



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY, PLEASE
REFER TO OUR FILE

January 16, 2026

Docket No. M-2025-3058829
Utility Code: 111100

LINDSAY A. BERKSTRESSER, ESQ.
UGI CORPORATION
500 NORTH GULPH ROAD
KING OF PRUSSIA, PA. 19406
berkstresserl@ugicorp.com

Re: Annual Asset Optimization Plan (AAOP) for UGI Utilities, Inc. – Electric Division at Docket No. M-2025-3058829

Dear Attorney, Berkstresser:

On November 24, 2025, UGI Utilities, Inc. – Electric Division (UGI Electric) filed its 2025 Annual Asset Optimization Plan (2025 AAOP) with the Commission pursuant to 52 Pa. Code § 121.6.

The Commission’s regulations require utilities with an approved Distribution System Improvement Charge (DSIC) to file annually an AAOP with the Commission. The AAOP shall be filed 60 days after the prior 12 months of the company’s Long-Term Infrastructure Improvement Plan (LTIIIP) has expired, and pursuant to this timeframe for each successive AAOP. 52 Pa. Code § 121.6(a).

The AAOP must include:

- 1) A description that specifies all of the eligible property repaired, improved, and replaced in the prior 12-month period under its LTIIIP and prior year’s AAOP.
- 2) A description of the eligible property to be repaired, improved, and replaced in the upcoming 12-month period.

The Commission is charged with reviewing each AAOP only to determine whether the utility is in substantial compliance with the repairs, improvements, or replacements of the specific eligible property in its approved LTIIIP, for the corresponding 12-month timeframes. 52 Pa. Code § 121.6(d). The Commission has delegated the review of AAOPs to the Bureau of Technical Utility Services (TUS).

Timely Filing

52 Pa. Code § 121.6(a)

A utility with an approved DSIC shall file with the Commission, for informational purposes, an AAO plan. The AAO plan shall be filed annually with the Commission 60 days after the 12 months of its LTIIIP has expired and under this time frame for each successive year of the term of the LTIIIP.

UGI Electric's 2025 AAOP complies with this requirement.

Content

52 Pa. Code § 121.6(b)

An AAO plan must include:

- (1) A description that specifies all the eligible property repaired, improved and replaced in the prior 12-month period under its LTIIIP and prior year's AAO plan.*
- (2) A description of the eligible property to be repaired, improved and replaced in the upcoming 12-month period.*

UGI Electric's 2025 AAOP substantially complies with this requirement.

Substantial Adherence to LTIIIP

52 Pa. Code § 121.6(d)

An AAO plan will be reviewed by the Commission only to determine whether the utility is in substantial compliance with the repairs, improvements or replacements of the specific eligible property in its approved LTIIIP for the corresponding 12-month time frames.

52 Pa. Code § 121.6(f)

If an AAO plan is rejected by the Commission, the utility will be notified of the plan's deficiencies and actions needed to repair, improve or replace eligible property to bring the utility into compliance with the work schedule in its approved LTIIIP. If the utility concludes that it needs to revise its LTIIIP to comply with the Commission's determinations, it shall file a petition for modification under § 121.5.

UGI Electric's Petition for Approval of its Second LTIIIP was approved by Commission Order entered August 25, 2025, at Docket No. P-2022-3032042. During the five-year term of the Second LTIIIP, October 1, 2022, through September 30, 2027, UGI Electric projected an increase in total projected capital spending from approximately \$50.6 million to approximately \$73.1 million. Accordingly, on December 31, 2024, UGI Electric filed a Petition for Approval of a Major Modification to its Second Long-Term Infrastructure Improvement Plan (Modified

Second LTIIIP). The Commission approved the Modified Second LTIIIP in an Opinion and Order entered on September 25, 2025.¹

UGI Electric's LTIIIP is implemented on a fiscal year (FY) basis. As a result, the 2025 AAOP covers the actual results from the third year of the UGI Electric's Modified Second, for the period October 1, 2024, through September 30, 2025 (FY 2025), and the anticipated replacements for the fourth year of its Modified Second LTIIIP, the period from October 1, 2025, through September 30, 2026 (FY2026).

