1,320,943)	(1,290,223)	(122,878)	(614,392)	
Customer Deposits	8	(14,517,000)	-	-	-	-	-	-	(13,075,462)	(1,441,538)	-	-	-	-	
Investment Tax Credit	14	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Other Rate Base Elements		<u>(277,123,000)</u>	<u>(54,802,451)</u>	<u>(38,333,265)</u>	<u>(7,855,985)</u>	<u>(11,155,746)</u>	<u>(3,599,723)</u>	<u>(9,397,279)</u>	<u>(119,407,106)</u>	<u>(29,887,352)</u>	<u>(1,271,776)</u>	<u>(1,132,294)</u>	<u>(109,469)</u>	<u>(590,554)</u>	
Total Measure of Value		\$ 923,709,080	\$ 239,793,670	\$ 143,347,324	\$ 23,818,075	\$ 34,770,057	\$ 11,392,295	\$ 29,515,088	\$ 341,605,418	\$ 89,423,131	\$ 3,962,313	\$ 3,835,990	\$ 388,500	\$ 1,857,203	

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 17. ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES ASSOCIATED WITH LARGE MAINS.

Factors are based on the allocation of rate base for large and directly assigned mains.

Service Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 155,835,564	0.4547
Rate N	96,399,229	0.2813
Rate DS	16,526,521	0.0482
Rate LFD	36,470,056	0.1064
Rate XD	13,686,419	0.0399
Interruptible	23,834,349	0.0695
 Total	 \$ 342,752,138	 1.0000

FACTOR 18. ALLOCATION OF RATE BASE ASSOCIATED M&R STATION EQUIPMENT.

Factors are based on the composite allocation of all mains.

Service Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 270,215,061	0.4842
Rate N	167,197,382	0.2996
Rate DS	28,993,714	0.0520
Rate LFD	42,305,305	0.0758
Rate XD	13,686,419	0.0245
Interruptible	35,677,106	0.0639
 Total	 \$ 558,074,987	 1.0000

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 19. ALLOCATION OF UNCOLLECTIBLE ACCOUNTS

Factors are based on history of net write-offs by class.

Service Classification	5-Yr. Average of Write-offs	Allocation Factor
(1)	(2)	(3)
<u>Customer Costs</u>		
Rate R	\$ 6,527,255	0.9186
Rate N	446,108	0.0628
Rate DS	42,855	0.0060
Rate LFD	56,327	0.0079
Rate XD	-	0.0000
Interruptible	33,323	0.0047
Total	<u>\$ 7,105,868</u>	<u>1.0000</u>

FACTOR 20. ALLOCATION OF PENALTY REVENUE

Factors are based on an analysis of penalty revenue, by class.

Service Classification	Penalty Revenue	Allocation Factor
(1)	(2)	(3)
<u>Customer Costs</u>		
Rate R	\$ 1,756,329	0.5863
Rate N	1,029,704	0.3437
Rate DS	208,436	0.0696
Rate LFD	-	0.0000
Rate XD	-	0.0000
Interruptible	1,200	0.0004
Total	<u>\$ 2,995,668</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

CALCULATION OF CUSTOMER COSTS PER BILL BY SERVICE CLASSIFICATION

	Cost of Service (1)	Rate R (2)	Rate N (3)	Rate DS (4)	Rate LFD (5)	Rate XD Firm (6)	Interruptible (7)
Fully Allocated Customer Costs							
Customer Costs	151,985,324	\$ 120,676,213	\$ 28,197,769	\$ 923,694	\$ 2,010,897	\$ 176,751	\$ 529,529
Number of bills	4,651,164	4,177,440	460,728	7,104	5,568	324	3,864
Customer Cost per bill		\$ 28.89	\$ 61.20	\$ 130.02	\$ 361.15	\$ 545.53	\$ 137.04
Direct Customer Costs							
O & M Expenses:							
874 Mains And Services Expenses							
Mains	-	-	-	-	-	-	-
Services	5,224,437	4,510,321	636,461	41,451	32,531	3,673	22,562
876 M & R Station Expenses - Industrial	416,333	-	97,203	-	294,027	25,103	667
878 Meter and House Regulator Expenses	1,948,617	676,443	1,237,500	34,674	-	-	10,383
879 Customer Installations Expenses	1,274,211	442,329	809,208	22,674	-	-	6,789
890 M & R Equip - Industrial	241,612	-	56,410	-	170,634	14,568	387
892 Services	1,632,948	1,409,744	198,932	12,956	10,168	1,148	7,052
893 Meters & House Regulators	613,730	213,050	389,759	10,921	-	-	3,270
901 Supervision	424,661	381,395	42,075	638	510	43	340
902 Meter Reading Expenses	1,000,199	898,297	99,099	1,502	1,201	100	801
903 Customer Records & Coll Expenses	13,670,055	12,277,329	1,354,419	20,522	16,417	1,368	10,945
904 Uncollectible Accounts	3,668,158	3,372,781	217,384	33,666	44,327	-	26,372
905 Miscellaneous Cust Accts Expenses	357,714	321,269	35,442	537	430	36	286
907 Supervision	163,868	147,173	16,236	246	197	16	131
908 Customer Assistance Expenses	1,308,000	1,308,000	-	-	-	-	-
910 Miscellaneous Customer Service Exp.	115,907	104,098	11,484	174	139	12	93
911 Supervision	-	-	-	-	-	-	-
912 Demonstrating and Selling Expenses	3,635,001	3,274,045	360,956	-	-	-	-
913 Advertising Expenses	111,000	99,978	11,022	-	-	-	-
916 Miscellaneous	104,000	93,673	10,327	-	-	-	-
926 Employee Pensions and Benefits	6,996,530 *	5,332,783	1,472,123	45,088	135,264	11,272	19,162
408 Payroll Taxes	2,108,518 *	1,607,121	443,648	13,588	40,764	3,397	5,775
Subtotal O & M Expenses	45,015,499	36,469,829	7,499,688	238,637	746,609	60,736	115,015

UGI UTILITIES, INC. - GAS DIVISION

CALCULATION OF CUSTOMER COSTS PER BILL BY SERVICE CLASSIFICATION

	Cost of Service (1)	Rate R (2)	Rate N (3)	Rate DS (4)	Rate LFD (5)	Rate XD Firm (6)	Interruptible (7)
Depreciation Expense							
380 Services	18,361,237	15,851,481	2,236,837	145,680	114,331	12,908	79,294
381 Meters	1,545,565	536,527	981,536	27,502	-	-	8,235
382 Meter Installations	1,570,413	545,152	997,317	27,944	-	-	8,368
383 House Regulators	402,170	139,609	255,405	7,156	-	-	2,143
384 House Regulator Installations	267,570	92,884	169,925	4,761	-	-	1,426
385 Industrial M & R Equipment	128,474	-	29,995	-	90,732	7,747	206
390 Structures and Improvements	686,526 *	555,813	114,065	3,712	11,924	1,012	1,800
391 Office Furniture And Equipment	3,890,321 *	3,403,191	454,232	9,847	21,252	1,799	4,983
Subtotal Depreciation	26,852,276	21,124,657	5,239,312	226,602	238,239	23,466	106,455
Rate Base							
380 Services	431,281,987	372,331,019	52,540,429	3,421,842	2,685,496	303,201	1,862,521
381 Meters	35,929,948	12,472,716	22,817,883	639,349	-	-	191,443
382 Meter Installations	41,818,318	14,516,804	26,557,386	744,128	-	-	222,818
383 House Regulators	5,706,646	1,981,004	3,624,096	101,546	-	-	30,406
384 House Regulator Installations	6,892,219	2,392,564	4,377,013	122,642	-	-	36,723
385 Industrial M & R Equipment	2,572,849	-	600,692	-	1,817,023	155,134	4,123
390 Structures And Improvements	9,991,022 *	8,088,750	1,659,986	54,023	173,529	14,734	26,193
391 Office Furniture and Equipment	49,540,412 *	43,911,710	5,348,988	100,029	165,697	13,988	51,626
Deferred Taxes	(146,163,857) *	(113,693,240)	(29,736,573)	(1,320,943)	(1,290,223)	(122,878)	(614,392)
Customer Deposits	(14,517,000)	(13,075,462)	(1,441,538)	-	-	-	-
Subtotal Rate Base	423,052,544	328,925,865	86,348,362	3,862,616	3,551,522	364,179	1,811,461
Taxes and Return @ 12.3%	51,901,631	40,353,826	10,593,532	473,880	435,714	44,679	222,237
Total Direct Customer Costs	\$ 123,769,405	\$ 97,948,312	\$ 23,332,532	\$ 939,119	\$ 1,420,562	\$ 128,881	\$ 443,707
Less: USP and EEC Recovery	9,015,112	8,125,794	393,673	90,181	405,463	-	-
Total	\$ 114,754,294	\$ 89,822,518	\$ 22,938,859	\$ 848,938	\$ 1,015,098	\$ 128,881	\$ 443,707
Number of bills	4,651,164	4,177,440	460,728	7,104	5,568	324	3,864
Direct Costs per bill		\$ 21.50	\$ 49.79	\$ 119.50	\$ 182.31	\$ 397.78	\$ 114.83

* Customer cost portion of account.

