

UGI UTILITIES, INC.

IMPLEMENTATION PLAN

FOR

PENNSYLVANIA PUBLIC UTILITY COMMISSION

FOCUSED MANAGEMENT

AND

OPERATIONS AUDIT

DOCKET NOS. D-2018-3002234, D-2018-3002235, and D-2018-3002236

October 23, 2019

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INTRODUCTION

UGI Utilities, Inc. (“UGI” or “the Company”)(“UGI-GD” when referring to its gas division, and “UGI-ED” when referring to its electric division) hereby submits the following Implementation Plan (“Plan”) in response to the Pennsylvania Public Utility Commission Bureau of Audit’s 2018 Management and Operations Audit report recommendations.

The Plan is organized to address each recommendation contained in each of the functional areas as presented in the Bureau of Audit’s report. For each recommendation, the Plan states the response of the appropriate Company(s), the action to be taken, the individual responsible, and the expected completion date.

Acceptance of recommendations does not mean that the Company(s) is accepting all of the assertions or conclusions in the 2018 Management and Operations Audit report.

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**III. EXECUTIVE MANAGEMENT AND ORGANIZATIONAL
STRUCTURE**

**EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE
RECOMMENDATION NO. 1**

Improve the maintenance and tracking of safety training through automation.

Response: The Company agrees with this recommendation.

Action: The Company is implementing the use of a new Learning Management System to assign, schedule, and track completion of Safety Training.

Individual Responsible: Manager, Safety

Expected Completion Date: December 31, 2020

**EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE
RECOMMENDATION NO. 2**

Periodically review spans of control for UGI Utilities' management positions and document justification for supervisory position ratios with narrow or wide spans of control and adjust reporting relationships as appropriate.

Response: The Company agrees with this recommendation.

Action: The Company will perform a review once every 24 months and document exceptions and reasons for such where span of control is less than three (3) direct reports and greater than eight (8) direct reports.

Individual Responsible: Senior Manager, Compensation & Benefits

Expected Completion Date: March 31, 2020

**EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE
RECOMMENDATION NO. 3**

Centralize policy management and establish requirements to periodically review and update them.

Response: The Company agrees with this recommendation.

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Action: UGI believes that a dedicated resource will be needed to organize and administer a policy management process and will request funding for this resource. With the assistance of this resource, UGI plans to establish the following:

- 1) A centralized location for maintaining policies
- 2) Standard requirements for policy format
- 3) A process for tracking and approving policies
- 4) A policy for managing updates to policies

Individual Responsible: Controller

Expected Completion Date: December 31, 2021

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IV. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE RECOMMENDATION NO. 1

Organize the Internal Audit function to report administratively to the UGI Corp. CEO, another non-financial senior officer of UGI Corp., or directly to the Board of Directors.

Response: The Company disagrees with the recommendation. The Company's Internal Audit function currently reports functionally to the Audit Committee of the Company's Board of Directors. The General Auditor's compensation is also set by the Compensation Committee of the Company's Board. We believe this practice is reasonable.

Action: None.

Individual Responsible: N/A

Expected Completion Date: N/A

CORPORATE GOVERNANCE RECOMMENDATION NO. 2

Revise UGI Utilities' delegation of authority policy to strengthen governance controls for the new EVP Natural Gas position.

Response: The Company agrees to implement this recommendation.

Action: The Company has undertaken an initiative to remove the EVP Natural Gas Position from the delegation of authority for decisions involving agreements between UGI Utilities and affiliated interests that report to the EVP, Natural Gas.

Individual Responsible: Chief Financial Officer

Expected Completion Date: Completed

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V. AFFILIATED INTEREST AND COST ALLOCATIONS

AFFILIATED INTEREST AND COST ALLOCATIONS RECOMMENDATION NO. 1

Create a periodic, recurring process to compare the internal cost of services provided between UGI Utilities and its affiliates to market rates.

Response: The Company agrees with the recommendation.

Action: UGI will evaluate the significant internal services between UGI Utilities and its affiliates and determine those for which a reasonable market benchmark could be obtained. For material services for which market information could provide a reasonable comparison, UGI Utilities will obtain market benchmark information and compare the cost of the service between UGI Utilities and its affiliates to that benchmark.

Individual Responsible: Controller

Expected Completion Date: December 31, 2020

AFFILIATED INTEREST AND COST ALLOCATIONS RECOMMENDATION NO. 2

Update UGI Corp.'s Cost Allocation Manual.

