

UGI UTILITIES, INC. – ELECTRIC DIVISION

BEFORE

THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Information Submitted Pursuant to

Section 53.51 et seq of the Commission’s Regulations

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UGI UTILITIES, INC. – ELECTRIC DIVISION

PA P.U.C. NOS. 6 & 2S

DOCKET NO. R-2017-2640058

Issued: January 26, 2018

Effective: March 27, 2018

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**UGI UTILITIES, INC. – ELECTRIC DIVISION
2018 BASE RATE CASE
DOCKET NO. R-2017-2640058**

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STATEMENT OF REASONS

UGI UTILITIES, INC. – ELECTRIC DIVISION
2018 Base Rate Case
Docket No. R-2017-2640058

STATEMENT OF REASONS

I. INTRODUCTION

UGI Utilities, Inc. – Electric Division (“UGI Electric” or “the Company”) is filing Tariff – Electric PA. P.U.C. Nos. 6 and 2S, with a proposed effective date of March 27, 2018. The rates set forth therein, if approved by the Pennsylvania Public Utility Commission (“PUC” or the “Commission”), would increase UGI Electric’s annual jurisdictional distribution operating revenues by \$9.2 million based on a fully projected future test year ending September 30, 2019, and would produce an increase in total revenues (distribution, transmission and generation charges) of approximately 10.4%.

If the Company’s entire request is approved, the total bill for a residential customer using 1,000 kilowatt-hours (kWh) per month and receiving default power service from the Company would increase from \$112.28 to \$125.56 per month or by 11.8%. The total bill for a small commercial customer using 1,000 kWh per month and receiving default power service from the Company would not change from the current bill of \$120.74 per month. Rates for an industrial customer using 50,000 kWh per month and receiving default power service from the Company would increase from \$4,792.16 to \$4,860.44 per month or by 1.4%. However, even with the proposed rate increase, UGI Electric’s residential distribution rates will still be among the lowest in the Commonwealth.

The principal reasons for UGI Electric’s request for rate relief are: (1) current rates do not provide a reasonable opportunity for the Company to earn a fair rate of return on its investment made to serve the public; (2) accelerated capital investment to maintain and improve

system reliability by replacing aging infrastructure and to reduce service outages; (3) to set rates based on cost of service; (4) update certain terms and conditions of service, eliminate outdated provisions and rate schedules, consolidate certain rate schedules, and simplify rate design; (5) implement a new rate applicable to electric vehicle charging stations; and (6) new investments related to distribution infrastructure for growth and operation facilities replacements. Each of these issues is discussed in more detail in Section II. As explained therein, the requested increase is essential to the Company's continued ability to attract capital on reasonable terms and provide safe and reliable service to customers. Section III addresses UGI Electric's management effectiveness and describes its various efforts to control increasing costs and improve service to customers. UGI Electric requests that this management effectiveness be reflected by awarding a cost of common equity at the upper end of the zone of reasonableness. Section IV provides a more detailed overview of the major components of this rate filing.

II. REASONS FOR THE REQUESTED RATE INCREASE

UGI Electric last received a general rate increase over 20 years ago, in 1996. Since that time, and including anticipated investments included in this case, UGI Electric will have invested nearly \$70 million of capital in the delivery system to ensure a well maintained and reliable system able to meet the current and future expectations of our customers. Moreover, UGI Electric intends to invest significant additional capital in the distribution system through 2022 under its Commission-approved Long Term Infrastructure Improvement Plan ("LTIP"). Through its LTIP programs, UGI Electric will accelerate investment in the repair, replacement and improvement of aged and aging distribution infrastructure by over 100% compared to historic baseline levels immediately prior to the LTIP. Together, UGI Electric's focus on upgrading and modernizing the distribution system, technologies, and facilities will support the

Company's efforts to continue to provide safe and reliable distribution service and high-quality customer service.

Additionally, as part of the UGI Next Information Technology Enterprise ("UNITE") system modernization initiative, UGI Electric recently installed a new customer information system and has plans to modernize its financial information technology systems over the next 18 months. UGI Electric is also investing in a facilities modernization and consolidation effort that will relocate all UGI Electric operations personnel into one location with new offices, warehouse space, field yard, training space, and linemen and contractor crew assembly facilities.

Since its last base rate case, UGI Electric has adopted modest annual wage and salary adjustments in order to maintain and promote highly qualified work force and will continue to do so, where reasonable. UGI Electric has also experienced other general price increases for necessary products and services. The growth in operating and capital costs, along with relatively stagnant customer usage and growth trends, do not allow for UGI Electric to earn a fair rate of return on its investments at present rate levels.

As reflected in UGI Electric Exhibit A (Fully Projected), Schedule A-1, the Company's operations are projected to produce an overall return on rate base of 3.20%, which equates to a return on common equity of only 1.92% for the twelve months ending September 30, 2019. As explained by UGI Electric witness Paul R. Moul (UGI Electric Statement No. 5), those returns are not adequate based on applicable financial data and the risks confronted by UGI Electric. Unless UGI Electric receives the requested rate relief, those returns will continue to decline and jeopardize the Company's ability to attract the capital needed to make the system investments necessary to support and ensure continued system reliability, safety, and customer service performance.

Through this filing, UGI Electric also proposes to update the terms and conditions of its tariff. Specifically, UGI Electric proposes to eliminate outdated tariff provisions and rate schedules, consolidate certain rate schedules, and simplify rate design. UGI Electric also seeks to implement a new rate applicable to electric vehicle charging stations that will further promote the development of electric vehicle charging station infrastructure needed to serve the growing number of electric vehicle owners in the Commonwealth. The Company is also proposing to replace the Company's current Customer Assistance Plan ("CAP") Rider with a new Universal Service Plan ("USP") Rider, and proposing a new reconcilable Storm Expense Rider that will recover or refund qualified storm damage expenses incurred by the Company that are not otherwise recovered through its base rates. These tariff changes are necessary to update and modernize the Company's rate schedules, riders, and terms and conditions of service.

III. MANAGEMENT EFFECTIVENESS

UGI Electric has focused on a number of areas to enhance and improve the quality and effectiveness of UGI Electric's management performance. These management efforts include:

- A Commission-approved LTIIP. This plan was filed voluntarily by the Company and included a detailed accelerated infrastructure replacement plan focused on improving, replacing or repairing aged infrastructure, such as poles, underground conductor, transformers and circuit breakers. The elements of the LTIIP are further explained in the Direct Testimony Mr. Sorber (UGI Electric Statement No. 3).
- High standards for electric reliability. UGI Electric is performing above the Commission established Benchmark levels for maintaining service reliability. As reported in the Commission's Electric Service Reliability in Pennsylvania report for 2016, UGI Electric achieved Customer Average Interruption Duration Index ("CAIDI"), System Average Interruption Frequency Index ("SAIFI") and System Average Interruption Duration Index ("SAIDI") index levels that were 26.0%, 24.1% and 44.3% better than Benchmark levels, respectively. These performance levels ranked UGI Electric 1st, 3rd and 2nd respectively in exceeding CAIDI, SAIFI and SAIDI Benchmark levels among all Pennsylvania electric distribution companies.

- An Energy Efficiency and Conservation Plan. While not required under Act 129, the Company filed Phase I of this voluntary plan in 2010 in response to a Commission Secretarial Letter encouraging voluntary plans. This plan was approved and became effective in 2012. On April 9, 2015, the Company filed Phase II of this voluntary plan which was approved on June 9, 2016 at Docket No. M-2015-2477174, and this Phase II plan was subsequently extended until May 31, 2019. The Company's Energy Efficiency and Conservation Plan provides education and incentives to UGI Electric customers to encourage the efficient use of electricity and incents smart appliance purchase decisions.
- A new state-of-the-art Customer Information System. As part of Phase 1 of UGI's UNITE initiative, discussed in the Direct Testimony of Paul J. Szykman (UGI Electric Statement No. 1), UGI Electric now has in place a new CIS that allows for the Company to provide customers with greater levels of service quality, information availability and around the clock accessibility. This new system went "live" for all of the UGI operating companies on September 4, 2017. Importantly, this CIS upgrade project was completed on-time and on-budget, marking a significant achievement for both UGI and all of UGI's customers.
- Continued information technology system replacements. UGI has begun Phase 2 of its UNITE initiative, with a plan to replace its aged and outdated financial systems. UNITE Phase 2 is scheduled for completion and go-live in April 2019 and will provide improved system capability related to capital activity tracking and recording, as well as financial system support.
- Electric vehicle support. UGI Electric is proposing a new Rate EV (Electric Vehicle Services) in this rate case filing. It is designed to support and promote the expanded growth of electric vehicles within the Company's service territory by offering charging equipment rates that will support electric vehicle charging infrastructure build-out. Rate EV is further explained in the Direct Testimony of Mr. Lahoff (UGI Electric Statement No. 8).
- Top-tier customer satisfaction. UGI has finished in first or second place in the J.D. Power award for customer satisfaction among the East Large Utility group in each of the last 5 years, and has won the award a total of 7 times (2003-2007, 2013, 2014) since UGI was first included in the survey in 2003 by J.D. Power. UGI Electric's customers receive the same call center customer service experience as the other regulated UGI affiliates.
- A safety focus. UGI has developed and implemented numerous safety improvement initiatives designed to reduce or prevent injuries and motor vehicle accidents. These initiatives include pursuing Occupational Safety and Health Administration verification of a Voluntary Protection Program, a First Move Forward policy, a 360-degree "cone" policy, a "Making a Difference" safety program, use of dash-cams to record and review incidents or close-calls, Smith Driving School training, an annual Safety Summit involving all employees, establishing safety committees for accident

analysis and review, and Company-wide education and appropriate employee coaching and engagement tracks.

- A company-wide focus on efficiency and effectiveness. UGI has launched a Company-wide initiative, UGI-1, which is aligning UGI people, processes and tools to drive additional efficiencies and effectiveness across the organization, including the implementation of new state-of-the-art customer information, work management and other supportive systems. A more detailed review of UGI-1 is provided the Direct Testimony of Paul J. Szykman (UGI Electric Statement No. 1).
- Universal Service offerings. In its most recent triennial review at Docket No. M-2013-2371824, UGI Electric received approval from the Commission to implement several new components to its Universal Service Programs that have assisted low-income customers by eliminating the maximum level of low-income customers that can be served under the Company's Customer Assistance Program ("CAP"). Also, UGI Gas agreed as part of a Commission-approved settlement in the UGI Gas 2016 base rate case at Docket No. R-2015-2518438, and in UGI PNG's 2017 base rate case at Docket No. R-2016-2580030 to implement certain customer service-focused practices and procedures. As UGI manages Customer Operations collectively, these changes have also been implemented for UGI Electric customers. Moreover, UGI Electric formally incorporated these revisions in its Universal Service and Energy Conservation Plan filing for the period of January 1, 2018 through December 31, 2020 submitted on June 30, 2017 at Docket No. M-2017-2598190. The filing is currently pending before the Commission.
- Lowest rates. As noted in the Direct Testimony of Paul J. Szykman (UGI Electric Statement No. 1), UGI Electric's rates are among the lowest in the state. These low rates have provided significant value for UGI Electric's customers for years. Even with the proposed rate increase, UGI Electric's distribution rates will still be among the lowest in the Commonwealth.

The above-described initiatives, as well as those described by the Company's witnesses, demonstrate UGI Electric's commitment to and focus on providing and improving safe, reliable and quality distribution services to its customers. The Company believes that the management efforts described above and the other improvements described by the UGI Electric witnesses in this proceeding, as well as the Company's provision of safe and reliable service at reasonable rates, support an additional upward adjustment to the Company's rate of return in recognition of its management effectiveness. This recognition of UGI Electric's management effectiveness,

which is included in the 10.95% equity return requested by the Company and discussed in the Direct Testimony of Paul R. Moul (UGI Electric Statement No. 5).

IV. OVERVIEW OF FILING

Included with UGI Electric's filing are all of the supporting data required by the Commission's regulations. This information provides data for an historic year ended September 30, 2017, a future test year ending September 30, 2018, and the fully projected future test year ending September 30, 2019. Because of the adverse impact of regulatory lag when rates are established using a historic test year, the Company has elected to use the fully projected future test year as the basis for its proposed revenue requirement.

UGI Electric has followed Commission ratemaking practice in preparing its claims for rate base, operating revenues and operating expenses. Rate base was determined based on depreciated original cost values for projected plant in service at the end of the fully projected future test year. Those values include more than \$40 million of plant to be placed into service between the end of the historic year and the end of the fully projected future test year, inclusive of the Company's LTIP accelerated replacement capital, the customer information systems associated with UNITE, and other used and useful infrastructure to support growth and service reliability. The Company's rate base claim also includes reasonable estimates for materials and supplies inventory and cash working capital, as well as standard deductions for accumulated depreciation, accumulated deferred income taxes, and customer deposits. The Company's rate base claims are shown in summary form in Schedule C-1 to Exhibit A-1 (Fully Projected) and are supported by the Direct Testimony of Megan Mattern (UGI Electric Statement No. 4).

UGI Electric's *pro forma* test year operating expenses were derived from its fiscal year 2019 operating budget. Based on the analysis of Company witness Stephen F. Anzaldo (UGI

Electric Statement No. 2), certain operating expenses were annualized, normalized, and otherwise adjusted in accordance with standard ratemaking practice, as detailed in Section D of Exhibit A (Fully Projected). UGI Electric's claim for depreciation and amortization expense is supported by Exhibit C (Fully Projected) to the filing, and exhibits developed and supported by John F. Wiedmayer of Gannett Fleming Valuation & Rate Consultants, LLC (UGI Electric Statement No. 7). Mr. Wiedmayer's calculations are based on the straight-line, remaining life method previously approved for UGI Electric's operations by the Commission. Company witnesses Mr. Szykman (UGI Electric Statement No. 1) and Mr. Sorber (UGI Electric Statement No. 3) also discuss the Company's efforts to contain costs and obtain efficiencies.

UGI Electric's income tax expense also was calculated using procedures previously accepted by the Commission. The Company's filing reflects, for federal income tax purposes, the normalization of book-tax timing differences related to UGI Electric's use of accelerated depreciation for tax purposes. Other appropriate book-tax timing differences were flowed-through for ratemaking purposes. The Company's tax claims are supported in the Direct Testimony of Nicole M. McKinney, UGI's Principal Tax Analyst (UGI Electric Statement No. 9). This initial filing does not address the impact of the recently enacted federal tax law changes given the timing of these changes in relation to the preparation of this filing. The impact of these changes on the Company is still under review and the Company anticipates filing Supplemental Direct Testimony to present the impact of these changes on the rate relief requested in this case.

In 2006, the Commonwealth Court issued its decision in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006), establishing cost of service as the "polestar" of revenue allocation and rate design in rate proceedings. This filing is UGI Electric's first base rate case since the *Lloyd* decision. Through this filing, UGI Electric is proposing to allocate the proposed revenue

requirement to all customer classes based on the results of a class cost of service study and is proposing to move all rate groups substantially towards the system average rate of return, with the exception of the lighting group which will move approximately 61% toward system average rate of return. Given the current significantly low rate of return for the residential customer group, this approach results in an allocation of the full proposed increase to the residential class and results in no net change for those rate classes with rates of return currently above the system average. Even with this revenue allocation, the residential class remains below the system average return. Additional details regarding the Company's costs of service study and revenue allocation are provided in the Direct Testimonies of John D. Taylor (UGI Electric Statement No. 6) and David E. Lahoff (UGI Electric Statement No. 8).

With respect to rate design, UGI Electric is proposing an increase in the Rate R customer charge and to eliminate multiple blocks in lieu of a single block in an effort to restructure the Rate R distribution rate to be more reflective of cost causation. Since the Company is not allocating any increase to the General Service, Lighting, or Large Power rate groups, the rates and rate design for these customer groups will essential remain the same. The Company is proposing to remove all transmission related charges from base rates and to recover those related costs through the Generation Service Rider ("GSR"). The Company is also proposing new rates and riders, including: a new Universal Service Plan ("USP") Rider similar to that approved by the Commission for UGI Electric's affiliates; a new Rate EV for electric vehicle charging stations; and new Storm Expense Rider to recover or refund certain storm damages expenses in excess of or below the amount claimed in base rates. In addition, to update and modernize its tariff, UGI Electric proposes to eliminate outdated tariff provisions and rate schedules and to consolidate certain rate schedules. UGI Electric witness David E. Lahoff (UGI Electric

Statement No. 8) provides a summary of the proposed changes to the tariff rules, regulations, and rate schedules included in UGI Electric's Tariff No. 6, and changes to the Choice Supplier Tariff, which is incorporated into Tariff No. 6 as Tariff No. 2S.

V. CONCLUSION

As set forth in UGI Electric's filing, the proposed revenue increase is the minimum increase necessary for UGI Electric to continue providing safe and reliable service, to maintain the integrity of its existing capital, to attract additional capital at reasonable rates, and to have a reasonable opportunity to earn a fair rate of return on its property used and useful in rendering electric service to the public within its service territory. Moreover, the Company's proposed revenue allocation and rate design are just and reasonable and non-discriminatory, as are the proposed changes made to the Company's general terms and conditions of service. Therefore, the rates, rules and terms and conditions of service set forth in UGI Electric's Tariff Nos. 6 and 2S should be permitted to become effective as filed.

PLAIN LANGUAGE - STATEMENT OF REASONS

UGI UTILITIES, INC. – ELECTRIC DIVISION
2018 Base Rate Case
Docket No. R-2017-2640058

PLAIN LANGUAGE
STATEMENT OF REASONS

UGI Utilities, Inc. – Electric Division (“UGI Electric”) has asked the Pennsylvania Public Utility Commission (PUC) to approve new rates that would increase annual revenues for its electric distribution service by \$9.2 million, or an increase in total revenues of approximately 10.4%. This proposal is the first such increase for UGI Electric since 1996.

The main reasons for the rate increase are:

- UGI Electric continues to invest in electric plant needed to provide continued safe and reliable service. Since its last rate case in 1996, UGI Electric has made over \$70 million in system investments, increasing the Company’s plant by over 60%.
- UGI Electric has invested and will continue to invest in upgrading and modernizing the distribution system, technologies and facilities which support the Company’s efforts to continue to provide safe and reliable distribution service and high-quality customer service.
- Despite enhanced efficiencies in managing its system, UGI Electric’s costs continue to increase in several areas, including salaries and wages for field and administrative employees and the cost of servicing customer accounts.
- Without substantial rate relief, UGI Electric’s earnings are now and will continue to be financially unacceptable and, if not addressed, could adversely affect its ability to provide safe and reliable service to its customers.

UGI Electric designed the proposed rates for each customer class to recover its total required revenue. In allocating the revenue increase, UGI Electric was guided by detailed studies of each rate class’s cost of service. UGI Electric also considered and balanced other principles of rate design consistent with practice before the PUC.

Along with its rate increase, UGI Electric has filed all of the supporting data required by the PUC’s regulations, as well as the written statements of nine witnesses and numerous exhibits prepared by those witnesses. The data, testimony, and exhibits submitted by UGI Electric comply with the PUC’s filing requirements. The proposed revenue increase is the minimum increase necessary for UGI Electric to continue providing safe and reliable service to the public within its service territory.

SECTION 53.52 - FILING REQUIREMENTS

UGI UTILITIES, INC. – ELECTRIC DIVISION

Proposed Changes to Electric Tariff No. 5 through Original Tariff No. 6.

Information furnished with the filing of rate changes under 52 Pa.
Code, Section 53.52

(a) Applicable to changes in terms and conditions of service.

(a)(1) The specific reason for each change.

The Company has provided a Statement of Reasons describing the necessity for this filing. In addition, please see the Direct Testimony of Paul J. Szykman, UGI Electric Statement No. 1.

(a)(2) The total number of customers served by the utility.

61,832

(a)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

<u>Tariff Rate</u>	<u>Customers</u>
R	43,177
RWT	10,969
CWH	41
BLR	2
RTU	6
GS-1	5,029
GLP	25
IH	5
GS-4	2,311
TE	10
GS-5	60
FCP	7
LP	190
Lighting	9,242 (fixtures)

(a)(4) The effect of the change on the utility's customers.

The specific effect by class is shown in UGI Electric Exhibit E – Proof of Revenue.

(a)(5) The effect, whether direct or indirect, of the proposed change on the utility's revenue and expenses.

The Company's proposal will change revenue and expenses, as shown on UGI Electric Exhibit A (Fully Projected), Schedule A-1. Individual adjustments to revenues and expenses are described in testimony and exhibits supporting the filing.

(a)(6) The effect of the change on the service rendered by the utility.

The filing will allow the Company to continue to provide safe and reliable service to its customers while maintaining high levels of customer satisfaction.

(a)(7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement as to why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of the tariff change seeking a general rate increase as defined in 66 Pa.C.S. Section 1308 (relating to voluntary changes in rates).

Not applicable.

(a)(8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of the tariff change seeking a general rate increase as defined in 66 Pa.C.S. Section 1308.

Not applicable.

(a)(9) Customer polls taken and other documents, which indicate customer acceptance and desire for the proposed change.

No customer polls were taken or other documents developed to evaluate customer acceptance of any of the changes proposed in this filing.

(a)(10) Plans the utility has for introducing or implementing the change with respect to its customers.

The Company will notify customers of the proposed changes by direct mailing a printed notice to all customers serviced using the form of notices specified by the Commission at 52 Pa. Code 53.45. In addition, the Company will issue a press release and paid advertisements on the date of filing as well as posting notices at all offices.

(a)(11) F.C.C. or FERC or Commission orders or rulings applicable to the filings.

No F.C.C., FERC or Commission orders or rulings apply to this filing.

(b) Applicable to changes in rates.

(b)(1) Specific reason for each change.

The Company has provided a Statement of Reasons describing the necessity of this filing. In addition, please see the Direct Testimony of Paul J. Szykman, UGI Electric Statement No. 1, and David E. Lahoff, UGI Electric Statement No. 8.

(b)(2) Utility's operating income statement ending not more than 120 days prior to filing date – historic year.

Refer to Schedule B-2, UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected).

(b)(3) Number of customers, by tariff subdivision, whose bills will be increased.

<u>Tariff Rate</u>	<u>Customers</u>
R	43,177
RWT	10,969
CWH	41
BLR	2
RTU	6
GS-1	5,029
GLP *	11
IH *	2
GS-5	60
FCP	7
LP	190
Lighting *	-----

* Partial – see response IV-D-1 for impact at specific use level.

(b)(4) Total increases, in dollars, by tariff subdivision, projected to an annual basis.

Please refer to UGI Electric Exhibit E – Proof of Revenue.

(b)(5) Number of customers, by tariff subdivision, whose bills will be decreased.

<u>Tariff Rate</u>	<u>Customers</u>
GS-4	2,311
IH *	3
GLP *	14
TE	10
Lighting *	-----

* Partial – see response IV-D-1 for impact at specific use level.

(b)(6) Total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Please refer to UGI Electric Exhibit E – Proof of Revenue.

(c) Applicable to changes where increase for any tariff subdivision exceeds 3% of utility’s operating revenue OR bills of more than 5% of customers will increase.

(c)(1) Rate of return for historic year and anticipated for future year.

Refer to UGI Electric Exhibit A (Historic), Schedule A-1, UGI Electric Exhibit A (Future), Schedule A-1, and UGI Electric Exhibit A (Fully Projected), Schedule A-1.

(c)(2) Detailed balance sheet at the end of the historic year.

For the end of the historic year balance sheet, refer to UGI Electric Exhibit A (Historic), Schedule B-1.

For the end of the future test year balance sheet, refer to UGI Electric Exhibit A (Future), Schedule B-1.

For the end of the fully projected future test year balance sheet, refer to UGI Electric Exhibit A (Fully Projected), Schedule B-1.

(c)(3) Summary, by detailed plant accounts, of book value of property of utility at end of historic year.

Refer to UGI Electric Exhibit A (Historic), Schedule C-2, for the original cost book value of the property of utility for the historic year.

Refer to UGI Electric Exhibit A (Future), Schedule C-2, for the original cost book value of the property of utility for the future test year.

Refer to UGI Electric Exhibit A (Fully Projected), Schedule C-2, for the original cost book value of the property of utility for the fully projected future test year.

(c)(4) Respective amount of the depreciation reserve applicable to each detailed plant account.

