

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

**UGI ELECTRIC STATEMENT NO. 1 – JESSICA R. ROGERS
UGI ELECTRIC STATEMENT NO. 2 – TRACY A. HAZENSTAB
UGI ELECTRIC STATEMENT NO. 3 – VINCENT A. DEGIUSTO
UGI ELECTRIC STATEMENT NO. 4 – VIVIAN K. RESSLER
UGI ELECTRIC STATEMENT NO. 5 – AMY M. KELLER
UGI ELECTRIC STATEMENT NO. 6 – JOHN F. WIEDMAYER**

**UGI UTILITIES, INC. – ELECTRIC DIVISION
PA P.U.C. NO. 6, SUPPLEMENT NO. 92**

DOCKET NO. R-2025-3059430

Issued: March 27, 2026

Effective: June 1, 2026

UGI ELECTRIC STATEMENT NO. 1

JESSICA R. ROGERS

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2025-3059430

UGI Utilities, Inc. – Electric Division

Statement No. 1

**Direct Testimony of
Jessica R. Rogers**

**Topics Addressed: Purpose of Testimony and Rate Filing Overview
Need for Rate Relief**

Dated: March 27, 2026

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Jessica R. Rogers. My business address is 1 UGI Drive, Denver, PA 17517.

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

6 A. I am employed by UGI Utilities, Inc. (“UGI”) as its Vice President, Rates and Regulatory
7 Affairs. UGI is a wholly-owned subsidiary of UGI Corporation (“UGI Corp.”). UGI has
8 two operating divisions, the Electric Division (“UGI Electric” or the “Company”) and the
9 Gas Division (“UGI Gas”), each of which is a public utility regulated by the Pennsylvania
10 Public Utility Commission (“Commission” or “PUC”).

11
12 **Q. Please briefly describe your responsibilities in that capacity.**

13 A. As Vice President, Rates and Regulatory Affairs, I am responsible for all rate and
14 regulatory filings for UGI Gas and UGI Electric before the Pennsylvania Public Utility
15 Commission, the Maryland Public Service Commission, and the Federal Energy
16 Regulatory Commission.

17
18 **Q. What is your educational and professional background?**

19 A. Please see my resume, UGI Electric Exhibit JRR-1, which is attached to my testimony.

20
21 **Q. Have you testified previously before any public utility commission?**

22 A. Yes. UGI Electric Exhibit JRR-1 contains a list of those proceedings.

1 **Q. Are you sponsoring any exhibits in this proceeding?**

2 A. Yes. In addition to UGI Electric Exhibit JRR-1, mentioned above, I am sponsoring certain
3 responses to the Commission's filing requirements. Each filing requirement response
4 identifies the witness sponsoring it, as indicated on the master list accompanying this filing.

5

6 **II. OVERVIEW OF TESTIMONY AND PRESENTATION OF WITNESSES**

7 **Q. Please describe the purpose of your testimony in this proceeding.**

8 A. My testimony will present an overview of the rate filing, including a brief explanation of
9 the need for rate relief and an outline of the testimony of each witness in this proceeding.

10 I will also address UGI Electric's ongoing efforts to manage system activities in support
11 of the continued provision of safe and reliable distribution service, the bill impacts of the
12 proposed increase, and the impacts of this case on customer affordability, as well as steps
13 to address current interclass and intraclass subsidies. In support of this effort, I will also
14 discuss certain tariff modifications proposed in this proceeding.

15

16 **Q. Please identify the other witnesses providing direct testimony on behalf of UGI
17 Electric in this proceeding and the subject matter of their testimony.**

18 A. In addition to my testimony, the following witnesses are providing testimony in support of
19 the Company's rate request:

20

21 **Tracy A. Hazenstab** (UGI Electric St. No. 2) holds the position of Senior Manager –
22 Utility Rates for UGI. Her testimony addresses UGI Electric's budgeting process;
23 operating revenues and expenses; and the revenue requirement model supporting the

1 Company's proposed rate increase (UGI Electric Exhibit A (Fully Projected)). Ms.
2 Hazenstab also sponsors the revenue requirement models for the future and historic
3 periods, UGI Electric Exhibit A (Future) and UGI Electric Exhibit A (Historic),
4 respectively.

5
6 **Vincent A. DeGiusto** (UGI Electric St. No. 3) serves as Sr. Director of UGI Electric. Mr.
7 DeGiusto is responsible for UGI Electric's five major areas of operations: (1) distribution
8 and construction; (2) transmission and standards; (3) substations; (4) planning and
9 compliance; and (5) reliability and safety. He provides an overview of UGI Electric's
10 operations, reliability, and safety commitment. Mr. DeGiusto also provides an update on
11 items from the Company's prior base rate case in 2023 at Docket No. R-2022-3037368.

12
13 **Vivian K. Ressler** (UGI Electric St. No. 4) holds the position of Director – Utility
14 Financial Planning & Analysis ("FP&A") at UGI. Ms. Ressler addresses the budgeting
15 process, certain operating expense adjustments, and the Company's accounting for
16 information technology costs.

17
18 **Amy M. Keller** (UGI Electric St. No. 5) holds the position of Sr. Manager – Regulatory
19 and Plant Accounting at UGI. Ms. Keller explains UGI Electric's accounting processes
20 used to develop the Company's actual book accounting results, which are the basis for the
21 Historic Test Year ("HTY") ended September 30, 2025. Ms. Keller also presents UGI
22 Electric's rate base claim for the HTY, Future Test Year ("FTY"), and Fully Projected

1 Future Test Year (“FPFTY”). Ms. Keller further addresses certain operating expense
2 adjustments.

3
4 **John F. Wiedmayer** (UGI Electric St. No. 6) is Senior Project Manager at Gannett
5 Fleming Valuation & Rate Consultants, LLC. Mr. Wiedmayer developed and supports
6 UGI Electric’s claim for annual depreciation expense and the accumulated depreciation
7 reserve. His studies are presented in UGI Electric Exhibit C (Fully Projected), UGI Electric
8 Exhibit C (Future), and UGI Electric Exhibit C (Historic).

9
10 **Vicky A. Schappell** (UGI Electric St. No. 7) holds the position of Sr. Manager – Capital
11 Planning for UGI. Ms. Schappell addresses the Company’s capital expenditures, capital
12 planning process, and UGI Electric’s history of capital deployment performance relative
13 to its budget.

14
15 **Dylan W. D’Ascendis** (UGI Electric St. No. 8) holds the role of Partner at ScottMadden
16 Management Consultants. Mr. D’Ascendis presents expert testimony supporting the
17 Company’s claimed capital structure, cost of debt, cost of common equity, and overall fair
18 rate of return. Schedules and workpapers supporting Mr. D’Ascendis’s findings are set
19 forth in UGI Electric Exhibit B (Rate of Return).