UGI UTILITIES, INC. - GAS DIVISION

CALCULATION OF COSTS RELATED TO LFD AND XD DEMAND CHARGES

<u>Capital Costs</u>	<u>LFD</u>	<u>XD</u>
Depreciation	\$ 1,165,220	\$ 370,654
Taxes Other Than Income	168,467	73,698
Income Taxes	1,427,209	465,641
Income Available for Return	<u>2,845,106</u>	<u>928,244</u>
Total	<u>\$ 5,606,002</u>	<u>\$ 1,838,237</u>
Cost Per Month	\$ 467,167	\$ 153,186
Demand Volume Units per Month	73,215	103,283
Demand Costs per MCF	\$ 6.38	\$ 1.48

UGI UTILITIES, INC. - GAS DIVISION

Docket No. R-2015-2518438

COST OF SERVICE ALLOCATION STUDY
AS OF SEPTEMBER 30, 2017

(Excludes Allocation of Mains to Interruptible Service)

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC
Harrisburg, Pennsylvania

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UGI UTILITIES, INC. - GAS DIVISION

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017
WITHOUT GAS COSTS

Service Classification (1)	Pro Forma Cost of Service		Pro Forma Margin Revenues,				Revenue Increase	
	Amount (2)	Percent (3)	Under Present Rates		Under Proposed Rates		Amount (8)	Percent Increase (9)
			Amount (4)	Percent (5)	Amount (6)	Percent (7)		
Rate R	\$ 184,799,510	67.3%	\$ 108,668,733 *	50.2%	\$ 152,001,162	55.4%	\$ 43,332,429	39.9%
Rate N	65,532,397	23.9%	55,100,277	25.5%	67,596,056	24.6%	12,495,779	22.7%
Rate DS	7,310,922	2.7%	10,602,234	4.9%	11,583,714	4.2%	981,480	9.3%
Rate LFD	12,074,119	4.4%	25,008,284	11.6%	26,762,521	9.7%	1,754,237	7.0%
Rate XD Firm	3,421,615	1.2%	11,785,496	5.5%	11,785,496	4.3%	-	0.0%
Interruptible	1,491,389	0.5%	4,900,000	2.3%	4,900,000	1.8%	-	0.0%
Total	\$ 274,629,952	100.0%	\$ 216,065,024	100.0%	\$ 274,628,950	100.0%	\$ 58,563,925	27.1%
Other Operating Revenues	4,480,000		4,480,000		4,480,000		0	
Total	\$279,109,952		\$220,545,024		\$279,108,950		\$58,563,925	26.6%

* Includes GL.

UGI UTILITIES, INC. - GAS DIVISION

DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION
UNDER PRESENT RATES

Item (1)	Cost of Service (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD-Firm (7)	Interruptible (8)
1. Revenues From Tariff Sales and Transportation	\$ 216,065,024	\$ 108,668,733	\$ 55,100,277	\$ 10,602,234	\$ 25,008,284	\$ 11,785,496	\$ 4,900,000
2. Other Revenues	4,480,002	2,859,762	1,316,807	237,174	44,074	12,388	9,797
3. Total Operating Revenues	220,545,026	111,528,495	56,417,084	10,839,408	25,052,358	11,797,884	4,909,797
4. Less: Operating Expenses	164,808,955	113,677,654	37,332,746	3,916,809	6,680,679	2,003,327	1,197,740
5. Return and Income Taxes	55,736,071	(2,149,159)	19,084,338	6,922,599	18,371,679	9,794,557	3,712,057
6. Less: Interest Expense	20,044,000	12,896,310	5,229,480	643,412	962,112	256,563	56,123
7. Taxable Income	35,692,071	(15,045,469)	13,854,858	6,279,187	17,409,567	9,537,994	3,655,934
8. Less: Income Taxes	13,962,000	(5,884,983)	5,420,048	2,455,916	6,810,664	3,730,646	1,429,709
9. Net Return (Ln 5 - Ln 8)	41,774,071	3,735,824	13,664,290	4,466,683	11,561,015	6,063,911	2,282,348
10. Original Cost Measure of Value (Factor 15.)	923,709,058	594,388,633	240,980,487	29,672,165	44,323,223	11,791,007	2,553,543
11. Rate of Return, Percent	4.52%	0.63%	5.67%	15.05%	26.08%	51.43%	89.38%
12. Relative Rate of Return	1.00	0.14	1.25	3.33	5.77	11.37	19.76

UGI UTILITIES, INC. - GAS DIVISION

DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION
UNDER PROPOSED RATES

Item (1)	Cost of Service (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD-Firm (7)	Interruptible (8)
1. Revenues From Tariff Sales and Transportation	274,628,950	\$ 152,001,162	\$ 67,596,056	\$ 11,583,714	\$ 26,762,521	\$ 11,785,496	\$ 4,900,000
2. Other Revenues	4,480,001	2,855,753	1,319,876	238,086	44,793	12,355	9,138
3. Total Operating Revenues	279,108,951	154,856,915	68,915,932	11,821,800	26,807,314	11,797,851	4,909,138
4. Less: Operating Expenses	165,785,952	114,719,936	37,297,373	3,911,307	6,668,029	1,994,755	1,194,552
5. Return and Income Taxes	113,322,999	40,136,979	31,618,559	7,910,493	20,139,285	9,803,096	3,714,586
6. Less: Interest Expense	20,044,000	12,898,314	5,227,475	643,412	962,112	256,563	56,123
7. Taxable Income	93,278,999	27,238,665	26,391,084	7,267,081	19,177,173	9,546,533	3,658,463
8. Less: Income Taxes	37,857,000	11,058,030	10,709,745	2,949,060	7,783,399	3,872,771	1,483,994
9. Net Return (Ln 5 - Ln 8)	75,465,999	29,078,949	20,908,814	4,961,433	12,355,886	5,930,325	2,230,592
10. Original Cost Measure of Value (Factor 15.)	923,709,061	594,470,219	240,924,394	29,656,847	44,328,368	11,780,795	2,548,438
11. Rate of Return, Percent	8.17%	4.89%	8.68%	16.73%	27.87%	50.34%	87.53%
12. Relative Rate of Return	1.00	0.60	1.06	2.05	3.41	6.16	10.71

UGI UTILITIES, INC. - GAS DIVISION

SUMMARY OF COST OF SERVICE BY SERVICE CLASSIFICATION

Cost Function (1)	Cost of Service (Schedule E) (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD Firm (7)	Interruptible (8)
Volumetric Costs							
Rate R	\$ 64,113,714	\$ 64,113,714					
Rate N	37,334,628		\$ 37,334,628				
Rate DS	6,387,228			\$ 6,387,228			
Rate LFD	10,063,222				\$ 10,063,222		
Rate XD Firm	3,244,864					\$ 3,244,864	
Rate IS/IL	961,860						\$ 961,860
Total Volumetric Costs	<u>122,105,516</u>	<u>64,113,714</u>	<u>37,334,628</u>	<u>6,387,228</u>	<u>10,063,222</u>	<u>3,244,864</u>	<u>961,860</u>
Customer Costs							
Rate R	\$ 120,685,796	\$ 120,685,796					
Rate N	28,197,769		\$ 28,197,769				
Rate DS	923,694			\$ 923,694			
Rate LFD	2,010,897				\$ 2,010,897		
Rate XD Firm	176,751					\$ 176,751	
Rate IS/IL	529,529						\$ 529,529
Total Customer Costs	<u>152,524,436</u>	<u>120,685,796</u>	<u>28,197,769</u>	<u>923,694</u>	<u>2,010,897</u>	<u>176,751</u>	<u>529,529</u>
Total Excluding Gas Costs	<u>\$ 274,629,952</u>	<u>\$ 184,799,510</u>	<u>\$ 65,532,397</u>	<u>\$ 7,310,922</u>	<u>\$ 12,074,119</u>	<u>\$ 3,421,615</u>	<u>\$ 1,491,389</u>

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs							Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)	
OPERATION AND MAINTENANCE EXPENSES															
NATURAL GAS PRODUCTION EXPENSES															
<u>Manufactured Gas Production Expenses</u>															
710		0	-	-	-	-	-	-	-	-	-	-	-	-	
717		0	-	-	-	-	-	-	-	-	-	-	-	-	
725-736		0	-	-	-	-	-	-	-	-	-	-	-	-	
740-742		68,000	50,259	17,741	-	-	-	-	-	-	-	-	-	-	
		68,000	50,259	17,741	-	-	-	-	-	-	-	-	-	-	
<u>Production and Gathering</u>															
750 - 760		-	-	-	-	-	-	-	-	-	-	-	-	-	
761 - 789		-	-	-	-	-	-	-	-	-	-	-	-	-	
770 - 783		-	-	-	-	-	-	-	-	-	-	-	-	-	
784 - 791		-	-	-	-	-	-	-	-	-	-	-	-	-	
<u>Other Gas Supply Expenses</u>															
800 - 803		-	-	-	-	-	-	-	-	-	-	-	-	-	
804		-	-	-	-	-	-	-	-	-	-	-	-	-	
813		-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	
		68,000	50,259	17,741	-	-	-	-	-	-	-	-	-	-	
OTHER STORAGE EXPENSE															
840		-	-	-	-	-	-	-	-	-	-	-	-	-	
841		-	-	-	-	-	-	-	-	-	-	-	-	-	
842 - 842.3		-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	
TRANSMISSION EXPENSE															
850 - 860		-	-	-	-	-	-	-	-	-	-	-	-	-	
861 - 867		-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	
DISTRIBUTION EXPENSES															
<u>Operation</u>															
870		2,402,000	495,292	306,495	53,565	84,550	43,478	36,991	873,367	431,399	15,373	50,682	4,564	6,245	
871		554,000	207,362	128,196	20,666	36,121	63,676	97,559	-	-	-	-	-	-	
872		-	-	-	-	-	-	-	-	-	-	-	-	-	
873		1,000	166	116	27	119	142	411	-	-	-	-	-	-	
874		2,077,287	1,163,904	720,611	129,000	63,773	-	-	-	-	-	-	-	-	
		3,169,713	1,530,971	947,427	165,459	394,629	126,472	4,755	-	-	-	-	-	-	
		5,247,000	-	-	-	-	-	-	4,510,321	636,481	41,451	32,531	3,673	22,562	
875		425,000	159,078	98,345	16,023	27,710	49,003	74,843	-	-	-	-	-	-	
876		417,000	-	-	-	-	-	-	-	97,203	-	294,027	25,103	667	
877		348,000	130,256	80,527	13,120	22,690	40,124	61,293	-	-	-	-	-	-	
878		1,959,000	-	-	-	-	-	-	676,443	1,237,500	34,674	-	-	10,383	
879		1,281,000	-	-	-	-	-	-	442,329	809,208	22,674	-	-	6,789	
880		2,527,000	521,067	322,445	56,352	88,950	45,739	38,916	918,817	453,849	16,173	53,320	4,801	6,570	
881		69,000	14,228	8,804	1,539	2,429	1,249	1,063	25,088	12,392	442	1,456	131	179	
		20,477,000	4,222,344	2,612,966	455,971	720,971	370,081	315,821	7,446,365	3,678,012	130,787	432,016	38,272	53,395	