Refer to UGI Electric Exhibit A (Historic), Schedule C-3, for the historic year depreciation reserve as of year-end.

Refer to UGI Electric Exhibit A (Future), Schedule C-3, for the future test year depreciation reserve as of year-end.

Refer to UGI Electric Exhibit A (Fully Projected), Schedule C-3, for the fully projected future test year depreciation reserve as of year-end.

(c)(5) Statement of operating income, setting forth the operating revenues and expenses by detailed accounts – historic year.

Refer to UGI Electric Exhibit A (Historic), Schedule B-2, for the historic year operating revenue and expenses.

Refer to UGI Electric Exhibit A (Future), Schedule B-2, for the future test year operating revenue and expenses.

Refer to UGI Electric Exhibit A (Fully Projected), Schedule B-2, for the fully projected future test year operating revenue and expenses.

(c)(6) Description of any major changes in the operating or financial condition of the utility occurring between the date of the balance sheet at end of the historic year and filing date.

This initial filing does not address the impact of the recently enacted federal tax law changes given the timing of these changes in relation to the preparation of this filing. The impact of these changes on the Company is still under review and the Company anticipates filing Supplemental Direct Testimony to present the impact of these changes on the rate relief requested in this case.

I. GENERAL FILING INFORMATION

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on January 26, 2018

I-A-1

Request:

Provide a summary discussion of the rate change request, including specific reasons for each increase or decrease. Also provide a breakdown which identifies the revenue requirement value of the major items generating the requested rate change.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected), Schedules A-1. Also, please see the Direct Testimony of Paul J. Szykman, UGI Electric Statement No. 1.

Prepared by or under the supervision of: Paul J. Szykman

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on January 26, 2018

I-A-2

Request:

Identify the proposed witnesses for all statements and schedules of revenues, expenses, taxes, property, valuation and the like.

Response:

Please see the Direct Testimony of Paul J. Szykman, UGI Electric Statement No.1, for a complete list of witnesses and areas of responsibility. The primary witness for each statement and schedule is identified on the specific document.

Prepared by or under the supervision of: Paul J. Szykman

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on January 26, 2018

I-A-3

Request:

Provide a single page summary table showing, at present and at proposed rates, together with references to the filing information, the following as claimed for the fully adjusted test year:

Revenues
Operating Expenses
Operating Income
Rate Base
Rate of Return (produced)

Response:

Please see Attachment I-A-3.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
PUC Jurisdictional
Test Year Ended September 30, 2019
(Thousands of Dollars)

	AT PRESENT RATES		AT PROPOSED RATED	
	Amount	Exhibit A - Fully Projected Future Reference	Amount	Exhibit A - Fully Projected Future Reference
Revenue	\$ 88,934	Schedule A-1, Col. [3], line 12	\$ 98,188	Schedule A-1, Col. [5], line 12
Operating Expenses	\$ (85,229)	Schedule A-1, Col. [3], line 13	\$ (85,877)	Schedule A-1, Col. [5], line 13
Operating Income	\$ 3,303	Schedule A-1, Col. [3], line 17	\$ 8,338	Schedule A-1, Col. [5], line 17
Rate Base	\$ 103,320	Schedule A-1, Col. [3], line 8	\$ 103,320	Schedule A-1, Col. [5], line 8
Rate of Return	3.197%	Schedule A-1, Col. [3], line 18	8.070%	Schedule A-1, Col. [5], line 18

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on January 26, 2018

I-A-4

Request:

Whenever a major generating plant is placed in operating service or removed from operating service the utility shall separately indicate the effect of the plant addition or removal from service upon rate base, revenue, expense, tax, income and revenue requirement as it affects the test year.

Response:

As UGI Electric does not own any generation plants, this filing requirement is not applicable to this rate filing.

Prepared by or under the supervision of: Eric Sorber

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - I-B - General Description of Utility Operations
Delivered on January 26, 2018

I-B-1

Request:

Provide a corporate history including the dates of original incorporation, subsequent mergers and acquisitions. Indicate all counties, cities and other governmental subdivisions to which service is provided, including service areas outside this Commonwealth, and the total number of customers or billed units in the areas served.

Response:

UGI Utilities, Inc. (“UGI”) was organized in 1882 under the name “The United Gas Improvement Company”, changed its name to “UGI Corporation” in 1968, and adopted its current name in 1971 when it became, as it remains today, a wholly-owned subsidiary of a newly-formed holding company that adopted the name UGI Corporation.

UGI Electric can trace its origins to the 1925 acquisition by UGI of the American Gas Co., which owned the Luzerne County Gas and Electric corporation. In 1953, as authorized by a Certificate of Public Convenience issued by the Commission on June 16, 1952, at Docket No. A.78264, all of UGI’s Pennsylvania public utility subsidiaries, including the Luzerne County Gas and Electric Company, were merged into UGI.

In 1967, UGI acquired the Harvey’s Lake Light Company, whose 113 square mile service territory, along with the electric service territory of the former Luzerne County Gas and Electric Corporation, comprise the current service territory of UGI Electric. That service territory is identified in the list of communities served in UGI Electric's tariff. See UGI Electric Exhibit F. UGI Electric currently provides electric distribution service to approximately 62,000 customers.

Prepared by or under the supervision of: Paul J. Szykman

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - I-B - General Description of Utility Operations
Delivered on January 26, 2018

I-B-2

Request:

Provide a description of the property of the utility and an explanation of the system's operation, and supply the following, using available projections if actual data is unavailable:

- a. A schedule of generating capability showing for the test year, and for the two consecutive 12-month periods prior to the test year, net dependable capacity in KW by unit, plant capacity factor by unit, and total fuel consumption by type and cost for each unit, if available, or for each station, and operation and maintenance expenses by station.
- b. A schedule showing for the test year and for the 12-month period immediately prior to the test year the scheduled and unscheduled outages—in excess of 48 hours—for each station, the equipment or unit involved, the date the outage occurred, duration of the outage, maintenance expenses incurred for each outage, if available, and amounts reimbursable from suppliers or insurance companies.
- c. A schedule for each unit retired during the test year or subsequent to the end of the test year, which shows the unit's KW capacity, hours of operation during the test year, net output generated, cents/KWH of maintenance and fuel expenses, and date of retirement.
- d. A schedule showing latest projections of capacity additions and retirements—costs and KW— and reserve capacity at the time of peak for at least 10 years beyond the test year, including the inservice dates—actual or expected—and AFDC cutoff dates—if different from inservice dates— for all new generating units coming on line during or subsequent to the test year, if claimed.

Response:

As UGI Electric does not own any generation plants, this filing requirement is not applicable to this rate filing.

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - I-B - General Description of Utility Operations
Delivered on January 26, 2018

I-B-3

Request:

Provide an overall system map, including and labeling all generating plants, transmission substations—indicate voltage, transmission system lines—indicate voltage, and all interconnection points with other electric utilities, power pools, and other like systems.

Response:

UGI Electric's overall system map includes Critical Energy Infrastructure Information and is, therefore, not included herein.

Prepared by or under the supervision of: Eric Sorber

**II. PRIMARY STATEMENT OF RATE BASE
& OPERATING INCOME**

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on January 26, 2018

II-A-1

Request:

Provide a schedule showing the test year rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected), Schedule A-1.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on January 26, 2018

II-A-2

Request:

If the schedule provided in response to item 1, is based upon a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.

Response:

Please refer to UGI Electric Exhibit A (Historic), Schedule A-1.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on January 26, 2018

II-A-3

Request:

When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa.C.S. § 1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:

- a. The total cost of the generating unit.
- b. The following costs:
 1. The cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.
 2. The cost and quantity of each category of bulk materials, such as concrete, cable and structural steel and the like.
 3. Manual labor.
 4. Direct and indirect costs of architect/engineering services.
 5. Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures and the like.
 6. Distributed costs.
- c. A cost increase of \$5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa.C.S. § 515(a) (relating to construction cost of electric generating units) and its causes.
- d. Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa.C.S. § 515(a).

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on January 26, 2018

II-A-3 (Continued)

Response:

As UGI Electric does not own any generation plants, this filing requirement is not applicable to this rate filing.

Prepared by or under the supervision of: Eric Sorber

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on January 26, 2018

II-B-1

Request:

If a claim is made for plant held for future use, supply the following:

- a. A description of the plant or land site and its cost and any accumulated depreciation.
- b. The expected date of use for each item claimed.
- c. An explanation as to why it is necessary to acquire each item in advance of its date of use.
- d. The date when each item was acquired.
- e. The date when each item was placed in plant held for future use.

Response:

No claim is being made for plant held for future use.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on January 26, 2018

II-B-2

Request:

If a claim is made for construction work in progress, provide a supporting schedule which sets forth separately, revenue-producing and nonrevenue producing amounts, and include, for each category a summary of all work orders, amounts expended at the end of the test year and anticipated inservice dates. Indicate if the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project.

Response:

No claim is being made for construction work in progress.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on January 26, 2018

II-B-3

Request:

If a claim is made for materials and supplies or fuel inventory provide a supporting schedule for each claim showing the latest actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), UGI Electric Exhibit A (Fully Projected), Schedule C-8. There is no claim being made for fuel inventory.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on January 26, 2018

II-B-4

Request:

If a claim is made for cash working capital provide a supporting schedule setting forth the method and all detailed data utilized to determine the cash working capital requirement. If not provided in the support data provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), UGI Electric Exhibit A (Fully Projected), Schedule C-4 for the working capital lead-lag study and the Direct Testimony of Megan Mattern, UGI Electric Statement No. 4.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on January 26, 2018

II-B-5

Request:

If a claim is made for compensating bank balances, provide the following information:

- a. Name and address of each bank.
- b. Types of accounts with each bank—checking, savings, escrow, other services, and the like.
- c. Average daily balance in each account.
- d. Amount and percentage requirements for compensating bank balance at each bank.
- e. Average daily compensating bank balance at each bank.
- f. Documents from each bank explaining compensating bank balance requirements.
- g. Interest earned on each type of account.
- h. A calculation showing the average daily float for each bank.

Response:

UGI Electric has no requirements for compensating bank balances with its banks and has not made a claim for this item.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on January 26, 2018

II-B-6

Request:

Explain in detail by statement or exhibit the appropriateness of additional claims or the use of a method not previously mentioned, in the claimed rate base.

Response:

Please see UGI Electric Exhibit A (Fully Projected) Schedule C, the Direct Testimony of Eric W. Sorber, UGI Electric Statement No. 3, and the Direct Testimony of Megan Mattern, UGI Electric Statement No. 4, for an explanation and detail of UGI Electric's claim for additional rate base items.

Prepared by or under the supervision of: Eric Sorber

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-C - Operating Income Statement
Delivered on January 26, 2018

II-C-1

Request:

Prepare a Statement of Income including:

- a. The book, or budgeted, statement for the test year.
- b. Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
- c. The income statement under present rates after adjustment.
- d. The adjustment for the revenue requested.
- e. The income statement under requested rates after adjustment.

Each adjustment, including those relating to adjustment clauses, shall contain an explanation in sufficient clarifying detail to allow a reasonably informed person to understand the method and rationale of the adjustment.

Response:

The information requested in items a. through e. is set forth in UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected). Please see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, and the Direct Testimony of David E. Lahoff, UGI Electric Statement No. 8.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-C - Operating Income Statement
Delivered on January 26, 2018

II-C-2

Request:

If the schedule provided in item 1 is based upon budgeted data for a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.

Response:

The information requested is set forth in UGI Electric Exhibit A (Historic). Please see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, and the Direct Testimony of David E. Lahoff, UGI Electric Statement No. 8.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-1

Request:

Provide a schedule showing all revenues and expenses for the test year and for the 12-month period immediately prior to the test year, together with an explanation for major variances between test year revenues and expenses and those for the previous 12-month period. Revenues and expenses shall be summarized by the major account categories listed below. If budgeted data for a future test year is not readily available by these categories, an analysis of the data for the 12-month period immediately prior to the future test year or for the most recent available calendar year may serve as the basis for ratably allocating the budgeted data into the account categories 400 through 432.

Response:

Please see Attachment II-D-1a which provides the requested schedule of revenues and expenses by account categories for the years ending September 30, 2018 and 2019.

The major variances for this period are as follows:

403-405 Depreciation Expense and Amortization increase of \$521. The increase is due to 2019 having higher capital expenditures resulting in the higher additions, as well as a full year of 2019 depreciation expense on assets placed in service in fiscal 2018.

409.1 Federal and State Income Taxes decrease \$398. Overall revenue is flat with increased operating expenses reducing income before income taxes.

427 Interest on Long-term Debt increase \$237. Increase in long-term debt issued and UGI Electric is allocated a portion of UGI's total interest expense using a Modified Wisconsin Formula calculation.

UGI UTILITIES, INC. - ELECTRIC DIVISION
INCOME STATEMENT SUPPORTING SCHEDULES
FOR THE YEARS ENDING SEPTEMBER 30, 2018 AND 2019
(Thousands)

	2018	2019	Difference
<u>OPERATING REVENUES</u>			
400			
Electric Revenue:			
Residential Sales	57,262	57,229	(33)
Commercial	23,884	24,170	286
Industrial	4,218	4,219	1
Public Authorities	746	612	(134)
Sales for Resale	14	14	-
Total Sales Revenue	86,124	86,244	119
Other Electric Revenue			
Forfeited Discounts	440	440	-
Misc Service Revenues	30	30	-
Rent from Electric Property	482	482	-
Other Electric Revenues	5,129	5,129	-
Total Other Electric Revenue	6,082	6,082	-
Total Operating Revenue	92,206	92,325	119
<u>OPERATING EXPENSE</u>			
401-402			
Operation and Maintenance Expense			
Power Purchases	46,110	46,228	118
Other	-	-	-
Transmission Expenses	6,557	6,605	48
Distribution	7,274	7,505	231
Customer Accounts Expenses	3,294	3,185	(110)
Customer Service & Information Expenses	332	290	(42)
Sales Expenses	58	59	2
Administrative and General Expenses	8,792	8,882	90
Total Operation & Maint. Expense	72,417	72,753	336
403-405			
Depreciation Expense and Amortization Of Electric Plant Acquisition Adjustments	5,963	6,484	521
407 Regulatory Debits (Credits), net			

	2018	2019	Difference
408.1 Taxes Other Than Income Taxes	7,681	7,706	26
411.6/411.7 (Gains/Losses from Disposition of Utility Plant)			
Total Operating Expenses Prior to Federal & State Income Taxes	13,644	14,190	546
Operating Income Prior to Federal & State Income Taxes	6,145	5,382	(763)
<u>FEDERAL AND STATE INCOME TAXES</u>			
409.1 Federal Income Taxes	615	217	(398)
State Income Taxes	-	-	-
410.1 & 411.1 Deferred Federal Income Taxes - Net Deferred State Income Taxes - Net	-	-	-
Investment Tax Credit: Adjustments Deferrals	-	-	-
411.4 Amortization - Credit	-	-	-
Total Federal & State Income Taxes	615	217	(398)
Operating Income After Federal & State Income Taxes	5,530	5,165	(365)
<u>OTHER INCOME AND DEDUCTIONS</u>			
Other Income			
415 Merchandising Income			
416,417 Merchandising Expense			
418.0 Non-Utility Operating Income (Loss)	29	29	-
418.1 Equity in Earnings of Subsidiary Companies			
419.0 Interest & Dividend Income	51	51	-
419.1 Allowance for Other Funds Used During Construction	53	53	-
421.1 Gain on Disposition of Property			
421 Other Misc Non-Operating Income	(0)	(0)	-
Total Other Income	133	133	-

	2018	2019	Difference
Other Income Deductions			
421.2 Loss on Disposition of Preproperty	-	-	-
426 Miscellaneous	79	80	1
Total Other Income Deductions	79	80	1
Taxes Applicable to Other Income Deductions			
408.2 Taxes Other Than Income Taxes			
409.2 Federal Income Tax	-	-	-
State Income Tax	-	-	-
410.2 & 411.2			
Deferred Federal Income Taxes - Net	-	-	-
Deferred State Income Taxes - Net			
Total Taxes Applicable to Other Income Deduction	-	-	-
Income Before Interest Charges	5,584	5,218	(366)
<u>INTEREST CHARGES</u>			
427 Interest on Long-term Debt	4,507	4,744	237
428 Amortization of Debt Discount & Expense	44	44	-
428.1 Amortization of Loss on Reacquired Debt			
429 Amortization of Premium on Debt-Credit			
430 interest on Debt to Associated Companies			
431 Other Interest Expense	384	384	-
432 Allowance for Borrowed Funds Used During Construction	(286)	(286)	-
Net Interest Charges	4,649	4,886	237
<u>Net Income</u>	935	332	(603)

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-2

Request:

Provide a summary of test year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, State income tax, Federal income tax and income available for return. In addition, test year adjustments shall be presented on the basis of the major account categories set out at II-D-1.

Response:

Please see Section D, Schedule D-3 within UGI Electric Exhibit A (Historic), Exhibit A (Future), and Exhibit A (Fully Projected).

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-3

Request:

List and explain all nonrecurring or extraordinary expenses incurred in the test year and all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years, for example, nonyearly maintenance programs, and the like.

Response:

Test year expenses that are non-recurring, extraordinary or do not occur yearly, but over an extended period of years, are explained and adjusted in Section D of UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected).

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-4

Request:

As a separate item, list extraordinary property losses related to property previously included in cost of service when the gain or loss on this property has occurred or is likely to occur in the future test year. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed. Sufficient supporting data must be provided.

Response:

No gain or loss was recorded for the 12-month periods ended 9/30/2015, 9/30/2016, or 9/30/2017. No gain or loss is anticipated in either the future or fully projected future test years.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-5

Request:

Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written off in each of the last 3 calendar years.

Response:

Please see Attachment II-D-5.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division
Income Statement Supporting Schedules
Schedule of Reserve for Uncollectible Accounts

(\$ in 000's except for rate of accrual)

	9/30/2015	9/30/2016	9/30/2017
Account 144 - Accumulated Provision for Uncollectible Accounts	\$1,091	\$1,127	\$921
Method ¹	Allowance	Allowance	Allowance
Rate of Accrual	1.61%	1.54%	1.14%
Amounts Accrued - Uncollectible Expense	\$1,570	\$1,288	\$935
Amounts Written Off (net of recoveries)	\$2,763	\$1,253	\$1,140

¹ The allowance method recognizes that a percentage of each month's sales will eventually prove to be uncollectible. Consequently, a percentage of each month's sales is charged to uncollectible expense in that month and the reserve is increase. When specific accounts are written off, they are charged to the reserve account, thus decreasing the reserve.

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-6

Request:

Supply detailed calculations to support the total claim for rate case expense, including supporting data for outside service rendered. Provide the items comprising the estimated rate case expense claim for the current rate case.

Response:

Schedule D-10 of UGI Electric Exhibit A (Fully Projected) provides the Company's claim for rate case expense. For further information, please see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-7

Request:

Submit schedules for the test year and for the 12-month period immediately prior to the test year showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories.

- a. Miscellaneous general expenses, including account 930.
- b. Outside service expenses.
- c. Regulatory commission expenses.
- d. Advertising expenses, including advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim - provide explanation of types and purposes of such advertising.
- e. Research and development expenses - provide a listing of major projects.
- f. Charitable and civic contributions, by recipient and amount.

Explain major variances between the test year expenses and those expenses for the prior 12-month period.

Response:

- a. Please see Attachment II-D-7(a) 930.2 – Miscellaneous General Expenses
- b. Please see Attachment II-D-7(b) 923 – Outside Services Employed
- c. There were no expenditures associated with Account 928 – Regulatory Commission Expenses. PUC Assessment fees are included on Schedule D-31 in account 408106.
- d. Please see Attachment II-D-7(d) – Advertising Expense
- e. UGI Electric did not have any research and development expenditures in the last two years and does not claim any expenditures in the historic, future, or fully project future test years.

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-7 (Continued)

- f. UGI Electric does not claim any charitable or civic contributions in the historic, future, or fully project future test years.

Prepared by or under the supervision of: Megan Mattern

UGI UTILITIES, INC. - ELECTRIC DIVISION
SCHEDULE OF ACCOUNT 930.2 – MISCELLANEOUS GENERAL EXPENSES
FOR THE YEARS ENDING SEPTEMBER 30, 2017 THROUGH 2019

<u>Expenditure Type (in Thousands)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
ASSOCIATION DUES (a)	70	52	52
EMPLOYEE BUSINESS EXPENSE	35	31	35
EMPLOYEE BENEFIT SERVICES	7		
OTHER EXPENSES	43	21	19
GRAND TOTAL	<u>154</u>	<u>104</u>	<u>106</u>

(a) Association dues is made up of Edison Electric Institute of \$43,368, Energy Association of Pennsylvania of \$11,166 and other of \$15,156. Lobbying expenses are not included in the above amounts as lobbying expenses are charged to FERC account 426.4 (Expenditures for certain civic, political and related activities) of which UGI Electric is not seeking recovery.

UGI UTILITIES, INC. - ELECTRIC DIVISION
 SCHEDULE OF ACCOUNT 923 - OUTSIDE SERVICES EMPLOYED
 FOR THE YEARS ENDING SEPTEMBER 30, 2017 THROUGH 2019

Expenditure Type (in Thousands)	2017	2018 (b)	2019 (b)
ADVERTISING/P/R			
COMMON GROUND ALLIANCE	1		
GRAPHCOM INC	1		
HARMELIN MEDIA	11		
NATIONAL ENERGY FOUNDATION INC	13		
ADVERTISING/P/R TOTAL (a)	<u>26</u>	<u>26</u>	<u>26</u>
FINANCIAL EXPENSES			
MORISON COGEN LLP	2		
US BANK	2		
FINANCIAL EXPENSES TOTAL	<u>4</u>	<u>4</u>	<u>4</u>
LEGAL			
ALSTON & BIRD LLP	8		
ANALYSIS GROUP INC	12		
COOLEY LLP	1		
CRA INTERNATIONAL INC	4		
ECKERT SEAMANS CHERIN & MELLOTT LLC	36		
K & L GATES LLP	18		
KRZYWICKI & ASSOCIATES	4		
MCNEES WALLACE & NURICK	6		
METTE EVANS & WOODSIDE	6		
MORGAN LEWIS & BOCKIUS LLP	50		
OBERMAYER REBMANN MAXWELL & HIPPEL LLP	6		
POST & SCHELL PC	18		
REED SMITH LLP	2		
LEGAL TOTAL	<u>171</u>	<u>184</u>	<u>184</u>
OTHER PROFESSIONAL SERVICES			
BROADRIDGE CUSTOMER COMMUNICATIONS LLC	2		
DONNA H CHIARELLI	4		
GANNETT FLEMING VALUATION & RATE CONSLTS	29		
LAYNE STRICKLER	3		
MISCELLANEOUS (under \$2,000)	4		
MOODY'S INVESTORS SERVICE INC	5		
PIRA ENERGY GROUP INC	7		
QUANTUM COMMUNICATION LTD	14		
RR DONNELLEY & SONS CO	2		
RTUE ONLINE LLC	3		
WORKIVA LLC	4		
OTHER PROFESSIONAL SERVICES TOTAL	<u>77</u>	<u>77</u>	<u>77</u>
CORPORATE ALLOCATIONS	1,072	1,178	1,231
EMPLOYEE BUSINESS EXPENSES	2		
MISCELLANEOUS	28	171	191
UTILITIES ALLOCATION	185	185	185
GRAND TOTAL	<u><u>1,565</u></u>	<u><u>1,825</u></u>	<u><u>1,897</u></u>

(a) Amounts in attachment reflect only advertising expenses captured in the 923 FERC accounts. Other advertising expenses may be captured in other FERC accounts, which are reflected in total advertising expenses per attachment II-D-7(d).

(b) UGI Electric does not budget at the individual vendor level, therefore amounts in 2018 and 2019 are reported by general category only.

