

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF AUDITS**



**REPORT ON
UGI UTILITIES, INC – GAS DIVISION**

**STATEMENTS OF UNIVERSAL SERVICE PROGRAM
FOR THE 12-MONTH PERIODS ENDED
SEPTEMBER 30, 2023, SEPTEMBER 30, 2022, AND
SEPTEMBER 30, 2021**

**MARCH 10, 2026
DOCKET NO. D-2024-3049833**

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3049833**

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Background

UGI Utilities, Inc. is a company principally engaged in providing transmission and distribution of electric and natural gas services. UGI Utilities, Inc. is headquartered in Denver, Pennsylvania and is a wholly owned subsidiary of UGI Corporation headquartered in Valley Forge, Pennsylvania. According to UGI Utilities, Inc. – Gas Division’s (UGI Gas Division or Company) annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission) for the calendar years 2023, 2022, and 2021, total sales of gas from residential, commercial, and industrial customers were \$861,023,761; \$869,091,293; and \$636,800,582; respectively.

On January 16, 2020, at Docket No. M-2019-3014966, the Commission approved UGI Utilities, Inc. – Gas and Electric Division’s Universal Service and Energy Conservation Plan (USECP) for the five-year period January 1, 2020 through December 31, 2025.



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

Independent Auditor’s Report to the Pennsylvania Public Utility Commission

Opinion

We have audited UGI Utilities, Inc. – Gas Division’s Statements of Universal Service Program Over/Under Collections for the 12-month periods ended September 30, 2023, September 30, 2022, and September 30, 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UGI Utilities, Inc. – Gas Division’s Statements of Universal Service Program Over/Under Collections for the 12-month periods ended September 30, 2023, September 30, 2022, and September 30, 2021 and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the **Auditor’s Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of UGI Utilities, Inc. – Gas Division and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it

exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

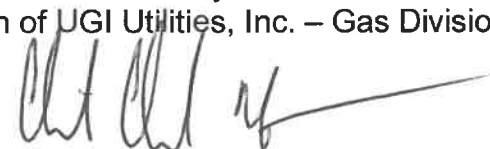
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UGI Utilities, Inc. – Gas Division’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UGI Utilities, Inc. – Gas Division’s ability to continue as a going concern for a reasonable period of time.

The auditor is required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that the auditor identified during the audit.

Report on Other Legal and Regulatory Requirements

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of UGI Utilities, Inc. – Gas Division’s revenue and expenses.



Chris Yother, CPA
Director
Bureau of Audits
Harrisburg, PA
March 10, 2026

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**Universal Service Program (USP) ¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended September 30, 2023²**

<u>Month</u>	<u>USP Revenue</u> (1)	<u>USP Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
October 2022	\$ 709,680	\$ 465,223	\$ 244,457
November	1,222,905	2,176,497	(953,592)
December	3,166,090	3,591,523	(425,434)
January 2023	4,268,004	4,860,073	(592,068)
February	3,552,004	4,288,135	(736,132)
March	3,526,590	4,471,438	(944,848)
April	1,875,748	2,727,449	(851,701)
May	1,107,795	1,042,987	64,807
June	553,239	433,785	119,455
July	360,868	(33,735)	394,603
August	360,319	(88,972)	449,292
September	344,955	298,438	46,517
Total	<u>\$ 21,048,198</u>	<u>\$ 24,232,841</u>	<u>\$ (3,184,643)</u>

¹ As reported to the Commission at Docket No. M-2023-3044007. Arithmetic differences are due to rounding.

² Notes to the Financial Statements are an integral part of this report.

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**Universal Service Program (USP)³
Over/(Under) Collections (Section 1307(e))
for the 12 months ended September 30, 2022⁴**

<u>Month</u>	<u>USP Revenue</u> (1)	<u>USP Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
October 2021	\$ 362,590	\$ (94,581)	\$ 457,172
November	1,071,963	797,376	274,587
December	2,541,296	3,229,678	(688,381)
January 2022	3,366,421	3,890,726	(524,305)
February	3,707,077	3,675,953	31,123
March	3,166,369	3,306,802	(140,433)
April	1,946,846	2,049,869	(103,023)
May	1,116,094	1,093,533	22,561
June	443,583	(11,589)	455,173
July	307,552	(135,699)	443,251
August	303,808	198,663	105,145
September	313,577	135,216	178,361
Total	<u>\$ 18,647,174</u>	<u>\$ 18,135,944</u>	<u>\$ 511,230</u>

³ As reported to the Commission at Docket No. M-2022-3036467. Arithmetic differences are due to rounding.

⁴ Notes to the Financial Statements are an integral part of this report.