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
Maintenance														
885 Supervision - Engineering and Labor	11	788,000	338,373	209,469	36,883	57,614	18,707	5,659	77,342	30,811	1,179	8,648	786	550
888 Structures & Improvements	18	3,000	1,539	952	188	265	74	3	-	-	-	-	-	-
887 Mains - Small	5	5,287,245	2,962,443	1,834,145	328,338	182,318	-	-	-	-	-	-	-	-
Mains - Large	17	8,067,756	3,898,728	2,411,452	421,137	1,004,436	321,903	12,102	-	-	-	-	-	-
888 Maintenance of Compressor Station Equipment	4	-	-	-	-	-	-	-	-	-	-	-	-	-
889 M & R Equip - General	4a	187,000	62,508	38,644	6,296	10,888	19,255	29,409	-	-	-	-	-	-
890 M & R Equip - Industrial	8B	242,000	-	-	-	-	-	-	-	56,410	-	170,834	14,568	367
891 M & R Equip - City Gate	4a	438,000	183,185	100,890	16,437	28,427	50,271	76,780	-	-	-	-	-	-
892 Services	6C	1,840,000	-	-	-	-	-	-	1,409,744	198,932	12,958	10,168	1,148	7,052
893 Meters & House Regulators	8	817,000	-	-	-	-	-	-	213,050	389,759	10,921	-	-	3,270
894 Other Expenses	11	102,000	43,911	27,183	4,784	7,477	2,428	734	10,037	3,998	153	1,122	102	71
895 Construction and Maintenance	11	(176,000)	(75,788)	(46,904)	(6,254)	(12,901)	(4,189)	(1,287)	(17,318)	(8,899)	(264)	(1,936)	(176)	(123)
Total Maintenance		17,172,001	7,392,927	4,575,831	805,769	1,258,524	408,449	123,420	1,692,855	673,011	24,946	188,634	16,428	11,207
Total Distribution Expenses		37,649,001	11,815,271	7,188,787	1,261,740	1,979,495	778,530	439,241	9,139,220	4,351,023	155,732	620,650	54,700	64,602
CUSTOMER ACCOUNTING EXPENSES														
Operation														
901 Supervision	7	425,000	-	-	-	-	-	-	381,395	42,075	638	510	43	340
902 Meter Reading Expenses	7	1,001,000	-	-	-	-	-	-	898,297	99,099	1,502	1,201	100	801
903 Customer Records & Coll Expenses	7	13,881,000	-	-	-	-	-	-	12,277,329	1,354,419	20,522	16,417	1,368	10,945
904 Uncollectible Accounts	19	5,811,000	1,781,484	134,987	-	-	-	-	3,372,781	217,384	33,666	44,327	-	26,372
905 Miscellaneous Cust Accts Expenses	7	358,000	-	-	-	-	-	-	321,289	35,442	537	430	36	286
Total Customer Accounting Expenses		21,076,000	1,781,484	134,987	-	-	-	-	17,251,071	1,748,419	56,865	62,885	1,547	38,744
CUSTOMER SERVICE AND INFORMATION EXPENSES														
Operation														
907 Supervision	7	184,000	-	-	-	-	-	-	147,173	16,236	246	197	16	131
908 Customer Assistance Expenses	9	1,308,000	-	-	-	-	-	-	1,308,000	-	-	-	-	-
909 Informational and Instructional Advertising	7	721,000	-	-	-	-	-	-	647,025	71,379	1,082	865	72	577
910 Miscellaneous Customer Service & Informational E	7	116,000	-	-	-	-	-	-	104,098	11,484	174	139	12	93
Total Customer Service & Info Expenses		2,309,000	-	-	-	-	-	-	2,206,296	99,099	1,502	1,201	100	801
SALES EXPENSES														
Operation														
911 Supervision	8	-	-	-	-	-	-	-	-	-	-	-	-	-
912 Demonstrating and Selling Expenses	8	3,635,000	-	-	-	-	-	-	3,274,045	360,956	-	-	-	-
913 Advertising Expenses	8	111,000	-	-	-	-	-	-	99,978	11,022	-	-	-	-
916 Miscellaneous	8	104,000	-	-	-	-	-	-	93,673	10,327	-	-	-	-
Total Sales Expenses		3,850,000	-	-	-	-	-	-	3,467,696	382,305	-	-	-	-
ADMINISTRATIVE AND GENERAL EXPENSES														
Operation														
920 Administrative & General Salaries	12	9,958,000	2,058,327	1,124,258	193,185	303,719	119,498	87,714	4,920,248	1,009,741	32,861	105,555	8,962	15,933
921 Office Supplies and Expenses	12	9,839,000	1,990,454	1,088,243	186,997	293,990	115,668	85,545	4,762,630	977,395	31,809	102,173	8,675	15,422
923 Outside Services Employed - Other	12	9,243,000	1,906,880	1,043,535	179,314	281,912	110,916	62,862	4,566,966	937,240	30,502	97,976	8,319	14,789
924 Property Damage Insurance	12	195,000	40,268	22,016	3,783	5,948	2,340	1,326	96,350	19,773	644	2,067	176	312
925 Injuries and Damages	12	7,041,000	1,453,987	784,929	136,595	214,751	84,492	47,879	3,478,958	713,957	23,235	74,635	6,337	11,268
926 Employee Pensions and Benefits	13	11,272,000	2,150,688	1,278,372	222,058	349,432	152,172	103,702	5,331,656	1,472,123	45,088	135,264	11,272	19,162
928 Regulatory Commission Expenses	18	828,000	144,754	84,278	14,444	22,734	7,348	2,198	277,450	66,128	2,575	4,522	377	1,193
930 Miscellaneous General Expenses	12	678,000	140,007	76,546	13,153	20,679	8,136	4,610	335,000	68,749	2,237	7,187	610	1,085
930 Miscellaneous Company Charges	12	1,517,000	313,261	171,209	29,430	46,269	18,204	10,316	153,824	5,006	16,080	1,365	2,427	
931 Other	12	277,000	57,201	31,273	5,374	8,449	3,324	1,884	136,868	28,088	914	2,936	249	443
Total Operation		50,448,000	10,255,617	5,715,719	984,333	1,547,883	622,096	368,028	24,655,674	5,447,018	174,871	546,395	46,342	82,032

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
Maintenance														
932 Maintenance of General Plant	12	1,435,000	296,328	162,012	27,839	43,768	17,220	9,758	709,034	145,509	4,738	15,211	1,292	2,296
935 Maintenance of General Plant	12	12,000	2,478	1,355	233	366	144	82	5,929	1,217	40	127	11	19
Total Maintenance		1,447,000	298,806	163,367	28,072	44,134	17,364	9,840	714,963	146,726	4,778	15,338	1,303	2,315
Total Administrative & General Expenses		51,895,000	10,554,423	5,879,086	1,012,405	1,592,017	639,460	377,866	25,370,637	5,593,744	179,647	563,733	47,645	84,347
Total Operation and Maintenance Expenses		116,847,001	24,001,437	13,220,611	2,274,145	3,571,512	1,417,990	817,107	57,434,920	12,174,590	393,746	1,248,469	103,992	188,494
DEPRECIATION AND AMORTIZATION EXPENSE														
DISTRIBUTION PLANT														
305 Manufactured Gas Plant Site Remediation	1	207,811	153,593	54,218	-	-	-	-	-	-	-	-	-	-
375 Structures And Improvements	18	27,812	14,162	8,764	1,546	2,438	676	25	-	-	-	-	-	-
376 Mains - Small	5	5,007,323	2,805,603	1,737,040	310,955	153,725	-	-	-	-	-	-	-	-
Mains - Large	4	7,640,826	3,849,347	2,382,347	416,414	992,517	-	-	-	-	-	-	-	-
Mains - Direct Assign	DA	310,359	-	-	-	-	301,344	9,015	-	-	-	-	-	-
378 Measuring & Regulating Equipment - General	18	1,128,978	579,053	358,338	63,223	99,689	27,660	1,018	-	-	-	-	-	-
378 Measuring & Regulating Equipment - SCADA	18	107,140	54,952	34,006	6,000	9,460	2,625	96	-	-	-	-	-	-
379 Measuring & Regulating Equipment - City Gate	18	88,508	45,396	28,092	4,956	7,915	2,168	80	-	-	-	-	-	-
380 Services	6C	18,440,532	-	-	-	-	-	-	15,851,481	2,236,837	145,680	114,331	12,908	79,294
381 Meters	6	1,553,801	-	-	-	-	-	-	538,527	981,536	27,502	-	-	8,235
381.2 Electronic Meters	6	445,841	-	-	-	-	-	-	153,949	281,638	7,891	-	-	2,363
382 Meter Installations	6	1,578,782	-	-	-	-	-	-	545,152	997,317	27,944	-	-	8,368
383 House Regulators	6	404,313	-	-	-	-	-	-	139,609	255,405	7,156	-	-	2,143
384 House Regulator Installations	6	268,996	-	-	-	-	-	-	92,884	169,925	4,761	-	-	1,426
385 Industrial Measuring & Regulating Equipment	6B	128,880	-	-	-	-	-	-	-	29,995	-	90,732	7,747	206
386 Other Property on Customer Premises	6	23,414	-	-	-	-	-	-	8,085	14,791	414	-	-	124
387 Other Equipment	10	105,852	21,827	13,507	2,360	3,726	1,916	1,630	38,488	19,011	677	2,233	201	275
387.1 Other Equipment	10	4,539	936	579	101	160	82	70	1,851	815	29	96	9	12
Total Distribution Plant		37,473,107	7,524,869	4,816,891	805,555	1,289,530	338,471	11,932	17,387,826	4,987,270	222,054	207,392	20,865	102,446
GENERAL PLANT														
390 Structures And Improvements	12	1,124,899	232,292	127,001	21,823	34,309	13,499	7,649	555,813	114,065	3,712	11,924	1,012	1,800
391 Office Furniture And Equipment	12	109,370	22,585	12,348	2,122	3,336	1,312	744	54,040	11,090	361	1,159	98	175
392 Transportation Equipment	12	80,541	16,632	9,093	1,562	2,457	966	548	39,795	8,167	266	854	72	129
394 Tools, Shop And Garage Equipment	12	501,958	103,854	56,871	9,738	15,310	6,023	3,413	248,017	50,899	1,656	5,321	452	803
396 Power Operated Equipment	12	8,536	1,763	964	166	260	102	58	4,218	866	28	90	8	14
397 Communication Equipment	12	40,154	8,291	4,533	779	1,225	482	273	19,840	4,072	133	426	36	64
398 Miscellaneous Equipment	12	85,585	17,672	9,663	1,660	2,610	1,027	582	42,288	8,678	282	907	77	137
399 Other Tangible Property	12	-	-	-	-	-	-	-	-	-	-	-	-	-
Total General Plant		1,951,043	402,869	220,273	37,850	59,507	23,411	13,267	964,011	197,837	6,438	20,681	1,755	3,122
COMMON PLANT ALLOCATED @ 15.36%														
390.2 Structures and Improvements	12	2,114	437	239	41	64	25	14	1,045	214	7	22	2	3
391 Office Furniture and Equipment	12	14,784	3,053	1,669	287	451	177	101	7,305	1,499	49	157	13	24
392.1 Transportation Equipment	12	533	110	60	10	16	6	4	263	54	2	6	-	1
Total Common Plant		17,431	3,600	1,968	338	531	208	119	8,613	1,767	58	185	15	28
INFORMATION SERVICES (IS) ALLOCATED @ 48.83%														
391 Office Furniture and Equipment	12	1,558,244	321,364	175,700	30,191	47,465	18,675	10,582	768,940	157,803	5,138	16,496	1,401	2,490
391.1 Office Furniture and Equip - New CIS Software	7	2,887,087	-	-	-	-	-	-	2,572,906	283,840	4,301	3,440	287	2,294
Total Information Services		4,445,331	321,364	175,700	30,191	47,465	18,675	10,582	3,341,846	441,643	9,437	19,936	1,688	4,784
Less:														
Amount Charged to Clearing Accounts	12	(637,000)	(131,541)	(71,917)	(12,358)	(19,429)	(7,644)	(4,332)	(314,742)	(64,592)	(2,102)	(6,752)	(573)	(1,019)
390.1 Struct & Imps- Reading Service Center @ 51.74%	12	(38,944)	(8,042)	(4,397)	(756)	(1,188)	(467)	(265)	(19,242)	(3,949)	(129)	(413)	(35)	(62)
Total Depreciation & Amortization Expense		43,188,948	8,113,139	4,938,518	860,820	1,356,416	370,654	31,303	21,348,312	5,559,976	235,756	241,029	23,715	109,299