UGI UTILITIES, INC. - ELECTRIC DIVISION
 ADVERTISING EXPENSE
 FOR THE YEARS ENDING SEPTEMBER 30, 2017 THROUGH 2019

Category	2017	2018	2019
SUMMARY BY PURPOSE			
Conservation of Energy	\$ 14,063	\$ 14,063	\$ 14,063
Explanation of Bill Practices, Rates, Etc.	\$ 1,730	\$ 1,730	\$ 1,730
Other Advertising Programs	\$ 20,084	\$ 20,084	\$ 20,084
SUMMARY BY MEDIA			
Print	\$ 21,688	\$ 21,688	\$ 21,688
Radio	\$ -	\$ -	\$ -
TV	\$ -	\$ -	\$ -
Bill Insert	\$ 4,786	\$ 4,786	\$ 4,786
Other*	\$ 9,403	\$ 9,403	\$ 9,403

*Other Advertising media includes digital/online advertising, outdoor advertising and branded giveaways

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-8

Request:

Provide an analysis by function of charges by affiliates, for the test year and the 12-month period immediately prior to the test year, for services rendered included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of an applicable contract. Also, explain major variances between the charges for the test year and the corresponding charges for the prior 12-month period.

Response:

Please see Attachment II-D-8.1 for Charges Imposed by Parent, Affiliate and Subsidiary Companies. For Affiliate Interest Agreements and the applicable contracts, please see Attachment II-D-8.2.

Prepared by or under the supervision of: Megan Mattern

UGI UTILITIES, INC. - ELECTRIC DIVISION
Charges Imposed by Parent, Affiliate and Subsidiary Companies
For the Fiscal Years Ending September 30, 2017 through 2019
(Thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>UGI Corporation</i>			
Allocated Expenses	\$ 1,072	\$ 1,178	\$ 1,231
Stock Option	68	77	77
Insurance	360	441	442
Total	<u>\$ 1,500</u>	<u>\$ 1,697</u>	<u>\$ 1,749</u>

UGI UTILITIES, INC. - ELECTRIC DIVISION
Charges Imposed by Parent, Affiliate and Subsidiary Companies

<u>Affiliate</u>	<u>Effective Dates</u>	<u>Docket #</u>	<u>Details</u>
UGI Corporation	May 1992	G-00920296	This Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. These services will be provided on a cost basis.
	November 2016	G-2016-2543527	UGI Electric received the right to purchase power through its Commission-approved POLR supply plan and RFP process from any affiliate, and to receive a guarantee from an affiliate (such as UGI Corporation) as performance assurance for any POLR supply contracts with an affiliate (such as UGI Energy Services)
	March 1999	A-111100F0004	Application for UGI Corporation to transfer its generation assets to an affiliate and for approval of a wholesale power, affiliate transaction arrangement
United Valley Insurance Co	June 1993	G-00930344	Affiliate Interest Agreement for insurance coverage through United Valley Insurance Co. Coverage through the affiliate is not mandatory and may be purchased through other independent companies when costs or coverage are more advantageous.
UGI Penn Natural Gas, Inc.	March 2008	G-2007-2005763	PNG would share office space with UGI Electric and possibly other affiliates.

UGI Corporation Affiliated Interest Agreement G-00920296

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held May 21, 1992

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice Chairman
Wendell F. Holland, Commissioner

Affiliated Interest Agreement
Between UGI Corporation and
UGI Utilities, Inc.

Docket No.
G-00920296

OPINION AND ORDER

BY THE COMMISSION:

On April 30, 1992, an Affiliated Interest Agreement ("Agreement") was filed between UGI Corporation ("Holding Company") and UGI Utilities, Inc. ("Utilities"), to become effective May 30, 1992.


This Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. These services will be provided on a cost basis.

This Agreement is filed in accordance with the requirements of Section 2102 (b) of the Public Utility Code, 66 Pa. C.S. § 2102 (b).

Investigation and analysis of this Affiliated Interest Agreement indicates that the terms and conditions appear to be reasonable and consistent with the public interest. However, approval of this Agreement does not constitute a determination that the associated costs are reasonable or prudent for purposes of determining just and reasonable rates; **THEREFORE,**

IT IS ORDERED: That the Affiliated Interest Agreement between UGI Corporation and UGI Utilities, Inc. be, and hereby is, approved.

BY THE COMMISSION,


John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: May 21, 1992

ORDER ENTERED: May 21, 1992

UGI Corporation Affiliated Interest Agreement G-00920296



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

May 21, 1992

IN REPLY PLEASE
REFER TO OUR FILE

G-00920296

RICHARD L BUNN
UGI CORPORATION
PO BOX 13009
READING PA 19612-3009

Affiliated Interest Agreement Between
UGI Corporation and UGI Utilities, Inc.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on May 21, 1992 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Alford".

John G. Alford, Secretary

smk
Encls.
Cert.Mail

UGI Corporation Affiliated Interest Agreement G-00920296

Book Copy



BOX 858 VALLEY FORGE PA. 19482 ■ 215-337-1000

April 30, 1992

FEDERAL EXPRESS

The Honorable John G. Alford, Secretary
Commonwealth of Pennsylvania
Public Utility Commission
North Office Bldg., Room B-18
P.O. Box 3265
Commonwealth and North Streets
Harrisburg, PA 17120

Re: Administrative Services Agreement between
UGI Utilities, Inc. and UGI Corporation,
an Affiliated Interest

Dear Secretary Alford:

Enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") pursuant to Section 2102 of the Public Utility Code, 66 Pa.C.S. §2102, are an original and two (2) conformed copies of an Administrative Services Agreement dated May 1, 1992 ("Agreement") between UGI Corporation and UGI Utilities, Inc.

As part of a corporate reorganization pursuant to a Plan of Merger approved by shareholders on April 9, 1992, the former UGI Corporation became a wholly owned subsidiary of New UGI Corporation, a holding company. The reorganization became effective on April 10, 1992. New UGI Corporation changed its name to UGI Corporation and the former UGI Corporation changed its name to UGI Utilities, Inc. In order to avoid potential confusion arising out of the name changes, "new" UGI Corporation is hereafter referred to as "Holding Company" and UGI Utilities is referred to as "Utilities."

Utilities is a public utility subject to the Commission's jurisdiction and is a wholly owned subsidiary of Holding Company. Holding Company is a Pennsylvania corporation and owns all of the outstanding common stock of Utilities. The Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. The administrative services are essentially the same as those historically provided by Utilities to its unregulated subsidiaries prior to the formation of the current holding company structure.

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 2

The Agreement contemplates that certain of the services formerly provided by Utilities Corporate Headquarters Group may be provided by Holding Company. The method of allocating the costs to be charged for these services is essentially the same as the method traditionally employed by Utilities. This allocation method was reviewed and approved as part of the Commission's Management and Operations Study of Utilities conducted in 1989.

To assist in the Commission's review, the following is a summary of the more significant terms of the Agreement:

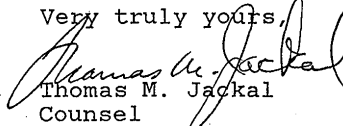
- o The administrative services to be provided by Holding Company after full implementation of the Agreement may include management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, legal, and similar types of services;
- o The administrative services to be provided by Utilities after full implementation of the Agreement may include information services, payroll, accounts payable, accounting and similar types of services;
- o Utilities and Holding Company will pay to each other the actual cost of the services each receives;
- o Utilities and Holding Company will bill each other for the services each provides on a monthly basis and maintain separate accountability;
- o All services provided by Utilities will be on an "as available" basis to assure that Utilities' provision of such services will not interfere with its obligation to provide gas and electric service to the public.
- o The duties, obligations and liabilities of Utilities and Holding Company are several and not joint or collective, assuring that Utilities will not be responsible for any obligation or liability of Holding Company.

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 3

I have enclosed a duplicate copy of this letter and ask that it be stamped as received by your office and returned to me in the enclosed self-addressed stamped envelope. If any additional information is required, please call.

Very truly yours,


Thomas M. Jackal
Counsel

TMJ/klb

Enclosures

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 4

bcc: J. C. Barney
A. S. Becker
A. C. Bullman
R. L. Bunn
M. J. Cuzzolina
R. R. Eynon
W. M. Graff
L. R. Greenberg
D. N. Knipel
C. L. Ladner
J. A. Lubas
S. R. Mauriello
J. A. Sutton
G. W. Westerman

UGI Corporation Affiliated Interest Agreement G-00920296

ADMINISTRATIVE SERVICES AGREEMENT

THIS AGREEMENT made as of this 1st day of May, 1992, between UGI Corporation ("Holding Company"), a Pennsylvania corporation, and UGI Utilities, Inc. ("Utilities"), a Pennsylvania corporation.

WITNESSETH:

WHEREAS, Utilities is a public utility providing natural gas and electric service subject to regulation by the Pennsylvania Public Utility Commission ("Commission") and is a wholly owned subsidiary of Holding Company; and

WHEREAS, Holding Company, under its articles, has unlimited power to engage in any lawful act concerning any lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law and was formed for the purpose of separating Utilities' regulated and former unregulated operations; and

WHEREAS, as a part of the transactions related to formation of the holding company organization, Utilities may transfer to Holding Company certain employees of Utilities' former corporate headquarters group for the purpose of providing administrative services to Utilities and unregulated subsidiaries; and

WHEREAS, the parties wish to provide and receive the administrative services under the terms and conditions set forth herein; and

UGI Corporation Affiliated Interest Agreement G-00920296

WHEREAS, under the affiliated interest provisions of the Pennsylvania Public Utility Code ("Code") Holding Company is an affiliated interest of Utilities and any agreement between Holding Company and Utilities for the provision of administrative services must be filed with and approved by the Commission;

NOW THEREFORE, in consideration of the premises and of the mutual covenants of this Agreement and for other valuable consideration, received and acknowledged, and intending to be legally bound hereby, Holding Company and Utilities agree as follows:

1. Services.

(a) Holding Company agrees to provide such administrative services as may from time to time be requested by Utilities. These services may include but are not limited to executive management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, and similar types of services.

(b) Utilities agrees to provide such administrative services as may from time to time be requested by Holding Company or any of its subsidiaries on an "as available" basis. These services may include but not limited to information services, payroll, accounts payable, accounting and similar types of services.

2. Payment etc.

(a) Each party shall pay to the party providing the administrative services pursuant to Section 1, the actual cost

UGI Corporation Affiliated Interest Agreement G-00920296

of providing such services. In this regard, the party providing the services shall provide monthly to the party receiving the services an invoice and written documentation of the cost of providing the services pursuant to Section 1; the invoice shall be due and payable within 30 days after its receipt. When it is not reasonably possible or practical to determine actual costs, the parties may substitute allocation factors for actual costs.

(b) All such costs incurred by one party on behalf of the other (i) shall become the liability of the party receiving the services when incurred by the party providing the service, (ii) shall be determined in accordance with generally accepted accounting principles and (iii) shall include reasonable and appropriate indirect costs including overhead, as set forth on Attachment 1 to this Agreement.

(c) Holding Company may assume any liability of Utilities.

(d) Where Holding Company assumes any benefit, compensation, retirement or other similar plan of Utilities, Utilities may from time to time make payments to Holding Company in amounts not to exceed the payments Utilities would have been required to make at those times to beneficiaries under such plans had the plans not been assumed.

3. Agency.

(a) All services, materials, equipment and supplies purchased by Utilities at the request of Holding Company shall be purchased by Utilities on behalf of and as agent for

UGI Corporation Affiliated Interest Agreement G-00920296

Holding Company. In that regard, Holding Company hereby appoints Utilities as its agent, and Utilities agrees as its agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Holding Company and shall, among other things, provide that Utilities shall be agent for Holding Company concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Holding Company.

(b) All services, materials, equipment and supplies purchased by Holding Company at the request of Utilities shall be purchased by Holding Company on behalf of and as agent for Utilities. To the extent permitted by law and without delegating any of its public service obligations, Utilities hereby appoints Holding Company as its agent, and Holding Company agrees as Utilities' agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Utilities and shall, among other things, provide that Holding Company shall be agent for Utilities concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Utilities.

UGI Corporation Affiliated Interest Agreement G-00920296

4. Subsidiary Participation. Holding Company as used herein includes all subsidiary companies of UGI Corporation other than UGI Utilities, Inc.

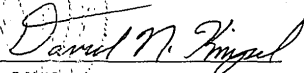
5. Obligations Several. The duties, obligations and liabilities of Holding Company and Utilities under this Agreement are intended to be several and not joint or collective, and nothing in this Agreement shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership duty, obligation or liability on or with regard to any of the parties. Each party shall be individually responsible for its own obligations as herein provided. No party shall be under the control of or shall be deemed to control the other party solely by virtue of this Agreement. No party shall have a right or power to bind another party without its express written consent, except as expressly provided in this Agreement.

6. Termination. Any party shall have the right at any time to terminate this Agreement upon ninety (90) days written notice of its election to do so.

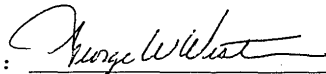
UGI Corporation Affiliated Interest Agreement G-00920296

7. Regulatory Approval. This Agreement is subject to the approval of the Commission, and shall be immediately effective upon receipt of such approval.

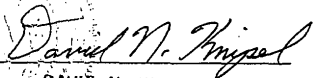
ATTEST:


DAVID N. KNIPEL, SECRETARY

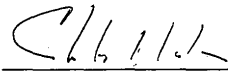
UGI CORPORATION

By: 
George W. Westerman
Senior Vice President -
Administration

ATTEST:


DAVID N. KNIPEL, SECRETARY

UGI UTILITIES, INC.

By: 
Charles L. Ladner
Vice President

UGI Corporation Affiliated Interest Agreement G-00920296

Attachment 1

Each party receiving the benefit of the administrative services shall pay the actual cost of the services provided. The cost of these administrative services will be allocated using a two-step process:

- o Direct Charge - If charges can reasonably be determined to benefit only one particular party they will be charged directly to that organization.
- o Allocation - If charges benefit more than one party, but a reasonable separation of the charges cannot be readily made, they will be allocated to applicable organizations based upon predetermined formulas.

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held November 9, 2016

Commissioners Present:

Gladys M. Brown, Chairman, Statement, Dissenting
Andrew G. Place, Vice Chairman
John F. Coleman, Jr.
Robert F. Powelson
David W. Sweet, Dissenting

Petition of UGI Utilities, Inc. – Electric	:	
Division For Approval of a Default Service	:	P-2016-2543523
Plan and Retail Market Enhancement	:	G-2016-2543527
Programs for the Period of June 1, 2017	:	
through May 31, 2021, and Associated	:	
Potential Affiliated Interest Transactions	:	

ORDER

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Judges Angela T. Jones, dated October 3, 2016;

THEREFORE,

IT IS ORDERED:

1. That the Joint Petition for Settlement filed by UGI Utilities, Inc. – Electric Division, the Office of Consumer Advocate, and the Office of Small Business Advocate in the case captioned Petition of UGI Utilities, Inc. – Electric Division for Approval of a Default

Service Plan and Retail Market Enhancement Programs for the Period of June 1, 2017, through May 31, 2021, and Associated Potential Affiliated Interest Transactions, Docket Nos. P-2016-2543523 and G-2016-2543527, is approved without modification.

2. That the default service program as set forth in UGI Utilities, Inc. – Electric Division’s petition is approved as modified by the Joint Petition for Settlement.

3. That the request for affiliated interest approval for transactions with a UGI Utilities, Inc., affiliate(s) in the event such an affiliate(s) submits a winning bid under the default service program’s proposed RFP processes and that bid is accepted by the Commission, is granted.

4. That the request that the Commission grant any waivers required to implement the default service program set forth in the petition, including a waiver of the Commission’s regulation at 52 Pa.Code § 54.187 to allow UGI Utilities, Inc. – Electric Division to acquire default supplies for the GSR-1 and GSR-2 customer groups as described in the petition and modified by the Settlement Agreement is granted.

5. That UGI Utilities, Inc. – Electric Division is authorized to file tariff sheets substantially similar in the form of the pro forma tariff sheets included with the Settlement Agreement as Appendix “A” on or before May 2, 2017, to be effective June 1, 2017.

6. That UGI Utilities, Inc. – Electric Division is authorized to file tariff sheets no later than thirty days in advance of each quarter beginning June 1, 2017, specifying the applicable GSR-1 Group default service rates for the prospective quarter.

7. That UGI Utilities, Inc. – Electric Division's proposed retail choice market enhancement programs as modified by the Settlement are approved, including, to the extent required, any affiliated interest approvals necessary for UGI Utilities, Inc. – Electric Division affiliates to participate in such programs.

8. That UGI Utilities, Inc. – Electric Division’s use of Pace Global Energy Services, LLC as its independent third party evaluator and monitor of AEPS credit for procurement and supply is approved.

9. That the request for admission of testimony and exhibits listed in Attachment A of the Recommended Decision is granted.

10. That the testimony and exhibits listed in Attachment A of the Recommended Decision are admitted.

BY THE COMMISSION


Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: November 9, 2016

ORDER ENTERED: November 9, 2016



Attachment II-D-8.2
Commonwealth of Pennsylvania
Megan Mattern
Page 18 of 76
COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

REFER TO OUR FILE

MARCH 4, 1999

A-111100F0004

THOMAS M JACKAL ESQUIRE
UGI UTILITIES INC
PO BOX 858
VALLEY FORGE PA 19482

MAR 08 1999

TMJ

Application of UGI Corporation to transfer its generation assets to an affiliate and for approval of a wholesale power, affiliate transaction arrangement.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on March 4, 1999, in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,


James J. McNulty,
Secretary

smk
Encls.
Cert.Mail

PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: A-111100F0004

Application of UGI Corporation (UGI) for approval to transfer its generation assets at net book value to UGI Development Company (UGDC).

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **CERTIFICATE OF PUBLIC CONVENIENCE** evidencing the Commission's approval.

In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its Secretary at its office in the city of Harrisburg this 4th day of March 1999.



James G. McNulty
Secretary

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265**

Public Meeting held March 4, 1999

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
David W. Rolka
Nora Mead Brownell
Aaron Wilson, Jr.

Application of UGI Corporation to transfer its generation assets to an affiliate and for approval of a wholesale power, affiliate transaction arrangement.

Docket Number: A-111100F0004

OPINION AND ORDER

BY THE COMMISSION:

A. Introduction:

On November 16, 1998, UGI Corporation (UGI) applied to the Commission seeking approval pursuant to 66 Pa. C.S. §1102(a)(3), of a transfer of generation assets to its affiliate UGI Development Company (UGIDC) and pursuant to 66 P.S. Section 2101 et seq., UGI also requests Commission approval of an affiliate transaction for the purchase of wholesale power from UGIDC. UGI requests the Commission to issue a Certificate of Public Convenience approving the asset transfer and also an order approving an affiliate transaction arrangement whereby UGI may purchase power from UGIDC on terms and conditions approved by the Federal Energy Regulatory Commission (FERC).

UGI supplies electric service to approximately 61,000 customers in portions of Luzerne and Wyoming counties in Pennsylvania through a system

consisting of approximately 2,100 miles of transmission and distribution lines and 14 substations.

UGIDC is a Pennsylvania corporation, is not a public utility, will not operate the assets as utility facilities and does not furnish public utility service to any class of customer.

On February 8, 1999, the Office of Consumer Advocate (OCA) filed a Notice of Intervention to participate in proceedings before the Commission involving the Application of UGI Utilities, Inc. for Approval of the Transfer of Electric Generation Assets in Accordance With Restructuring Settlement Agreement. The OCA does not oppose the transfer of the generation assets to UGI's non-regulated affiliate, however, as a party to the settlement, the OCA wants to ensure that the proposed transfer of generation is done in a manner which complies with the terms and conditions of the Settlement.

B. Transfer of Net Generation Assets to UGIDC:

UGI states the reason for the proposed transfer transaction is to separate UGI's generation assets from its transmission and distribution assets in accordance with the Stipulation in Partial Settlement of UGI's Restructuring Plan at Docket Number R-00973975, which was approved by the Commission Order entered June 19, 1998. The Stipulation in Partial Settlement is contingent upon the Commission's approval of the transfer of electric generation assets to a non-regulated affiliate at net book value at the time of transfer.

The assets to be transferred are all of the electric generation facilities as described in UGI's restructuring proceedings at R-00973975 and recorded on

UGI's books in FERC Accounts 310 through 316 and all fuel inventories and reserves. The assets consist of the following:

1. Hunlock Power Station, which is a coal-fired electric generation facility with a continuous net capacity of 43 MW and emergency maximum net capacity of 48 MW, located at Hunlock Creek, Pennsylvania;

2. UGI's 1.11% interest in Conemaugh Power Station, which is a coal-fired electric generation facility consisting of two 850 MW units, located near Indiana, Pennsylvania;

3. Fuel inventories and reserves at Hunlock Creek, Conemaugh and elsewhere.

UGI will transfer all of its interest in the assets as a capital contribution to UGIDC equal to the net book value of the assets as recorded on the books of UGI at the time of the transfer. UGI states that it expects to transfer its generation assets to UGIDC when all the necessary regulatory approvals have been received. If that transfer were to occur by June 30, 1999, the estimated net amount transferred would be approximately \$5,080,577.

At page four of its Application, UGI states that no customers will be transferred pursuant to the transaction and that the proposed transfer will have no effect on service to or the rates charged UGI customers.

In order for UGI to continue to provide electric utility service to customers who do not elect alternative suppliers during the transition to full customer choice, UGI must continue to receive power from its generating assets.

Prior to receiving all necessary approvals and consents to transfer the assets, including the approvals requested from the Pennsylvania Commission, UGI will operate its transmission and distribution business and its generation business as separate divisions so that the generation division may continue to supply the power needs of the transmission and distribution business through intracompany transactions not subject to any additional regulatory approvals or third party consents.

Once UGI receives the Commission's approval it is seeking in this Application it may then proceed with the filing requirements necessary to obtain the following:

1. FERC approval of the transfer of FERC jurisdictional assets;
2. the authorization or permit for UGIDC to market wholesale power;
3. FERC approval of a power sales agreement between UGI and UGIDC, and;
4. the consent of the owners of Conemaugh for the transfer of UGI's interest in that plant and the consent of parties to other agreement, including loan agreements.

C. Wholesale Power Purchase Agreement between UGI and UGIDC:

Pursuant to 66 Pa.C.S. §2101 et seq., UGI also is requesting Commission approval of an affiliate transaction agreement whereby UGI would

purchase wholesale power from UGIDC on terms and conditions as approved by FERC and consistent with all codes of conduct governing relationships between affiliates. UGI contends that this approval is necessary in order to allow UGI to continue to receive power from its former facilities and to provide electric utility service to customers during the transition period on the same terms and conditions as it currently does. UGI also states that to the extent permitted by FERC regulations and affiliate rules, it will purchase this power on the same terms and conditions as the current intracompany transfer arrangements and at the rates approved by the Commission in UGI's restructuring filing, i.e. system wide generation rates of 3.67¢/Kwh for 1999 and 2000 and 4.3¢/Kwh for 2001 and 2002. Because the rates UGI may charge to customers are capped and because all UGI customers will have the opportunity to purchase power from alternative suppliers at market rates as of January 1, 1999, customers should not be disadvantaged by the rate paid by UGI to UGIDC.

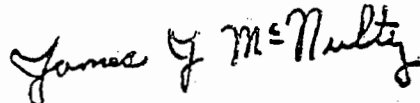
We have examined the Application and have determined that it appears to be reasonable and consistent with the Settlement Agreement and the public interest. However, approval of the Application does not preclude us from investigating, during any formal proceeding, the reasonableness of this Application;

THEREFORE,

IT IS ORDERED:

1. That the Application of UGI for approval to transfer its generation assets at net book value to UGIDC, be, and hereby is approved.
2. That a certificate of public convenience be issued pursuant to §2101 of the Public Utility Code, 66 Pa.C.S. §2101 et. seq., authorizing the transfer at net book value on the date of transfer UGI's generation assets to UGIDC.
3. That UGI may purchase wholesale power from UGIDC on terms and conditions approved by the Federal Regulatory Commission.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: March 4, 1999

ORDER ENTERED: MAR - 4 1999



NOV 18 1998

TMJ

November 16, 1998

VIA FEDERAL EXPRESS

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265, North Office Building
Harrisburg, PA 17105-3265

RECEIVED

NOV 16 1998

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Application of UGI Utilities, Inc. for approval of the transfer of electric generation assets in accordance with restructuring settlement agreement

Dear Secretary McNulty:

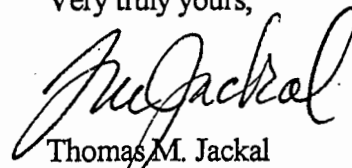
Enclosed for filing are an original and two copies of the above-captioned Application together with the \$350 filing fee.