Response: The Company agrees with this recommendation.

Action: UGI will work with UGI Corporate to enhance its Cost Allocation Manual with additional documentation related to cost allocation methodology for subsidiaries, especially those for which allocation methodologies are varied.

Individual Responsible: Controller

Expected Completion Date: September 30, 2020

AFFILIATED INTEREST AND COST ALLOCATIONS RECOMMENDATION NO. 3

Work with UGI Corp. to improve the level of detail provided in intercompany invoices and reports.

Response: The Company agrees with this recommendation.

Action: The current invoices from UGI Corporate to UGI Utilities provide invoice and system-generated support for direct charges, but do not provide the same level of detail

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for the allocation charge from UGI Corporate. While additional detail on the allocation is available upon request, we will work with UGI Corporate to modify the invoices so that a summary of the services provided is included with the invoice. The new ERP system which was implemented effective July 1, 2019 at both Utilities and UGI Corporate should allow for compilation of this information in a more efficient manner.

Individual Responsible: Controller

Expected Completion Date: September 30, 2020

AFFILIATED INTEREST AND COST ALLOCATIONS RECOMMENDATION NO. 4

Develop time entry training to address direct charging of labor for intercompany services.

Response: The Company agrees with this recommendation.

Action: UGI will evaluate the services provided to affiliates on a case by case basis to determine whether direct charging of labor or allocation of time based on another factor is most appropriate based the factors indicated in our Cost Allocation Manual. Training on time charging will be added to new hire training. As the Company expands the use of shared services, additional guidance will be provided on the allocation of time to affiliates as needed.

Individual Responsible: Controller

Expected Completion Date: September 30, 2020

AFFILIATED INTEREST AND COST ALLOCATIONS RECOMMENDATION NO. 5

Amend or file new affiliated interest agreements to more accurately detail services provided.

Response: The Company disagrees with this recommendation. The Company's current affiliate interest agreements were recently re-approved by the Commission in the Company's merger proceeding at Docket No. A-2018-3000381 for application during the post-merger period and properly detail the services permitted between the Company and its affiliates.

Action: None

Individual Responsible: N/A

Expected Completion Date: N/A

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VI. FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT RECOMMENDATION NO. 1

Conduct periodic internal audits of affiliate transactions and shared service costs.

Response: The Company agrees with this recommendation.

Action: Audits of affiliate charges to and from UGI Utilities will be inserted into the Internal Audit plan for fiscal year 2020 and on a rotating basis thereafter, subject to approval by the Audit Committee.

Individual Responsible: Controller

Expected Completion Date: September 30, 2020

FINANCIAL MANAGEMENT RECOMMENDATION NO. 2

Document or update existing policies or procedures to reflect actual practices.

Response: The Company agrees with this recommendation.

Action: UGI has largely moved away from narratives for documentation of procedures in favor of process flowcharts. New process flowcharts have been developed in connection with the financial system that was implemented effective in July 2019.

Regarding policies, UGI relies on the UGI Corporation accounting manual for most of its accounting policies. However, Utilities-specific policies, including the UGI Utilities Cost Accounting Manual and the dividends policy, will be evaluated by the expected completion date and planned for update in the future.

Individual Responsible: Controller

Expected Completion Date: September 30, 2020

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VII. GAS OPERATIONS

GAS OPERATIONS RECOMMENDATION NO. 1

Continue to reduce the number of third-party damages and increase the damage collection rate at UGI North.

Response: The Company agrees with this recommendation.

Action: UGI has achieved significant reductions in third-party damage rates company-wide and specifically at UGI North. UGI publishes a monthly scorecard detailing damages by operating center and will continue its damage prevention and public awareness efforts, targeting areas with challenged performance. Damage collection efforts will be increased at UGI North.

Individual Responsible: Vice President, Operations

Expected Completion Date: Damage collection rate improvements to be completed by September 30, 2020. Damage rate reduction efforts are ongoing.

GAS OPERATIONS RECOMMENDATION NO. 2

Decrease the number of main leaks and backlogged Class A leaks and continue to reduce the number of main leaks at UGI North.

Response: The Company agrees with this recommendation.

Action: UGI has continued to reduce, through asset replacement and targeted repair, the Class B leak inventory company wide. As the Class 'B' inventory is operationally minimized, an annual review of Class 'A' leaks will be conducted and annual goals will be established for long-term leak inventory reduction.