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
TAXES OTHER THAN INCOME TAXES														
408.10 Capital Stock	15	-	-	-	-	-	-	-	-	-	-	-	-	-
408.10 County and Municipal Taxes	16	177,000	40,798	23,753	4,071	6,407	2,071	620	78,199	18,638	726	1,274	106	336
408.10 Payroll Related Tax	13	3,397,000	648,148	385,560	86,921	105,307	45,860	31,252	1,606,781	443,648	13,588	40,764	3,397	5,775
408.10 Public Utility Assessment	16	1,663,000	383,322	223,175	38,249	60,201	19,457	5,821	734,713	175,114	6,818	11,974	998	3,160
408.10 Public Utility Realty Tax	15	513,000	140,357	84,132	14,261	22,521	6,310	359	189,610	49,658	2,206	2,155	205	1,026
408.10 Miscellaneous Taxes	16	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Taxes Other Than Income		5,750,000	1,212,625	716,620	123,502	194,436	73,698	38,052	2,609,503	687,058	23,338	58,167	4,706	10,297
Total Operating Expenses		185,785,949	33,327,201	18,875,749	3,258,467	5,122,364	1,862,342	886,462	81,392,735	16,421,624	652,840	1,545,665	132,413	308,090
INCOME TAXES	15	37,857,000	10,357,676	6,208,548	1,052,425	1,861,922	465,641	26,500	14,007,090	3,664,558	162,785	158,999	15,143	75,714
OPERATING INCOME AVAILABLE FOR RETURN	15	75,467,000	20,647,771	12,376,588	2,097,983	3,313,001	928,244	52,827	27,922,790	7,305,206	324,508	318,961	30,187	150,934
TOTAL COST OF SERVICE		279,109,949	64,332,646	37,460,885	6,408,875	10,097,287	3,256,227	965,789	123,322,615	28,381,388	1,140,133	2,021,625	177,743	534,738
Less: Other Revenues														
Reconnection Charges	6C	517,000	-	-	-	-	-	-	444,413	62,712	4,084	3,205	362	2,223
Rent From Gas Property	12	165,000	34,073	18,629	3,201	5,033	1,980	1,122	81,527	16,731	545	1,749	149	264
Forfeited Discounts/Penalties	2D	2,986,000	-	-	-	-	-	-	1,756,555	1,029,725	208,522	-	-	1,198
Other Miscellaneous Revenues	1B	802,000	184,861	107,628	18,446	29,032	5,383	2,807	354,324	84,451	3,288	5,774	481	1,524
Subtotal		4,480,000	218,934	126,257	21,647	34,065	11,363	3,929	2,636,819	1,193,619	216,439	10,728	992	5,209
TOTAL COST OF SERVICE RELATED TO TARIFF SALES AND TRANSPORTATION		\$ 274,629,949	\$ 64,113,714	\$ 37,334,628	\$ 6,387,228	\$ 10,063,222	\$ 3,244,864	\$ 961,860	\$ 120,685,796	\$ 28,187,769	\$ 923,694	\$ 2,010,897	\$ 176,751	\$ 529,529

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY DIRECTLY WITH PGC SALES.

Factors are based on the pro forma average daily PGC sales volumes for each service classification.

<u>Service Classification</u> (1)	<u>Pro Forma Average Daily PGC Volumes (Mcf)</u> (2)	<u>Allocation Factor</u> (3)
<u>Volumetric Costs</u>		
Rate R	52,240	0.7391
Rate N	18,444	0.2609
Rate DS	-	-
Rate LFD	-	-
Rate XD	-	-
Interruptible	-	-
 Total	 <u>70,684</u>	 <u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTORS 2 . ALLOCATION OF COMPRESSOR STATION FUEL.

Factors are based on the pro forma average daily throughput volumes for each service classification.

<u>Service Classification</u> (1)	<u>Pro Forma Average Daily Throughput Volumes (Mcf)</u> (2)	<u>Allocation Factor 2</u> (3)
<u>Volumetric Costs</u>		
Rate R	62,313	0.1859
Rate N	38,743	0.1155
Rate DS	8,875	0.0265
Rate LFD	39,903	0.1190
Rate XD Firm	47,722	0.1423
Interruptible	<u>137,744</u>	<u>0.4108</u>
Total	<u><u>335,300</u></u>	<u><u>1.0000</u></u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 3. CALCULATION OF MAXIMUM DAY EXTRA DEMAND FACTORS.

Factors are based on the maximum day extra demand throughput for each classification.

Service Classification	Pro Forma Average Daily Throughput Volumes (Mcf)	Peak Day Capacity (Mcf)	Extra Capacity (Mcf)	Allocation Factor 3	Allocation Factor 3A
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(5)
<u>Volumetric Costs</u>					
Rate R	62,313	363,772	301,459	0.5157	0.5698
Rate N	38,743	224,930	186,187	0.3185	0.3519
Rate DS	8,875	35,791	26,916	0.0460	0.0509
Rate LFD	39,903	54,422	14,519	0.0248	0.0274
Subtotal	149,834	678,915	529,081	0.9050	1.0000
Rate XD Firm	47,722	103,283	55,561	0.0950	-
Total	197,556	782,198	584,642	1.0000	1.0000

FACTOR 3B. CALCULATION OF MAXIMUM DAY EXTRA DEMAND FACTORS FOR SMALL MAINS ALLOCATION.

Factors are based on the maximum day extra demand throughput for each classification, excluding XD and Interruptible classifications.

Service Classification	Pro Forma Average Daily Throughput Volumes (Mcf)	Peak Day Capacity (Mcf)	Extra Capacity (Mcf)	Allocation Factor 3B
(1)	(2)	(3)	(4)=(3)-(2)	(5)
<u>Volumetric Costs</u>				
Rate R	62,313	363,772	301,459	0.5828
Rate N	38,743	224,930	186,187	0.3599
Rate DS	8,875	35,791	26,916	0.0520
Rate LFD	7,582	10,340	2,758	0.0053
Total	117,513	634,833	517,320	1.0000

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH LARGE DISTRIBUTION MAINS.

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Average Daily Throughput			Maximum Day Extra Demand		Allocation Factor 4 (7)=(4)+(6)
	Interruptible	Allocation Factor	Weighted Factor*	Allocation Factor 3A	Weighted Factor	
(1)	(2)	(3)	(4)=(3)x 0.4287	(5)	(6)=(5)x 0.5713	(7)=(4)+(6)
<u>Volumetric Costs</u>						
Rate R	62,313	0.4159	0.1783	0.5698	0.3255	0.5038
Rate N	38,743	0.2586	0.1108	0.3519	0.2010	0.3118
Rate DS	8,875	0.0592	0.0254	0.0509	0.0291	0.0545
Rate LFD	39,903	0.2663	0.1142	0.0274	0.0157	0.1299
Rate XD Firm	-	-	-	-	-	-
Interruptible	-	-	-	-	-	-
Total	149,834	1.0000	0.4287	1.0000	0.5713	1.0000

* The weighting of the factors is based on the percentage of average daily throughput of 335,300 mcf divided by peak day demand of 782,198 mcf. $(335,300 / 782,198 = 42.87\%)$

FACTOR 4A. ALLOCATION OF COSTS ASSOCIATED WITH LOAD DISPATCHING AND M&R STATION EQUIPMENT.