By this application, UGI Utilities, Inc. ("UGI") seeks approval to transfer electric generation assets to its affiliate UGI Development Company ("UGIDC") in order to implement the restructuring plan of its Electric Division as approved by the Commission at R-973975. Pursuant to 66 P.S. Section 2101 et seq., UGI also requests Commission approval to purchase wholesale power from UGIDC on terms and conditions essentially similar to the current intracompany transfer arrangement, subject to approval by the Federal Energy Regulatory Commission.

In accordance with the Commission's Regulations at 52 Pa. Code §1.51, please inform us of any requirements of service and public notice.

Also enclosed is a copy of this cover letter which should be date-stamped and returned in the enclosed self-addressed, stamped envelope.

Very truly yours,


Thomas M. Jackal
Group Counsel - Utilities

TMJ/njo
Enclosures



November 16, 1998

VIA FEDERAL EXPRESS

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265, North Office Building
Harrisburg, PA 17105-3265

Re: Application of UGI Utilities, Inc. for approval of the transfer of electric generation assets in accordance with restructuring settlement agreement

Dear Secretary McNulty:

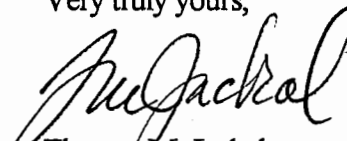
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By this application, UGI Utilities, Inc. ("UGI") seeks approval to transfer electric generation assets to its affiliate UGI Development Company ("UGIDC") in order to implement the restructuring plan of its Electric Division as approved by the Commission at R-973975. Pursuant to 66 P.S. Section 2101 et seq., UGI also requests Commission approval to purchase wholesale power from UGIDC on terms and conditions essentially similar to the current intracompany transfer arrangement, subject to approval by the Federal Energy Regulatory Commission.

In accordance with the Commission's Regulations at 52 Pa. Code §1.51, please inform us of any requirements of service and public notice.

Also enclosed is a copy of this cover letter which should be date-stamped and returned in the enclosed self-addressed, stamped envelope.

Very truly yours,



Thomas M. Jackal
Group Counsel - Utilities

TMJ/njo
Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of UGI Utilities, Inc. :
for approval of the transfer of :
electric generation assets in :
accordance with restructuring : Docket No. _____
settlement agreement :

APPLICATION

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

1. The name and address of applicant are:

UGI Utilities, Inc.
P.O. Box 858
Valley Forge, Pennsylvania 19482

2. The name and address of applicant's attorney is:

Thomas M. Jackal, Esquire
UGI Corporation
P.O. Box 858
Valley Forge, Pennsylvania 19482

(610) 337-1000, Ext. 3387

3. (a) Corporate History. UGI Utilities, Inc. ("UGI" or "Applicant") is a public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania. On December 11, 1967, UGI filed with the Department of State of the Commonwealth of Pennsylvania a Certificate of Acceptance of the Business Corporation Law accepting the provisions thereof.

(b) Corporate Purpose. Applicant's corporate charter provides that it is incorporated for all lawful purposes.

(c)-(d) Territory and Public Service. As is pertinent to this application, UGI (which prior to corporate name changes in 1968 and 1992 was respectively known as The United Gas

Improvement Company and UGI Corporation) is the successor by merger to the property, rights, powers, franchises and privileges of several corporations including the Luzerne County Gas and Electric Company. UGI supplies ^{electric?} gas service to approximately 61,000 customers in portions of Luzerne and Wyoming Counties in Pennsylvania through a system consisting of approximately 2,100 miles of transmission and distribution lines and 14 substations.

4. Transferee is UGI Development Company ("UGIDC"), a Pennsylvania corporation.

UGIDC is not a public utility and will not operate the assets as utility facilities.

5. The number of customers, by classes, to whom UGI Electric Utility division furnishes public service is as follows:

<u>Class</u>	<u>Number</u>
Residential	53,663
Commercial	6,636
Industrial	177
Public	
Public Utilities (for resale)	2
Other	56

6. UGIDC does not furnish public utility service to any class of customers.

7. There is attached hereto as Exhibit A, UGI's Balance Sheet as of September 30, 1998.

UGIDC's balance sheet is not pertinent to this application.

8. There is attached hereto as Exhibit B, UGI's Income Statement for the 12 months ended September 30, 1998. UGIDC's income statement is not pertinent to this application.

9. All annual reports, tariffs, certificates, applications for approval of issuance of securities certificates, securities certificates and the restructuring petition of UGI and proceedings at R-973975 are made part hereof by reference.

10. The assets to be transferred are all of the electric generation facilities as described in UGI's restructuring proceedings at R-973975 and recorded on UGI's books in FERC Accounts 310 through 316 and all fuel inventories and reserves. The assets consist of:

a. Hunlock Power Station, a coal-fired electric generation facility with a continuous net capacity of 43 MW and emergency maximum net capacity of 48 MW, located at Hunlock Creek, Pennsylvania;

b. UGI's 1.11% interest in Conemaugh Power Station, a coal-fired electric generation facility consisting of two 850 MW units, located near Indiana, Pennsylvania.

c. Fuel inventories and reserves at Hunlock Creek, Conemaugh and elsewhere.

The assets are further described in the testimony of John C. Barney in UGI's restructuring proceedings, the relevant pages of which are attached as Exhibit C and the value of each asset as of September 30, 1998 is listed in Exhibit D. UGI has the authority to transfer these assets pursuant to 66 Pa.C.S. §1102(a)(3).

11. UGI will transfer all of its interest in the assets as a capital contribution to UGIDC equal to the net book value of the assets as recorded on the books of UGI at the time of the transfer. The value of the assets as of September 30, 1998 is stated in Exhibit D. UGI will record on its balance sheet as an investment in UGIDC the total net book value of the assets as of the date of the transfer.

12. There are attached hereto as Exhibit E statements of the utility plant which shows (a) the book value thereof; (b) the original cost thereof when first devoted to public use; (c) the actual cash cost thereof to UGI (same as 12(b)); and (d) the amount of depreciation reserve, or reserve for renewals and replacements, applicable to said book cost. The depreciation requirements applicable to the actual cash cost to UGI are not pertinent to this application.

13. No investment securities will be transferred as a result of this transaction.

14. The pro forma balance sheet of UGIDC giving effect to the transfer is not pertinent to this application as UGIDC is not a public utility.
15. There will be no consolidated income account of UGI and UGIDC as a result of the transaction.
16. The tentative journal entries of UGIDC to record the transfer in its accounts are not pertinent to this application as UGIDC is not a public utility.
17. No stockholder approval of the transfer is required under authorized expenditure limitation policies currently in effect. The Board resolutions authorizing the transfer are attached as Exhibit F.
18. No customers will be transferred as part of this transaction. The proposed transfer will have no effect on the service to UGI's customers.
19. No customers will be transferred as part of this transaction. The proposed transfer will have no effect on the rates of UGI's customers.
20. The financing of the transfer is not pertinent to this certificate.
21. The reason for the transaction is to separate UGI's generation assets from its transmission and distribution assets in accordance with the Stipulation in Partial Settlement of UGI's Restructuring Plan, R-973975, approved by order of the Commission entered June 19, 1998. The Stipulation in Partial Settlement is contingent upon the Commission's approval of the transfer of electric generation assets to a non-regulated affiliate at net book value at the time of transfer.

In order for UGI to continue to provide electric utility service to customers who do not elect alternative suppliers during the transition to complete customer choice, UGI must continue to receive power from its generating assets. Prior to receiving all necessary approvals and consents to transfer the assets, including the approvals requested herein, UGI will operate its transmission and distribution business and its generation business as separate divisions so that the generation division may continue

to supply the power needs of the transmission and distribution business through intracompany transactions not subject to any additional regulatory approvals or third party consents.

The transfer of the electric generation assets to UGIDC is thereafter contingent upon UGIDC and UGI receiving the approval of the Federal Energy Regulatory Commission ("FERC") for the transfer of FERC jurisdictional assets, the authorization or permit for UGIDC to market wholesale power, the approval by FERC of a power sales agreement between UGI and UGIDC, the consent of the Conemaugh owners for the transfer of UGI's interest in that plant and the consent of parties to other agreements, including loan agreements. The Commission's approval of this application, which is necessary for UGI's restructuring plan and promotes the transition from a regulated to a competitive business environment, will facilitate the obtaining of the remaining consents and approvals.

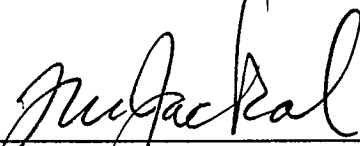
Pursuant to 66 Pa.C.S. §2101 et seq., UGI also requests Commission approval of an affiliate transaction arrangement whereby UGI would purchase wholesale power from UGIDC on terms and conditions as approved by the FERC and consistent with all codes of conduct governing relationships between affiliates. This approval is necessary in order to allow UGI to continue to receive power from its former facilities and provide electric utility service to customers during the transition period on the same terms and conditions as it currently does. To the extent permitted by FERC regulations and affiliate rules, UGI will purchase this power on the same terms and conditions as the current intracompany transfer arrangements and at the rates approved by this Commission in UGI's restructuring, i.e. system wide generation rates of 3.67 ¢/KWH for 1999 and 2000 and 4.3 ¢/KWH for 2001 and 2002. In any event, because the rates UGI may charge to its customers are capped and because all UGI customers will have the opportunity to purchase power from alternative suppliers at market rates as of January 1, 1999, customers cannot be disadvantaged by the rate paid by UGI to UGID.

22. UGDC is a wholly owned subsidiary of UGI Utilities, Inc.

23. UGI has paid all special and general assessments made against it by your Honorable Commission pursuant to Section 1201 of the Public Utility Law, and approval of the affiliated interest agreement.

WHEREFORE, Applicant, UGI Utilities, prays your Honorable Commission to issue a Certificate of Public Convenience approving UGI's transfer of electric generation assets to UGI Development Company and an order approving an affiliate transaction arrangement whereby UGI may purchase power from UGI Development Company on terms and conditions approved by the Federal Energy Regulatory Commission.

Respectfully submitted,

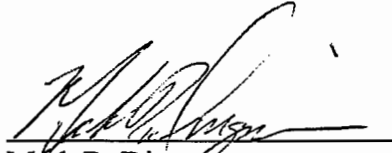


Thomas M. Jackal, Esquire
Group Counsel - Utilities

Dated: November 16, 1998


Commonwealth of Pennsylvania :
 :
 County of Luzerne : SS
 :

MARK R. DINGMAN, being duly sworn according to law deposes and says that he is Vice President and General Manager of UGI Utilities, Inc. - Electric Division; that he is authorized to and does make this affidavit for it; and that the facts set forth above are true and correct to the best of his knowledge, information and belief and he expects the said UGI Utilities, Inc. to be able to prove the same at any hearing hereof.



 Mark R. Dingman

Sworn to and subscribed
 before me this 13th day
 of November, 1998.



 Notary Public

My Commission Expires:

Notarial Seal
 Drue J. Daniels, Notary Public
 Hanover Twp., Luzerne County
 My Commission Expires Sept. 24, 2000
 Member, Pennsylvania Association of Notaries

EXHIBIT A

UGI UTILITIES, INC.
BALANCE SHEET - SEPTEMBER 30, 1998

ASSETS AND OTHER DEBITS

	<u>UTILITY PLANT</u>	
101	Utility Plant In Service	792,594,531
105	Utility Plant Held for Future Use	305,804
107	Construction Work in Progress	3,991,707
108	Accum. Prov. for Depr. of Utility Plant in Service	(250,279,235)
111.3	Accum. Prov. for Amort. of Other Utility Plant in Service	(2,933,445)
114	Utility Plant Acquisition Adj. - Electric	390,002
115	Accum. Prov. for Amort. of Utility Plant Acq. Adj. - Electric	<u>(390,002)</u>
	Total Utility Plant	543,679,362
	<u>OTHER PROPERTY AND INVESTMENTS</u>	
121	Non-Utility Property	239,257
122	Accum. Prov. for Depr. and Amort. of Non-Utility Prop.	(5,310)
123	Investment in Subsidiary Companies	101,137
124	Other Investments	1,775,984
125	Special Funds	0
128	Other Special Funds	<u>136,608</u>
	Total Other Property and Investments	2,247,676
	<u>CURRENT AND ACCRUED ASSETS</u>	
131	Cash	1,606,716
134	Other Special Deposits	3,375
135	Working Funds	27,960
136	Temporary Cash Investments	3,000,000
142	Customer Accounts Receivable	18,526,246
143	Other Accounts Receivable	3,864,752
144	Accum. Prov. for Uncollectible Accounts	(1,372,955)
146	Accounts Receivable from Associated Companies	230,554
151	Fuel Stock	2,392,547
152	Fuel Stock Undistributed	55,833
154	Plant Materials and Operating Supplies	2,633,221
155	Merchandise	1,168,907
163	Stores Expenses Undistributed	149,616
164.1	Gas Stored Underground - Current	21,460,974
164.2	Liquefied Natural Gas Stored	568,224
165	Prepayments	5,325,719
173	Accrued Utility Revenue	6,744,614
174	Miscellaneous Current & Accrued Assets	<u>260,109</u>
	Total Current & Accrued Assets	66,646,412
	<u>DEFERRED DEBITS</u>	
181	Unamortized Debt Expense	1,194,886
182.3	Other Regulatory Assets	58,515,581
183	Other Preliminary Survey and Investigation Chg.	298,517
184	Clearing Accounts	(14,783)
186	Miscellaneous Deferred Debits	11,161,373
187	Misc. Deferred Debits - Retirement Work in Progress	0
189	Unamortized Loss on Reacquired Debt	2,525,687
191	Unrecovered Purchased Fuel Costs	<u>(1,675,859)</u>
	Total Deferred Debits	72,005,402
190	Accumulated Deferred Income Taxes	9,696,017
	TOTAL ASSETS AND OTHER DEBITS	<u>694,274,869</u>

UGI UTILITIES, INC.
BALANCE SHEET - SEPTEMBER 30, 1998

LIABILITIES AND OTHER CREDITS

	<u>PROPRIETARY CAPITAL</u>	
201	Common Stock Issued	60,259,016
204	Preferred Stock Issued	20,000,000
207	Premium on Capital Stock	68,559,351
216	Unappropriated Retained Earnings	146,708,621
216.1	Unappropriated Undistributed Subsidiary Earnings	<u>(64,284,927)</u>
	Total Proprietary Capital	231,242,061
	<u>LONG-TERM DEBT</u>	
221	Bonds	0
224	Other Long-Term Debt	187,285,000
226	Unamortized Discount on Long Term Debt	<u>(114,505)</u>
	Total Long-Term Debt	187,170,495
	<u>OTHER NON-CURRENT LIABILITIES</u>	
228	Accumulated Miscellaneous Operating Provisions	3,709,102
	Total Non-Current Liabilities	3,709,102
	<u>CURRENT AND ACCRUED LIABILITIES</u>	
231	Notes Payable:	
	Bank Notes	68,400,000
232	Accounts Payable	37,754,127
234	Accounts Payable to Associated Companies	682,447
235	Customer Deposits	3,813,465
236	Taxes Accrued	1,965,851
237	Interest Accrued	4,225,181
238	Dividends Declared	387,500
241	Tax Collections Payable	424,941
242	Miscellaneous Current and Accrued Liabilities	<u>11,956,424</u>
	Total Current and Accrued Liabilities	129,609,936
	<u>DEFERRED CREDITS & OTHER LIABILITIES</u>	
252	Customer Advances for Construction	658,211
253	Other Deferred Credits	20,523,125
255	Accumulated Deferred Investment Tax Credits	<u>9,978,007</u>
	Total Deferred Credits	31,159,343
	<u>ACCUMULATED DEFERRED INCOME TAXES</u>	
282	Liberalized Depreciation:	
	Gas	95,765,579
	Electric	9,098,890
283	Fuel Costs - Gas	<u>6,519,463</u>
	Total Accumulated Deferred Income Taxes	111,383,932
	TOTAL LIABILITIES AND OTHER CREDITS	<u>694,274,869</u>

EXHIBIT B

UGI UTILITIES, INC.
STATEMENT OF INCOME
12 MONTHS ENDED SEPTEMBER 30, 1998

ACCOUNTS	TOTAL	GAS	ELECTRIC
UTILITY OPERATING INCOME			
Operating Revenues:			
Revenue - Sale of Gas	\$270,224,929	\$270,224,929	
Revenue - Sale of Electricity	70,657,697		\$70,657,697
All Other Operating Revenues	64,270,509	62,799,469	1,471,040
Total Operating Revenues	<u>405,153,135</u>	<u>333,024,398</u>	<u>72,128,737</u>
Operating Expenses:			
Operation	273,133,548	223,131,625	50,001,923
Maintenance	15,318,306	9,861,295	5,457,011
Total Operation & Maintenance	<u>288,451,854</u>	<u>232,992,920</u>	<u>55,458,934</u>
Depreciation	21,453,734	17,670,274	3,783,460
Amortization	588,867	493,840	95,027
Taxes Other Than Income:			
Penna. Gross Receipts	16,437,577	13,295,003	3,142,574
Penna. Capital Stock	3,160,120	2,655,621	504,499
Penna. Public Utility Realty	774,770	650,000	124,770
Other	4,819,115	3,994,299	824,816
Total Taxes Other Than Income	<u>25,191,582</u>	<u>20,594,923</u>	<u>4,596,659</u>
Income Taxes:			
Federal	11,260,548	9,399,829	1,860,719
State	3,417,162	2,861,721	555,441
Investment Tax Credit	(398,268)	(318,492)	(79,776)
Deferred Income Taxes:			
Federal	5,352,125	5,355,717	(3,592)
State	7,904	57,602	(49,698)
Total Income Taxes	<u>19,639,471</u>	<u>17,356,377</u>	<u>2,283,094</u>
Total Operating Expenses	355,325,508	289,108,334	66,217,174
Net Operating Income	49,827,627	<u>\$43,916,064</u>	<u>\$5,911,563</u>
OTHER INCOME AND DEDUCTIONS			
Other Income and Deductions (Net)	5,405,935		
Taxes Applicable to Other Income and Deductions:			
Federal Income	1,594,182		
State Income	505,527		
Other	<u>0</u>		
Total Taxes Applicable to Other Income and Deductions	<u>2,099,709</u>		
INTEREST CHARGES			
Interest on Long-Term Debt	13,723,953		
Amort. Debt Discount-Premium	561,958		
Interest on Short-Term Debt	3,047,297		
Other Interest Expenses	289,335		
Allowance for Borrowed Funds Used			
During Construction	(39,098)		
Total Interest Charges	<u>17,583,445</u>		
NET INCOME	<u>35,550,408</u>		
DIVIDENDS ON PREFERRED STOCK	<u>2,159,833</u>		
INCOME AVAILABLE FOR COMMON EQUITY	<u>\$33,390,575</u>		

UGI UTILITIES, INC.
STATEMENT OF UNAPPROPRIATED RETAINED EARNINGS
FOR TWELVE MONTHS ENDED SEPTEMBER 30, 1998

Balance September 30, 1997	\$136,689,796
Net Income	35,131,698
Deductions:	
Cash Dividends:	
Series Preferred Stock	2,159,833
Common Stock	22,633,000
Preferred Stock Call for Redemption Premium	320,040
Balance September 30, 1998	<u>\$146,708,621</u>

UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS
(ACCOUNT 216.1)
FOR TWELVE MONTHS ENDED SEPTEMBER 30, 1998

Balance September 30, 1997	(\$64,703,637)
Net Income	418,710
Balance September 30, 1998	<u>(\$64,284,927)</u>

EXHIBIT C

Introduction

1 Q. Would you please state your name and business address?

2 A. My name is John C. Barney. My business address is 100 Kachel Boulevard, Suite 400,
3 P.O. Box 12677, Reading, Pennsylvania 19612-2677.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by UGI Utilities, Inc. ("UGI" or the "Company") as Vice President -
6 Finance and Accounting.

7 Q. Please describe your educational background?

8 A. I graduated from Rensselaer Polytechnic Institute, Troy, New York, in 1970 with a
9 Bachelor of Science Degree in Electric Power Engineering. I am a member of Tau
10 Beta Pi Engineering Honorary Society. In 1989, I received an MBA in Finance from
11 Saint Joseph's University, Philadelphia, PA. I have also completed numerous
12 American Management Association, industry and Company-sponsored workshops.

13 Q. Please describe your professional experience.

14 A. Upon graduation in 1970, I was employed as an Engineering Assistant with what is
15 now the Electric Division of UGI Utilities, Inc. This job involved various projects
16 associated with system planning. In 1971, I became Transmission and Distribution
17 Standards Engineer with responsibility for the development of construction and material
18 standards and for transmission construction. For approximately six months during
19 1973, I was associated with a small, local electrical contracting firm. I returned to the

1 Electric Division as Project Engineer with various assignments involving material
2 cataloging and storage, rate analysis and other projects, as needed. In 1974, I became
3 the Transmission and Distribution Engineer. In that position I was responsible for the
4 design, construction, operation and maintenance of the transmission and distribution
5 system. In 1978, I became Manager - Regulatory and Financial Affairs, and in May of
6 1979 I became Division Controller. In 1981, I transferred from the Electric Division
7 to the Gas Utility Division, as Division Controller, and during 1983 the supervision of
8 Information Services was added to my responsibilities. The Information Services
9 department provides the computational resources used in general accounting, customer
10 accounting, engineering and other operating groups within both the Electric and Gas
11 Divisions of UGI Utilities. In 1987, I was elected Vice President, Finance - Utilities
12 with responsibility for the accounting/finance function of both the Electric and Gas
13 Divisions in addition to Information Services.

14 Q. What are your duties as Vice President - Finance and Accounting?

15 A. As Vice President - Finance and Accounting, I am responsible for the financial and
16 accounting aspects of the Electric and Gas Divisions of the Company. My duties
17 include the management of the budgetary, financial planning, accounting (through the
18 Division Controllers), and Information Services functions and coordination with the
19 Senior Vice President - Finance of UGI's parent, UGI Corporation and his staff. In all
20 these assignments, I report directly to the President and CEO of UGI Utilities and assist
21 him in all financial matters pertaining to utility operations.

1 Q. Do you belong to any professional or industry associations?

2 A. I am active with the Reading Chamber of Commerce, the Pennsylvania Gas
3 Association, the Pennsylvania Electric Association and the American Gas Association.
4 As a member of the American Gas Association, I am currently a member of the
5 Finance and Administrative Section Managing Committee, where I recently completed
6 a term as the Chairman of the Section. I am also a member of the Society of Utility
7 and Regulatory Financial Analysts.

8 Scope of Testimony

9 Q. Please describe the scope of your testimony.

10 A. First, I will present a description of the responsibilities of the UGI witnesses in this
11 proceeding followed by a description of the organization of the filing. Next, I will
12 describe the Company's stranded costs and the calculation of the present value of those
13 stranded costs at January 1, 1999, followed by a discussion of the Company's efforts to
14 mitigate stranded costs. Following the development of the stranded costs, I will
15 describe the calculation and reconciliation of the CTC, including UGI's position on
16 securitization. Finally, I describe the Company's overall revenue and expense claims
17 and provide support for certain specific adjustments to the base year financial data.

18 Q. Please identify the Company's witnesses in this proceeding and summarize the subject
19 matter of their testimony.

Owned Generation

1
2 Q. Please describe the calculation of stranded costs for Owned Generation.

3 A. The calculation of stranded generation costs begins with an estimate of the value of the
4 station at the effective date for unbundled generation, January 1, 1999. The value is
5 established by taking the net plant at the end of the base financial period, September 30,
6 1996, and adjusting for expected additional retirements and depreciation through
7 December 31, 1998.

8 From the value of the station at December 31, 1998 must be subtracted (added) the net
9 present value of the benefit (cost) of running the station during the remainder of its
10 economic life. This benefit cost is calculated by estimating the revenue expected from
11 selling the station output at market prices less the cost of fuel, operating and maintenance
12 expenses, working capital carrying costs, capital additions and income taxes. The
13 present value of the annual net estimated benefits in a competitive market is summed and
14 subtracted from the book value of the station at December 31, 1998.