20
21 **Darin T. Espigh** (UGI Electric St. No. 9) is Senior Manager, Natural Gas Tax Accounting,
22 Finance for UGI Corp. and oversees the preparation of state and federal tax data, returns,
23 and tax-related regulatory filings for UGI Electric. Mr. Espigh addresses various tax

1 issues, including the Company's claim for federal and state income taxes, taxes other than
2 income tax, the calculation of the accumulated deferred income taxes ("ADIT") offset to
3 rate base, and the repairs allowance.

4
5 **Sherry A. Epler** (UGI Electric St. No. 10) serves as Sr. Manager – Tariff and Supplier
6 Administration at UGI. Ms. Epler addresses and sponsors the Company's proof of
7 revenues as presented in UGI Electric Exhibit E - Proof of Revenue. Ms. Epler's testimony
8 also presents and supports the sales and revenue adjustments. Ms. Epler is sponsoring UGI
9 Electric Exhibit F, which is Supplement 92 to UGI Electric Pa. P.U.C. No. 6 ("Tariff No.
10 6"). Ms. Epler provides a summary of the proposed changes to the tariff rules, regulations,
11 and rate schedules included in Supplement 92 to UGI Electric's Tariff No. 6, and the
12 Choice Supplier Tariff, which is incorporated into Tariff No. 7 as Tariff No. 2S.

13
14 **Cynthia S. Fang** (UGI Electric St. No. 11) is a Director at Atrium Economics LLC. Ms.
15 Fang prepared and sponsors the Company's fully-allocated cost of service study used in
16 this case to develop the allocated class costs of service ("ACOSS"), which is found in UGI
17 Electric Exhibit D. The ACOSS allocates the Company's cost of service associated with
18 Commission jurisdictional operations to the Company's retail customer classes. Ms. Fang
19 also supports the apportionment of the class revenue increase and the Company's rate
20 design proposals.

21
22 **Brian J. Meilinger** (UGI Electric St. No. 12) is the Director – Customer Programs and
23 Public Relations at UGI. Mr. Meilinger's testimony addresses the Company's programs

1 and efforts that assist the Company in providing affordability assistance to low income and
2 payment troubled customers.

4 III. NEED FOR RATE RELIEF

5 **Q. Please discuss the Company's proposed rate relief request.**

6 A. UGI Electric is requesting an increase in its annual base rate operating revenues of \$17.283
7 million, or 11.89% on a total revenue basis, with a proposed effective date of June 1, 2026.
8 The base rate increase requested in this filing is based on the use of a Fully Projected Future
9 Test Year ("FPFTY") ending September 30, 2027.

10
11 **Q. Why is UGI Electric seeking a rate increase at this time?**

12 A. The primary need for UGI Electric's proposed rate increase is the Company's continued
13 extensive efforts to repair, replace, improve, and modernize the aging portions of its
14 distribution system. Since 2018, the Company has spent almost \$92 million on these
15 efforts that support operating a safe and reliable distribution system. The Company
16 anticipates that it will continue its accelerated capital programs over the coming years, as
17 reflected in its Commission-approved Second Long-Term Infrastructure Improvement Plan
18 ("Second LTIIIP"). Combined with non-LTIIIP capital investments in areas such as IT and
19 growth, UGI Electric anticipates spending an additional \$28.6 million in the FTY and \$37.3
20 million in the FPFTY, respectively. The extensive capital work being undertaken by UGI
21 Electric is described by Mr. DeGiusto in UGI Electric St. No. 3, and the capital planning
22 process is described in the testimony of Ms. Schappell in UGI Electric St. No. 7. The
23 growth in capital investments, along with relatively stagnant customer usage and growth

1 trends, are the primary reasons why UGI Electric will not earn a fair rate of return on its
2 investments at present rate levels.

3
4 **Q. Please describe UGI Electric's current rate position.**

5 A. UGI Electric is currently not able to earn a reasonable rate of return because of the
6 significant investments it has made in its system since its last base rate case, combined with
7 significant economic changes that have impacted its operating costs. Despite efforts to
8 manage its expenses, there have been expense increases in key areas, including wage and
9 salary adjustments necessary to maintain a productive and effective workforce, as well as
10 increases in costs that are not within the Company's direct control, such as PUC
11 assessments and other necessary products and services. UGI Electric continues to focus on
12 efficient operations. However, without rate relief, the substantial capital investments that
13 have been made since the Company's last rate case are anticipated to cause UGI Electric
14 to exceed the DSIC cap by September 1, 2026.

15
16 **Q. Has the Company evaluated the impact of its proposed rate increase on average
17 customer bills generally?**

18 A. Yes. As shown in Table 1, below, the Company has evaluated the effect of its proposed
19 rate increase on the average monthly bill of typical residential, small commercial, and
20 industrial customers.

Table 1. Average Monthly Bill Impact

Average Electric Customer Bill Impact					
		Total Monthly Bill Impact			
	<u>Average Usage</u>	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>Total</u>
Residential	1,000 kWh	\$200.50	\$226.23	\$25.73	12.8%
Small Commercial ¹	1,000 kWh	\$190.78	\$217.65	\$26.87	14.1%
Industrial ²	50,000 kWh	\$5,813.37	\$6,132.27	\$318.91	5.5%

1 The proposed rate increases shown in Table 1 are required to support important investments
2 in the repair, replacement, improvement, and modernization of aged and aging
3 infrastructure and to recover reasonable and necessary increases in operating expenses.

4

5 **Q. Why is the Company’s proposed rate increase justified?**

6 A. The Company’s current rates do not provide UGI Electric with a reasonable opportunity to
7 earn a fair rate of return on its investments made to serve the public in the provision of safe
8 and reliable electric distribution service. Specifically, as reflected in UGI Electric Exhibit
9 A (Fully Projected), Schedule A-1, the Company’s operations are projected to produce an
10 overall return on rate base of just 3.426%, which equates to a return on common equity of
11 only 1.95%, for the twelve months ending September 30, 2027. As explained by Company
12 witness Dylan W. D’Ascendis (UGI Electric St. No. 8), these returns are inadequate based
13 on applicable financial data and the risks faced by UGI Electric. Unless UGI Electric
14 receives the requested rate relief, those returns will continue to decline, further denying the
15 Company an opportunity to earn a fair and reasonable rate of return, and jeopardizing the

¹ Based on GS-1 customers.

² Based on GS-4 customers.

1 Company's ability to attract the capital needed to make the system investments necessary
2 to support continued system reliability, safety, and customer service performance.