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Throughput	Average Daily Throughput		Maximum Day Extra Demand		Allocation Factor (7)=(4)+(6)
		Factor 2	Weighted Factor	Allocation Factor 3	Weighted Factor	
(1)	(2)	(3)	(4)=(3)x 0.4287	(5)	(6)=(5)x 0.5713	(7)=(4)+(6)
<u>Volumetric</u>						
Rate R	62,313	0.1859	0.0798	0.5157	0.2945	0.3743
Rate N	38,743	0.1155	0.0494	0.3185	0.1820	0.2314
Rate DS	8,875	0.0265	0.0114	0.0460	0.0263	0.0377
Rate LFD	39,903	0.1190	0.0510	0.0248	0.0142	0.0652
Rate XD-Firm	47,722	0.1423	0.0610	0.0950	0.0543	0.1153
Interruptible	137,744	0.4108	0.1761	-	-	0.1761
Total	335,300	1.0000	0.4287	1.0000	0.5713	1.0000

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH SMALL DISTRIBUTION MAINS.

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Average Daily Throughput			Maximum Day Extra Demand		Allocation Factor 5
	Volumes (Mcf)	Allocation Factor	Weighted Factor (4)=(3)x 0.4287	Allocation Factor 3B	Weighted Factor (6)=(5)x 0.5713	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Volumetric Costs</u>						
Rate R	62,313	0.5303	0.2273	0.5828	0.3330	0.5603
Rate N	38,743	0.3297	0.1413	0.3599	0.2056	0.3469
Rate DS	8,875	0.0755	0.0324	0.0520	0.0297	0.0621
Rate LFD	7,582	0.0645	0.0277	0.0053	0.0030	0.0307
Rate XD - Firm Interruptible (IS)	-	-	-	-	-	-
Total	117,513	1.0000	0.4287	1.0000	0.5713	1.0000

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH ACCOUNT 381, METERS.

Factors are based on the cost of meters by class included in Account 381, Meters.

<u>Service Classification</u> (1)	<u>Cost of Meters</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate R	\$ 15,645,801	0.3453
Rate N	28,616,967	0.6317
Rate DS	800,115	0.0177
Rate LFD	-	-
Interruptible	<u>240,109</u>	<u>0.0053</u>
Total	<u><u>\$ 45,302,992</u></u>	<u><u>1.0000</u></u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 6B. ALLOCATION OF COSTS ASSOCIATED WITH INDUSTRIAL MEASURING AND REGULATING EQUIPMENT, ACCOUNT 385.

Factors are based on the cost of M&R equipment by class included in Account 385, Industrial Measuring and Regulating Equipment.

<u>Service Classification</u> (1)	<u>Cost of M&R Equipment</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate N	\$ 1,223,583	0.2331
Rate LFD	3,702,212	0.7051
Rate XD - Firm	316,174	0.0602
Interruptible	<u>8,475</u>	<u>0.0016</u>
Total	<u>\$ 5,250,444</u>	<u>1.0000</u>

FACTOR 6C. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the cost of services by class included in Account 380, Service Lines.

<u>Service Classification</u> (1)	<u>Cost of Services</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate R	\$ 436,652,618	0.8596
Rate N	61,565,658	0.1213
Rate DS	3,993,767	0.0079
Rate LFD	3,130,250	0.0062
Rate XD - Firm	372,098	0.0007
Interruptible	<u>2,172,285</u>	<u>0.0043</u>
Total	<u>\$ 507,886,676</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH CUSTOMER ACCOUNTING.
AND METER READING

Factors are based on the number of customers for each classification, as follows.

<u>Service Classification</u> (1)	<u>Number of Customers</u> (2)	<u>Allocation Factor 7</u> (3)
<u>Customer Costs</u>		
Rate R	348,120	0.8974
Rate N	38,394	0.0990
Rate DS	592	0.0015
Rate LFD	464	0.0012
Rate XD	27	0.0001
Interruptible	<u>322</u>	<u>0.0008</u>
Total	<u><u>387,919</u></u>	<u><u>1.0000</u></u>

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH SALES EXPENSES.

Factors are based on the number of Rate R and Rate N customers.

<u>Service Classification</u> (1)	<u>Number of Customers</u> (2)	<u>Allocation Factor</u> (3)
<u>Customer Costs</u>		
Rate R	348,120	0.9007
Rate N	<u>38,394</u>	<u>0.0993</u>
Total	<u><u>386,514</u></u>	<u><u>1.0000</u></u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 9 (DA). ALLOCATION OF CUSTOMER ASSISTANCE EXPENSES.

These costs are directly assigned to the Residential Classification.

<u>Service Classification</u>	<u>Allocation Factor</u>
(1)	(3)
<u>Customer Costs</u>	
Rate R	<u><u>1.0000</u></u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 10. ALLOCATION OF DISTRIBUTION OPERATION OTHER EXPENSES AND RENT.

Factors are based on distribution operation expenses other than those being allocated.

Service Classification	Operation Expenses	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 3,191,757	0.2062
Rate N	1,975,222	0.1276
Rate DS	344,515	0.0223
Rate LFD	545,042	0.0352
Rate XD	279,617	0.0181
Interruptible	238,851	0.0154
<u>Customer Costs</u>		
Rate R	5,629,093	0.3636
Rate N	2,780,372	0.1796
Rate DS	98,799	0.0064
Rate LFD	326,558	0.0211
Rate XD	28,776	0.0019
Interruptible	40,401	0.0026
Total	<u>\$ 15,479,003</u>	<u>1.0000</u>

FACTOR 11. ALLOCATION OF DISTRIBUTION MAINTENANCE OTHER EXPENSES.

Factors are based on distribution maintenance expenses other than those being allocated.

Service Classification	Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 7,084,872	0.4305
Rate N	4,385,131	0.2665
Rate DS	772,208	0.0469
Rate LFD	1,206,069	0.0733
Rate XD	391,429	0.0238
Interruptible	118,291	0.0072
<u>Customer Costs</u>		
Rate R	1,622,794	0.0984
Rate N	645,101	0.0392
Rate DS	23,877	0.0015
Rate LFD	180,802	0.0110
Rate XD	15,716	0.0010
Interruptible	10,709	0.0007
Total	<u>\$ 16,456,999</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 12. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES.

Factors are based on the allocation of operation and maintenance expenses.

<u>Service Classification</u> (1)	<u>Operation & Maintenance Expenses</u> (2)	<u>Allocation Factor</u> (3)
<u>Volumetric Costs</u>		
Rate R	\$ 13,396,755	0.2065
Rate N	7,323,784	0.1129
Rate DS	1,261,740	0.0194
Rate LFD	1,979,495	0.0305
Rate XD	778,530	0.0120
Interruptible	439,241	0.0068
<u>Customer Costs</u>		
Rate R	32,064,283	0.4941
Rate N	6,580,846	0.1014
Rate DS	214,099	0.0033
Rate LFD	684,736	0.0106
Rate XD	56,347	0.0009
Interruptible	104,147	0.0016
Total	<u>\$ 64,884,003</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 13. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of total operation and maintenance direct labor expense to service classifications as shown on the following page.

Service Classification <u>(1)</u>	Total Labor Expense <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 6,627,630	0.1908
Rate N	3,942,463	0.1135
Rate DS	683,366	0.0197
Rate LFD	1,075,661	0.0310
Rate XD	468,679	0.0135
Interruptible	320,922	0.0092
<u>Customer Costs</u>		
Rate R	16,437,559	0.4730
Rate N	4,535,978	0.1306
Rate DS	138,727	0.0040
Rate LFD	417,239	0.0120
Rate XD	36,457	0.0010
Interruptible	58,325	0.0017
Total	<u>\$ 34,743,006</u>	<u>1.0000</u>

FACTOR 14. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS, MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation excluding the items being allocated, as follows:

Service Classification <u>(1)</u>	Original Cost Less Depreciation <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 336,561,398	0.2736
Rate N	201,727,996	0.1640
Rate DS	34,222,594	0.0278
Rate LFD	53,928,674	0.0438
Rate XD	15,165,501	0.0123
Interruptible	905,970	0.0007
<u>Customer Costs</u>		
Rate R	455,139,051	0.3701
Rate N	119,117,959	0.0968
Rate DS	5,281,401	0.0043
Rate LFD	5,124,401	0.0042
Rate XD	511,205	0.0004
Interruptible	2,470,732	0.0020
Total	<u>\$ 1,230,156,882</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
DIRECT LABOR EXPENSE														
750-760	Total Production & Gathering Operation Expenses	1	-	-	-	-	-	-	-	-	-	-	-	-
761 - 769	Total Gas Raw Materials Expenses	1	68,000	50,259	17,741	-	-	-	-	-	-	-	-	-
850 - 880	Total Transmission Operation Expenses	4	-	-	-	-	-	-	-	-	-	-	-	-
861 - 867	Total Transmission Maintenance Expenses	4	-	-	-	-	-	-	-	-	-	-	-	-
870	Operation Supervision and Engineering	10	2,093,000	431,577	267,067	46,674	73,674	37,883	32,232	761,015	375,903	13,395	44,162	3,977
871	Distribution Load Dispatching	4a	436,000	163,195	100,890	16,437	28,427	50,271	76,780	-	-	-	-	-
874	Mains And Services Expenses													
	Mains - Small	5	768,244	430,447	268,504	47,708	23,585	-	-	-	-	-	-	-
	Mains - Large	17	1,172,256	568,200	350,387	61,192	145,948	46,773	1,758	-	-	-	-	-
	Services	6C	1,940,500	-	-	-	-	-	-	1,668,054	235,383	15,330	12,031	1,358
875	M & R Station Expenses -General	4a	233,000	87,212	53,916	8,784	15,192	26,865	41,031	-	-	-	-	-
876	Measuring and Regulating Station Expenses-indust	6B	225,000	-	-	-	-	-	-	-	52,448	-	158,648	13,545
877	Measuring and Regulating Station Expenses-City G	4a	168,000	62,882	38,875	6,334	10,954	19,370	29,585	-	-	-	-	360
878	Meter And House Regulator Expenses	6	1,447,000	-	-	-	-	-	-	499,649	914,070	25,612	-	7,669
879	Customer Installation Expenses	6	994,000	-	-	-	-	-	-	343,228	627,910	17,594	-	5,268
880	Other Expenses	10	1,698,000	350,128	216,665	37,865	59,770	30,734	26,149	617,393	304,961	10,867	35,828	3,226
881	Rent	10	-	-	-	-	-	-	-	-	-	-	-	-
885	Supervision - Engineering and Labor	11	661,000	284,561	176,157	31,001	48,451	15,732	4,759	65,042	25,911	992	7,271	661
886	Structures & Improvements	18	-	-	-	-	-	-	-	-	-	-	-	-
887	Mains - Small	5	1,601,811	897,495	555,668	99,472	49,176	-	-	-	-	-	-	-
	Mains - Large	17	2,444,189	1,180,543	730,568	127,587	304,302	97,523	3,666	-	-	-	-	-
889	M & R Equip - General	4a	36,000	13,475	8,330	1,357	2,347	4,151	6,340	-	-	-	-	-
890	M & R Equip - Ind	6B	60,000	-	-	-	-	-	-	-	13,986	-	42,306	3,612
891	M & R Equip - CG Check Station	4a	180,000	67,374	41,652	6,786	11,736	20,754	31,698	-	-	-	-	96
892	Services	6C	882,000	-	-	-	-	-	-	758,167	106,987	6,968	5,468	617
893	Meters & House Regulators	6	371,000	-	-	-	-	-	-	128,106	234,361	6,597	-	1,966
895	Other Equipment	11	47,000	20,234	12,528	2,204	3,445	1,119	338	4,625	1,842	71	517	47
894	Other Equipment	11	-	-	-	-	-	-	-	-	-	-	-	-
901	Supervision	7	362,000	-	-	-	-	-	-	324,859	35,838	543	434	36
902	Meter Reading Expenses	7	626,000	-	-	-	-	-	-	561,772	61,974	939	751	63
903	Customer Records & Coil Expenses	7	4,861,000	-	-	-	-	-	-	4,362,261	481,239	7,292	5,833	486
907	Supervision	7	134,000	-	-	-	-	-	-	120,252	13,266	201	161	13
908	Customer Assistance Expenses	9	868,000	-	-	-	-	-	-	868,000	-	-	-	-
910	Miscellaneous Customer Service & Info Exp.	7	28,000	-	-	-	-	-	-	25,127	2,772	42	34	3
911	Supervision	8	-	-	-	-	-	-	-	-	-	-	-	-
912	Demonstrating And Selling Expenses	8	546,000	-	-	-	-	-	-	491,782	54,218	-	-	-
920	Administrative & General Salaries	12	8,808,000	1,818,852	994,423	170,875	268,644	105,696	59,894	4,352,033	893,131	29,068	93,365	7,927
921	Office Supplies And Expenses	12	240,000	49,560	27,096	4,858	7,320	2,860	1,632	118,584	24,336	792	2,544	216
925	Injuries and Damages	12	552,000	113,988	62,321	10,709	16,836	6,824	3,754	272,743	55,973	1,822	5,851	497
932	Maintenance of General Plant	12	192,000	39,848	21,677	3,725	5,856	2,304	1,306	94,867	19,469	634	2,035	173
	Total Direct Labor Expense		34,743,000	6,627,830	3,942,463	683,366	1,075,661	468,679	320,922	16,437,559	4,535,978	138,727	417,239	36,457

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 15. ALLOCATION OF RETURN AND TAXES.

Factors are based on the result of allocating the original cost measure of value, as presented on the following page.

Service Classification <u>(1)</u>	Original Cost Less Depreciation <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 252,630,563	0.2736
Rate N	151,418,578	0.1640
Rate DS	25,694,534	0.0278
Rate LFD	40,492,378	0.0439
Rate XD	11,392,295	0.0123
Interruptible	691,235	0.0007
<u>Customer Costs</u>		
Rate R	341,605,418	0.3700
Rate N	89,423,131	0.0968
Rate DS	3,962,313	0.0043
Rate LFD	3,835,990	0.0042
Rate XD	388,500	0.0004
Interruptible	1,857,203	0.0020
Total	<u>\$ 923,392,138</u>	<u>1.0000</u>

FACTOR 16. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER REVENUES.

Factors are based on the allocated cost of service excluding those items being allocated.

Service Classification <u>(1)</u>	Total Cost of Service <u>(2)</u>	Allocation Factor <u>(3)</u>
<u>Volumetric Costs</u>		
Rate R	\$ 63,763,774	0.2305
Rate N	37,129,679	0.1342
Rate DS	6,352,111	0.0230
Rate LFD	10,007,945	0.0362
Rate XD	3,227,351	0.0117
Interruptible	957,150	0.0035
<u>Customer Costs</u>		
Rate R	122,232,253	0.4418
Rate N	29,131,508	0.1053
Rate DS	1,130,014	0.0041
Rate LFD	2,003,855	0.0072
Rate XD	176,262	0.0006
Interruptible	530,049	0.0019
Total	<u>\$ 276,641,951</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
RATE BASE														
DISTRIBUTION PLANT														
374	Land	18	2,273,343	1,165,998	721,559	127,307	200,736	55,697	2,046	-	-	-	-	-
374	Land Rights of Way	4	-	-	-	-	-	-	-	-	-	-	-	-
375	Structures And Improvements	18	739,180	379,125	234,616	41,384	65,270	18,110	665	-	-	-	-	-
376	Mains - Small	5	215,322,849	120,645,392	74,695,496	13,371,549	6,610,411	-	-	-	-	-	-	-
	Mains - Large	4	328,559,063	165,528,056	102,444,716	17,906,469	42,679,822	-	-	-	-	-	-	-
	Mains - Direct Assign	DA	14,193,075	-	-	-	-	13,686,419	506,656	-	-	-	-	-
378	Measuring & Regulating Equipment - General	18	28,975,073	14,861,316	9,196,688	1,622,604	2,558,499	709,889	26,078	-	-	-	-	-
379	Measuring & Regulating Equipment - SCADA	18	658,319	336,626	209,316	36,754	57,953	16,080	591	-	-	-	-	-
379	Measuring & Regulating Equipment - City Gate	18	1,700,598	872,237	539,770	95,233	150,163	41,665	1,531	-	-	-	-	-
380	Services	6C	433,144,508	-	-	-	-	-	-	372,331,019	52,540,429	3,421,642	2,685,496	303,201
381	Meters	8	38,121,391	-	-	-	-	-	-	12,472,716	22,817,883	639,349	-	191,443
382	Meter Installations	8	42,041,136	-	-	-	-	-	-	14,516,804	26,557,388	744,128	-	222,818
383	House Regulators	6	5,737,053	-	-	-	-	-	-	1,981,004	3,624,096	101,546	-	30,406
384	House Regulator Installations	6	6,928,942	-	-	-	-	-	-	2,392,564	4,377,013	122,642	-	36,723
385	Industrial Measuring & Regulating Equipment	6B	2,576,972	-	-	-	-	-	-	-	600,692	-	1,817,023	155,134
386	Other Property on Customer Premises	6	206,382	-	-	-	-	-	-	71,264	130,372	3,653	-	1,094
386	Other Property on Customer Premises - Farm Taps	6	362,939	-	-	-	-	-	-	125,323	229,269	6,424	-	1,924
386	Other Property on Customer Premises - Gas Lights	6	1,113	-	-	-	-	-	-	384	703	20	-	6
386	Other Property on Customer Premises - CNG Refu	6	(1,036)	-	-	-	-	-	-	(358)	(18)	-	-	(5)
387	Other Equipment	10	1,330,441	274,337	169,764	29,669	46,832	24,081	20,489	483,748	238,947	8,515	28,072	2,528
387	Other Equipment - Graphic Data Base	10	44,275	9,130	5,649	987	1,558	801	682	16,098	7,952	283	934	84
	Total Distribution Plant		1,120,913,616	304,072,216	188,218,574	33,231,968	52,371,244	14,552,742	558,738	404,390,566	111,124,088	5,048,364	4,531,525	480,947
GENERAL PLANT														
389	Land and Land Rights	12	1,492,767	308,256	168,533	28,980	45,529	17,913	10,151	737,576	151,367	4,926	15,823	1,343
390	Structures And Improvements	12	16,370,674	3,380,544	1,848,249	317,591	499,306	196,448	111,321	8,088,750	1,659,986	54,023	173,529	14,734
391	Office Furniture And Equipment	12	1,227,472	253,473	138,582	23,813	37,438	14,730	8,347	606,494	124,466	4,051	13,011	1,105
392	Transportation Equipment	12	720,695	148,824	81,368	13,981	21,961	8,648	4,901	356,095	73,078	2,378	7,639	649
394	Tools, Shop And Garage Equipment	12	6,627,397	1,368,557	748,233	128,572	202,136	79,529	45,066	3,274,597	672,018	21,870	70,250	5,965
396	Power Operated Equipment	12	55,398	11,440	6,254	1,075	1,690	665	377	27,372	5,617	183	587	50
397	Communication Equipment	12	90,438	18,675	10,210	1,754	2,756	1,085	615	44,685	9,170	298	959	81
398	Miscellaneous Equipment	12	515,166	106,386	58,164	9,995	15,713	6,182	3,503	254,553	52,240	1,700	5,461	464
399	Other Tangible Property	12	-	-	-	-	-	-	-	-	-	-	-	-
	Total General Plant		27,100,027	5,596,155	3,059,591	525,741	826,551	325,200	184,281	13,390,122	2,747,942	89,429	287,259	24,391
	Total Plant		1,148,013,643	309,668,371	191,276,165	33,757,707	53,197,795	14,877,942	743,019	417,780,688	113,872,030	5,137,813	4,818,784	485,336
COMMON PLANT ALLOCATED @ 15.36%														
390 2	Structures and Improvements	12	3,171	655	358	62	97	38	22	1,587	322	10	34	3
391	Office Furniture and Equipment	12	110,464	22,811	12,471	2,143	3,369	1,326	751	54,580	11,201	365	1,171	99
392 1	Transportation Equipment	12	1,520	314	172	29	46	18	10	751	154	5	16	1
	Total Common Plant		115,155	23,780	13,001	2,234	3,512	1,382	783	56,898	11,677	380	1,221	103
INFORMATION SERVICES (IS) ALLOCATED @ 48.83%														
391	Office Furniture and Equipment	12	9,425,306	1,946,328	1,064,117	182,851	287,472	113,104	64,092	4,657,044	955,726	31,104	99,908	8,483
391.1	Office Furniture and Equip - New CIS Software	7	43,006,009	-	-	-	-	-	-	38,593,592	4,257,595	64,509	51,607	4,301
	Total Information Services		52,431,315	1,946,328	1,064,117	182,851	287,472	113,104	64,092	43,250,636	5,213,321	95,613	151,515	12,784
Less: Reading Service Center Allocated to Other Divisions														
390 1	Structures And Improvements @ 51.74%	12	(476,229)	(98,341)	(53,786)	(9,239)	(14,525)	(5,715)	(3,238)	(235,305)	(48,290)	(1,572)	(5,048)	(429)
INTANGIBLE PLANT														
301	Organization (Allocated at 15.36%)	14	21,345	5,840	3,501	593	935	263	15	7,900	2,088	92	90	9
302	Franchises And Consents	14	28,256	7,731	4,634	786	1,238	348	20	10,458	2,735	122	119	11
304	Land and Land Rights	14	381,652	104,420	62,591	10,610	16,716	4,694	267	141,249	36,944	1,641	1,603	153
305	Manufactured Gas Plant Remediation	1	316,923	234,238	82,685	-	-	-	-	-	-	-	-	-
	Total Nondepreciable Plant		748,176	352,229	153,411	11,989	18,889	5,305	302	159,607	41,745	1,855	1,812	173
	Total Utility Plant in Service		1,200,832,060	311,892,385	192,452,928	33,945,542	53,493,143	14,992,018	804,958	461,012,524	119,090,483	5,234,089	4,968,284	497,969
OTHER RATE BASE ELEMENTS														
	Gas Storage Inventory	1	21,730,000	16,060,843	5,669,357	-	-	-	-	-	-	-	-	-