Individual Responsible: Vice President, Operations

Expected Completion Date: December 31, 2020

GAS OPERATIONS RECOMMENDATION NO. 3

Maintain focus on safety with the objective of meeting or exceeding safety KPI goals.

Response: The Company agrees with this recommendation.

Action: In 2018, UGI initiated the Safety Culture Program with the help of Dupont Safety Solutions. The change of a safety culture includes involving the entire work force over a

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multiyear program. This typically takes three to five years to implement and fully realize the benefits of the Safety Culture Program.

Individual Responsible: Vice President, Environmental Health and Safety

Expected Completion Date: October 1, 2022

GAS OPERATIONS RECOMMENDATION NO. 4

Continue accelerated efforts to identify and safely remove and dispose of all mercury regulators in UGI South's service territory.

Response: The Company agrees with this recommendation.

Action: To augment its established mercury regulator removal program, the Company has retained outside services to help review records and generate probable locations of any remaining mercury regulators. This narrows the locations that need to be canvassed and will shorten the length of time to remove all regulators.

Individual Responsible: Manager, Environmental Engineering

Expected Completion Date: Mercury regulator removal efforts are on-going.

GAS OPERATIONS RECOMMENDATION NO. 5

Follow through on plans to develop a centralized training facility to aid in OQ training.

Response: The Company agrees with this recommendation.

Action: A central training facility is in development. Construction is awaiting regulatory permit approval. Center is expected to be in service in 2020.

Individual Responsible: Chief Operating Officer

Expected Completion Date: September 30, 2020

GAS OPERATIONS RECOMMENDATION NO. 6

Consider redefining emergent and non-emergent work and train supervisors on the usage of overtime and continue to work to reduce overtime that is not related to an emergency.

Response: The Company agrees with this recommendation.

Action: Within the scope of UGI's planned UNITE initiative to replace UGI's work and asset management systems, UGI plans to reconfigure and define work types and

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associated timekeeping to provide additional insight, reportability, and management of planned and unplanned work. During the period preceding the implementation of these system changes, overtime reduction within the current emergent/non-emergent construct will continue to be a focus. Reducing overtime not related to emergency work will be a stated objective in the 2020 Operations Plan.

Individual Responsible: Vice President, Operations

Expected Completion Date: Overtime reduction details to be published in the 2020 Operations Plan by December 31, 2019

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VIII. ELECTRIC OPERATIONS

ELECTRIC OPERATIONS RECOMMENDATION NO. 1

Establish and track response times by subcategories and take corrective action to continue improving response times for emergency outage calls.

Response: The Company agrees with this recommendation.

Action: First, UGI Electric will establish a set of emergency response subcategories and implement a process to track response times using functionality within the existing Electric Outage Management System (OMS). Next, UGI-ED will review and establish response-time goals for the various subcategories, during and after normal work hours. Finally, UGI-ED will continue to look for opportunities to improve response times across all emergency response categories. Areas for consideration will include, improving dispatch procedures, technology enhancements and expanded after-hours and weekend coverage.

Individual Responsible: Director Engineering & Operations – Electric Division

Expected Completion Date: Establishment of the emergency response subcategories, goals and tracking methodology will be implemented by January 31, 2020. Improvement to the overall response times will be ongoing.

ELECTRIC OPERATIONS RECOMMENDATION NO. 2

Create a business case investigating the efficacy and feasibility of implementing some EMS features into the existing SCADA system.

Response: The Company agrees with this recommendation.

Action: UGI-ED personnel will create a business case to evaluate the efficacy and feasibility of implementing some EMS features into the existing SCADA system. The business case will consider among other things, EMS functionality, underlying data requirements, operational benefits, IT infrastructure requirements, system interfaces, cyber security and short and long-term costs. UGI-ED's existing Distribution SCADA System (DSS) which may serve as a base platform for adding additional EMS functionality. The business case will also review vendor product offerings and how these systems would interface with the new DSS.

Individual Responsible: Director Engineering & Operations – Electric Division

Expected Completion Date: December 31, 2020

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IX. EMERGENCY PREPAREDNESS

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 1

Install sprinkler systems at all regularly occupied facilities, where feasible.

Response: The Company agrees with this recommendation.

Action: UGI recognizes it has occupied facilities without sprinkler protection, however it should be noted that all buildings are approved for occupancy per local code enforcement. UGI agrees to complete a comprehensive facility review of fire protection system adequacy and will develop a risk-prioritized implementation plan.