For FY 2025 UGI Electric projected a total LTIIIP budget of \$12,040,200. UGI Electric's actual expenditures were \$11,595,078, which is within 4% of its budgeted spend. Appendix A of the 2025 AAOP consisted of a table that identified planned capital expenditures, actual expenditures, planned replacement quantities, and actual replacement quantities for FY 2025 on a programmatic basis.

UGI Electric's 2025 AAOP also included an analysis of each project category that significantly over or underperformed compared to forecasted values. Of note, UGI Electric indicated that it completed 721 Circuit Improvement Projects in FY 2025. However, it spent \$6,825,366 on these projects as compared to its Second Modified LTIIIP estimate of \$7,611,000. UGI Electric indicated that this project category included general end-of-life or equipment replacements such as pole installations, conductors, transformers, reclosers, capacitors, and service connections, which are often difficult to predict or estimate in advance. Additionally, UGI Electric noted that make-ready projects associated with pole attachment activities continue to be a major contributor toward dollars spent in this category, but that the costs for make-ready projects within this project category represent UGI Electric's costs to bring poles, attachments, and other equipment into compliance with current published safety, reliability, and construction standards not caused by the new pole attacher, all of which cannot be charged to the attacher.

For FY 2026, UGI Electric projects expenditures of \$16,720,000 as compared to the \$19,475,000 originally estimated in its Modified Second LTIIIP, which is an approximate 14.15% variation. Appendix B of the 2025 AAOP consisted of a table that identified planned capital expenditures and planned replacement quantities for FY 2026, by project category. Compliance with the LTIIIP is evaluated on a multiyear basis over the life of the LTIIIP. Construction and budget variations in individual years are expected, and it is reasonable that over a multi-year timeframe, much of this variation will be mitigated.

Compliance with Other Directives

Pursuant to the Commission's August 25, 2022, Opinion and Order approving UGI Electric's Second LTIIIP at Docket No. P-2022-3032042, the UGI Electric was instructed to provide LTIIIP job creation data in its AAOPs. As such, UGI Electric notes that between 2018 and 2025, it created between 20 and 30 full-time jobs to support UGI Electric's DSIC-eligible projects as identified in the LTIIIP.

¹ See, *Petition of UGI Utilities, Inc. - Electric Division for Approval of a Major Modification to its Second Long-Term Infrastructure Improvement Plan*, Order Entered September 25, 2025, at Docket No. P-2022-3032042.

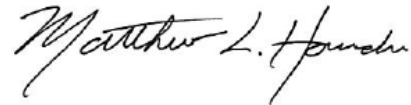
Separately, Appendix C of the 2025 AAOP contained UGI Electric's 2025 Vegetation Report to comply with the Joint Petition for Approval of Settlement of all Issues (Settlement) submitted July 14, 2023, in UGI Electric's most recent base rate case proceeding.² In its 2025 Vegetation Report, UGI Electric indicated that for the 12-month period ended September 30, 2025, UGI Electric underspent its budgeted amount for vegetation management by \$360,004. UGI Electric contributed this underspend to an increase in transmission work and other capital projects, as well as relatively storm-free weather. Additionally, UGI Electric indicated that it experienced a reduction in ash tree removals that reflects the progress made through its focused efforts on these trees during the last several years, as well as their natural attrition. By providing this report, UGI Electric appears to be in compliance with the Settlement.

Conclusion

Upon review of UGI Electric's 2025 AAOP filed on November 24, 2025, it appears that the filing substantially complies with the requirements of 52 Pa. Code § 121.6 and it is approved. This approval is contingent upon the possibility that subsequent audits, reviews and inquiries, in any Commission proceeding, may be conducted pursuant to 52 Pa. Code § 121.

If you are dissatisfied with the resolution of this matter, you may, as set forth in 52 Pa. Code § 5.44, file a petition with the Commission within twenty (20) days after the date of this letter. Please direct any questions regarding this filing to Clinton McKinley, TUS, at cmckinley@pa.gov.

Sincerely,



Matthew L. Homsher,
Secretary

cc: Kriss Brown, LAW
Allison Kaster, BIE
Brent Killian, BIE
Dan Searfoorce, TUS
John Van Zant, TUS

² See, *UGI Utilities, Inc. – Electric Division, Joint Petition for Approval of Settlement of All Issues*, Order entered September 21, 2023, at Docket No. R-2022-3037368.