3
4 **Q. How has the Company sought to manage the affordability of electric service?**

5 A. The Company has taken a number of actions that provide affordability benefits to
6 customers. These include fully utilizing the DSIC, which has helped UGI Electric, in part,
7 to avoid filing a base rate case for three years. Between rate cases, the Company also
8 conducted a focused initiative to manage those expenses within its control. UGI Electric
9 also substantially redesigned its default supply portfolio, effective June 1, 2025, to provide
10 greater supply pricing stability to its customers and to address supply threats that could
11 make pricing more volatile and potentially much higher. In addition, as described in UGI
12 Electric Witness Brian J. Meilinger's testimony (UGI Electric St. No. 12), the Company
13 expanded its low income programs significantly since the last base rate case, and is
14 proposing to further increase Company funding for Operation Share by more than 25% for
15 the next three fiscal years. Finally, in designing the rates in this proceeding, the Company
16 carefully considered the impacts on customers. As described in greater detail in the
17 testimony of UGI Electric Witness Cynthia S. Fang (UGI Electric St. No. 11), the Company
18 is proposing to provide all customer classes with greater bill stability for the distribution
19 portion of their bill by increasing the fixed customer charges. The Company is also seeking
20 to move underearning classes toward their class cost of service, to address intraclass
21 subsidies in UGI Electric's industrial customer class, and to simplify the overall rate
22 structure of the rates charged to larger customer classes, providing those customers with
23 greater bill predictability.

1 **Q. Is the Company proposing any tariff modifications in this base rate case?**

2 A. Yes, as noted above, a number of those are addressed in the direct testimony of Sherry A.
3 Epler (UGI Electric St. No. 10). In addition, the Company is proposing tariff modifications
4 to its largest load customer class, Rate HTP (High Tension Power). Rate HTP is a fully
5 negotiable rate. UGI Electric is proposing to include the Distribution System Improvement
6 Charge and Universal Service Program riders as eligible charges for Rate HTP customers.
7 This would allow UGI Electric to negotiate the application of these riders to Rate HTP
8 customers, who are currently excluded from both riders. While the Company currently has
9 no customers that take service under Rate HTP, UGI Electric believes that it is prudent to
10 establish the appropriate framework that would allow large load customers to contribute to
11 the overall health of the system and the affordability of distribution service.

12

13 **Q. Does this conclude your direct testimony?**

14 A. Yes, it does.

UGI ELECTRIC

EXHIBIT JRR-1

JESSICA R. ROGERS

UGI UTILITIES, INC. VICE PRESIDENT – RATES & REGULATORY AFFAIRS

Summary

Rates, regulatory, energy and climate strategy expert with over 15 years of experience in natural gas and electric distribution administrative agency cases. Experience includes cases filed in Pennsylvania, Maryland, Virginia, Michigan, and Washington, DC, the Federal Energy Regulatory Commission and the Surface Transportation Board, as well as appellate experience.

As Vice President – Rates & Regulatory Affairs:

- Leads a team responsible for all rate and regulatory filings for gas and electric utilities before the Pennsylvania Public Utility Commission, the Maryland Public Service Commission, and the Federal Energy Regulatory Commission.
- Develops policy positions and legislative responses for gas and electric utilities for all areas of operations.

Employment History

UGI Utilities, Inc. Vice President – Rates & Regulatory Affairs (Denver, PA)	September 2025 – Present
Washington Gas Light Company Vice President – Regulatory & Climate Strategy (Washington, DC)	June 2024 – August 2025
UGI Utilities, Inc. Senior Director – Rates & Regulatory Strategy (Denver, PA)	September 2023 – May 2024
UGI Utilities, Inc. Director – Regulatory Strategy (Denver, PA)	February 2021 – August 2023
Post & Schell, P.C. Of Counsel (Washington, DC)	June 2020 – February 2021
Post & Schell, P.C. Senior Associate (Washington, DC)	September 2014 – May 2020
Post & Schell, Associate (Harrisburg, PA)	September 2010 – August 2014

Education

Juris Doctorate , University of Virginia, Charlottesville, VA	2010
BA , Communications Studies and English, University of California Los Angeles, Westwood, CA	2005

Prior testimony:

DC Public Service Commission, Washington Gas Light Company, Formal Case No. 1179
MD Public Service Commission, UGI Utilities, Inc. – Gas Division, Case No. 9707

Professional Licenses:

Member of the Bar, Pennsylvania
Member of the Bar, Washington, DC

UGI ELECTRIC STATEMENT NO. 2

TRACY A. HAZENSTAB

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2025-3059430

UGI Utilities, Inc. – Electric Division

Statement No. 2

**Direct Testimony of
Tracy A. Hazenstab**

**Topics Addressed: Revenue Requirement
 Operating Revenues and Expenses**

Dated: March 27, 2026

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Tracy A. Hazenstab. My business address is 1 UGI Drive, Denver,
4 Pennsylvania 17517.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as Sr. Manager – Utility Rates. UGI is a
8 wholly-owned subsidiary of UGI Corporation (“UGI Corp.”). UGI has two operating
9 divisions, the Electric Division (“UGI Electric”) and the Gas Division (“UGI Gas” or the
10 “Company”), each of which is a public utility regulated by the Pennsylvania Public Utility
11 Commission (“Commission” or “PUC”).

12
13 **Q. What are your responsibilities as Sr. Manager - Utility Rates?**

14 A. I am primarily responsible for various tariff filings and related computations for UGI Gas
15 and UGI Electric rate and regulatory filings before federal and state regulatory
16 commissions. As part of these responsibilities, I prepared and supported the Company’s
17 revenue requirement models for this base rate filing, which is included as UGI Electric
18 Exhibit A. I report directly to the Vice President – Rates and Regulatory Affairs of UGI.

19
20 **Q. What is your educational background and professional experience?**

21 A. Please see my resume, UGI Electric Exhibit TAH-1, which is attached to my testimony.

1 **Q. Have you testified previously before this Commission?**

2 A. Yes. Attached to my direct testimony is UGI Electric Exhibit TAH-1, which contains a
3 list of proceedings in which I previously testified. Additional exhibits that I am sponsoring
4 are described below.

5

6 **II. PURPOSE OF TESTIMONY**

7 **Q. What is the purpose of your testimony?**

8 A. I am providing testimony on behalf of UGI Electric in support of the Company's proposed
9 revenue requirement. First, I provide an overview of the Company's revenue requirement
10 exhibits for the historic year ended September 30, 2025 ("HTY"), future year ending
11 September 30, 2026 ("FTY") and the fully projected future test year ending September 30,
12 2027 ("FPFTY") (Section III). Second, I present UGI Electric's ratemaking presentation
13 for the FPFTY, including its revenues and operating expenses claims, and certain pro forma
14 adjustments (Section IV). The Company's rate proposal in this case is predicated on its
15 FPFTY exhibit, which demonstrates the need for a revenue increase of \$17.283 million.

16

17 **Q. What exhibits are you sponsoring in this proceeding?**

18 A. In addition to UGI Electric Exhibit TAH-1 mentioned above, I am sponsoring UGI Electric
19 Exhibit TAH-2, which provides the summary statements of Operating Income before
20 Income Taxes of the Company on a FERC and PUC jurisdictional basis for the HTY, FTY
21 and FPFTY. I am also sponsoring the principal accounting exhibits UGI Electric Exhibit
22 A (Fully Projected), Exhibit A (Future) and Exhibit A (Historic). Additionally, I am

1 sponsoring certain responses to the Commission's standard filing requirements, as
2 indicated on the master list accompanying this filing.