Individual Responsible: Director, Security & Facilities

Expected Completion Date: December 31, 2020

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 2

Establish physical security standards that apply at company facilities and devote resources to adequately maintain oversight.

Response: The Company agrees with this recommendation.

Action: The Company recognizes the large number and geographic distribution of the facilities it owns and maintains (both manned and unmanned). UGI will establish documented physical security protection standards for things such as card access, fencing, lighting, cameras, etc. and align implementation based on risk assessment and criticality to operations.

Individual Responsible: Director, Security & Facilities

Expected Completion Date: December 31, 2020

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 3

Update the PSP to include relevant physical security efforts and review, update, and test it annually.

Response: The Company agrees with this recommendation.

Action: The Company has initiated the revision of its Physical Security Plan (PSP). The Company will complete the revision that will include plan sections addressing risk assessment, security policies, procedures, standards and requirements for plan review and testing.

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Individual Responsible: Director, Security & Facilities

Expected Completion Date: June 30, 2021

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 4

Establish a clear chain of command for physical security by placing the Director of Physical Security in charge of all physical security at UGI Utilities.

Response: The Company agrees with this recommendation.

Action: The Company agrees to more clearly delineate accountabilities and responsibilities for physical security by defining roles and responsibilities for all aspects of gas and electric physical security as part of the Physical Security Plan. A responsibility matrix will be incorporated into the Physical Security Plan to document how security roles align with the organizational structure. Reporting relationships will be considered as part of this evaluation, however, until the evaluation is complete, the Company will maintain the current reporting structure.

Individual Responsible: Director, Security & Facilities

Expected Completion Date: March 31, 2021

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 5

Perform penetration tests, risk analysis, and vulnerability assessments of physical security routinely, and periodically utilize external/independent resources.

Response: The Company agrees with this recommendation.

Action: The Company has recently begun conducting security vulnerability assessments at identified operations centers and field assets. The Company will document the methodology and process for conducting risk analysis, vulnerability assessments, and penetration testing in the Physical Security Plan.

Individual Responsible: Director, Security & Facilities

Expected Completion Date: June 30, 2021

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 6

Improve the CSP and relevant procedures, secure all PII, and consider formalizing policies at the UGI Corporation level.

Response: The Company agrees with this recommendation.

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Action: UGI acknowledges that information that is expected to be contained in a Cyber Security Plan (CSP) is available across several documents. UGI will document the status of implementation of the PII and risk management policies. UGI will create a CSP that consolidates by reference information contained in other documents and addresses any missing information required by 52 Pa. Code § 101.3(a)(2). The CSP will also incorporate relevant information with regards to the implementation of PII protections and other information security and risk management policies.

Individual Responsible: Senior Manager, Cyber Security & Risk

Expected Completion Date: March 31, 2020

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 7

Finish improving the gas SCADA communication upgrade.

Response: The Company agrees with this recommendation.

Action: The SCADA upgrade was completed on April 17, 2019.

Individual Responsible: N/A

Expected Completion Date: Completed.

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 8

Review and adjust resources to address the business continuity program's deficiencies.

Response: The Company agrees with this recommendation.

Action: The Company has taken steps to adopt a business continuity (BC) governance structure to include a BC Steering Committee, a BC Charter, and a BC Working Group comprised of cross-functional team members responsible for their BC planning. A third-party consultant has been retained to assist with identifying critical processes and conducting a business impact analysis that can be used across all business units. The Company has identified the top ten critical business processes, completed the development of BC plans for all 10 processes and completed 75% of testing/validation for those processes. The plan is to further develop each functional group's BC plan and initiate broader on-going functional testing and validation in accordance with BC program objectives.

Individual Responsible: Director, Security & Facilities / Director, IT Systems Operations

Expected Completion Date: Development and implementation of the Business Continuity Plan is on-going.

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EMERGENCY PREPAREDNESS RECOMMENDATION NO. 9

Continue improvement of the ERP, and address deficiencies in associated training.

Response: The Company agrees with this recommendation.