15 Finally, in accordance with the Act, the present value of the cost of decommissioning
16 generating stations at the end of their useful life must be added to the above.
17 Pennsylvania rate making recognizes the cost of removal after the fact, usually over a
18 five-year period. If the Company's generating stations remained subject to a cost of
19 service rate regulated environment, these decommissioning expenses would have been
20 recovered from customers in the normal course of business. Therefore, I have included

1 the present value of the decommissioning expenses, as calculated on JCB-1, Pages 15
2 and 16 in the total stranded cost of owned generation.

3 Hunlock

4 Q. What are the results of the stranded cost calculation for the Hunlock Station?

5 A. As shown on JCB-1, Page 1 with additional detail on JCB-1, Pages 14 and 15, the
6 Hunlock stranded cost consists of \$2,500,000 for investment at December 31, 1998 and
7 \$10,967,000 for the present value of the after-tax cost of decommissioning the station,
8 for a total of \$13,467,000.

9 Q. Why is there no stranded cost or benefit resulting from the operation of the station after
10 December 31, 1998?

11 A. The stranded costs for Hunlock were calculated on the assumption that the unit will cease
12 operations at January 1, 1999. As further explained below and in more detail in the
13 direct testimony of Mr. Mark R. Dingman, UGI Statement No. 2, there is a dispute
14 between UGI and PP&L concerning the proper interpretation of the UGI/PP&L Power
15 Purchase Agreement. PP&L interprets the Agreement as requiring UGI to continue to
16 purchase from PP&L at historic levels even though our system requirements will have
17 declined due to customers choosing to purchase power from alternative suppliers. If
18 PP&L's interpretation prevails, then Hunlock will be uneconomic at January 1, 1999 and
19 would cease operations. Under these circumstances, Hunlock is uneconomic because
20 the cost of running Hunlock is greater than the estimated market cost of power and,

1 although Hunlock is less costly than PP&L purchases, if UGI must continue to purchase
2 from PP&L, the total stranded cost will be reduced if Hunlock ceases operation.

3 Q. Does UGI agree with PP&L's interpretation?

4 A. No, we do not, and the matter is currently in litigation. However, for calculation
5 purposes only, UGI has assumed that PP&L prevails in order to place a realistic ceiling
6 on its stranded cost claim.

7 Q. How would Hunlock be treated if UGI prevails in the litigation?

8 A. If UGI prevails, then UGI's obligation to purchase power from PP&L would decline as
9 UGI's customers choose alternate suppliers. Under this scenario, Hunlock would
10 continue to operate until 2001 because it is less expensive than the PP&L Power
11 Purchase Agreement.

12
13 Q. How were the Hunlock decommissioning costs calculated?

14 A. As detailed on JCB-1, Page 15 the Hunlock decommissioning expenses are based on
15 estimates prepared by TLG Services, Inc. and GCI Environmental Advisory, Inc. (for
16 certain asbestos removal). These estimates were prepared during 1995, therefore all
17 costs have been escalated using the GDP deflator, JCB-1, Page 18, to the date at which
18 they are expected to be expended. Based on the anticipated January 1, 1999 end of
19 operations, the expenditures (net of tax) are scheduled and discounted back to the present
20 value at December 31, 1998.

Conemaugh

1

2

Q. Please describe the results of the analysis of Conemaugh?

3

A. The method used to analyze Conemaugh is exactly the same as that described above for

4

the Hunlock Station. There is, however, one significant difference in the result. The—

5

cost of operating the Conemaugh Station is less than the expected market clearing price

6

of electricity and, therefore, there is a benefit from the continued operation of the

7

station. As shown on JCB-1, Page 2, the benefit is calculated over the remaining life of

8

the station, to 2005, and present value back to December 31, 1998.

9

JCB-1, Page 1 includes a total stranded cost for Conemaugh of \$1,276,000 consisting of

10

\$5,058,000 related to investment, \$306,000 related to decommissioning expenses net of

11

\$4,089,000 benefit from the continued operation of the station. (See JCB-1, Pages 14,

12

16 and 2, respectively).

13

Q. Have you considered extending the life of the Conemaugh Station to further mitigate the

14

stranded costs?

15

A. No. It appears that substantial capital improvements will be needed to make possible any

16

significant extension of the station. As we move to an era of free market competition,

17

it would be inappropriate, at best, to hypothecate a life extension for Conemaugh and

18

to then flow any resultant benefit to customers. If a project to extend the life of

19

Conemaugh appears to be economic as the end of its useful life approaches, it will be up

20

to the then owners, or other investors, to provide the capital required to refurbish the

1 station and to bear the risk and rewards of the success of that investment in a free
2 market.

3 Purchased Power Agreements

4 Q. You have included a stranded cost for purchased power agreements. What is the basis
5 for this claim?

6 A. UGI's Electric Division has a purchased power agreement with PP&L which requires
7 PP&L to supply and UGI to purchase (with some exceptions) all of the UGI system
8 requirements in excess of owned generation. As explained above, PP&L is interpreting
9 that agreement as requiring UGI to continue to purchase from PP&L at levels which
10 would ignore any power supplied by alternative suppliers to customers located on the UGI
11 system. This would effectively require UGI to turn back the generation at Hunlock (as
12 discussed above) even though, on an incremental basis, it is less costly than purchases
13 from PP&L and to continue to purchase power at the constant level. Any excess power,
14 or power purchased from PP&L for remaining customers will be sold on the open
15 market or to existing customers at market prices. As explained above, UGI disputes this
16 interpretation and the matter is in litigation. For purposes of this proceeding, UGI has
17 calculated its stranded costs under a scenario in which PP&L prevails in the litigation.

18 Q. How is the stranded cost of the purchased power agreement calculated?

19 A. For calculation purposes, purchases under the purchased power agreement are estimated
20 for the period 1999 through the termination of the contract in March of 2001 at the same
21 level as expected for 1998. The cost of the purchased power is based on the average cost

1 of energy over the last two years inflated by the change in the GDP deflator, multiplied
2 by expected energy purchases, plus the average cost of capacity over the last two years
3 multiplied by the expected demand.

4 Revenues received from the sale of the energy and capacity are estimated based on the
5 market price information supplied by Mr. Graves.

6 The total present value of the after tax net cost at 12/31/98 is calculated. The present
7 value of the total net cost, \$16,113,000 (JCB-1, Page 3), is the stranded cost presented
8 on JCB-1, Page 1.

9 Q. How have you treated Gross receipts Tax for purposes of costing purchases and sales of
10 electricity in the stranded cost calculation?

11 A. Since Mr. Graves' market price of electricity does not include GRT, I have assumed for
12 the sake of simplicity that it is a tax which will be paid by the purchaser in addition to
13 the market price since all suppliers of electricity are responsible for the
14 collection/payment of the GRT under the Customer Choice Act. With this assumption,
15 GRT nets out in all transactions except where UGI must collect a revenue stream for the
16 stranded cost. Therefore, I have included GRT in calculation of the Revenue required
17 in the Competitive Transition Charge (CTC).

18 Non-Utility Generators

19 Q. Is UGI making claim for stranded costs related to the buy out or buy down of non-utility
20 generator contracts at this time?

PLANT BALANCE
(*\$000*)

	Balances at December 31										
	9/30/96	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
INVESTMENT:											
Hurlock	896	2,291	2,489	2,500	2,405	2,151	1,958	1,764	1,571	-	-
Conemaugh	5,829	6,067	5,571	5,058	4,380	3,655	2,850	2,245	1,541	836	-
Total Investment	6,825	8,368	8,060	7,558	6,785	5,806	4,908	4,010	3,112	836	-
NET PLANT (DEPRECIATED):											
Hurlock	896	916	1,021	1,112	918	725	532	338	145	-	-
Conemaugh	5,829	5,794	5,275	4,758	4,053	3,348	2,643	1,938	1,234	529	-
Total Net Plant	6,825	6,710	6,296	5,870	4,971	4,073	3,175	2,277	1,379	529	-
WORKING CAPITAL:											
Hurlock	-	1,375	1,468	1,389	1,487	1,426	1,426	1,426	1,426	-	-
Conemaugh	-	303	296	300	307	307	307	307	307	307	-
Total Working Capital	-	1,678	1,764	1,689	1,794	1,733	1,733	1,733	1,733	307	-
GROSS PLANT:											
Hurlock	23,888	23,935	24,123	24,225	24,063	23,940	23,798	23,856	23,514	23,407	23,407
Conemaugh	9,180	9,210	9,326	9,381	9,272	9,162	9,053	8,943	8,834	8,724	8,642
Total Gross Plant	33,068	33,145	33,450	33,606	33,354	33,103	32,851	32,599	32,347	32,131	32,049
ACCUMULATED BOOK DEPRECIATION:											
Hurlock	22,992	23,020	23,103	23,113	23,184	23,216	23,267	23,318	23,369	23,407	23,407
Conemaugh	3,251	3,416	4,051	4,823	5,218	5,814	6,408	7,005	7,600	8,195	8,642
Total Accum. Depr.	26,243	26,436	27,154	27,736	28,383	29,029	29,675	30,322	30,968	31,603	32,049
ACCUMULATED TAX DEPRECIATION:											
Hurlock	20,044	20,124	20,442	20,753	21,038	21,300	21,527	21,743	22,277	23,413	23,413
Conemaugh	4,800	4,709	5,537	6,356	7,160	7,940	8,124	8,293	8,458	9,236	10,006
Total Accum. Tax Depreciation	24,844	24,833	25,979	27,109	28,198	29,240	29,651	30,036	30,733	32,650	33,419
CAPITAL ADDITIONS:											
Hurlock	-	224	325	-	-	-	-	-	-	-	-
Conemaugh	-	144	219	-	-	-	-	-	-	-	-
Total Capital Additions	-	368	544	-	-	-	-	-	-	-	-
WORKING CAPITAL:											
Hurlock	-	1,375	1,468	1,389	1,487	1,426	1,426	1,426	1,426	-	-
Conemaugh	-	303	296	300	307	307	307	307	307	307	-
Total Working Capital	-	1,678	1,764	1,689	1,794	1,733	1,733	1,733	1,733	307	-

EXHIBIT D

NET BOOK VALUE OF ASSETS

As of September 30, 1998

PLANT

FERC Acct.	Description	Hunlock	Conemaugh	Total Production
310	Land and Land Rights			47,044
311	Structures & Improvements	163,499	661,861	825,360
312	Boiler Plant Equipment	306,964	3,467,540	3,774,503
314	Turbogenerator Units	220,128	359,311	579,439
315	Accessory Electric Equipment	34,229	429,248	463,477
316	Misc Power Plant Equipment	31,548	50,839	82,387
Total Production		803,412	4,968,799	5,772,210

Description	Hunlock	Conemaugh	Production
Accumulated Deferred Taxes	838,771	(456,285)	382,486

FUEL INVENTORIES AND RESERVES

Description	Hunlock	Conemaugh	Totals
Fuel Stock			
Coal	1,454,744	233,730	1,688,474
Oil	5,541	1,548	7,089
Spare Parts	443,644	215,003	658,647
Subtotal	1,903,929	450,281	2,354,210
Anthracite Silt			
Huber Banks	-	-	704,272
Greenwood	-	-	1,059,055
Erie-Lack	-	-	5,206
Loomis	-	-	2,452
Subtotal	-	-	1,770,985
Total Fuel	1,903,929	450,281	4,125,195

EXHIBIT E

**UGI UTILITIES, INC.
SUMMARY OF PLANT ACCOUNTS**

ACCT. NO.	ACCOUNTS	BALANCE AS OF 30-Sep-98
G 101	GAS PLANT IN SERVICE	663,202,644
G-107	CONSTRUCTION WORK IN PROGRESS - GAS	2,110,542
	TOTAL	\$665,313,186
E-101	ELECTRIC PLANT IN SERVICE	120,450,702
E-105	PROPERTY HELD FOR FUTURE USE	305,803
E-107	CONSTRUCTION WORK IN PROGRESS - ELECTRIC	248,218
E-114	ELECTRIC PLANT ACQUISITION ADJUSTMENT	390,002
	TOTAL	\$121,394,725
C-101	COMMON PLANT IN SERVICE	8,941,185
C-107	CONSTRUCTION WORK IN PROGRESS - COMMON	1,632,947
	TOTAL	\$10,574,132
	TOTAL PLANT	\$797,282,043

UGI UTILITIES, INC.
DETAILS OF BALANCE SHEET ACCOUNTS
GAS PLANT ACCOUNTS

<u>ACCT. NO.</u>	<u>ACCOUNTS</u>	<u>BALANCE AS OF 30-Sep-98</u>
<u>INTANGIBLE PLANT</u>		
302.1	FRANCHISE & CONSENTS - PERPETUAL	20,149
302.2	FRANCHISE & CONSENTS - LIMITED TERM	8,107
TOTAL INTANGIBLE PLANT		<u>28,256</u>
<u>PRODUCTION PLANT</u>		
304.1	LAND & LAND RIGHTS - LAND	381,133
304.2	LAND & LAND RIGHTS - LAND RIGHTS	6,454
305	STRUCTURES & IMPROVEMENTS	1,219,134
311	LIQUEFIED PETROLEUM GAS EQUIPMENT	4,301,901
320	OTHER EQUIPMENT	105,934
TOTAL PRODUCTION PLANT		<u>6,014,556</u>
<u>NATURAL GAS PRODUCTION & GATHERING PLANT</u>		
328	FIELD MEAS. & REG. STA. STRUCTURES	0
334	FIELD MEAS. & REG. STA. EQUIPMENT	0
338	UNSUCCESSFUL EXPLORATION & DEV. COSTS	0
TOTAL NATURAL GAS PRODUCTION & GATHERING PLT.		<u>0</u>
<u>OTHER STORAGE PLANT</u>		
360.1	LAND AND LAND RIGHTS - LAND	204,035
360.2	LAND & LAND RIGHTS - LAND RIGHTS	7,553
361	STRUCTURES & IMPROVEMENTS	759,044
362	GAS HOLDERS	1,441,420
363	PURIFICATION EQUIPMENT	242,123
363.1	LIQUEFACTION EQUIPMENT	1,224,756
363.2	VAPORIZING EQUIPMENT	622,250
363.3	COMPRESSOR EQUIPMENT	97,610
363.4	MEAS. & REG. EQUIPMENT	47,499
363.5	OTHER EQUIPMENT	677,000
TOTAL STORAGE PLANT		<u>5,323,290</u>
<u>TRANSMISSION PLANT</u>		
367.2	MAINS	1,202,130
369	MEAS. & REG. STATION EQUIPMENT	243,668
TOTAL TRANSMISSION PLANT		<u>1,445,798</u>

UGI UTILITIES, INC.
DETAILS OF BALANCE SHEET ACCOUNTS
GAS PLANT ACCOUNTS

ACCT. NO.	ACCOUNTS	BALANCE AS OF 30-Sep-98
<u>DISTRIBUTION PLANT</u>		
374.1	LAND & LAND RIGHTS - LAND	232,579
374.2	LAND & LAND RIGHTS - LAND RIGHTS	1,411,967
375	STRUCTURES & IMPROVEMENTS	511,891
376	MAINS	316,522,647
377	COMPRESSOR STATION EQUIPMENT	0
378	MEAS. & REG. STA. EQUIP. - GENERAL	8,222,904
379	MEAS. STA. EQ. - CITY GATE CHECK STATION	3,570,340
380	SERVICES	224,411,574
381	METERS	24,710,869
382	METER INSTALLATIONS	23,556,305
383	HOUSE REGULATORS	3,166,407
384	HOUSE REGULATOR INSTALLATIONS	4,231,088
385	IND. MEASURING & REG. STA. EQUIPMENT	4,358,724
386	OTHER PROPERTY ON CUSTOMERS' PREM.	1,319,508
387	OTHER EQUIPMENT	2,195,632
TOTAL DISTRIBUTION PLANT		\$618,422,435
<u>GENERAL PLANT</u>		
389.1	LAND & LAND RIGHTS - LAND	712,594
389.2	LAND & LAND RIGHTS - LAND RIGHTS	1,313
390.1	STRUCTURES & IMPROVEMENTS	17,850,473
390.2	STRUCTURES & IMPROVEMENTS - EXPENDITURES ON LEASED PROPERTY	654,788
391	OFFICE FURNITURE & EQUIPMENT	2,424,457
391.1	OFFICE FURNITURE & EQUIPMENT - ELECTRONIC	5,624,879
392.1	TRANSPORTATION EQUIPMENT - CARS	43,111
392.2	TRANSPORTATION EQUIPMENT - TRUCKS	759,261
392.4	TRANSPORTATION EQUIP. - HEAVY TRUCKS	263,265
393	STORES EQUIPMENT	24,526
394	TOOLS, SHOP & GARAGE EQUIPMENT	1,600,884
396	POWER OPERATED EQUIPMENT	1,403,575
397	COMMUNICATION EQUIPMENT	440,102
398	MISCELLANEOUS EQUIPMENT	165,081
TOTAL GENERAL PLANT		\$31,968,309
TOTAL GAS PLANT		\$663,202,644

UGI UTILITIES, INC.
DETAILS OF BALANCE SHEET ACCOUNTS
ELECTRIC PLANT ACCOUNTS

<u>ACCT. NO.</u>	<u>ACCOUNTS</u>	<u>BALANCE AS OF 30-Sep-98</u>
<u>INTANGIBLE PLANT</u>		
302.1	FRANCHISE & CONSENTS - PERPETUAL	6,436
	TOTAL INTANGIBLE PLANT	\$6,436
<u>PRODUCTION PLANT - STEAM</u>		
310.1	LAND & LAND RIGHTS - LAND	49,047
311	STRUCTURES & IMPROVEMENTS	7,909,792
312	BOILER PLANT EQUIPMENT	17,381,450
314	TURBOGENERATOR UNITS	5,210,597
315	ACCESSORY ELECTRIC EQUIPMENT	2,201,195
316	MISCELLANEOUS POWER PLANT EQUIPMENT	1,123,017
	TOTAL STEAM PRODUCTION PLANT	\$33,875,098
<u>OTHER PRODUCTION</u>		
344	GENERATORS	10,845
	TOTAL OTHER PRODUCTION	\$10,845
<u>TRANSMISSION PLANT</u>		
350.1	LAND & LAND RIGHTS - LAND	934,613
350.2	LAND & LAND RIGHTS - LAND RIGHTS	888,330
352	STRUCTURES & IMPROVEMENTS	142,525
353	STATION EQUIPMENT	9,783,491
354	TOWERS & FIXTURES	2,548,950
355	POLES & FIXTURES	1,928,251
356	OVERHEAD CONDUCTORS & DEVICES	3,593,228
357	UNDERGROUND CONDUIT	2,092
358	UNDERGROUND CONDUCTORS & DEVICES	12,486
	TOTAL TRANSMISSION PLANT	\$19,833,966
<u>DISTRIBUTION PLANT</u>		
360.1	LAND & LAND RIGHTS - LAND	75,688
360.2	LAND & LAND RIGHTS - LAND RIGHTS	16,987
361	STRUCTURES & IMPROVEMENTS	125,658
362	STATION EQUIPMENT	608,842
364	POLES, TOWERS & FIXTURES	17,588,519
365	OVERHEAD CONDUCTORS & DEVICES	12,819,844
366	UNDERGROUND CONDUIT	1,643,875
367	UNDERGROUND CONDUCTORS & DEVICES	3,406,903
	LINE TRANSFORMERS - OVERHEAD:	
368.1	TRANSFORMERS	7,750,452
368.2	TRANSFORMER INSTALLATIONS	4,692,262
368.3	TRANSFORMERS- INSURABLE	312,325
368.4	CAPACITORS	414,228
368.5	CAPACITOR INSTALLATIONS	78,007
369	SERVICES	7,582,592
370.1	METERS	3,435,430
370.2	METER INSTALLATIONS	957,844
371	INSTALLATIONS ON CUSTOMERS' PREMISES	950,068
373	STREET LIGHTING & SIGNAL SYSTEMS	1,022,035
	TOTAL DISTRIBUTION PLANT	\$63,481,559

UGI UTILITIES, INC.
DETAILS OF BALANCE SHEET ACCOUNTS
ELECTRIC PLANT ACCOUNTS

ACCT. NO.	ACCOUNTS	BALANCE AS OF 30-Sep-98
<u>GENERAL PLANT</u>		
389.1	LAND & LAND RIGHTS - LAND	89,222
390.1	STRUCTURES & IMPROVEMENTS	582,044
390.2	STRUCTURES & IMPROVEMENTS - EXPENDITURES ON LEASED PROPERTY	181,908
391.0	OFFICE FURNITURE & EQUIPMENT	217,294
391.1	OFFICE FURNITURE & EQUIPMENT- ELECTRONIC EQUIPMENT	542,600
392.1	TRANSPORTATION EQUIPMENT - CARS	50,129
392.2	TRANSPORTATION EQUIPMENT - TRUCKS	165,037
392.3	TRANSPORTATION EQUIPMENT - AERIAL UNITS	122,295
392.4	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	175,509
393	STORES EQUIPMENT	87,772
394	TOOLS, SHOP & GARAGE EQUIPMENT	264,905
395	LABORATORY EQUIPMENT	426,630
396	POWER OPERATED EQUIPMENT	129,877
397	COMMUNICATION EQUIPMENT	146,511
398	MISCELLANEOUS EQUIPMENT	61,065
	TOTAL GENERAL PLANT	\$3,242,798
	TOTAL ELECTRIC PLANT	\$120,450,702

**UGI UTILITIES, INC.
DETAILS OF BALANCE SHEET ACCOUNTS
COMMON PLANT ACCOUNTS**

<u>ACCT. NO.</u>	<u>ACCOUNTS</u>	<u>BALANCE AS OF 30-Sep-98</u>
	<u>INTANGIBLE PLANT</u>	
301	ORGANIZATION	138,964
	TOTAL INTANGIBLE PLANT	<u>\$138,964</u>
	<u>GENERAL PLANT</u>	
390.2	STRUCTURES & IMPROVEMENTS	1,448,677
391	OFFICE FURNITURE & EQUIPMENT	1,979,964
391.1	OFFICE FURNITURE & EQUIPMENT - ELECTRONIC	1,934,159
391.2	OFFICE FURNITURE & EQUIPMENT - SYSTEM DEVELOPMENT COSTS	2,997,789
392.1	TRANSPORTATION EQUIPMENT - CARS	268,205
397	COMMUNICATION EQUIPMENT	122,361
398	MISCELLANEOUS EQUIPMENT	51,066
	TOTAL GENERAL PLANT	<u>\$8,802,221</u>
	TOTAL COMMON PLANT	<u><u>\$8,941,185</u></u>

EXHIBIT F

UGI UTILITIES, INC.

SECRETARY'S CERTIFICATE

The undersigned certifies that:

1. He is the duly elected and acting Secretary of UGI Utilities, Inc., a Pennsylvania corporation (the "Company"), and as such is authorized to execute and deliver this Certificate on behalf of the Company.

2. Below is a true and correct copy of resolutions duly adopted by the Board of Directors of the Company at a meeting duly called, convened and held on September 29, 1998:

RESOLVED, the transfer by the Company of all of its tangible and intangible rights in its electric generation assets, having a net book value of approximately \$10,100,000, to UGI Development Company ("UGIDC") is approved substantially on the terms contained in R. L. Bunn's memorandum dated September 22, 1998.

RESOLVED, any officer of the Company is authorized to execute and acknowledge in the name of the Company a deed or deeds to the Property and to deliver such deed(s) to UGIDC and to take any further action as may be necessary or desirable to complete the transfer of the Assets.

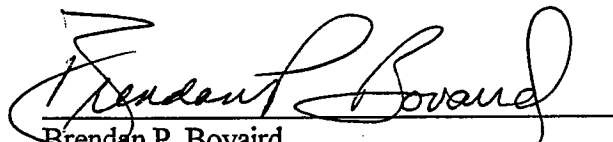
RESOLVED, any officer of the Company is authorized to execute such agreements, certificates, consents, corporate papers and other documents, make such payments and take all other action that such officer and counsel for the Company may deem necessary or desirable to carry out the intent and purposes of the foregoing resolutions.

3. These resolutions have not been amended, modified or rescinded and remain in full force and effect on the date of this certificate.