3
4 **III. OVERVIEW OF PRINCIPAL ACCOUNTING EXHIBITS**

5 **Q. Please describe the principal accounting exhibits used to support UGI Electric's**
6 **claims in this proceeding.**

7 A. UGI Electric Exhibit A (Fully Projected) provides the calculation of the revenue
8 requirement for the FPFTY, including principal accounting exhibits, rate base claims,
9 revenue at present rates, operating expense claims, taxes and certain *pro forma*
10 adjustments. The FPFTY information is derived from UGI Electric's operating and capital
11 budgets for the 12-month period ending September 30, 2027. UGI Electric Exhibit A
12 (Future) is the principal accounting exhibit for the FTY, including certain *pro forma*
13 adjustments. The FTY information is derived from UGI Electric's operating and capital
14 budgets for the 12-month period ending September 30, 2026. UGI Electric Exhibit A
15 (Historic) is the principal accounting exhibit for the HTY, with appropriate ratemaking
16 adjustments. The HTY information is derived from the book accounting data for the 12-
17 month period ended September 30, 2025. The future and historic schedules are provided
18 as a benchmark for comparison with the FPFTY claim, which, as explained above, is the
19 basis for UGI Electric's proposed revenue increase of \$17.238 million.

1 **Q. Please provide an overview of UGI Electric’s principal accounting exhibits.**

2 A. As noted above, UGI Electric’s claims in this case are based on UGI Electric Exhibit A
3 (Fully Projected). This presentation is comprised of four sections:

4 Section A summarizes UGI Electric’s requested *pro forma* rate base, revenues, and
5 expenses at present rates and the calculation of its requested revenue increase.

6 Section B includes basic accounting data extracted from UGI Electric’s financial,
7 accounting, operating and capital budgets, and other records. This data includes a
8 balance sheet, a statement of net operating income and test year revenues, a
9 schedule of expense items by cost element, and a tax expense calculation. Also
10 included are schedules showing UGI Electric’s embedded cost of debt, year-end
11 capital structure and overall claimed rate of return.

12 Section C provides the elements of UGI Electric’s rate base claim and how each
13 element of that claim is derived. UGI Electric’s rate base includes utility plant in
14 service, electric storage inventory, cash working capital, materials and supplies
15 inventory, and offsets for accumulated depreciation, accumulated deferred income
16 taxes, and customer deposits.

17 Section D presents UGI Electric’s revenues and expenses on a *pro forma*
18 ratemaking basis. Necessary adjustments to budgeted levels of expense items and
19 revenues are summarized in Schedules D-1 through D-2 and detailed in the
20 remaining schedules. The resulting FPFTY expense and revenue levels are shown
21 on Schedule D-3 and were used to establish UGI Electric’s *pro forma* income at
22 present and proposed rates as set forth in Schedule A-1.

1 **Q. What information is included in UGI Electric Exhibits A (Future) and A (Historic)?**

2 A. UGI Electric Exhibits A (Future) and A (Historic) follow the format of UGI Electric
3 Exhibit A (Fully Projected), but reflect data for the fiscal year ended September 30, 2026,
4 and the fiscal year ending September 30, 2025, respectively. This information is provided
5 to comply with the Commission’s filing requirements and provides a basis for comparing
6 the FPFTY claims with actual and projected results from the FTY and HTY.

7
8 **Q. What are the data sources for the UGI Electric Exhibit A (Future) and UGI Electric
9 Exhibit A (Historic)?**

10 A. This data is derived from UGI Electric’s books and records as well as its capital and
11 operating budgets. UGI Electric Exhibit A (Future) is based on adjusted budgeted data for
12 the FTY. UGI Electric Exhibit A (Historic) is based on adjusted experienced data for the
13 HTY.

14

15 **IV. FULLY PROJECTED FUTURE TEST YEAR REVENUE REQUIREMENT**

16 **Q. How is your discussion of UGI Electric’s FPFTY revenue requirement presentation
17 organized?**

18 A. In Section IV.A., I present a summary of UGI Electric’s FPFTY revenue requirement. In
19 Section IV.B., I discuss UGI Electric’s proposed rate base. In Section IV.C., I explain the
20 determination of UGI Electric’s revenues and operating expenses, depreciation, taxes other
21 than income tax, income taxes, and the gross revenue conversion factor.

1 **A. FPFTY REVENUE REQUIREMENT SUMMARY**

2 **Q. How were the *pro forma* revenue increase and total revenues at proposed rates**
3 **established?**

4 A. This calculation is shown at a summary level on Schedule A-1, column 3, of UGI Electric
5 Exhibit A (Fully Projected). Lines 1-8 summarize the *pro forma* measure of value (rate
6 base). Lines 9-18 show the following items at present rates: *pro forma* revenues, *pro forma*
7 expenses, taxes, taxes on the revenue increase, *pro forma* net operating income, and the
8 calculated rate of return. Lines 19-22 show the increase in net operating income required
9 to permit UGI Electric to earn the claimed overall rate of return of 8.26%. Application of
10 the Gross Revenue Conversion Factor establishes the revenue increase shown on line 23
11 needed to generate the change in operating income. Column 4 of Schedule A-1 shows the
12 level of the revenue increase and the increase in expenses associated with the revenue
13 increase. Column 5 of Schedule A-1 shows the revenue, expenses, and rate base at
14 proposed rates, as well as the resulting rate of return of 8.26%.

15
16 **Q. What is the overall requested increase in revenue?**

17 A. The overall requested increase in revenue is \$17.283 million. This represents the difference
18 between the *pro forma* FPFTY revenue requirement of \$162.673 million and the annual
19 level of operating revenues of \$145.390 million under existing rates. These figures are
20 shown on line 12 of Schedule A-1 of UGI Electric Exhibit A (Fully Projected). Please also
21 see the direct testimony of Jessica R. Rogers (UGI Electric Statement No. 1) for a
22 discussion on certain considerations made by UGI Electric in establishing this revenue
23 increase amount.

1 **B. FPFTY RATE BASE**

2 **Q. With reference to UGI Electric Exhibit A (Fully Projected), please discuss how the**
3 **Company’s specific rate base items are determined.**

4 A. UGI Electric’s rate base presentation is shown in UGI Electric Exhibit A (Fully Projected),
5 Schedule C-1. Schedule C-1 summarizes the UGI Electric rate base values for the FPFTY.
6 Column 1 indicates the schedule upon which the calculation of each of the rate base
7 elements is found. Columns 3 and 5 show the amounts at present and proposed rates,
8 respectively. UGI Electric’s total FPFTY rate base claim is \$239.228 million. Please see
9 the direct testimony of Amy M. Keller (UGI Electric Statement No. 5) for a discussion of
10 the rate base components.