Action: Where applicable UGI will continue to update emergency response plans as identified in the MEA Audit report. Specifically, UGI already completed and will complete the following:

- In July 2019, UGI activated an online, in-house developed, ICS training module. The training is on demand and accessible by all employees via UGI's Learning Management System. This module is required on an annual basis for all UGI emergency responders.
- Integrate an emergency procedure "checklist" into our system which would require representatives to acknowledge that they have communicated the proper precautions to any caller reporting an emergency. However, given the opportunities UGI now has with its SAP software, UGI will have to prioritize resources accordingly.
- Include a reference within the Crisis Communication Plan linking the requirement for PUC notification located in our Emergency Plan.
- For all future revised evacuation plans, UGI will ensure that the general meeting location should be inside an exit stairwell or specify another safe location to wait for individuals with physical disabilities preventing them from exiting the building on their own.
- Implement emergency response training during onboarding of UGI employees to introduce them to Emergency Response procedures and protocols. It would not be the expectation that a new employee can respond to emergencies after onboarding as UGI requires field employees to attain field experience and additional education prior to responding to an emergency.

Individual Responsible: Vice President, Environmental Health and Safety

Expected Completion Date: December 31, 2020

EMERGENCY PREPAREDNESS RECOMMENDATION NO. 10

Maintain up to date printed copies of SDS near where chemicals are stored or in a relevant control center.

Response: The Company agrees with this recommendation.

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Action: UGI is reviewing the available approaches to maintaining a centralized copy of applicable Safety Data Sheets (SDS). Upon selection of a method, UGI will ensure this SDS are maintained centrally in addition to the already available online and telephonic means to access applicable SDS.

Individual Responsible: Manager, Safety

Expected Completion Date: June 31, 2020.

X. MATERIALS MANAGEMENT

MATERIALS MANAGEMENT RECOMMENDATION NO. 1

Improve company-wide inventory turnover and exclude emergency stock from inventory turnover calculations.

Response: The Company agrees with this recommendation.

Action: The Supply Chain will work with the SAP support team to develop an inventory turnover report that excludes emergency inventory stock from the inventory turnover calculation. Supply Chain will also review and adjust as appropriate the Reorder Point/Max inventory quantities migrated from UGI Utilities' legacy ERP system. In addition, Supply Chain will review non-moving and potential excess inventory for appropriate disposition.

Individual Responsible: Director, Supply Chain

Expected Completion Date: September 30, 2020

MATERIALS MANAGEMENT RECOMMENDATION NO. 2

Automate the materials management function.

Response: The Company agrees with this recommendation.

Action: UGI Utilities implemented SAP S4/Hanna on July 1, 2019, which includes auto-replenishment, material reservations, and radio frequency/barcoding technologies. It also provides additional automation in pick scheduling and receiving processes in the central warehouses. Supply Chain will seek further opportunities for process improvement as we gain more experience with SAP.

Individual Responsible: Director, Supply Chain

Expected Completion Date: September 30, 2020

MATERIALS MANAGEMENT RECOMMENDATION NO. 3

Develop a detailed material procurement manual and track vendor performance.

Response: The Company agrees with this recommendation.

Action: The Supply Chain recently issued the "Acquisition of Materials and Services" policy on June 26, 2019, that included sourcing methods, bidding requirements, and guidance on when a source justification form is required. Supply Chain will determine

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SAP's capabilities regarding capturing vendor performance data and will develop and publish a vendor qualification policy by December 31, 2019. In addition, Supply Chain will develop procurement process flow charts and include such charts as attachments to the recently issued Acquisition Policy. Further, Supply Chain agrees to periodically review and update its policies as appropriate.

Individual Responsible: Director, Supply Chain

Expected Completion Date: September 30, 2020

MATERIALS MANAGEMENT RECOMMENDATION NO. 4

Improve cycle count accuracy rates at warehouses in the UGI Central division.

Response: The Company agrees with this recommendation.

Action: The Supply Chain will work with local management of each UGI Central division operating center to emphasize and communicate the importance of proper inventory management to enable improved cycle count accuracy.

Individual Responsible: Director, Supply Chain

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XI. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY RECOMMENDATION NO. 1

Ensure forward-looking goals and objectives are fully defined within the IT Strategic Plan (ITSP).

Response: The Company agrees with this recommendation.

Action: UGI will revise the ITSP to ensure forward looking goals are clearly stated.

Individual Responsible: Vice President and Chief Information Officer

Expected Completion Date: October 1, 2020.

INFORMATION TECHNOLOGY RECOMMENDATION NO. 2

Expand the required IT certifications to drive wanted skill competencies.

Response: UGI partially agrees with this recommendation. Where UGI's needs and requirements align with applicable vendor or industry certifications, UGI will require certification as part of position qualifying criteria. Examples of this includes Cyber Security, project management, and audit and controls.