UGI UTILITIES, INC. - GAS DIVISION

COST OF SERVICE AS OF SEPTEMBER 30, 2017, AT PROPOSED REVENUE LEVEL ALLOCATED TO RATE R, RATE N, RATE DS, RATE LFD, RATE XD, AND INTERRUPTIBLE SERVICE CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Volumetric Costs						Customer Costs					
			Rate R (4)	Rate N (5)	Rate DS (6)	Rate LFD (7)	Rate XD Firm (8)	Interruptible (9)	Rate R (10)	Rate N (11)	Rate DS (12)	Rate LFD (13)	Rate XD Firm (14)	Interruptible (15)
Cash Working Capital	12	10,887,000	2,206,868	1,206,562	207,328	325,954	128,244	72,672	5,280,447	1,083,662	35,267	113,282	9,618	17,099
Cash Working Capital - Purchased Gas Related	1	7,961,000	5,883,975	2,077,025	-	-	-	-	-	-	-	-	-	-
Materials & Supplies	12	4,212,000	869,778	475,535	81,713	128,466	50,544	28,642	2,081,149	427,097	13,900	44,647	3,791	6,739
Deferred Taxes	14	(307,196,000)	(84,048,826)	(50,380,144)	(8,540,049)	(13,455,185)	(3,778,511)	(215,037)	(113,693,240)	(29,736,573)	(1,320,943)	(1,290,223)	(122,878)	(614,392)
Customer Deposits	8	(14,517,000)	-	-	-	-	-	-	(13,075,462)	(1,441,538)	-	-	-	-
Investment Tax Credit	14	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Rate Base Elements		<u>(277,123,000)</u>	<u>(59,027,564)</u>	<u>(40,951,665)</u>	<u>(8,251,008)</u>	<u>(13,000,765)</u>	<u>(3,599,723)</u>	<u>(113,723)</u>	<u>(119,407,106)</u>	<u>(29,667,352)</u>	<u>(1,271,776)</u>	<u>(1,132,294)</u>	<u>(109,469)</u>	<u>(590,554)</u>
Total Measure of Value		<u>\$ 923,709,060</u>	<u>\$ 252,864,801</u>	<u>\$ 151,501,263</u>	<u>\$ 25,694,534</u>	<u>\$ 40,492,378</u>	<u>\$ 11,392,295</u>	<u>\$ 691,235</u>	<u>\$ 341,605,418</u>	<u>\$ 89,423,131</u>	<u>\$ 3,962,313</u>	<u>\$ 3,835,990</u>	<u>\$ 368,500</u>	<u>\$ 1,857,203</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 17. ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES ASSOCIATED WITH LARGE MAINS.

Factors are based on the allocation of rate base for large and directly assigned mains.

Service Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 165,528,056	0.4830
Rate N	102,444,716	0.2989
Rate DS	17,906,469	0.0522
Rate LFD	42,679,822	0.1245
Rate XD	13,686,419	0.0399
Interruptible	506,656	0.0015
	<u>506,656</u>	<u>0.0015</u>
Total	<u>\$ 342,752,138</u>	<u>1.0000</u>

FACTOR 18. ALLOCATION OF RATE BASE ASSOCIATED M&R STATION EQUIPMENT.

Factors are based on the composite allocation of all mains.

Service Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
<u>Volumetric Costs</u>		
Rate R	\$ 286,173,448	0.5129
Rate N	177,140,212	0.3174
Rate DS	31,278,018	0.0560
Rate LFD	49,290,233	0.0883
Rate XD	13,686,419	0.0245
Interruptible	506,656	0.0009
	<u>506,656</u>	<u>0.0009</u>
Total	<u>\$ 558,074,986</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 19. ALLOCATION OF UNCOLLECTIBLE ACCOUNTS

Factors are based on history of net write-offs by class.

Service Classification	5-Yr. Average of Write-offs	Allocation Factor
(1)	(2)	(3)
<u>Customer Costs</u>		
Rate R	\$ 6,527,255	0.9186
Rate N	446,108	0.0628
Rate DS	42,855	0.0060
Rate LFD	56,327	0.0079
Rate XD	-	0.0000
Interruptible	33,323	0.0047
Total	<u>\$ 7,105,868</u>	<u>1.0000</u>

FACTOR 20. ALLOCATION OF PENALTY REVENUE

Factors are based on an analysis of penalty revenue, by class.

Service Classification	Penalty Revenue	Allocation Factor
(1)	(2)	(3)
<u>Customer Costs</u>		
Rate R	\$ 1,756,329	0.5863
Rate N	1,029,704	0.3437
Rate DS	208,436	0.0696
Rate LFD	-	0.0000
Rate XD	-	0.0000
Interruptible	1,200	0.0004
Total	<u>\$ 2,995,668</u>	<u>1.0000</u>

UGI UTILITIES, INC. - GAS DIVISION

CALCULATION OF CUSTOMER COSTS PER BILL BY SERVICE CLASSIFICATION

	Cost of Service (1)	Rate R (2)	Rate N (3)	Rate DS (4)	Rate LFD (5)	Rate XD Firm (6)	Interruptible (7)
Fully Allocated Customer Costs							
Customer Costs	151,994,907	\$ 120,685,796	\$ 28,197,769	\$ 923,694	\$ 2,010,897	\$ 176,751	\$ 529,529
Number of bills	4,651,164	4,177,440	460,728	7,104	5,568	324	3,864
Customer Cost per bill		\$ 28.89	\$ 61.20	\$ 130.02	\$ 361.15	\$ 545.53	\$ 137.04
Direct Customer Costs							
O & M Expenses:							
874 Mains And Services Expenses							
Mains	-	-	-	-	-	-	-
Services	5,224,437	4,510,321	636,461	41,451	32,531	3,673	22,562
876 M & R Station Expenses - Industrial	416,333	-	97,203	-	294,027	25,103	667
878 Meter and House Regulator Expenses	1,948,617	676,443	1,237,500	34,674	-	-	10,383
879 Customer Installations Expenses	1,274,211	442,329	809,208	22,674	-	-	6,789
890 M & R Equip - Industrial	241,612	-	56,410	-	170,634	14,568	387
892 Services	1,632,948	1,409,744	198,932	12,956	10,168	1,148	7,052
893 Meters & House Regulators	613,730	213,050	389,759	10,921	-	-	3,270
901 Supervision	424,661	381,395	42,075	638	510	43	340
902 Meter Reading Expenses	1,000,199	898,297	99,099	1,502	1,201	100	801
903 Customer Records & Coll Expenses	13,670,055	12,277,329	1,354,419	20,522	16,417	1,368	10,945
904 Uncollectible Accounts	3,668,158	3,372,781	217,384	33,666	44,327	-	26,372
905 Miscellaneous Cust Accts Expenses	357,714	321,269	35,442	537	430	36	286
907 Supervision	163,868	147,173	16,236	246	197	16	131
908 Customer Assistance Expenses	1,308,000	1,308,000	-	-	-	-	-
910 Miscellaneous Customer Service Exp.	115,907	104,098	11,484	174	139	12	93
911 Supervision	-	-	-	-	-	-	-
912 Demonstrating and Selling Expenses	3,635,001	3,274,045	360,956	-	-	-	-
913 Advertising Expenses	111,000	99,978	11,022	-	-	-	-
916 Miscellaneous	104,000	93,673	10,327	-	-	-	-
926 Employee Pensions and Benefits	6,995,403 *	5,331,656	1,472,123	45,088	135,264	11,272	19,162
408 Payroll Taxes	2,108,178 *	1,606,781	443,648	13,588	40,764	3,397	5,775
Subtotal O & M Expenses	45,014,032	36,468,362	7,499,688	238,637	746,609	60,736	115,015