11
12 **C. FPFTY REVENUES AND EXPENSES**

13 **Q. How were revenues at present rates determined?**

14 A. Revenues at present rates were determined by adjusting the budgeted revenues to reflect
15 the anticipated change in the number of customers, the projected change in existing
16 customer usage, the roll-in of revenues from the Distribution System Improvement Charge
17 (“DSIC”), and other *pro forma* annualizing and normalizing ratemaking adjustments. The
18 net effect of these adjustments is shown in UGI Electric Exhibit A (Fully Projected),
19 Schedule D-5, and is discussed in the direct testimony of Sherry A. Epler (UGI Electric
20 Statement No. 10).

1 **Q. Please provide an overview of UGI Electric’s principal accounting exhibits relative to**
2 **operating expense claims.**

3 A. UGI Electric’s principal accounting exhibit is UGI Electric Exhibit A (Fully Projected),
4 which includes a presentation for the FPFTY ending September 30, 2027. Section D of
5 UGI Electric Exhibit A (Fully Projected) presents UGI Electric’s claims and necessary
6 adjustments to budgeted levels of expense items and revenues. The *pro forma* adjustments
7 related to expense are summarized in Schedules D-3 and D-6 through D-34. These expense
8 adjustments are used, in part, to derive UGI Electric’s *pro forma* income at present and
9 proposed rates as set forth in Schedule D-1.

10 UGI Electric Exhibit A (Future) and UGI Electric Exhibit A (Historic) follow the
11 format of UGI Electric Exhibit A (Fully Projected) but reflect data for the appropriate test
12 years ending September 30, 2026, and 2025, respectively. This information is provided in
13 accordance with the Commission’s filing requirements and provides a basis for comparing
14 UGI Electric’s FPFTY claims with prior results.

15
16 **1. Summary**

17 **Q. Please describe Schedule D-1 of UGI Electric Exhibit A (Fully Projected).**

18 A. Schedule D-1 presents a summary income statement that includes UGI Electric’s claimed
19 Electric revenues, expenses, and taxes at present and proposed rate levels. The direct
20 testimony of Sherry A. Epler (UGI Electric Statement No. 10) addresses the presentation
21 of *pro forma* revenues, adjustments thereto, and the supporting schedules. Schedule D-1
22 also shows the proposed revenue increase of \$17.238 million on line 4 in column 2.

1 **Q. What is the level of net income at proposed rates?**

2 A. As shown on column 3, line 20, net income at proposed rates is \$19.761 million. This
3 represents a \$11.566 million increase from the level under current rates (\$8.196 million),
4 as shown on line 20 in column 1 of Schedule D-1.

5
6 **Q. Please describe Schedule D-2.**

7 A. Schedule D-2 shows the development of the various line items found on Schedule D-1.
8 Column 2 contains the Company's budgeted level of revenues and expenses for the 12-
9 month period ending September 30, 2027. Column 3 shows adjustments to the column 2
10 figures, where applicable, to reflect certain annualization and/or normalization adjustments
11 described in the Company's filing. Column 4 is the sum of columns 2 and 3. The amount
12 of the revenue increase and related expenses are shown in column 5 with the resulting
13 revenues and expenses at proposed rates shown in column 6.

14

15 **Q. Are there schedules showing the derivation of the adjustments shown in Schedule D-**
16 **2, column 3?**

17 A. Yes. The derivation of the various column 3 revenue adjustments is included in UGI
18 Electric Exhibit A (Fully Projected) in summary fashion on Schedule D-3, page 1, lines 1-
19 16, and then listed by individual adjustment on Schedule D-5. Customer charge and
20 distribution rate revenue adjustments for each customer class are shown on lines 1-5 of
21 Schedule D-3. Electric cost revenue adjustments for each customer class are shown on
22 lines 6-10, and details of other revenue adjustments are shown on lines 11-14 of Schedule
23 D-3. Details for each revenue adjustment are shown in Schedules D-5 (including

1 supporting Schedule D-5A) and are discussed in the direct testimony of witness Sherry A.
2 Epler (UGI Electric Statement No. 10). Regarding *pro forma* expenses, the derivation of
3 the various adjustments is summarized individually on pages 1-2 of Schedule D-3, lines
4 17-55. The details for these adjustments are found in Schedules D-6 through D-31 and are
5 sponsored by multiple witnesses, as described in the Table of Contents of UGI Electric
6 Exhibit A (Fully Projected) and as listed on the header of each schedule.

9 2. Operating Expense

10 **Q. How were the claimed operating expenses for the FPFTY determined?**

11 A. *Pro forma* FPFTY expenses are based on the budgeted level of expenses as a starting point.
12 The budgeted data, by FERC account, was then adjusted consistent with generally accepted
13 ratemaking principles to reflect a normal, ongoing level of operations. Schedules
14 supporting those adjustments are found in UGI Electric Exhibit A (Fully Projected),
15 Section D.

17 **Q. Were each of the *pro forma* adjustments reflected on Schedule D-3 also charged to an
18 appropriate FERC account?**

19 A. Yes. Each *pro forma* adjustment was calculated and then distributed to FERC accounts
20 directly and presented on Schedule D-3 by major FERC account category.

1 **Q. Please discuss the Salaries and Wages adjustment shown on Schedule D-7 in the**
2 **amount of \$15,000.**

3 A. Schedule D-7, Column 4, page 1, shows a \$15,000 increase to budgeted salaries and wages
4 to reflect end of FPFTY operating conditions. This adjustment annualizes payroll expense
5 and is distributed among the various cost accounts. Page 2 of Schedule D-7 shows the
6 development of this adjustment.

7
8 **Q. Please describe the annualization adjustment.**

9 A. This adjustment annualizes the effect of wage increases for unionized employees that will
10 take place during the FPFTY. Schedule D-7, page 2, line 2 reflects the increased
11 percentages for each classification of employee. Lines 3 through 5 indicate the percentage
12 of the year for which the salary and wage increases are not reflected in the budget.

13
14 **Q. How did you determine the split of the budgeted salaries among the various employee**
15 **classifications shown on Schedule D-7?**

16 A. The split of the budgeted salaries among the various classifications shown on Schedule D-
17 7, page 1, was determined using the allocations of labor and headcount for Operating and
18 Maintenance expense in the budget. These employee groupings are the same groupings
19 utilized in developing the labor budget. These categories were used in UGI Electric's
20 budgeting process for the operating expense portion of salaries and wages.

1 **Q. Please discuss Schedule D-10, which shows an adjustment for Rate Case Expense.**

2 A. Lines 1 through 4 show the rate case expense that UGI Electric expects to incur in this case
3 of \$1.071 million. That amount is then normalized over a two-year period given the
4 anticipated timing related to the next UGI Electric rate case. The budgeted amount of rate
5 case expense in the FPFTY was \$559,000. The budget was decreased by \$23,000 as shown
6 in Column 3, line 8 to reflect current projections.

7
8 **Q. What is the nature of the adjustments shown on Schedule D-11?**

9 A. Schedule D-11 represents adjustments in the amount of (\$363,000) for uncollectible
10 expense. The adjustments are described in further detail in the direct testimony of Vivian
11 K. Ressler (UGI Electric Statement No. 4).