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**Universal Service Program (USP) ⁵
Over/(Under) Collections (Section 1307(e))
for the 12 months ended September 30, 2021⁶**

<u>Month</u>	<u>USP Revenue</u> (1)	<u>USP Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
October 2020	\$ 440,374	\$ (132,982)	\$ 573,356
November	838,288	635,363	202,925
December	1,890,119	2,047,974	(157,855)
January 2021	2,656,867	3,192,132	(535,264)
February	2,747,730	2,994,933	(247,203)
March	2,642,929	2,629,446	13,483
April	1,325,189	1,326,091	(902)
May	751,239	640,875	110,364
June	457,509	(298,556)	756,066
July	281,677	(211,853)	493,530
August	255,982	(282,235)	538,218
September	277,281	(247,286)	524,567
Total	<u>\$ 14,565,186</u>	<u>\$ 12,293,901</u>	<u>\$ 2,271,284</u>

⁵ As reported to the Commission at Docket No. M-2021-3029336. Arithmetic differences are due to rounding.

⁶ Notes to the Financial Statements are an integral part of this report.

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Notes to the Financial Statements

1 – Statements

The Universal Service Program (USP) Over/(Under) Collections presented in this report are condensed from the officially filed statements. The audit was conducted on UGI Gas Division’s officially filed 1307(e) statements submitted to the PUC in accordance with Section 1307(e)(1) of the Public Utility Code on November 1, 2023, November 1, 2022 and November 1, 2021. The statements are available on the PUC’s website (<http://www.puc.pa.gov>) at Docket Nos. M-2023-3044007, M-2022-3036467 and M-2021-3029336.

2 – USP Revenue

USP Revenue is calculated by multiplying the sales volume billed during the month by the applicable USP rate, excluding the E Factor. The USP rate is applicable to all Residential Customers except customers enrolled in the USP.

3 – USP Expenses

USP Expenses are allowable costs to provide assistance to those customers who are payment troubled. Expenses are negative for some months due to a negative CAP Shortfall. The CAP Shortfall represents the difference between the actual cost of providing natural gas service to low-income customers enrolled in CAP and the lower, income-based amount those customers pay. This usually happens in the non-heating months when gas is not being consumed but CAP payments are still required.

4 – Over/Under Collections

The Over/Under Collection is the difference between the USP Revenue and the USP Expenses. The resulting amount represents the portion of USP Revenue refundable to or USP Expenses recoverable from customers through subsequent USP rates. Differences arise for two primary reasons:

- Variations between the actual volumes billed to customers and the estimates used to determine the USP rate; and,
- Variations between actual USP Expenses and the estimates used to determine the USP rate.

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Current Audit Findings

Finding No. 1 – Retention of customer’s CAP eligibility documentation is insufficient.

Eligibility for UGI Gas Division’s Customer Assistance Program (CAP) is administered by various Community Based Organizations (CBOs) within the Company’s service territory. To qualify for CAP, a customer must provide the CBOs with income documentation so that the customer’s eligibility and the amount of subsidy can be determined. UGI Gas Division has an informal four-year documentation retention period for CAP applications that are submitted to the CBOs. This informal policy is laid out in a training document that is sent to new CBO employees.

Audit Staff sampled CAP customer eligibility documentation for the audit period. Based on the sampling, Audit Staff found that customer eligibility documentation was not available for some test customers. This was due to various reasons, such as recertification not requiring income verification and the lack of a formal written document retention policy.

Documentation retention issues make UGI Gas Division’s oversight of the CAP program difficult and increases the risk of providing assistance to non-qualified customers and/or denying assistance to otherwise eligible customers.

Recommendation:

We recommend that UGI Gas Division establish a written document retention policy. In addition, UGI Gas Division should consider developing a process where eligibility documentation is forwarded by the CBOs to UGI Gas Division who would then become the custodian of records.

Finding No. 2 – UGI Gas Division’s CBO reviews are not sufficiently documented.

UGI Gas Division conducts annual reviews of their CBOs to ensure that the customer applications being submitted and approved follow the standards and requirements laid out by the Company’s Universal Service Plan.

During fieldwork, Audit Staff found that when conducting reviews of the CBOs, UGI Gas Division followed a simple checklist to conduct the reviews. However, no formal procedure is in place to guide the review, results are only communicated to the CBO if deficiencies are found, and records of the reviews are not retained by UGI Gas Division.

The performance of, and results from, UGI Gas Division’s CBO reviews should be documented, communicated to the CBO, and retained. This documentation would serve as proof of the review, identify which customer accounts and documents were reviewed, improve assessment quality, document CBO performance over time, and allow for program process improvements.

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Current Audit Findings (continued)

Recommendation:

We recommend that UGI Gas Division develop a formalized CBO assessment process and establish documentation requirements for CBO reviews.

Finding No. 3 – USP accounting adjustments were not included in the 1307(e) reconciliation statements.

In late 2020 and early 2021, UGI Gas Division implemented new accounting software. Following the implementation, the Company's Accounting Department made periodic manual adjustments to USP costs or revenue, or both, to account for transactions that were not captured in the new system through standard processes. These adjustments were not reported and communicated to the Rates Department.

In multiple months of the reconciliation period ended September 30, 2021, these adjustments were not included in the 1307(e) statement, which caused an immaterial difference in the reported over collection. The occurrence of these errors in the USP filings highlights the risk of manual processes and communication breakdown between departments, and weaknesses in controls during this timeframe.

Recommendation:

We recommend that UGI Gas Division undertake a process review to identify manual processes which could affect USP revenue and costs, as well as potential gaps in interoffice communication, and make changes to further minimize potential errors.