

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF AUDITS**



**REPORT ON
UGI UTILITIES, INC – ELECTRIC 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-2024-3049834**

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3049834**

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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. - Electric Division's (UGI Electric Division or Company) annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission) for the calendar years 2023, 2022, and 2021, total electric distribution revenues from residential, commercial, and industrial customers were \$133,198,870; \$136,050,920; and \$91,564,509; respectively.

UGI Electric Division provides electric distribution service to approximately 62,300 customers in Luzerne and Wyoming counties. UGI Electric Division's system consists of approximately 2,200 miles of transmission and distribution lines and 13 transmission substations.

On January 16, 2020, at Docket No. M-2017-2637098, the Commission approved UGI Utilities, Inc. – Electric and Gas Division's Universal Service and Energy Conservation Plan (USECP) for the five-year period January 1, 2020 through December 31, 2025.



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Independent Auditor’s Report to the Pennsylvania Public Utility Commission

Opinion

We have audited UGI Utilities, Inc. – Electric 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. – Electric 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. – Electric 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.

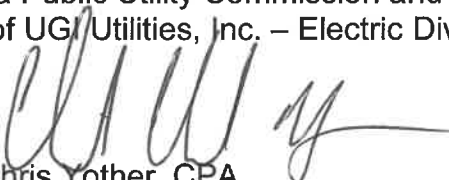
In performing an audit in accordance with GAAS, we:

- 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. – Electric 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. – Electric 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. – Electric 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**

Month	USP Revenue	USP Expenses	Over/(Under) Collections
	(1)	(2)	(3) = (1) - (2)
October 2022	\$ 356,676	\$ 360,818	\$ (4,142)
November	333,205	435,754	(102,549)
December	546,257	718,190	(171,934)
January 2023	621,281	849,368	(228,086)
February	475,571	658,099	(182,528)
March	603,569	839,870	(236,301)
April	418,827	561,127	(142,300)
May	433,778	458,602	(24,824)
June	388,429	351,496	36,933
July	469,455	432,652	36,803
August	577,156	455,466	121,690
September	401,849	449,991	(48,141)
Total	<u>\$ 5,626,053</u>	<u>\$ 6,571,432</u>	<u>\$ (945,380)</u>

¹ As reported to the Commission at Docket No. M-2023-3044006. 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	\$ 208,311	\$ 110,793	\$ 97,518
November	183,900	147,391	36,509
December	311,270	352,465	(41,195)
January 2022	515,254	480,073	35,181
February	429,573	436,805	(7,232)
March	500,410	527,329	(26,919)
April	258,922	303,739	(44,817)
May	259,374	259,410	(36)
June	349,874	253,036	96,837
July	442,562	308,796	133,766
August	624,145	499,818	124,327
September	450,210	392,378	57,832
Total	<u>\$ 4,533,806</u>	<u>\$ 4,072,034</u>	<u>\$ 461,772</u>

³ As reported to the Commission at Docket No. M-2022-3036468. 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	\$ 238,540	\$ 125,796	\$ 112,744
November	152,381	131,608	20,773
December	360,365	281,884	78,481
January 2021	309,976	377,236	(67,260)
February	305,703	481,824	(176,122)
March	350,150	440,870	(90,720)
April	217,786	236,033	(18,247)
May	172,359	172,726	(367)
June	245,326	252,648	(7,322)
July	271,696	183,717	87,979
August	294,738	194,519	100,218
September	235,420	156,255	79,164
Total	<u>\$ 3,154,439</u>	<u>\$ 3,035,117</u>	<u>\$ 119,321</u>

⁵ As reported to the Commission at Docket No. M-2021-3029334. 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 Electric 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-2023-3044006, M-2022-3036468, and M-2021-3029334.

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.

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

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

UGI Electric 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 Electric 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 Electric Division.

The performance of, and results from, UGI Electric Division’s CBO reviews should be documented, communicated to the CBO, and retained. This documentation would

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Current Audit Findings (continued)

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.

Recommendation:

We recommend that UGI Electric 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 Electric 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 duplicate transactions or transactions that were not captured in the new system through standard processes. These adjustments were not reported and communicated to the Rates Department to ensure accurate amounts were reported on the 1307(e) statement.

In multiple months of the reconciliation period ended September 30, 2021, these adjustments were not included in the 1307(e) statement, which caused the reported over collection to be understated by \$69,084. The occurrence of these errors in the USP filings highlights the risk of manual processes, communication breakdown between departments, and weaknesses in controls during this timeframe.

Recommendation:

We recommend that UGI Electric Division refund \$69,084 to its residential customers in its next USP rate filing. We further recommend that the Company institute appropriately designed and effectively functioning controls to prevent, detect, and correct errors related to accounting adjustments.