12
13 **Q. Please explain the adjustment in the amount of \$404,000 shown on Schedule D-14.**

14 A. Schedule D-14 represents an adjustment in the amount of \$404,000 for pension benefit
15 expense. This adjustment is described in further detail in the direct testimony of Amy M.
16 Keller (UGI Electric Statement No. 5).

17
18 **Q. Please discuss the Customer Accounts Expense Adjustment on Schedule D-15 in the
19 amount of \$121,000.**

20 A. The Company is required to pay interest on Customer Deposits that it holds in accordance
21 with its tariff requirements. Further discussion on customer deposits can be found in the
22 direct testimony of Vivian K. Ressler (UGI Electric Statement No. 4).

1 **Q. Please explain the PUC Assessment Adjustment also shown on Schedule D-15 in the**
2 **amount of \$141,000.**

3 A. This adjustment reflects an update to the budgeted PUC assessment expense in the amount
4 of \$141,000. Further discussion on this adjustment can be found in Ms. Ressler’s testimony
5 (UGI Electric Statement No. 4).

6 **Q. Please discuss the *pro forma* adjustment on Schedule D-16 for Universal Service**
7 **expense.**

8 A. This adjustment normalizes the amount of Universal Services Program (“USP”) expense
9 recovered through the Company’s USP Rider based on the level of the Universal Service
10 Rider charge effective at the time of the Company’s filing in this matter. The USP Rider
11 recovers the Company’s Customer Assistance Program (“CAP”) Credits, Pre-Program
12 Arrearages, third party administrator expense, Low Income Usage Reduction Program
13 (“LIURP”) expense, and administrative costs associated with its Operation Share program.
14 The Company’s claim represents the ongoing normalized level of costs based on
15 anticipated levels of CAP program participation. This adjustment decreases the
16 Company’s budgeted expense by \$1.783 million, to align the expense with the annualized
17 amount of the Company’s current USP Rider charge. As the USP Rider is a fully
18 reconcilable rider, the USP adjustment assures that expenses related to the existing rider
19 are aligned with revenues and that no impact related to USP flows through to the revenue
20 requirement calculation and into net income. Please see the direct testimony of Ms. Epler
21 (UGI Electric Statement No. 10) for additional discussion of the USP Rider.

1 **Q. Please explain the adjustment on Schedule D-17.**

2 A. This adjustment, in the amount of (\$456,000), is due to a Gross Receipts Tax adjustment
3 and is based on total revenues for the *pro forma* test year at present rates plus other
4 operating revenues reduced by the uncollectible expense. The Gross Receipts Tax rate
5 applied to this amount is 5.9%.

6

7 **Q. Please explain the adjustment on Schedule D-18.**

8 A. This adjustment, in the amount of (\$2.582 million), is to adjust the Power Supply Expense
9 for the normalized and annualized use per customer. This adjustment is designed to
10 increase power supply expense (net of Gross Receipts Tax) in order to match power supply
11 revenue at current December 1, 2025, Generation Supply Revenue (“GSR”) levels, and
12 remove any potential distribution base rate impacts related to Section 1307(e) power cost
13 recovery. Corresponding revenue adjustments are discussed in the direct testimony of Ms.
14 Epler (UGI Electric Statement No. 10).

15

16 **Q. Please explain the adjustment for Energy Efficiency and Conservation (“EE&C”)**
17 **Programs shown on Schedule D-19.**

18 A. As with the USP and GSR Rider adjustments discussed above, this adjustment in the
19 amount of \$235,000 aligns the amount of EE&C expense with the EE&C Rider charge
20 (based on the level of the EE&C Rider charges effective at the time of the Company’s filing
21 in this matter). The EE&C Rider recovers the Labor and Administrative, Appliance
22 Rebates and Recycling, Community-Based Organization Marketing, Energy Kits, School
23 Energy Education, Legal and Consulting, and other Costs associated with the Company’s

1 Energy Efficiency and Conservation Program. This adjustment increases the Company's
2 budgeted expense to align with the annualized amount of the Company's current EE&C
3 charge. As the EE&C Rider is a fully reconcilable rider, the EE&C adjustment ensures
4 that expenses related to the existing rider are aligned with revenues and that no impact
5 related to EE&C flows through to the revenue requirement calculation and into net income.
6 Please see the direct testimony of Ms. Epler (UGI Electric Statement No. 10) for additional
7 discussion of the EE&C Rider.

8 9 **3. Depreciation Expense**

10 **Q. How was the level of depreciation expense for the FPFTY determined?**

11 A. UGI Electric's depreciation study is set forth in Book V – Depreciation Study – Fully
12 Projected Future and shows the determination of *pro forma* depreciation expense. This
13 study uses the FPFTY plant in service and the applicable depreciation rates, service lives,
14 and procedures. A summary of the budgeted depreciation expense and adjustments thereto
15 is found in UGI Electric Exhibit A (Fully Projected), Schedule D-21, and is further
16 explained in the direct testimony of John F. Wiedmayer (UGI Electric Statement No. 6).

17 18 **Q. Please describe the depreciation expense adjustments shown on Schedule D-21.**

19 A. UGI Electric witness Mr. Wiedmayer (UGI Electric Statement No. 6) presents the
20 depreciation analysis that serves as the foundation of the depreciation adjustment. The
21 adjustment for depreciation expense of (\$1.249 million) set forth on Schedule D-21, page
22 2, column 3, line 53, annualizes budgeted FPFTY depreciation expense to calculate an
23 entire year's worth of depreciation on plant in service (as of the end of the FPFTY). This
24 schedule also shows a decrease in the net negative salvage amortization of (\$1.433 million).

1 The total annualized depreciation expense for the FPFTY, net of costs charged to clearing
2 accounts and net salvage amortization, is (\$288,000) (as shown on Schedule D-3, page 2,
3 column 10, line 53).

4. Taxes Other Than Income Tax

6 **Q. Please describe the taxes other than income tax adjustments shown on Schedule D-
7 31.**

8 A. Schedule D-31 contains the details for taxes other than income tax adjustments. The
9 adjustment to the Public Utility Realty Tax (“PURTA”) in the amount of \$20,000 on line
10 1 provides for a pro forma tax expense of \$108,000. The valuation is based on the
11 Pennsylvania Department of Revenue’s 2024 Revised Notice of Determination, dated July
12 30, 2025, for UGI. The total PURTA liability per this notice is \$1,281,379, with 11.01%
13 allocated to the Electric operations, resulting in the amount of \$141,080. An additional
14 allocation of 23.2240% is made to transmission operations in the amount of \$32,764,
15 resulting in a pro forma expense of \$108,315. Line 2 provides an adjustment to the Gross
16 Receipts tax in the amount of (\$456,000), and this amount is supported by the calculation
17 on Schedule D-17 as discussed above. The adjustments to the payroll tax expenses on lines
18 4-6 are calculated by multiplying the ratio of tax expense to payroll expense included in
19 the FPFTY budget by the amount of the payroll adjustment derived in Schedule D-7. This
20 results in an adjustment to the amount of social security, Federal Unemployment Tax
21 (“FUTA”), and State Unemployment Tax (“SUTA”) expense in the amount of \$1,000. The
22 calculation of these adjustments is shown in more detail on Schedule D-32. In addition,
23 Schedule D-31 includes an adjustment in the amount of \$141,000 for the PUC Assessment,
24 as described previously in my testimony.