Dated: November 4, 1998

[Corporate Seal]

Sec. Cer \UI981104.doc



Brendan P. Bovaird

AIA UGIU Insurance G-00930344



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

June 10, 1993

IN REPLY PLEASE
REFER TO OUR FILE

G-00930344

THOMAS M JACKAL ESQUIRE
UGI UTILITIES INC
460 NORTH GULPH ROAD
PO BOX 858
VALLEY FORGE PA 19483-0858

T.M.J. JUN 14 1993

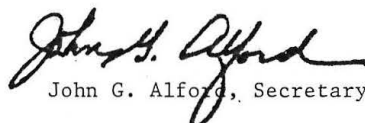
Affiliated Interest Agreement between
UGI Utilities, Inc. and an as yet unformed
Affiliated Insurance Company, whose primary
purpose will be to provide insurance coverage
to all UGI Utilities

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on June 10, 1993 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,


John G. Alford, Secretary

smk
Encls.
Cert.Mail

AIA UGIU Insurance G-00930344

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held June 10, 1993

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice Chairman
John M. Quain
John Hanger

Affiliated Interest Agreement between UGI
Utilities, Inc. and an as yet unformed
Affiliated Insurance Company, whose
primary purpose will be to provide
insurance coverage to all UGI Utilities

G-00930344

OPINION AND ORDER

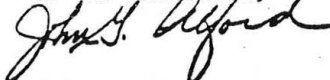
BY THE COMMISSION:

On May 17, 1993, UGI Utilities, Inc. filed a verified summary of an Agreement with an as yet unformed Affiliated Insurance Company, whose primary purpose will be to provide insurance coverage to all UGI Utilities. Upon review of the Agreement, staff found need for further information.

Section 2102 (b) of the Public Utility Code, 66 Pa. C.S. § 2102 (b), provides that the agreement shall be deemed approved if a written order is not entered at the end of thirty days after the filing of the agreement, unless the Commission extends the thirty day period. In order to adequately review the agreement, it is necessary that we extend the consideration period for an additional sixty days, or to August 15, 1993; **THEREFORE,**

IT IS ORDERED: That the period for consideration of the Affiliated Interest Agreement filed by UGI Utilities, Inc. on May 17, 1993, to become effective June 16, 1993, is hereby extended for an additional sixty days, or to August 15, 1993.

BY THE COMMISSION,



John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: June 10, 1993

ORDER ENTERED: June 10, 1993

AIA UGIU Insurance G-00930344



UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406

Post Office Box 858
Valley Forge, PA 19482-0858

(215) 337-1000 Telephone
(215) 992-3258 Fax

May 17, 1993

OVERNIGHT MAIL

The Honorable John G. Alford, Secretary
Pennsylvania Public Utility Commission
North Office Bldg., Room B-18
Commonwealth and North Streets
Harrisburg, PA 17105-3265

Re: Insurance Arrangement between UGI Utilities, Inc. and
an Affiliated Insurer

Dear Secretary Alford:

Pursuant to Section 2102 of the Public Utility Code (the "Code"), 66 Pa. C.S. §2102, I submit for the Commission's approval the original and two (2) copies of this letter as a verified summary of an arrangement between UGI Utilities, Inc. ("UGI Utilities") and an as yet unformed affiliated insurance company. UGI Utilities, a wholly owned subsidiary of UGI Corporation, is a public utility as defined in Section 102 of the Code, 66 Pa. C.S. §102, and as such is subject to the Commission's jurisdiction. UGI Corporation expects to form and own a corporation ("Affiliated Insurer") whose primary purpose will be to provide insurance coverage to UGI Corporation, its affiliates and subsidiaries, including UGI Utilities. As a subsidiary of a common corporate parent, Affiliated Insurer will be an affiliated interest of UGI Utilities as defined in Section 2101(a)(3) of the Code, 66 Pa. C.S. §2101(a)(3). Section 2102 of the Code provides that no contract or arrangement between a public utility and an affiliated interest shall be valid or effective until it receives written approval of the Commission, and that a public utility may seek such approval by filing a verified copy or verified summary of the contract or arrangement. Accordingly, UGI Utilities requests approval of an unwritten arrangement whereby Affiliated Insurer may provide insurance coverage to UGI Utilities.

UGI Utilities currently receives insurance management services from its parent corporation, UGI Corporation, pursuant to the provisions of an administrative services agreement approved by the Commission on May 21, 1992, Docket No. G-00920296. As part of these services the Director of Insurance of UGI Corporation analyzes the insurance needs of UGI Utilities and obtains appropriate insurance coverage through policies negotiated annually with independent insurance companies. Currently UGI Utilities is self-insured for claims up to \$500,000. For automobile, general liability and worker's compensation claims between \$500,000 and \$25,000,000, UGI Utilities has policies of insurance with Associated Electric & Gas Services Limited ("AEGIS"). UGI Utilities also has coverage through independent insurance companies for claims in excess of \$25,000,000. Under the proposed arrangement, UGI Corporation will continue to manage UGI Utilities' insurance program, but insurance coverage may be provided by Affiliated Insurer.

AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 2

UGI Corporation intends to incorporate Affiliated Insurer under the laws of the State of Vermont. Although Affiliated Insurer will be incorporated for all lawful purposes, its principal business is intended to be the provision of insurance coverage to UGI Corporation, its affiliates and subsidiaries. In its capacity as an insurance company, Affiliated Insurer will meet all capitalization and security requirements of Vermont law and will be subject to regulation by the Vermont Department of Banking, Insurance and Securities.

Subject to Commission approval, Affiliated Insurer would annually make available to UGI Utilities insurance coverage that may replace or supplement coverage now provided by independent insurance companies. To the extent possible Affiliated Insurer would write coverage on policy forms identical to the ones in effect between UGI Utilities and its independent insurance companies. UGI Utilities would then have the opportunity to choose between coverage offered by independent insurance companies and that offered by Affiliated Insurer. UGI Utilities would not be compelled to place insurance with Affiliated Insurer nor would it be compelled to renew coverage at the end of any policy year.

The following procedure will be used to assure that placing insurance with Affiliated Insurer will be in the best interests of UGI Utilities and its ratepayers. Each year, prior to the insurance renewal date of July 1, the Director of Insurance will define the level and scope of insurance coverage that can be offered by Affiliated Insurer. The Director of Insurance will then obtain quotes from independent insurance companies for this level of coverage. If the coverage can be provided by Affiliated Insurer at rates that are equal to or below the market rates, UGI Utilities would obtain policies of insurance from Affiliated Insurer. If independent insurance companies offer better rates or better coverage, UGI Utilities would choose policies from those companies. UGI Utilities will not be required to place its insurance with Affiliated Insurer but may choose independent insurance companies when costs or coverage are more advantageous.

By way of example, under the proposed arrangement UGI Utilities may choose to continue a \$500,000 self-insured retention level, cover the risk of loss between \$500,000 and \$1,000,000 through Affiliated Insurer and continue excess insurance with AEGIS (or another carrier) for losses in excess of \$1,000,000. In deciding whether to adopt this coverage UGI Utilities would obtain premium quotes from independent insurers both for coverage in excess of \$500,000 (current coverage) and for coverage in excess of \$1,000,000. The difference between these premiums would establish the maximum UGI Utilities would be required to pay Affiliated Insurer for coverage between \$500,000 and \$1,000,000 in claims. Put another way, if the sum of the premium for Affiliated Insurer's coverage plus the premium for coverage in excess of \$1,000,000 is greater than the single premium for independent coverage in excess of \$500,000, UGI Utilities would continue to cover losses in excess of \$500,000 through independent insurers and would not place insurance with Affiliated Insurers.

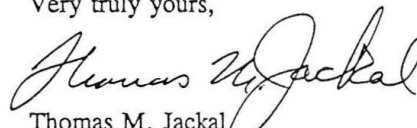
AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 3

Placing insurance with an affiliated insurance company presents several advantages to UGI Utilities and its ratepayers. The first is decreased cost by improving UGI Utilities' access to insurance and reinsurance markets. For example, reinsurance (by which one insurance company assumes all or a part of the liability of an insurance company already covering the risk) is less costly than regular insurance and can only be purchased by a bona fide insurance company. This should enable Affiliated Insurer to offer lower than market rates to UGI Utilities. Doing business with an affiliate stabilizes insurance expenses by insulating UGI Utilities from insurance market cycles unrelated to the loss experience of UGI Utilities and its affiliates. Even if Affiliated Insurer's premiums rise on the basis of this loss experience, UGI Utilities' ratepayers will not be harmed because UGI Utilities retains the option of choosing market rates if they are lower. An affiliated insurance company may also provide potentially broader coverage, as the policies may be tailor-made to fit the particular needs of UGI Utilities. Coverage that may otherwise be unavailable or prohibitively expensive in the marketplace may be provided in a cost-effective way by an affiliate. Thus, placing insurance with an affiliate will reduce UGI Utilities' overall cost of insurance and may enable UGI Utilities to protect against losses that would otherwise be uninsurable.

I have enclosed an extra copy of this letter and ask that it be stamped as received by your office and returned to me in the enclosed self-addressed stamped envelope. If any additional information is required, please call.

Very truly yours,



Thomas M. Jackal
Group Counsel - Utilities

TMJ/klb

Enclosures

cc: Robert Bennett (w/encl.)
Office of Special Assistants

TMJL-ALFORD.06

AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 4

bcc: (w/encl.)
J. C. Barney
T. J. Bonner
R. L. Bunn
M. M. Calabrese
M. J. Cuzzolina
J. A. Doan
W. M. Graff
L. R. Greenberg
S. R. Mauriello
G. W. Westerman

AIA UGIU Insurance G-00930344

COMMONWEALTH OF PENNSYLVANIA :
 : SS
COUNTY OF ~~BERKS~~ *Montgomery* :

AFFIDAVIT

JOHN C. BARNEY, being duly sworn according to law deposes and says that he is Vice President - Finance and Accounting of UGI Utilities, Inc., a Pennsylvania corporation, that he is authorized to and does make this affidavit for it; that the arrangement summarized in the foregoing letter dated May 17, 1993, accurately reflects the proposed arrangement between UGI Utilities, Inc. and an affiliated insurance company for the purpose of providing insurance coverage to UGI Utilities, Inc.

John C. Barney

John C. Barney

Sworn to and subscribed
before me this 17th day
of May, 1993.

Rachel M. Reck

Notary Public

Notarial Seal
Rachel M. Reck, Notary Public
Upper Merion Twp., Montgomery County
My Commission Expires Nov. 18, 1996
Member, Pennsylvania Association of Notaries



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY
PLEASE REFER
TO OUR FILE

March 26, 2008

Docket No. G-2007-2005763

UGI PENN NATURAL GAS INC
460 NORTH GULPH ROAD
KING OF PRUSSIA PA 19406

ATTN: MICHELLE A BIMSON, Attorney

Re: Affiliated Interest Agreement between UGI Penn Natural Gas, Inc. and
UGI Utilities, Inc.

Dear Ms. Bimson:

On November 29, 2007, UGI Penn Natural Gas, Inc. ("PNG") and UGI Utilities, Inc. filed an Affiliated Interest Agreement. This agreement was filed in accordance with the requirements of Section 2102 (a) and (b) of the Public Utility Code, 66 Pa. C.S. §2102 (a) and (b). On January 9, 2008, the filing was received in the Bureau of Fixed Utility Services. On February 8, 2008, PUC FUS Energy staff submitted data requests to the Company. Responses were received on February 25, 2008.

The filing relates to the parties engaging in the sharing of real estate needs at their facility at One UGI Center in Wilkes-Barre, Pennsylvania. However, UGI Penn Natural Gas, Inc. has stated that it will not share the real estate facility under the agreement until it is approved by the Commission.

Upon review of the company's filing, it does not appear that this filing is unreasonable or contrary to the public interest. Therefore, this filing is hereby approved, and the Secretary's Bureau shall mark the case closed. However, approval of this filing does not constitute a determination that such filing is consistent with the public interest and that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates. Furthermore, the Commission's approval is contingent upon the possibility that subsequent audits, reviews, and inquiry, in any Commission proceeding, may be conducted, pursuant to 66 Pa. C.S. §§ 2102, *et seq.*

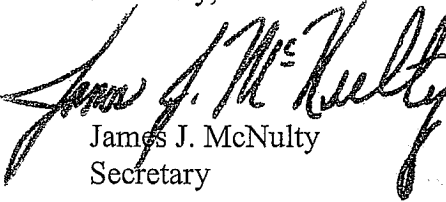
In addition, this approval will apply only to the agreement(s), service(s), matters, and parties specifically and clearly defined under this instant filing, as well as under any associated and previously filed filings.

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MAB

RECEIVED
MAR 31 2008
MAB
MAB

If you have any questions in this matter, please contact John Matchik of the Energy Division of the Bureau of Fixed Utility Services, 717-783-6163, or email jomatchik@state.pa.us.

Sincerely,



James J. McNulty
Secretary

Cc: Kathleen Aunkst, Secretary's Bureau
Elaine McDonald, FUS Finance / Tariffs
Paul Diskin, FUS Energy Manager
Anthony Rametta, FUS Energy Supervisor
John Matchik, FUS Energy FIVE

RECEIVED
MAY 14 2014
MAY 14 2014

RECEIVED
MAY 14 2014
MAY 14 2014



Megan Mattern
UGI Penn Natural Gas, Inc.
400 North Street
King of Prussia, PA 19406
Page 12 of 76

Post Office Box 858
Valley Forge, PA 19482-0858

(610) 337-1000 Telephone
(610) 992-3258 Fax

November 29, 2007

VIA FEDERAL EXPRESS

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RECEIVED

NOV 29 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**Re: Affiliated Interest Filing of UGI Penn Natural Gas, Inc.
Docket No. _____**

Dear Secretary McNulty:

Pursuant to Section 2102(a) and (b) of the Public Utility Code, 66 Pa.C.S. §2102(a) and (b), UGI Penn Natural Gas, Inc. ("PNG") submits for the Commission's approval a proposed arrangement whereby PNG would share office and other space with UGI Utilities, Inc. – Electric Division ("UGI-ED") and possibly other affiliates ("PNG Affiliates").

PNG is a certificated natural gas distribution company serving portions of central and northeastern Pennsylvania, and a wholly owned subsidiary of UGI Utilities, Inc. ("UGI"), which includes both a natural gas and electric division. UGI is a wholly owned subsidiary of UGI Corporation. Other current principal subsidiaries of UGI Corporation are UGI Enterprises, Inc. and AmeriGas, Inc. Subsidiaries of UGI Enterprises, Inc. are principally engaged in energy marketing, operation of natural gas and propane terminals and peaking facilities, electric generation, HVAC services and propane distribution outside of the United States. AmeriGas, Inc., through its subsidiaries, operates as the largest propane distributor in the United States (collectively "AmeriGas"). An organization chart showing the corporate relationship between PNG and the UGI Companies is attached as **Appendix A** hereto.

PNG commenced operations as a certificated natural gas distribution company in August of 2006 when the Commission authorized it to obtain the natural gas distribution operations and customers of the former PG Energy Division of Southern Union Company. Among the assets acquired by PNG was its current headquarters complex located at One UGI Center, Wilkes-Barre, Pennsylvania.

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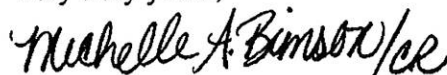
PNG and UGI have reviewed their real estate needs and have determined there is sufficient space at One UGI Center to accommodate the operations of UGI's Electric Division ("UGI-ED"), which currently leases space at 400 Stewart Road, Wilkes-Barre, Pennsylvania. There may also be sufficient room to accommodate the real estate needs of other PNG Affiliates that currently or in the future may operate in the Wilkes-Barre area.

PNG proposes to provide space at One UGI Center to UGI-ED and possibly other affiliates by allocating actual costs based on the amount of space occupied by each business entity.

PNG understands and acknowledges that the Commission's approval of this affiliated interest agreement would not preclude the Commission from investigating, in any further proceeds, the reasonableness of any charges or allocations under this arrangement.

Should you have any questions concerning this filing, please feel free to contact me.

Very truly yours,



Michelle A. Bimson
(Attorney I.D. #170488)

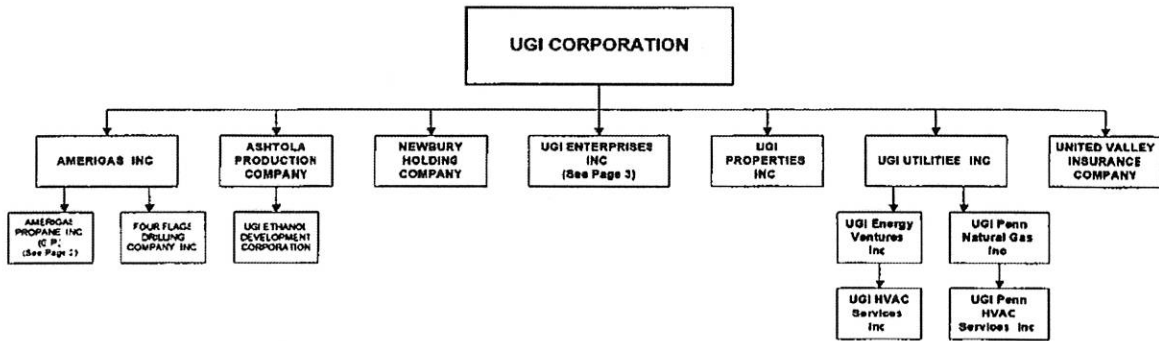
Counsel for UGI Penn Natural Gas, Inc.

APPENDIX A

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**



8/30/06

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NOV 29 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VERIFICATION

PETER G. TERRANOVA, deposes and says that he is Senior Vice President for UGI Penn Natural Gas, Inc., that he is duly authorized to and does make this verification on its behalf; that the affiliated interest arrangement summarized in the foregoing document is true and correct to the best of his knowledge information and belief, and that this Affidavit is made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).



Peter G. Terranova
Peter G. Terranova

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NOV 29 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-9

Request:

Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for, the cost thereof, the accounting treatment and whether included in claimed test year expenses.

Response:

UGI Electric does not include membership dues for social and service organizations in test year expenses.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-10

Request:

Provide the following payroll and employee benefit data - regular and overtime - separately for the test year and for the 12-month period immediately prior to the test year:

- a. The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with union personnel.
- b. The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with nonunion personnel.
- c. The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with management employees, if different than b.
- d. A summary of the wage rate, salary and employee benefit changes granted or to be granted during the year.
- e. The claimed test year payroll expense and employee benefit expense.
- f. The percentage of payroll expense and employee benefit expense applicable to operation and maintenance expenses and the basis thereof.

Response:

- a. Please see Attachment II-D-10.
- b. Please see Attachment II-D-10.
- c. Please see response to b. above.
- d. Please see Schedule D-7, page 2 of 2 in UGI Electric Exhibit A (Fully Projected), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Historic).
- e. Please see Attachment II-D-10.

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-10 (Continued)

- f. Please see Attachment II-D-10.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Payroll and Employee Benefit Data
(\$000)

		Years Ending September	
		2018	2019
a.	<u>Union Personnel</u>		
	Average Number of Employees	24	24
	Year-end Number of Employees	24	24
	Payroll Expenses		
	Normal	\$ 1,430	\$ 1,474
	Overtime	\$ 113	\$ 117
	Benefit Expenses	\$ 171	\$ 179
b.	<u>Non-Union Personnel</u>		
	Average Number of Employees	42	42
	Year-end Number of Employees	42	42
	Payroll Expenses		
	Normal	\$ 3,030	\$ 3,121
	Overtime	\$ 240	\$ 248
	Benefit Expenses	\$ 362	\$ 380
e.	<u>Claimed for Test Year</u>		
	Payroll to Expense	\$ 5,191	\$ 5,414
	Benefit to Expense	\$ 571	\$ 629
f.	<u>Percent of Total Payroll + Benefit</u>		
	<u>Applicable to O&M</u>		
	Payroll	7.2%	7.4%
	Benefit	0.8%	0.9%

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-11

Request:

Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.

Response:

Please see Attachment II-D-11.

Prepared by or under the supervision of: Megan Mattern

UGI Utilities, Inc. - Electric Division

Costs Relative to Leasing Equipment, Computer Rental and Office Space
12 Months Ended 9/30/17
(000's)

	<u>Annual</u> <u>Costs</u>	<u>Method of Computing Payments</u>	<u>Terms of Lease or</u> <u>Rental Agreement</u>
Building	\$ 110	Monthly payments per lease or rental agreements. Percentage applied from Modified Wisconsin Formula for leases of shared properties.	2017 - 2021
IS/Computer Equipment	75	Monthly payments per lease or rental agreements. Percentage applied from Modified Wisconsin Formula for leases of shared properties.	2017 - 2020
Motor Vehicle	231	Monthly payments per lease or rental agreements.	2017 - 2022
Total	<u>\$ 417</u>		

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-12

Request:

Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures, explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate cases, and list all internal and independent audit reports for the most recent 2 year period.

Response:

- Leases. In February 2016, the FASB issued ASU No. 2016-02, "Leases." This ASU amends existing guidance to require entities that lease assets to recognize the assets and liabilities for the rights and obligations created by those leases on the balance sheet. The new guidance also requires additional disclosures about the amount, timing and uncertainty of cash flows from leases. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 (Fiscal 2020). Early adoption is permitted. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance but anticipates an increase in the recognition of right-of-use assets and lease liabilities
- Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." The guidance provided under this ASU, as amended, supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") No. 605, "Revenue Recognition," and most industry-specific guidance included in the ASC. The standard requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance is effective for the Company for interim and annual periods beginning after December 15, 2017 (Fiscal 2019) and allows for either full retrospective adoption or modified retrospective adoption.

The Company is in the process of analyzing the impact of the new guidance using an integrated approach which includes evaluating differences in the amount and timing of revenue recognition from applying the requirements of the new guidance, reviewing its accounting policies and practices, and assessing the need for changes to its processes, accounting systems and design of internal controls. The Company has

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-12 (Continued)

completed the assessment of a significant number of its contracts with customers under the new guidance to determine the effect of the adoption of the new guidance. Although the Company has not completed its assessment of the impact of the new guidance, the Company does not expect its adoption will have a material impact on its consolidated financial statements. The Company continues to monitor developments associated with certain utility industry specific guidance for possible impacts on the recognition of revenue.

The Company currently anticipates that it will adopt the new standard using the modified retrospective transition method effective October 1, 2018. The ultimate decision with respect to the transition method that it will use will depend upon the completion of the Company's analysis including confirming its preliminary conclusion that the adoption of the new guidance will not have a material impact on its consolidated financial statements.

- **Pension and Other Postretirement Benefit Costs.** In March 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This ASU requires entities to disaggregate the service cost component from the other components of net periodic benefit costs and present it with compensation costs for related employees in the income statement. The other components are required to be presented elsewhere in the income statement and outside of operating income. The amendments in this ASU permit only the service cost component to be eligible for capitalization when applicable. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017 (Fiscal 2019). Early adoption is permitted. The amendments in the ASU should generally be adopted on a retrospective basis. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance and determining the period in which the new guidance will be adopted.
- **Goodwill Impairment.** During the fourth quarter of Fiscal 2017, the Company adopted new accounting guidance regarding the test for goodwill impairment. Under the new accounting guidance, an entity will perform its goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value but not to exceed the total amount of the goodwill of the reporting unit. The guidance is required to be applied prospectively.
- **Employee Share-based Payments.** Effective October 1, 2016, the Company adopted new accounting guidance issued to simplify several aspects of accounting for

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-12 (Continued)

- employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Among other things, excess tax benefits and tax deficiencies associated with employee share-based awards that vest or are exercised are recognized as income tax benefit or expense and treated as discrete items in the reporting period in which they occur.
- **Presentation of Deferred Taxes.** During the first quarter of Fiscal 2016, the Company adopted new accounting guidance regarding the classification of deferred taxes. The new guidance amends existing guidance to require that deferred income tax liabilities and assets be classified as noncurrent in a classified balance sheet, and eliminates the prior guidance which required an entity to separate deferred tax liabilities and assets into a current amount and a noncurrent amount in a classified balance sheet. As required, we applied this guidance prospectively and, accordingly, balance sheets prior to Fiscal 2016 have not been reclassified.
 - **Tax Accounting Method Change.** For the tax year ended September 30, 2015, UGI Corporation (“UGI”) made a tax accounting method change, on behalf of UGI Utilities, Inc. – Electric Division, to make a partial disposition election under Treas. Reg. §§ 1.168(i)-8(d)(2)(i). Specifically, UGI made the partial disposition election for certain assets related to the infrastructure necessary for the transmission, distribution, and sale of electric energy and natural gas. As required, UGI filed a Form 3115, Application for Change in Method, with its September 30, 2015 federal income tax return.
 - **Goodwill Impairment.** In September 2011, the FASB issued guidance on testing goodwill for impairment. The new guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test in GAAP. Previous guidance required an entity to test goodwill for impairment at least annually by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit is less than the carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under the new guidance, an entity is not required to calculate fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The new guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirements to test goodwill annually for impairment. The Company adopted the new guidance for Fiscal 2012.