Action: Document specific roles and certification requirements.

Individual Responsible: Senior Manager, IT Governance & Compliance

Expected Completion Date: June 30, 2020

INFORMATION TECHNOLOGY RECOMMENDATION NO. 3

Integrate the IT Department as part of the procurement process to review and evaluate cybersecurity issues for communications-capable operations equipment.

Response: The Company agrees with this recommendation.

Action: The Company plans to undertake the following actions: publish the Technology Acquisition Policy and in alignment with the Procurement Department, Operations Department, and Engineering Department, establish and implement the triggers and procedures to ensure IT engagement evaluation of all operational technology acquisitions.

Individual Responsible: Senior Manager, IT Governance & Compliance

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XII. CUSTOMER SERVICE

CUSTOMER SERVICE RECOMMENDATION NO. 1

Reduce long-term accounts receivable balances.

Response: The Company agrees with this recommendation.

Action: The Company has developed a multi-faceted plan involving a high level of collaboration between several departments to aggressively attack these long-term receivable account balances. The execution of this plan will continue for the foreseeable future until long-term accounts receivables balances are reduced to reasonably acceptable levels, as customers go through the dunning process and their past due balances are placed on extended payment arrangements. Some components of the debt reduction plan already executed in FY19 include:

- Aggressive Outbound Dialing Campaigns- Beginning 5/27/2019, the collections team trained Call Center credit agents to call all customers entering the dunning process. This reduces costly field collections activity and increases customer payments earlier in the collections process.
- Targeted Email Campaign to Pre-Dunning Delinquent Accounts – This initiative increases communications regarding bill payment options in order to reduce customer’s delinquency through additional payments.
- Non-Access Accounts Program – Collaboration between the credit team and the Operation’s group has expanded in order to find and correct accounts that have not been terminated due to our physical inability to shut the service off.

New items to be focused on in FY20 in addition to the items above include:

- Expanded LIHEAP Enrollment Program through the use of UGI employees working out in UGI’s service areas through various outreach events and targeted locations to directly with interact with potential qualifying customers.
- Expanded CAP customer enrollments to qualifying customers
- Operations Share Funding Plan increase to help qualifying customers

The Company also plans to enhance SAP CIS in order to optimize collections from individual customers. Our current implementation plan has these enhancements in place by September 2020. Additional system enhancements, CAP Program enrollment initiatives and associated analytics will be assessed throughout 2020, and our comprehensive debt reduction plan will be adjusted accordingly.

Individual Responsible: Principal Leader, Credit & Collections

Expected Completion Date: October 1, 2021

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CUSTOMER SERVICE RECOMMENDATION NO. 2

Resolve integration issues between the new customer information system and program used to support billing and collections processes for UGI Utilities' Customer Assistance Program.

Response: The Company agrees with this recommendation.

Action: The Company has dedicated internal and external resources to resolve the integration issues between SAP and the Company's Customer Outreach System (COS), which serves our Community Based Organizations (CBO's) and CAP customers. UGI's Customer Service and IT Teams have worked together to assess the system compatibility issues, address them initially through manual workarounds and ultimately develop an IT defect resolution plan which includes automated solutions to these issues. The Company has held numerous update meetings with the PUC Bureau of Consumer Services and will continue these meetings until the completion of the IT defect resolution plan.

Individual Responsible: Senior Manager, Credit/Collections & Outreach

Expected Completion Date: December 31, 2019

CUSTOMER SERVICE RECOMMENDATION NO. 3

Improve customer service performance metrics.

Response: The Company agrees with this recommendation.

Action: In September 2017, UGI Utilities went live with the new SAP Customer Information System ("CIS"). The implementation of a new CIS brings with it short-term transitional challenges, including increased average handle time for call center representatives learning a new system, higher call volumes due to questions about the new systems, as well as temporary reductions in customer satisfaction due to the impact of initial system defects. Offsetting these initial transitional challenges are customer related system benefits including the creation of a customer portal available 24/7 from any digital device, single customer sign-on capabilities to access consumption history, view a bill or make a payment; and the development of other user-friendly on-line tools.

During FY19 beginning October 1, 2018, enhancements have been made to both the SAP Customer Relationship and Billing ("CR&B") system as well as our customer portal in order to improve the UGI customer experience. A customer service improvement plan was also deployed with a focus on continued system enhancements planned through FY21 to improve employee and customer experience. This includes enhancements using

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FIORI Applications in SAP CR&B to reduce Average Handle Time (AHT), customer online portal upgrades increasing self service capabilities, and a full review and implementation of a new telephony and IVR systems. Additionally, industry best practices have been reviewed and implemented.