1 **5. Income Taxes**

2 **Q. What is the purpose of Schedules D-33 and D-34?**

3 A. These schedules show the derivation of the Company’s pro forma income tax expense
4 claim, including the normalization of the effects of accelerated tax depreciation, as
5 discussed in the direct testimony of Darin T. Espigh (UGI Electric Statement No. 9).

6
7 **6. Gross Revenue Conversion Factor**

8 **Q. What is the purpose of Schedule D-35?**

9 A. Schedule D-35 shows the calculation of the Gross Revenue Conversion Factor used on
10 Schedule A-1 to calculate the level of revenues required to achieve the net operating
11 income required to generate the rate of return supported by the direct testimony of Dylan
12 W. D’Ascendis (UGI Electric Statement No. 8). These additional revenues are required to
13 recognize that uncollectible accounts expense vary with the level of revenue and to
14 recognize the additional state and federal income taxes attributable to the proposed rate
15 increase.

16
17 **Q. Does this conclude your direct testimony?**

18 A. Yes, it does.

UGI ELECTRIC

EXHIBIT TAH-1

Tracy A. Hazenstab
Sr. Manager – Utility Rates

Work Experience:

2024 – Current	Sr. Manager – Utility Rates UGI Utilities, Inc., Denver, PA
2008 - 2024	Rates Analyst – II/Sr/Principal (Progressive Positions) UGI Utilities, Inc., Denver, PA
2004 - 2008	Business Analyst PPL Gas, Lewistown, PA
2001 - 2004	Contact Center Analyst PPL Gas, Lock Haven, PA

Previous Testimony – Pennsylvania Public Utility Commission:

2014 1307(f) Proceeding:	Docket No. R-2014-2543523
2015 1307(f) Proceedings:	Docket Nos. R-2015-2480937, R-2015-2480934
2016 1307(f) Proceedings:	Docket Nos. R-2016-2543311, R-2016-2543314
2018 1307(f) Proceedings:	Docket Nos. R-2018-3001631, R-2018-3001632
2019 1307(f) Proceeding:	Docket No. R-2019-3009647
2019 UGI Electric EEC Phase III Petition:	Docket No. R-2019-3004144
2020 1307(f) Proceeding:	Docket No. R-2020-3019680
2021 UGI Gas Base Rate Proceeding:	Docket No. R-2021-3030218
2022 UGI Electric Base Rate Proceeding:	Docket No. R-2022-3037368
2023 1307(f) Proceeding:	Docket No. R-2023-3040290
2024 UGI Gas EEC Phase II Petition:	Docket No. R-2024-3048418
2024 UGI Electric DSP V Petition:	Docket No. R-2024-3049343
2024 UGI Gas Book 2 Proceeding:	Docket No. R-2024-3048828
2025 UGI Gas Base Rate Proceeding:	Docket No. R-2024-3052716
2026 UGI Gas Base Rate Proceeding:	Docket No. R-2025-3059523

Previous Testimony – Maryland Public Service Commission:

Purchased Gas Adjustment/Annual Cost Adjustment Hearing:

2008 Hearing:	Case Number 9511(c)
2009 Hearing:	Case Number 9511(d)
2010 Hearing:	Case Number 9511(e)
2012 Hearing:	Case Number 9511(g)
2014 Hearing:	Case Number 9511(i)
2015 Hearing:	Case Number 9511(j)
2016 Hearing:	Case Number 9511(k)
2017 Hearing:	Case Number 9511(l)
2018 Hearing:	Case Number 9516(a)
2019 Hearing:	Case Number 9516(b)
2020 Hearing:	Case Number 9516(c)

Assisted in Preparing – Pennsylvania Public Utility Commission:

2009 UGI Gas Rate Case (former Central Rate District):	Docket No. R-2008-2079675
2009 UGI Gas Rate Case (former North Rate District):	Docket No. R-2008-2079660
2011 UGI Gas Rate Case (former Central Rate District):	Docket No. R-2010-2214415
2016 UGI Gas Rate Case (former South Rate District):	Docket No. R-2015-2518438
2017 UGI Gas Rate Case (former North Rate District):	Docket No. R-2016-2580030
2018 UGI Electric Rate Case	Docket No. R-2017-2640058
2019 UGI Gas Rate Case	Docket No. R-2018-3006814
2020 UGI Gas Rate Case	Docket No. R-2019-3015162

Education:

B.A. in International Politics, Pennsylvania State University

UGI ELECTRIC

EXHIBIT TAH-2

UGI UTILITIES, INC. - ELECTRIC DIVISION
(\$000s)

AS OF SEPTEMBER 30, 2025

	TOTAL T&D OPERATIONS	LESS: FERC JURISDICTIONAL	PA PUC JURISDICTIONAL
<u>Operating Revenues:</u>			
Electric Revenues	\$ 146,117	\$ -	\$ 146,117
Other Electric Revenues	10,736	9,541	1,195
Total Operating Revenues	<u>156,853</u>	<u>9,541</u>	<u>147,312</u>
<u>Operating Expenses:</u>			
<u>Operation and Maintenance Expenses</u>			
Power Production Expenses	76,289	-	76,289
Transmission Expenses	2,489	2,489	-
Distribution Expenses	11,662	-	11,662
Customer Accounts Expenses	16,004	-	16,004
Customer Service & Informational Expenses	1,184	-	1,184
Sales Expenses	18	-	18
Administrative and General Expenses	11,164	1,757	9,407
Total Operation and Maintenance Expenses	<u>118,810</u>	<u>4,246</u>	<u>114,564</u>
Depreciation and Amortization Expenses	12,335	1,883	10,452
Taxes Other Than Income Taxes	9,530	133	9,397
Total Operating expenses Prior To Federal & State Income Taxes	<u>140,675</u>	<u>6,262</u>	<u>134,413</u>
Operating Income Prior To Federal & State Income Taxes	\$ 16,178	\$ 3,279	\$ 12,899

UGI UTILITIES, INC. - ELECTRIC DIVISION
(\$000s)