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-12 (Continued)

- **Presentation of Comprehensive Income.** In June 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, "Presentation of Comprehensive Income," which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in Accounting Standards Codification ("ASC") Topic 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. ASU 2011-05 does not change the items that must be reported in other comprehensive income. Additionally, reclassification adjustments between net income and comprehensive income must be shown on the face of the financial statements. On October 21, 2011, the FASB decided to propose a deferral of the new requirement to present reclassification adjustments on the face of the income statement. The change in presentation is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 with full retrospective application required. The Company applied the provisions of the new guidance effective September 30, 2011 (except for the presentation of reclassification adjustments on the face of the statement of net income,) and report the components of comprehensive income in two separate but consecutive statements as permitted by the new guidance.
- **Business Combinations.** Effective October 1, 2009, the Company adopted new guidance on accounting for business combinations. The new guidance applies to all transactions or other events in which an entity obtains control of one or more businesses. The new guidance establishes, among other things, principles and requirements for how the acquirer (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in a business combination or gain from a bargain purchase; and (3) determines what information with respect to a business combination should be disclosed. The new guidance applies prospectively to business combinations for which the acquisition date is on or after October 1, 2009. Among the more significant changes in accounting for acquisitions are (1) transaction costs are generally expensed (rather than being included as costs of the acquisition); (2) contingencies, including contingent consideration, are generally recorded at fair value with subsequent adjustments recognized in operations (rather than as adjustments to the purchase price); and (3) decreases in valuation allowances on acquired deferred tax assets are recognized in operations (rather than as decreases in goodwill).
- **Intangible Asset Useful Lives.** Effective October 1, 2009, the Company adopted new accounting guidance which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a

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recognized intangible asset under GAAP. The intent of the new guidance is to improve the consistency between the useful life of a recognized intangible asset under GAAP relating to intangible asset accounting and the period of expected cash flows used to measure the fair value of the asset under GAAP relating to business combinations and other applicable accounting literature. The new guidance must be applied prospectively to intangible assets acquired after the effective date. The adoption of the new guidance did not impact our financial statements.

- In its tax return for the year ended September 30, 2009, UGI adopted a tax accounting method to expense as repairs certain items capitalized for book purposes in accordance with federal tax regulations.
- Fair Value Measurements. On October 1, 2008, the Company adopted new guidance issued by the FASB in September 2006 on fair value measurements. The new guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, two amendments to this guidance were issued to exclude leases from the new fair value guidance and to delay the effective date of the new fair value guidance until fiscal years beginning after November 15, 2008 (Fiscal 2010) for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. In October 2008, two additional amendments to the fair value guidance were issued which clarify the application of the fair value measurement guidance to financial assets in a market that is not active and when the volume and level of activity for the asset or liability have significantly decreased.
- Fair Value Option for Financial Assets and Liabilities. On October 1, 2008, the Company adopted accounting guidance issued by the FASB in February 2007 by which the Company may elect to report individual financial instruments and certain items at fair value with changes in fair value reported in earnings.
- Uncertainty in Income Taxes. Effective October 1, 2007, the Company adopted new interpretive guidance issued by the FASB on accounting for uncertainty related to income taxes. The new guidance provides a comprehensive model for the recognition, measurement and disclosure in financial statements of uncertain income tax positions that a company has taken or expects to take on a tax return.
- Pension and Postretirement Plans. Effective September 30, 2007, the Company adopted new accounting guidance issued by the FASB relating to employers accounting for pension and postretirement benefit plans. The new guidance requires

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recognition of an asset or liability in the statement of financial position reflecting the funded status of pension and postretirement benefit plans, such as retiree health and life, with current year changes recognized in shareholders' equity. The new guidance did not change the existing criteria for measurement of periodic benefit costs, plan assets or benefit obligations.

- In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). It requires an entity to recognize a liability for a conditional asset retirement obligation when incurred if the liability can be reasonably estimated. FIN 47 clarifies that the term "Conditional Asset Retirement Obligation" refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005.
- In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes APB 25. SFAS 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, SFAS 123 permitted entities the option of continuing to apply the guidance in APB 25 as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is required to be measured based on the fair value of the equity or liability instruments issued. SFAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. The Company adopted SFAS 123R effective October 1, 2005. Under the modified prospective transition method, beginning October 1, 2005, unrecognized compensation expense for awards that are not vested on the adoption date will be recognized in the Company's statements of income through the end of the requisite service period.
- In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets- An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS 153"). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and

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- replaces it with an exception for exchanges that lack commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 was effective for our interim period beginning July 1, 2005.
- In December 2003, the Financial Accounting Standards Board ("FASB") revised Financial Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which was originally issued in January 2003 and clarifies Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 was effective immediately for variable interest entities created or obtained after January 31, 2003. For variable interests created or acquired before February 1, 2003, FIN 46 was effective beginning with our interim period ended March 31, 2004. If certain conditions are met, FIN 46 requires the primary beneficiary to consolidate certain variable interest entities.
 - In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. SFAS 149 (i) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, (ii) clarifies when a derivative contains a financing component, (iii) amends the definition of an underlying- rate, price or index to conform it to language used in FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and (iv) amends certain other existing pronouncements.
 - SFAS 141 "Business Combinations" addresses financial accounting and reporting for business combinations. Under SFAS 141, all business combinations initiated after June 30, 2001 are required to be accounted for using the purchase method of accounting. Among other provisions, SFAS 141 establishes specific criteria for the recognition of intangible assets separate from goodwill acquired in a purchase business combination. Although SFAS 141 supersedes Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations" and SFAS No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises," it does not change many of their provisions relating to the application of the purchase method.
 - SFAS 142 "Goodwill and Other" Intangible Assets" addresses the financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." SFAS 142 addresses the

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- financial accounting and reporting for intangible assets acquired individually or with a group of other assets (excluding those acquired in a business combination) at acquisition and also addresses the financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under SFAS 142, an intangible asset will be amortized over its useful life unless that life is determined to be indefinite. Goodwill and other intangible assets with indefinite lives will be tested for impairment at least annually. The Company adopted SFAS 142 effective October 1, 2001
- SFAS 143 "Accounting for Asset Retirement Obligations" addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred with a corresponding increase in the carrying value of the related asset. Entities shall subsequently charge the retirement cost to expense using a systematic and rational method over the asset's useful life and adjust the fair value of the liability resulting from the passage of time through charges to interest expense. The Company adopted SFAS 143 effective October 1, 2002.
 - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 was amended in June 2000 by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" ("SFAS 138"), which addressed a limited number of issues causing implementation difficulties. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivative instruments as either assets or liabilities and measure them at fair value. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. The Company adopted the provisions of SFAS 133 effective October 1, 2000.
 - In March 1998, the American Institute of Certified Public Accountants issued Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 requires companies to capitalize the cost of computer software developed or obtained for internal use once certain criteria have been met. The Company adopted SOP 98-1 in fiscal 2000.

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II-D-13

Request:

Regardless of whether a claim for negative or positive net salvage is made, attach an exhibit showing gross salvage, cost of removal, third party reimbursements, if any, and net salvage for the test year and 4 previous years.

Response:

The information related to the historic test year is presented in Part IV of UGI Electric Exhibit C (Historic) in the section titled "Experienced Net Salvage." The information related to the future test year is set forth in Part VIII of UGI Electric Exhibit C (Future) in the section titled "Experienced and Estimated Net Salvage." The information related to the fully projected test year is set forth in Part IV of UGI Electric Exhibit C (Fully Projected) in the section titled "Experienced and Estimated Net Salvage."

Prepared by or under the supervision of: John F. Wiedmayer

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II-D-14

Request:

State the amount of debt interest utilized for test year income tax calculations, including the amount so utilized which has been allocated from the debt interest of an affiliate, and provide details of debt interest and allocation computations.

Response:

See Schedule D-33 of UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected) for a calculation of the interest expense used in computing test year income tax expense. UGI Electric does not utilize any debt interest which has been allocated from the debt interest of an affiliate in the computation of taxable income.

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-15

Request:

Provide a schedule for the test year of Federal and Pennsylvania taxes other than income taxes, per books, pro forma at present rates, and pro forma at proposed rates, including the following tax categories:

- a. Social security.
- b. Unemployment.
- c. Capital stock.
- d. Public utility.
- e. P.U.C. assessment.
- f. Other property taxes.
- g. Any other appropriate categories.

Response:

See Schedule D-31 to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected).

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-16

Request:

Submit a schedule showing the adjustments from taxable net income per books to taxable net income pro forma under existing rates and pro forma under proposed rates, together with an explanation of all normalizing adjustments. Submit detailed calculations supporting taxable income before State and Federal income taxes where the income tax is subject to allocation due to operations in another state or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.

Response:

See Schedules D-33 and D-34, UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected).

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-17

Request:

Submit a schedule showing for the last 5 years the income tax refunds, plus interest—net of taxes, received from the Federal government due to prior years' claims.

Response:

None.

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-18

Request:

Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.

Response:

Please see UGI Electric Exhibit A, Schedule C-6 (Historic) for deferred taxes relative to liberalized depreciation.

The net value of deferred taxes on items other than plant in service at fiscal year ended 9/30/17 is \$5,895,225.

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-19

Request:

Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.

Response:

The Federal corporate graduated tax rates do not apply to the consolidated group because taxable income exceeds the graduated income limitations.

UGI Electric is included as part of a consolidated federal income tax return with UGI Corporation. UGI Corporation allocates its consolidated income tax liability among its subsidiary members consistent with the separate return method such that each member is allocated federal income tax according to the taxable income it contributed to the consolidated return.

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-20

Request:

Explain the treatment given to costs of removal in the income tax calculation and the basis for such treatment.

Response:

Cost of removal is treated as a tax deductible item as costs are incurred and/or paid pursuant to IRC Section 1.167(a)-11(d)(3) and 1.263(a)-3(g)(2).

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-21

Request:

Show income tax loss/gain carryovers from previous years. Show loss/gain carryovers by years of origin and amounts remaining by years at the beginning of the test year.

Response:

Not applicable.

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-22

Request:

State whether the company eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim.

If response is affirmative:

- a. Set forth amount of construction claimed in this tax savings reduction, and explain the basis for this amount.
- b. Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.
- c. State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived.
- d. Provide details of calculation to determine tax savings reduction, and state whether State taxes are increased to reflect the construction interest elimination.

Response:

The Company does not eliminate tax savings by the payment of interest on construction work in progress.

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-23

Request:

Under section 1552 of the Internal Revenue Code (26 U.S.C.A. § 1552) and 26 CFR 1.1552-1 (1983), if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the Federal government (if this interrogatory is not applicable, so state):

- a. State what option has been chosen by the group.
- b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.
- c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
- d. Provide the most recent annual income tax return for the group.
- e. Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.
- f. Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.

Response:

- a. UGI Corporation has elected to allocate the tax liability of the consolidated group to the members in accordance with Regulation 1.1502-33 (d)(2)(ii). Further, the

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group elects to use 100 percent as the percentage specified in Regulation 1.1502-33(d)(2)(ii)(b). This method of allocation is to be applied in conjunction with the basic allocation method provided in Regulation 1.1552-1(a)(2).

UGI Corporation also elected to reflect currently the investment adjustment in earnings and profits pursuant to Regulation 1.1502-33(c)(4)(iii).

- b. Please see Attachment II-D-23.b. The federal income tax return for the historic test year, September 30, 2017, has not been prepared; therefore, information has been provided for the years ended September 30, 9/30/16 - 9/30/14.
- c. UGI Corporation ("UGI Corp") is the parent company of the UGI consolidated group that includes UGI Electric. UGI Corp makes all necessary income tax payments to the IRS for the net tax liability that is due for its consolidated group. Further, UGI Corp collects the allocated tax liability from members of its group with positive taxable income and reimburses members of its group with a negative federal income tax allocation. The amounts UGI Corp collects or pays to each member of its group are the amounts listed on Attachment II-D-23.b.
- d. Please see Attachment II-D-23.d. The most recent federal income tax return filed for the group is for the fiscal year ended September 30, 2016. The complete tax return is voluminous; therefore, Attachment II-D-23.d only includes pages 1-5 of the Federal Form 1120 and a summary of taxable income by member company. Additional information will be furnished upon request.
- e. Please see Attachment II-D-23.b.
- f. Please see Attachment II-D-23.b.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
Allocation of UGI Corporation Consolidated Federal Income Tax Liability
For the Year Ended September 30, 2016
In Thousands

<u>Name of Company</u>	(a)	(b)	(c)	(d)	(e)
	Federal Taxable Income	Federal Income Tax @ 35% Allocated	Foreign Tax Credit	General Business Credit	Col (b) - Col (c) - Col (d) = Net Federal Income Tax Liability
AmeriGas Inc	(20)	(7)			(7)
AmeriGas Propane Inc.	50,168	17,559			17,559
Amerigas Technology Group Inc.	0	0			0
Ashtola Production Company	(1)	(0)			(0)
Eastfield International Holdings Inc	0	0			0
Energy Service Funding	2,576	902			902
EuroGas Holdings Inc.	0	0			0
Four Flags Drilling Company	0	0			0
Hellertown Pipeline	(2)	(1)			(1)
Homestead Holding	(126)	(44)			(44)
Newberry Holding	640	224			224
Petrolane Incorporated	16,801	5,880			5,880
UGI Asset Management	0	0			0
UGI Black Sea Enterprises	0	0			0
UGI Central Penn Gas	10,388	3,636			3,636
UGI China Inc	(3,868)	(1,354)			(1,354)
UGI Corporation	(20,139)	(7,049)			(7,049)
UGI Development Company	4,323	1,513		684	829
UGI Energy Ventures, Inc.	0	0			0
UGI Ethanol Development Company	0	0			0
UGI Enterprises Inc	89,121	31,192			31,192
UGI Europe Inc	86,109	30,138	35,039		(4,900)
UGI Hunlock Dev	0	0			0
UGI HVAC Enterprises	(350)	(122)			(122)
UGI International China, Inc	(252)	(88)			(88)
UGI International (Romania)	0	0			0
UGI International Enterprises, Inc.	0	0			0
UGI LNG	(706)	(247)			(247)
UGI Penn HVAC Services	(170)	(60)			(60)
UGI Penn Natural Gas, Inc.	(5,544)	(1,940)			(1,940)
UGI Petroleum Products of DE	(0)	(0)			(0)
UGI Properties, Inc.	28	10			10
UGI Storage Company	6,703	2,346			2,346
UGI Utilities, Inc.	(21,909)	(7,668)			(7,668)
UGID Holding Company	(8)	(3)			(3)
United Valley Insurance	(3,295)	(1,153)			(1,153)
Eliminations	313	110			110
Total	210,781	73,773	35,039	684	38,050

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For the Year Ended September 30, 2015
In Thousands

<u>Name of Company</u>	(a)	(b)	(c)	(d)	(e)
	Federal Taxable Income	Federal Income Tax @ 35% Allocated	Foreign Tax Credit	General Business Credit	Col (b) - Col (c) - Col (d) = Net Federal Income Tax Liability
AmeriGas Inc	449	157			157
AmeriGas Propane Inc.	55,822	19,538			19,538
Amerigas Technology Group Inc.	1	0			0
Ashtola Production Company	(1)	(0)			(0)
Eastfield International Holdings Inc	0	0			0
Energy Service Funding	3,788	1,326			1,326
EuroGas Holdings Inc.	0	0			0
Four Flags Drilling Company	0	0			0
Hellertown Pipeline	(23)	(8)			(8)
Homestead Holding	(16)	(6)			(6)
Newberry Holding	517	181			181
Petrolane Incorporated	16,679	5,838			5,838
UGI Asset Management	0	0			0
UGI Black Sea Enterprises	0	0			0
UGI Central Penn Gas	21,902	7,666			7,666
UGI China Inc	1,192	417			417
UGI Corporation	2,231	781			781
UGI Development Company	(6,170)	(2,159)		1,794	(3,953)
UGI Energy Ventures, Inc.	0	0			0
UGI Ethanol Development Company	0	0			0
UGI Enterprises Inc	97,540	34,139			34,139
UGI Europe Inc	104,060	36,421	44,602		(8,181)
UGI Hunlock Dev	0	0			0
UGI HVAC Enterprises	(1,327)	(464)			(464)
UGI International China, Inc	0	0			0
UGI International (Romania)	0	0			0
UGI International Enterprises, Inc.	1,178	412			412
UGI LNG	(261)	(91)			(91)
UGI Penn HVAC Services	876	307			307
UGI Penn Natural Gas, Inc.	34,986	12,245			12,245
UGI Petroleum Products of DE	(139)	(49)			(49)
UGI Properties, Inc.	172	60			60
UGI Storage Company	7,276	2,547			2,547
UGI Utilities, Inc.	42,897	15,014			15,014
UGID Holding Company	(8)	(3)			(3)
United Valley Insurance	(339)	(119)			(119)
Eliminations	353	123			123
Total	383,636	134,273	44,602	1,794	87,876

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Allocation of UGI Corporation Consolidated Federal Income Tax Liability
For the Year Ended September 30, 2014
In Thousands

<u>Name of Company</u>	(a)	(b)	(c)	(d)	(e)
	Federal Taxable Income	Federal Income Tax @ 35% Allocated	Foreign Tax Credit	General Business Credit	Col (b) - Col (c) - Col (d) = Net Federal Income Tax Liability
AmeriGas Inc	67	23			23
AmeriGas Propane Inc.	42,408	14,843			14,843
Amerigas Technology Group Inc.	0	0			0
Ashtola Production Company	(1)	(0)			(0)
Eastfield International Holdings Inc	0	0			0
Energy Service Funding	4,349	1,522			1,522
EuroGas Holdings Inc.	0	0			0
Four Flags Drilling Company	0	0			0
Hellertown Pipeline	(29)	(10)			(10)
Homestead Holding	40	14			14
Newberry Holding	7,785	2,725			2,725
Petrolane Incorporated	15,856	5,549			5,549
UGI Asset Management	0	0			0
UGI Black Sea Enterprises	0	0			0
UGI Central Penn Gas	29,238	10,233			10,233
UGI China Inc	(274)	(96)			(96)
UGI Corporation	(10,003)	(3,501)			(3,501)
UGI Development Company	10,804	3,781		2,150	1,632
UGI Energy Ventures, Inc.	0	0			0
UGI Ethanol Development Company	0	0			0
UGI Enterprises Inc	71,418	24,996			24,996
UGI Europe Inc	10,044	3,515	12,027		(8,511)
UGI Hunlock Dev	0	0			0
UGI HVAC Enterprises	(2,485)	(870)			(870)
UGI International China, Inc	(6)	(2)			(2)
UGI International (Romania)	0	0			0
UGI International Enterprises, Inc.	12,581	4,403			4,403
UGI LNG	(1,921)	(672)			(672)
UGI Penn HVAC Services	553	194			194
UGI Penn Natural Gas, Inc.	4,972	1,740			1,740
UGI Petroleum Products of DE	(10)	(4)			(4)
UGI Properties, Inc.	391	137			137
UGI Storage Company	3,884	1,359			1,359
UGI Utilities - EUD	(296)	(104)			(104)
UGI Utilities - GUD	24,860	8,701			8,701
UGID Holding Company	(8)	(3)			(3)
United Valley Insurance	370	130			130
Eliminations	123	43			43
Total	224,711	78,649	12,027	2,150	64,473

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return
For calendar year 2015 or tax year beginning 10/01/2015, ending 09/30/2016
▶ Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.

2015

A Check if: 1a Consolidated return (attach Form 851) <input checked="" type="checkbox"/> b Life/nonlife consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input checked="" type="checkbox"/>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td rowspan="4" style="width:10%; text-align: center; vertical-align: middle;">TYPE OR PRINT</td> <td style="width:15%;">Name <u>UGI Corporation & Subsidiaries</u></td> </tr> <tr> <td>Number, street, and room or suite no. If a P.O. box, see instructions. <u>P.O. Box 858</u></td> </tr> <tr> <td>City or town, state, or province, country, and ZIP or foreign postal code <u>Valley Forge, PA 19482</u></td> </tr> <tr> <td> </td> </tr> </table>	TYPE OR PRINT	Name <u>UGI Corporation & Subsidiaries</u>	Number, street, and room or suite no. If a P.O. box, see instructions. <u>P.O. Box 858</u>	City or town, state, or province, country, and ZIP or foreign postal code <u>Valley Forge, PA 19482</u>		<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:15%;">B Employer identification number</td> <td><u>23-2668356</u></td> </tr> <tr> <td>C Date incorporated</td> <td><u>12/20/1991</u></td> </tr> <tr> <td>D Total assets (see instructions)</td> <td><u>\$ 6,021,895,695.</u></td> </tr> </table>	B Employer identification number	<u>23-2668356</u>	C Date incorporated	<u>12/20/1991</u>	D Total assets (see instructions)	<u>\$ 6,021,895,695.</u>
TYPE OR PRINT	Name <u>UGI Corporation & Subsidiaries</u>												
	Number, street, and room or suite no. If a P.O. box, see instructions. <u>P.O. Box 858</u>												
	City or town, state, or province, country, and ZIP or foreign postal code <u>Valley Forge, PA 19482</u>												
B Employer identification number	<u>23-2668356</u>												
C Date incorporated	<u>12/20/1991</u>												
D Total assets (see instructions)	<u>\$ 6,021,895,695.</u>												
E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change													

	1 a Gross receipts or sales	1a	<u>1,919,820,281.</u>
	b Returns and allowances	1b	
	c Balance. Subtract line 1b from line 1a	1c	<u>1,919,820,281.</u>
	2 Cost of goods sold (attach Form 1125-A)	2	<u>1,128,885,497.</u>
	3 Gross profit. Subtract line 2 from line 1c	3	<u>790,934,784.</u>
	4 Dividends (Schedule C, line 19)	4	<u>95,826,027.</u>
	5 Interest	5	<u>6,919,925.</u>
	6 Gross rents	6	<u>2,435,046.</u>
	7 Gross royalties	7	
	8 Capital gain net income (attach Schedule D (Form 1120))	8	<u>288,608.</u>
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9	<u>1,640,591.</u>
	10 Other income (see instructions - attach statement) <u>See Statement 3</u>	10	<u>27,905,312.</u>
	11 Total income. Add lines 3 through 10	11	<u>925,950,293.</u>
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (see instructions - attach Form 1125-E)	12	<u>31,691,376.</u>
	13 Salaries and wages (less employment credits)	13	<u>127,335,611.</u>
	14 Repairs and maintenance	14	<u>93,240,924.</u>
	15 Bad debts	15	<u>9,873,067.</u>
	16 Rents	16	<u>3,819,215.</u>
	17 Taxes and licenses	17	<u>43,366,731.</u>
	18 Interest	18	<u>57,336,592.</u>
	19 Charitable contributions <u>See Statement 7</u>	19	<u>2,638,422.</u>
	20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20	<u>206,332,338.</u>
	21 Depletion	21	<u>84,254.</u>
	22 Advertising	22	<u>2,112,148.</u>
	23 Pension, profit-sharing, etc., plans	23	<u>8,878,868.</u>
	24 Employee benefit programs	24	<u>16,131,304.</u>
	25 Domestic production activities deduction (attach Form 8903)	25	
	26 Other deductions (attach statement) <u>See Statement 8</u>	26	<u>112,328,910.</u>
	27 Total deductions. Add lines 12 through 26	27	<u>715,169,760.</u>
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	<u>210,780,533.</u>
29 a Net operating loss deduction (see instructions)	29a		
b Special deductions (Schedule C, line 20)	29b	<u>NONE</u>	
c Add lines 29a and 29b	29c	<u>NONE</u>	
30 Taxable income. Subtract line 29c from line 28 (see instructions)	30	<u>210,780,533.</u>	
31 Total tax (Schedule J, Part I, line 11)	31	<u>38,050,366.</u>	
32 Total payments and refundable credits (Schedule J, Part II, line 21)	32	<u>45,129,857.</u>	
33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	33		
34 Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed	34		
35 Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid	35	<u>7,079,491.</u>	
36 Enter amount from line 35 you want: Credited to 2016 estimated tax <u>7,079,491.</u> Refunded <input type="checkbox"/>	36		

Sign Here ▶ Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

<u>Kirk R Oliver</u> Signature of officer	<u>06/15/2017</u> Date	<u>Chief Financial Officer</u> Title	May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---------------------------	---	---

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Form **1120** (2015)

Schedule C Dividends and Special Deductions (see instructions)	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	NONE	70	NONE
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8 Dividends from wholly owned foreign subsidiaries		100	
9 Total. Add lines 1 through 8. See instructions for limitation			NONE
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12	55,013,748.		
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471),	139,887.		
15 Foreign dividend gross-up	40,656,718.		
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17 Other dividends	15,674.		
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4	95,826,027.		
20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			NONE

Schedule J Tax Computation and Payment (see instructions)

Part I-Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)).		
2	Income tax. Check if a qualified personal service corporation (see instructions).		73,773,187.
3	Alternative minimum tax (attach Form 4626)		NONE
4	Add lines 2 and 3		73,773,187.
5a	Foreign tax credit (attach Form 1118)	5a	35,038,609.
b	Credit from Form 8834 (see instructions)	5b	
c	General business credit (attach Form 3800)	5c	684,212.
d	Credit for prior year minimum tax (attach Form 8827)	5d	
e	Bond credits from Form 8912.	5e	
6	Total credits. Add lines 5a through 5e	6	35,722,821.
7	Subtract line 6 from line 4	7	38,050,366.
8	Personal holding company tax (attach Schedule PH (Form 1120)).	8	
9a	Recapture of investment credit (attach Form 4255)	9a	
b	Recapture of low-income housing credit (attach Form 8611)	9b	
c	Interest due under the look-back method - completed long-term contracts (attach Form 8697).	9c	
d	Interest due under the look-back method - income forecast method (attach Form 8866)	9d	
e	Alternative tax on qualifying shipping activities (attach Form 8902).	9e	
f	Other (see instructions - attach statement).	9f	
10	Total. Add lines 9a through 9f	10	
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31	11	38,050,366.