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UGI UTILITIES, INC. - GAS DIVISION

CALCULATION OF CUSTOMER COSTS PER BILL BY SERVICE CLASSIFICATION

	Cost of Service (1)	Rate R (2)	Rate N (3)	Rate DS (4)	Rate LFD (5)	Rate XD Firm (6)	Interruptible (7)
Depreciation Expense							
380 Services	18,361,237	15,851,481	2,236,837	145,680	114,331	12,908	79,294
381 Meters	1,545,565	536,527	981,536	27,502	-	-	8,235
382 Meter Installations	1,570,413	545,152	997,317	27,944	-	-	8,368
383 House Regulators	402,170	139,609	255,405	7,156	-	-	2,143
384 House Regulator Installations	267,570	92,884	169,925	4,761	-	-	1,426
385 Industrial M & R Equipment	128,474	-	29,995	-	90,732	7,747	206
390 Structures and Improvements	686,526 *	555,813	114,065	3,712	11,924	1,012	1,800
391 Office Furniture And Equipment	3,890,321 *	3,403,191	454,232	9,847	21,252	1,799	4,983
Subtotal Depreciation	26,852,276	21,124,657	5,239,312	226,602	238,239	23,466	106,455
Rate Base							
380 Services	431,281,987	372,331,019	52,540,429	3,421,842	2,685,496	303,201	1,862,521
381 Meters	35,929,948	12,472,716	22,817,883	639,349	-	-	191,443
382 Meter Installations	41,818,318	14,516,804	26,557,386	744,128	-	-	222,818
383 House Regulators	5,706,646	1,981,004	3,624,096	101,546	-	-	30,406
384 House Regulator Installations	6,892,219	2,392,564	4,377,013	122,642	-	-	36,723
385 Industrial M & R Equipment	2,572,849	-	600,692	-	1,817,023	155,134	4,123
390 Structures And Improvements	9,991,022 *	8,088,750	1,659,986	54,023	173,529	14,734	26,193
391 Office Furniture and Equipment	49,540,412 *	43,911,710	5,348,988	100,029	165,697	13,988	51,626
Deferred Taxes	(146,163,857) *	(113,693,240)	(29,736,573)	(1,320,943)	(1,290,223)	(122,878)	(614,392)
Customer Deposits	(14,517,000)	(13,075,462)	(1,441,538)	-	-	-	-
Subtotal Rate Base	423,052,544	328,925,865	86,348,362	3,862,616	3,551,522	364,179	1,811,461
Taxes and Return							
@ 12.3%	51,901,631	40,353,826	10,593,532	473,880	435,714	44,679	222,237
Total Direct Customer Costs	\$ 123,767,938	\$ 97,946,845	\$ 23,332,532	\$ 939,119	\$ 1,420,562	\$ 128,881	\$ 443,707
Less: USP and EEC Recovery	9,015,112	8,125,794	393,673	90,181	405,463	-	-
Total	\$ 114,752,827	\$ 89,821,051	\$ 22,938,859	\$ 848,938	\$ 1,015,098	\$ 128,881	\$ 443,707
Number of bills	4,651,164	4,177,440	460,728	7,104	5,568	324	3,864
Direct Costs per bill		\$ 21.50	\$ 49.79	\$ 119.50	\$ 182.31	\$ 397.78	\$ 114.83

* Customer cost portion of account.

UGI UTILITIES, INC. - GAS DIVISION

CALCULATION OF COSTS RELATED TO LFD AND XD DEMAND CHARGES

Capital Costs	LFD	XD
Depreciation	\$ 1,356,416	\$ 370,654
Taxes Other Than Income	194,436	73,698
Income Taxes	1,661,922	465,641
Income Available for Return	3,313,001	928,244
Total	\$ 6,525,775	\$ 1,838,237
Cost Per Month	\$ 543,815	\$ 153,186
Demand Volume Units per Month	73,215	103,283
Demand Costs per MCF	\$ 7.43	\$ 1.48

UGI UTILITIES, INC. - GAS DIVISION

Docket No. R-2015-2518438

COST OF SERVICE ALLOCATION STUDY

AS OF SEPTEMBER 30, 2017

(Average of Cost of Service Allocation Studies)

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC
Harrisburg, Pennsylvania

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UGI UTILITIES, INC. - GAS DIVISION

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017
WITHOUT GAS COSTS

Service Classification (1)	Average of Cost of Service Studies		Pro Forma Margin Revenues,				Revenue Increase	
	Amount (2)	Percent (3)	Under Present Rates		Under Proposed Rates		Amount (8)	Percent Increase (9)
			Amount (4)	Percent (5)	Amount (6)	Percent (7)		
Rate R	\$ 183,209,711	66.7%	\$ 108,668,733 *	50.3%	\$ 152,001,162	55.3%	\$ 43,332,429	39.9%
Rate N	64,549,196	23.5%	55,100,277	25.5%	67,596,056	24.6%	12,495,779	22.7%
Rate DS	7,086,431	2.6%	10,602,234	4.9%	11,583,714	4.2%	981,480	9.3%
Rate LFD	11,383,433	4.1%	25,008,284	11.6%	26,762,521	9.7%	1,754,237	7.0%
Rate XD Firm	3,421,615	1.2%	11,785,496	5.5%	11,785,496	4.3%	-	0.0%
Interruptible	4,979,568	1.8%	4,900,000	2.3%	4,900,000	1.8%	-	0.0%
Total	\$ 274,629,954	99.9%	\$ 216,065,024	100.1%	\$ 274,628,950	99.9%	\$ 58,563,925	27.1%
Other Operating Revenues	4,480,000		4,480,000		4,480,000		0	
Total	\$279,109,954		\$220,545,024		\$279,108,950		\$58,563,925	26.6%

* Includes GL.

UGI UTILITIES, INC. - GAS DIVISION

DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION
UNDER PRESENT RATES

Item (1)	AVERAGE of Cost of Service Studies (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD (7)	Interruptible (8)
1. Revenues From Tariff Sales and Transportation	\$ 216,065,024	\$ 108,668,733	\$ 55,100,277	\$ 10,602,234	\$ 25,008,284	\$ 11,785,496	\$ 4,900,000
2. Other Revenues	4,480,001	2,849,807	1,310,476	235,676	39,628	12,388	32,026
3. Total Operating Revenues	220,545,025	111,518,540	56,410,753	10,837,910	25,047,912	11,797,884	4,932,026
4. Less: Operating Expenses	164,798,592	112,876,869	36,807,363	3,951,974	6,245,088	2,003,327	2,913,971
5. Return and Income Taxes	55,746,433	(1,358,329)	19,603,390	6,885,936	18,802,824	9,794,557	2,018,055
6. Less: Interest Expense	20,044,000	12,751,993	5,135,273	649,426	883,940	256,563	366,805
7. Taxable Income	35,702,433	(14,110,322)	14,468,117	6,236,510	17,918,884	9,537,994	1,651,250
8. Less: Income Taxes	13,962,000	(5,519,179)	5,657,402	2,439,161	7,007,528	3,730,646	646,441
9. Net Return (Ln 5 - Ln 8)	41,784,433	4,160,850	13,945,988	4,446,775	11,795,296	6,063,911	1,371,614
10. Original Cost Measure of Value (Factor 15.)	923,476,350	587,567,225	236,607,199	29,918,200	40,722,880	11,790,871	16,869,975
11. Rate of Return, Percent	4.52%	0.71%	5.89%	14.86%	28.96%	51.43%	8.13%
12. Relative Rate of Return	1.00	0.16	1.30	3.28	6.40	11.37	1.80

UGI UTILITIES, INC. - GAS DIVISION

DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION
UNDER PROPOSED RATES

Item (1)	AVERAGE of Cost of Service Studies (2)	Rate R (3)	Rate N (4)	Rate DS (5)	Rate LFD (6)	Rate XD-Firm (7)	Interruptible (8)
1. Revenues From Tariff Sales and Transportation	\$ 274,628,950	\$ 152,001,162	\$ 67,596,056	\$ 11,583,714	\$ 26,762,521	\$ 11,785,496	\$ 4,900,000
2. Other Revenues	4,480,001	2,845,252	1,313,241	236,509	40,123	12,355	32,521
3. Total Operating Revenues	279,108,951	154,846,414	68,909,297	11,820,223	26,802,644	11,797,851	4,932,521
4. Less: Operating Expenses	165,785,954	113,935,153	36,809,480	3,799,352	6,326,312	1,994,755	2,920,902
5. Return and Income Taxes	113,322,997	40,911,261	32,099,817	8,020,871	20,476,332	9,803,096	2,011,619
6. Less: Interest Expense	20,044,000	12,756,002	5,139,282	623,368	899,976	256,563	368,810
7. Taxable Income	93,278,997	28,155,259	26,960,535	7,397,503	19,576,356	9,546,533	1,642,809
8. Less: Income Taxes	37,857,000	11,429,028	10,940,673	3,002,060	7,946,184	3,872,771	666,283
9. Net Return (Ln 5 - Ln 8)	75,465,997	29,482,233	21,159,144	5,018,811	12,530,148	5,930,325	1,345,336
10. Original Cost Measure of Value (Factor 15.)	923,709,065	587,934,654	236,847,425	28,718,618	41,467,208	11,780,795	16,960,365
11. Rate of Return, Percent	8.17%	5.01%	8.93%	17.48%	30.22%	50.34%	7.93%
12. Relative Rate of Return	1.00	0.61	1.09	2.14	3.70	6.16	0.97