As a result of these efforts, customer satisfaction metrics have begun to show significant improvement favorable to pre-SAP levels. Grade of Service (GOS) calendar year to date is at 88% compared to last year's GOS of 76%. In addition, our call volume is down by approximately 7% and our abandon rate has decreased by 49%. UGI expects customer satisfaction metrics to continue improving as new initiatives focused on employee and customer experience are implemented.

Individual Responsible: Manager, Customer Communications Center

Expected Completion Date: October 1, 2021

CUSTOMER SERVICE RECOMMENDATION NO. 4

Improve the retention of Customer Care Representatives within the Customer Information Center.

Response: The Company agrees with this recommendation.

Action: The Company has made significant changes during FY19 to improve Customer Care Representative (CSR) retention within the Customer Information Center. The Customer Information Center has and will always be a feeder for other departments within the Company, but we did see higher churn rates after the implementation of SAP. To improve CSR retention, we have implemented several changes to our hiring, training and management practices during F2019. For example, we have changed our hiring strategy to hire larger groups of CSRs two times a year as opposed to hiring individual candidates immediately as employees left the department. Hiring twice a year has allowed for us to have a job fair to attract potential candidates due to a larger pool of open positions to be filled, plus creates an onboarding process that has a cohesive class and enables them to bond as a team. In addition, we have established a "nesting area" for new Customer Care Representatives when first taking calls. This area is in a separate location where supervisors and training staff can closely manage the team in a single location and be able to provide the support needed to make sure the new Customer Care Representatives are progressing as expected. If initial performance does not meet expectations, the individuals go through additional training or coaching before being able to successfully leave the "nesting area".

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The implementation of these changes has produced favorable results regarding employee retention. This can be shown by comparing the count of employees that were terminated, resigned, or transferred in 2018 compared to FYTD 19. The turnover ratio for 2018 was 28% with 33 external separations, while in 2019 FYTD we have had only 18 external separations, or a turnover ratio of 17% which is approximately a 40% improvement for 2018. The Company will continue to utilize these initiatives plus additional measures that may be identified as we continue to review best practices with other utility call centers.

Individual Responsible: Manager, Customer Communications Center

Expected Completion Date: October 1, 2021

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XIII. FLEET MANAGEMENT

FLEET MANAGEMENT RECOMMENDATION NO. 1

Determine optimal vehicle and equipment replacement strategy and update vehicle replacement guidelines.

Response: The Company agrees with this recommendation.

Action: UGI Utilities will develop an optimized vehicle and equipment replacement strategy and update the “Vehicle Replacement Guidelines” accordingly.

Individual Responsible: Director, Supply Chain

Expected Completion Date: December 31, 2020

FLEET MANAGEMENT RECOMMENDATION NO. 2

Develop key performance indicators tailored to effectively manage UGI Utilities’ fleet, reduce costs, and drive efficiency.

Response: The Company agrees with this recommendation.

Action: UGI Utilities will include the following metrics with its Fleet KPI’s: “cost per mile-fuel”, “cost per mile-maintenance”, “cost per mile-damage”, “overall cost per mile”, “compressed natural gas (CNG) usage”, and “vehicle idling time”.

Individual Responsible: Director, Supply Chain

Expected Completion Date: June 31, 2020

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XIV. HUMAN RESOURCES/DIVERSITY

HUMAN RESOURCES/DIVERSITY RECOMMENDATION NO. 1

All documentation provided to new hires should be reviewed periodically and updated as necessary.

Response: The Company agrees with this recommendation.

Action: Utilities' Human Resources will keep policies and forms current and will coordinate with UGI Corporation for any items which they administer to us.

Individual Responsible: Senior Manager, Human Resources

Expected Completion Date: January 31, 2020

HUMAN RESOURCES/DIVERSITY RECOMMENDATION NO. 2

Prepare and file annual diversity reports in accordance with Commission guidelines for annual PUC diversity filing.

Response: The Company agrees with this recommendation.

Action: The Human Resources group will coordinate with the Purchasing organization to ensure all Utilities annual diversity reports are filed together in accordance with Commission guidelines.

Individual Responsible: Senior Manager, Human Resources

Expected Completion Date: March 1, 2020