Part II-Payments and Refundable Credits

12	2014 overpayment credited to 2015	12	30,127,020.
13	2015 estimated tax payments	13	12,000,000.
14	2015 refund applied for on Form 4466	14	()
15	Combine lines 12, 13, and 14	15	42,127,020.
16	Tax deposited with Form 7004	16	3,000,000.
17	Withholding (see instructions)	17	
18	Total payments. Add lines 15, 16, and 17.	18	45,127,020.
19	Refundable credits from:		
a	Form 2439	19a	
b	Form 4136	19b	2,837.
c	Form 8827, line 8c	19c	
d	Other (attach statement - see instructions).	19d	
20	Total credits. Add lines 19a through 19d	20	2,837.
21	Total payments and credits. Add lines 18 and 20. Enter here and on page 1, line 32	21	45,129,857.

Schedule K Other Information (see instructions)

1	Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____	Yes	No
2	See the instructions and enter the:		
a	Business activity code no. ▶ <u>551112</u>		
b	Business activity ▶ <u>Holding Company</u>		
c	Product or service ▶ <u>Management Services</u>		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation ▶ _____		X
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)		X
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G).		X

UGI Corporation & Subsidiaries

Form 1120 (2015)

Schedule K Other Information *continued* (see instructions)

				Yes	No
5 At the end of the tax year, did the corporation:					
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851 , Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below. See Statement 18				X	
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock		
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below. See Statement 20				X	
(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital		
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452 , Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.					X
7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock? For rules of attribution, see section 318. If "Yes," enter: (i) Percentage owned ▶ _____ and (ii) Owner's country ▶ _____ (c) The corporation may have to file Form 5472 , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶ _____					X
8 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.					
9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____					
10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ _____					
11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.					
12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) ▶ \$ _____					
13 Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year ▶ \$ _____					X
14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement (see instructions)? If "Yes," complete and attach Schedule UTP.				X	
15a Did the corporation make any payments in 2015 that would require it to file Form(s) 1099?					X
b If "Yes," did or will the corporation file required Forms 1099?					
16 During this tax year, did the corporation have an 80% or more change in ownership, including a change due to redemption of its own stock?					X
17 During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?					X
18 Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than \$1 million?					X

UGI Corporation & Subsidiaries

23-2668356

Form 1120 (2015)

Page 5

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		342,919,000.		183,555,798.
2a Trade notes and accounts receivable	394,395,679.		105,314,096.	
b Less allowance for bad debts	(7,381,679.)	387,014,000.	(5,639,263.)	99,674,833.
3 Inventories		139,663,000.		71,072,756.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions),				
6 Other current assets (attach statement),	Stmt 27	163,047,971.		146,224,958.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach statement)	Stmt 35	1,974,306,382.		1,849,476,629.
10a Buildings and other depreciable assets	4,788,272,552.		3,962,837,690.	
b Less accumulated depreciation	(1,342,744,000.)	3,445,528,552.	(1,125,653,449.)	2,837,184,241.
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization),		19,314,448.		24,947,851.
13a Intangible assets (amortizable only)	928,356,978.		322,236,270.	
b Less accumulated amortization	(12,746,978.)	915,610,000.	(14,107,002.)	308,129,268.
14 Other assets (attach statement),	Stmt 40	395,222,000.		501,629,361.
15 Total assets		7,782,625,353.		6,021,895,695.
Liabilities and Shareholders' Equity				
16 Accounts payable		297,158,000.		162,467,201.
17 Mortgages, notes, bonds payable in less than 1 year		369,199,000.		158,718,479.
18 Other current liabilities (attach statement),	Stmt 44	408,959,001.		211,558,760.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		2,225,273,000.		1,284,222,961.
21 Other liabilities (attach statement),	Stmt 54	1,785,646,303.		1,349,997,127.
22 Capital stock: a Preferred stock				
b Common stock				
23 Additional paid-in capital		1,218,962,000.		1,201,565,230.
24 Retained earnings - Appropriated (attach statement)				
25 Retained earnings - Unappropriated		1,636,882,999.		1,848,042,308.
26 Adjustments to shareholders' equity (attach statement)		-114,567,000.		-157,779,997.
27 Less cost of treasury stock		(44,887,950.)		(36,896,374.)
28 Total liabilities and shareholders' equity		7,782,625,353.		6,021,895,695.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3 (see instructions).

1 Net income (loss) per books		7 Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$ _____	
2 Federal income tax per books			
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize): _____		8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation \$ _____	
a Depreciation \$ _____		b Charitable contributions . . \$ _____	
b Charitable contributions . . \$ _____			
c Travel and entertainment . \$ _____		9 Add lines 7 and 8	
6 Add lines 1 through 5		10 Income (page 1, line 28) - line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	1,636,882,999.	5 Distributions: a Cash	160,753,650.
2 Net income (loss) per books	343,176,216.	b Stock	
3 Other increases (itemize): _____		c Property	
		6 Other decreases (itemize): _____	16,257.
	28,753,000.	7 Add lines 5 and 6	160,769,907.
4 Add lines 1, 2, and 3	2,008,812,215.	8 Balance at end of year (line 4 less line 7)	1,848,042,308.

JSA

Form 1120 (2015)

Consolidated Schedules
1120 Page 1

	Combined	UGI Eliminations Top Consolidation	Adjustments	UGI Corporation & Subsidiaries
1a	Gross receipts or sales	1,919,820,281.		1,919,820,281.
1b	Returns and allowances			
1c	Balance	1,919,820,281.		1,919,820,281.
2	Cost of goods sold	1,128,885,497.		1,128,885,497.
3	Gross profit	790,934,784.		790,934,784.
4	Dividends	95,826,027.		95,826,027.
5	Interest	6,919,925.		6,919,925.
6	Gross rents	2,435,046.		2,435,046.
7	Gross royalties			
8	Capital gain net income	288,608.		288,608.
9	Net gain or (loss) from Form 4797	1,640,591.		1,640,591.
10	Other income	27,905,312.		27,905,312.
11	Total income	925,950,293.		925,950,293.
12	Compensation of officers	31,691,376.		31,691,376.
13	Salaries and wages	127,335,611.		127,335,611.
14	Repairs and maintenance	93,240,924.		93,240,924.
15	Bad debts	9,873,067.		9,873,067.
16	Rents	3,819,215.		3,819,215.
17	Taxes and licenses	43,366,731.		43,366,731.
18	Interest	57,336,592.		57,336,592.
19	Charitable contributions	2,638,422.		2,638,422.
20	Depreciation	206,332,338.		206,332,338.
21	Depletion	84,254.		84,254.
22	Advertising	2,112,148.		2,112,148.
23	Pension, profit-sharing etc., plans	8,878,868.		8,878,868.
24	Employee benefit programs	16,131,304.		16,131,304.
25	Domestic production activities deduction			
26	Other deductions	112,328,910.		112,328,910.
27	Total deductions	715,169,760.		715,169,760.
28	Taxable income before NOL & Spec. Deductions	210,780,533.	NONE	210,780,533.
29	NOL, Spec. deductions	NONE		NONE
30	Taxable income	210,780,533.	NONE	210,780,533.
JSA				

	1120C Subgroup	1120 FC Subgroup	
Consolidated Schedules			
1120 Page 1			
	23-2668356	03-0338831	
	-----	-----	
1a	Gross receipts or sales	1,918,242,992.	1,577,289.
1b	Returns and allowances		
1c	Balance	1,918,242,992.	1,577,289.
2	Cost of goods sold	1,128,885,497.	
3	Gross profit	789,357,495.	1,577,289.
4	Dividends	95,826,027.	NONE
5	Interest	6,880,086.	39,839.
6	Gross rents	2,435,046.	
7	Gross royalties		
8	Capital gain net income	288,339.	269.
9	Net gain or (loss) from Form 4797	1,640,591.	
10	Other income	27,905,312.	
	-----	-----	
11	Total income	924,332,896.	1,617,397.
	-----	-----	
12	Compensation of officers	31,691,376.	
13	Salaries and wages	127,335,611.	
14	Repairs and maintenance	93,240,924.	
15	Bad debts	9,873,067.	
16	Rents	3,819,215.	
17	Taxes and licenses	43,315,717.	51,014.
18	Interest	57,336,592.	
19	Charitable contributions	2,638,422.	
20	Depreciation	206,332,338.	
21	Depletion	84,254.	
22	Advertising	2,112,148.	
23	Pension, profit-sharing etc., plans	8,878,868.	
24	Employee benefit programs	16,131,304.	
25	Domestic production activities deduction		
26	Other deductions	107,467,964.	4,860,946.
	-----	-----	
27	Total deductions	710,257,800.	4,911,960.
	-----	-----	
28	Taxable income before NOL & Spec. Deductions	214,075,096.	-3,294,563.
	=====	=====	
29	NOL, Spec. deductions		NONE
	-----	-----	
30	Taxable income	214,075,096.	-3,294,563.
	=====	=====	
JSA			

Consolidated Schedules

1120 Page 1

	Combined	UGI Eliminations	Adjustments	1120C Subgroup
1a Gross receipts or sales	2,079,852,096.	-161,609,104.		1,918,242,992.
1b Returns and allowances				
1c Balance	2,079,852,096.	-161,609,104.		1,918,242,992.
2 Cost of goods sold	1,275,242,677.	-146,357,180.		1,128,885,497.
3 Gross profit	804,609,419.	-15,251,924.		789,357,495.
4 Dividends	387,997,257.	-292,171,230.		95,826,027.
5 Interest	7,549,138.	-669,052.		6,880,086.
6 Gross rents	2,435,046.			2,435,046.
7 Gross royalties				
8 Capital gain net income	2,061,843.		-1,773,504.	288,339.
9 Net gain or (loss) from Form 4797	-132,913.		1,773,504.	1,640,591.
10 Other income	75,208,617.	-47,303,305.		27,905,312.
11 Total income	1,279,728,407.	-355,395,511.		924,332,896.
12 Compensation of officers	31,716,826.			31,716,826.
13 Salaries and wages	127,310,161.			127,310,161.
14 Repairs and maintenance	93,240,924.			93,240,924.
15 Bad debts	9,873,067.			9,873,067.
16 Rents	3,819,215.			3,819,215.
17 Taxes and licenses	43,315,717.			43,315,717.
18 Interest	62,697,980.	-5,361,388.		57,336,592.
19 Charitable contributions	2,638,422.			2,638,422.
20 Depreciation	206,743,639.	-411,301.		206,332,338.
21 Depletion	84,254.			84,254.
22 Advertising	2,112,148.			2,112,148.
23 Pension, profit-sharing etc., plans	8,878,868.			8,878,868.
24 Employee benefit programs	16,131,304.			16,131,304.
25 Domestic production activities deduction				
26 Other deductions	165,232,825.	-57,764,861.		107,467,964.
27 Total deductions	773,795,350.	-63,537,550.		710,257,800.
28 Taxable income before NOL & Spec. Deductions	505,933,057.	-291,857,961.		214,075,096.
29 NOL, Spec. deductions	292,171,230.	-292,171,230.		
30 Taxable income	213,761,827.	313,269.		214,075,096.
JSA				

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	UGI Corporation 23-2668356	AmeriGas Propane, Inc. 23-2786294	AmeriGas Technology Group, Inc. 23-2861011	AmeriGas, Inc. 23-2716858	Ashtola Production Company 23-2101362	Eastfield International Holdings, Inc. 51-0385770	Energy Services Funding Corporation 23-3099149	EuroGas Holdings, Inc. 51-0392140
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Consolidated Schedules
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	Four Flags Drilling Company	Hellertown Pipeline Company	Homestead Holding Company	Newbury Holding Company	Petrolane Incorporated	UGI Asset Management, Inc.	UGI Black Sea Enterprises, Inc.	UGI China, Inc.
	23-2178262	46-0490470	51-0467618	30-0170818	23-2822807	51-0380873	23-2800542	52-2095053
1a	Gross receipts or sales							
1b	Returns and allowances							
1c	Balance							
2	Cost of goods sold							
3	Gross profit							
4	Dividends							
5	Interest			647,770.	1,788,890.			
6	Gross rents							
7	Gross royalties							
8	Capital gain net income				1,537,283.			-2,498,674.
9	Net gain or (loss) from Form 4797							
10	Other income				14,038,719.			-1,368,835.
11	Total income			647,770.	17,364,892.			-3,867,509.
12	Compensation of officers							
13	Salaries and wages							
14	Repairs and maintenance							
15	Bad debts							
16	Rents		2,268.	1,499.				
17	Taxes and licenses	2,000.		258.	548,057.			
18	Interest		118,257.					
19	Charitable contributions				16,326.			
20	Depreciation							
21	Depletion							
22	Advertising							
23	Pension, profit-sharing etc., plans							
24	Employee benefit programs					-948.		
25	Domestic production activities deduction							
26	Other deductions		5,834.	5,612.		948.		
27	Total deductions	2,000.	126,359.	7,369.	564,383.			
28	Taxable income before NOL & Spec. Deductions	NONE	-2,000.	-126,359.	640,401.	16,800,509.	NONE	NONE
29	NOL, Spec. deductions							
30	Taxable income	NONE	-2,000.	-126,359.	640,401.	16,800,509.	NONE	NONE
JSA								

Consolidated Schedules
1120 Page 1

	UGI Development Company	UGI Energy Ventures, Inc	UGI Ethanol Development Company	UGI Europe, Inc.	UGI Hunlock Development Company	UGI HVAC Enterprises, Inc.	UGI International (China), Inc.	UGI International (Romania), Inc.
	23-1650159	71-0992456	23-2179048	23-3070112	23-3051491	51-0375688	23-2867252	23-2837401
1a	Gross receipts or sales	62,757,748.		414,354,375.		54,001,388.		
1b	Returns and allowances							
1c	Balance	62,757,748.		414,354,375.		54,001,388.		
2	Cost of goods sold	28,525,183.		351,028,039.		30,932,171.		
3	Gross profit	34,232,565.		63,326,336.		23,069,217.		
4	Dividends			69,908,226.				
5	Interest	6,761.		2,010,080.				
6	Gross rents	531.						
7	Gross royalties							
8	Capital gain net income						-90,382.	
9	Net gain or (loss) from Form 4797					-283,179.		
10	Other income	33,771.		-4,699,738.			-161,722.	
11	Total income	34,273,628.		130,544,904.		22,786,038.	-252,104.	
12	Compensation of officers			25,450.				
13	Salaries and wages	2,237,238.				9,732,415.		
14	Repairs and maintenance					43,494.		
15	Bad debts					327,499.		
16	Rents	146,181.				539,474.		
17	Taxes and licenses	242,304.		1,209,215.		1,599,497.		
18	Interest			20,182,790.		405,079.		
19	Charitable contributions					545.		
20	Depreciation	12,933,077.				1,186,627.		
21	Depletion							
22	Advertising					707,763.		
23	Pension, profit-sharing etc., plans	190,609.				250,089.		
24	Employee benefit programs	439,172.				2,700,067.		
25	Domestic production activities deduction							
26	Other deductions	13,762,418.		23,018,376.		5,643,047.		
27	Total deductions	29,950,999.		44,435,831.		23,135,596.		
28	Taxable income before NOL & Spec. Deductions	4,322,629.	NONE	NONE	86,109,073.	NONE	-349,558.	-252,104.
29	NOL, Spec. deductions							
30	Taxable income	4,322,629.	NONE	NONE	86,109,073.	NONE	-349,558.	-252,104.

JSA

Consolidated Schedules
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	UGI LNG, Inc 51-0590685	UGI Penn HVAC Services, Inc 23-1946160	UGI Penn Natural Gas, Inc 56-2557139	UGI Petroleum Products of Delaware, Inc 51-0056772	UGI Properties, Inc. 23-2710207	UGI Romania, Inc. 23-2925615	UGI Storage Company 32-0309503	UGID Holding Company 51-0389590
1a	12,700,000.	83,520.	196,936,543.				11,299,385.	
1b								
1c	12,700,000.	83,520.	196,936,543.				11,299,385.	
2			73,616,498.				-787,929.	
3	12,700,000.	83,520.	123,320,045.				12,087,314.	
4								
5			516.					
6			3,519.		2,385,733.			
7								
8			10,315.					
9			115,559.					
10		-28,806.	3,042,849.		7,224.			3.
11	12,700,000.	54,714.	126,492,803.		2,392,957.		12,087,314.	3.
12								
13			14,694,907.					
14	936,394.		26,933,175.		354,028.			
15			2,166,782.					
16								2,268.
17	120,870.	-82,954.	6,324,535.	319.	344,682.		523,437.	
18			1,312,463.		786,197.			
19			198,887.		1,500.		200,000.	
20	10,045,789.		38,410,896.		471,977.		1,974,457.	
21								
22								
23			2,052,191.					
24			5,482,239.					
25								
26	2,302,763.	308,091.	34,460,486.		406,519.		2,686,453.	5,582.
27	13,405,816.	225,137.	132,036,561.	319.	2,364,903.		5,384,347.	7,850.
28	-705,816.	-170,423.	-5,543,758.	-319.	28,054.	NONE	6,702,967.	-7,847.
29								
30	-705,816.	-170,423.	-5,543,758.	-319.	28,054.	NONE	6,702,967.	-7,847.

Consolidated Schedules
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	UGI Utilities, Inc 23-1174060	UGI Central Penn Gas, Inc 23-1278755	UGI Enterprises, Inc. 23-2788712	
1a	Gross receipts or sales	456,502,526.	116,963,818.	754,252,793.
1b	Returns and allowances			
1c	Balance	456,502,526.	116,963,818.	754,252,793.
2	Cost of goods sold	204,058,913.	32,325,691.	555,544,111.
3	Gross profit	252,443,613.	84,638,127.	198,708,682.
4	Dividends	10,000,000.		104,815,294.
5	Interest	4,177.		257,538.
6	Gross rents	45,258.		5.
7	Gross royalties			
8	Capital gain net income			-327,573.
9	Net gain or (loss) from Form 4797	42,549.	40,947.	-48,789.
10	Other income	5,761,676.	2,799,324.	-3,725,079.
11	Total income	268,297,273.	87,478,398.	299,680,078.
12	Compensation of officers	5,334,945.		8,787,145.
13	Salaries and wages	26,597,114.	12,184,345.	19,025,725.
14	Repairs and maintenance	53,129,173.	11,769,370.	71,320.
15	Bad debts	5,863,074.	1,384,565.	
16	Rents	837,196.	244,498.	996,839.
17	Taxes and licenses	10,878,239.	5,178,323.	11,475,025.
18	Interest	37,559,214.	601,901.	1,731,550.
19	Charitable contributions	1,508,721.	80,922.	344,820.
20	Depreciation	71,920,291.	25,662,333.	44,118,153.
21	Depletion			84,254.
22	Advertising	793,302.	26,064.	543,129.
23	Pension, profit-sharing etc., plans	3,870,589.	1,675,034.	1,017,412.
24	Employee benefit programs	3,980,316.	1,187,429.	1,517,284.
25	Domestic production activities deduction			
26	Other deductions	57,934,536.	17,095,901.	41,949,016.
27	Total deductions	280,206,710.	77,090,685.	131,661,672.
28	Taxable income before NOL & Spec. Deductions	-11,909,437.	10,387,713.	168,018,406.
29	NOL, Spec. deductions	10,000,000.		78,897,493.
30	Taxable income	-21,909,437.	10,387,713.	89,120,913.
JSA				

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-24

Request:

Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).

- a. Reconcile and explain any differences in the base used to calculate State and Federal deferred income taxes.
- b. State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year.
- c. Reconcile differences between the deferred tax balance, as shown as a reduction to rate base, and the deferred tax balance as shown on the balance sheet.

Response:

See Schedules D-33 and D-34 in UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected) for the computation of federal and state deferred income taxes.

- a. Not applicable
- b. Tax depreciation subject to normalization is based on depreciable property as of the end of the test year. Further, tax depreciation is annualized as of the end of the test year period.
- c. The accumulated deferred tax balance, as shown as a reduction to measures of value, represents the annualized balance based on the plant in service included in the measures of value. The balance sheet represents the budgeted balance.

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
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II-D-25

Request:

Submit a schedule showing a breakdown of accumulated and unamortized investment tax credits, by vintage year and percentage rate, together with calculations supporting the amortized amount claimed as a reduction to pro forma income taxes. Provide details of methods used to write-off the unamortized balances.

Response:

Not applicable.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-26

Request:

Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not otherwise specifically explained and supported in the statement of operating income.

Response:

Please see Section D of UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), UGI Electric Exhibit A (Fully Projected), and the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, for an explanation and detail of the Company's claim for additional operating income items.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on January 26, 2018

II-D-27

Request:

If the utility's operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income date have been adjusted to develop the jurisdictional test year claim.

Response:

This rate filing is presented on a PUC jurisdictional basis only. Total system rate base and components of operating income have been assigned and/or allocated between FERC and PUC jurisdictions and the proposed revenue increase has been determined on a PUC jurisdictional basis only. Please also see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, and the Direct Testimony of John D. Taylor, UGI Electric Statement No. 6.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-E - Budgeted Data
Delivered on January 26, 2018

II-E-1

Request:

Supply a copy of any budget utilized as a basis for any test year claim, and explain the utility's budgeting process.

Response:

Please refer to the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, for an explanation of the Company's budgeting process, as well as Exhibit SFA-2, pages 1 through 3 which provide a summary of the operating budgets utilized as the basis for UGI Electric's Fully Projected Future Test Year, Future Test Year and Historic Test Year claims.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2017-2640058
2018 Base Rate Case
Responses to Section 53.53 - II-E - Budgeted Data
Delivered on January 26, 2018

II-E-2

Request:

Supply summaries of the utility's projected operating and capital budgets for the 2 calendar years following the end of the test year.

Response:

UGI Electric does not prepare projected operating and capital budgets for the two calendar years following the end of the Fully Projected Future Test Year.

Prepared by or under the supervision of: Eric Sorber