AS OF SEPTEMBER 30, 2026

	TOTAL T&D OPERATIONS	LESS: FERC JURISDICTIONAL	PA PUC JURISDICTIONAL
<u>Operating Revenues:</u>			
Electric Revenues	\$ 148,872	\$ -	\$ 148,872
Other Electric Revenues	11,612	10,307	1,305
Total Operating Revenues	<u>160,484</u>	<u>10,307</u>	<u>150,177</u>
<u>Operating Expenses:</u>			
<u>Operation and Maintenance Expenses</u>			
Power Production Expenses	76,619		76,619
Transmission Expenses	2,655	2,655	-
Distribution Expenses	12,050	-	12,050
Customer Accounts Expenses	17,631	-	17,631
Customer Service & Informational Expenses	1,339	-	1,339
Sales Expenses	34	-	34
Administrative and General Expenses	11,715	1,863	9,852
Total Operation and Maintenance Expenses	<u>122,043</u>	<u>4,518</u>	<u>117,525</u>
Depreciation and Amortization Expenses	13,163	1,572	11,591
Taxes Other Than Income Taxes	10,140	150	9,990
Total Operating expenses Prior To Federal & State Income taxes	<u>145,346</u>	<u>6,240</u>	<u>139,106</u>
Operating Income Prior To Federal & State Income Taxes	\$ 15,138	\$ 4,067	\$ 11,071

UGI UTILITIES, INC. - ELECTRIC DIVISION
(\$000s)

AS OF SEPTEMBER 30, 2027

	TOTAL T&D OPERATIONS	LESS: FERC JURISDICTIONAL	PA PUC JURISDICTIONAL
<u>Operating Revenues:</u>			
Electric Revenues	\$ 149,982	\$ -	\$ 149,982
Other Electric Revenues	12,823	11,518	1,305
Total Operating Revenues	<u>162,805</u>	<u>11,518</u>	<u>151,287</u>
<u>Operating Expenses:</u>			
<u>Operation and Maintenance Expenses</u>			
Power Production Expenses	76,619		76,619
Transmission Expenses	2,868	2,868	-
Distribution Expenses	12,504	-	12,504
Customer Accounts Expenses	17,823	-	17,823
Customer Service & Informational Expenses	1,350	-	1,350
Sales Expenses	33	-	33
Administrative and General Expenses	12,707	1,950	10,757
Total Operation and Maintenance Expenses	<u>123,904</u>	<u>4,818</u>	<u>119,086</u>
Depreciation and Amortization Expenses	14,332	2,096	12,236
Taxes Other Than Income Taxes	<u>10,291</u>	<u>156</u>	<u>10,135</u>
Total Operating expenses Prior To Federal & State Income taxes	<u>148,527</u>	<u>7,070</u>	<u>141,457</u>
Operating Income Prior To Federal & State Income Taxes	\$ 14,278	\$ 4,448	\$ 9,830

UGI ELECTRIC STATEMENT NO. 3

VINCENT A. DEGIUSTO

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2025-3059430

UGI Utilities, Inc. – Electric Division

Statement No. 3

**Direct Testimony of
Vincent A. DeGiusto**

Topics Addressed: **System Operations**
 System Reliability and Performance
 Safety Initiatives
 Prior Settlement Commitments

Dated: March 27, 2026

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Vincent A. DeGiusto. My business address is 1 UGI Center, Wilkes Barre,
4 Pennsylvania 18711.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as Sr. Director - Electric. UGI is a wholly-
8 owned subsidiary of UGI Corporation (“UGI Corp.”). UGI has two operating divisions,
9 the Electric Division (“UGI Electric” or the “Company”) and the Gas Division (“UGI
10 Gas”), each of which is a public utility regulated by the Pennsylvania Public Utility
11 Commission (“Commission” or “PUC”).

12
13 **Q. What are your responsibilities as Sr. Director - Electric?**

14 A. As Senior Director of UGI Electric, I am responsible for developing and implementing
15 business unit strategies, including emerging technologies. I also provide leadership for UGI
16 Electric’s engineering, operations, and technical services functions to improve overall
17 system reliability and modernize the electric system. I report directly to the Vice President
18 of Operations – Utilities and assist him with budgeting, capital planning, and long-term
19 strategic infrastructure investment plans for UGI Electric. Under my direction is the UGI
20 Electric engineering and operations staff, which is accountable for five major areas: (1)
21 distribution and construction; (2) transmission and standards; (3) substations; (4) planning
22 and compliance; and (5) reliability and safety.

1 **Q. Please describe your educational background and work experience.**

2 A. They are set forth in my resume attached as UGI Electric Exhibit VAD-1 to my testimony.

3

4 **Q. Have you testified previously before this Commission?**

5 A. No.

6

7 **Q. What is the purpose of your testimony?**

8 A. I am providing testimony on behalf of UGI Electric. In my testimony, I will address the
9 following topics related to UGI Electric: (1) system operations overview; (2) system
10 reliability and performance; (3) safety initiatives; (4) inflation and supply chain impacts;
11 and (5) compliance with settlement commitments from the last base rate case.

12

13 **Q. Are you sponsoring any exhibits in this proceeding?**

14 A. Yes, I am sponsoring UGI Electric Exhibits VAD-1 and VAD-2. I am also sponsoring
15 certain responses to the Commission's standard filing requirements as indicated on the
16 master list accompanying this filing.

17

18 **II. SYSTEM OPERATIONS**

19 **Q. Please provide an overview of UGI Electric's system.**

20 A. UGI Electric provides electric service to approximately 63,000 customers in Luzerne and
21 Wyoming Counties within a service territory encompassing approximately 410 square
22 miles. The UGI Electric service territory is mainly rural, with urban areas located on the
23 outskirts of the city of Wilkes-Barre. UGI Electric owns, operates, and maintains over
24 1,250 circuit miles of overhead and underground primary distribution lines; 13 distribution

1 substations; and 55 distribution circuits. In addition to distribution facilities, UGI Electric
2 owns and operates one Bulk Electric System substation, 16.5 miles of double circuit 230
3 kV transmission lines, and 126 miles of 66 kV transmission lines. UGI Electric is a member
4 of the PJM Interconnection LLC (“PJM”), a regional transmission organization, and sits
5 on the PJM Transmission Owners Agreement-Administrative Committee.

6 The costs associated with owning and operating UGI Electric’s substation and
7 transmission facilities are recovered through the Company’s transmission formula rates set
8 under the regulatory jurisdiction of the Federal Energy Regulatory Commission (“FERC”).
9 The costs associated with those transmission facilities are excluded from UGI Electric’s
10 claim in this proceeding.

11
12 **Q. Please describe UGI Electric’s operations?**

13 A. UGI Electric’s main office is located in Wilkes-Barre and houses the bulk of the
14 Company’s electric employees, including operations management, engineering, clerical,
15 and a number of field personnel. UGI Electric also maintains a combined warehouse and
16 linemen service location in Forty Fort, Pennsylvania, as well as a substation service center
17 in Hanover Township, Luzerne County. Further, UGI Electric operates two fully redundant
18 (primary and backup) System Operations control centers located in Edwardsville,
19 Pennsylvania.

20
21 **Q. How does UGI Electric staff its operations?**

22 A. UGI Electric uses a combination of dedicated electric division staff and staff that are shared
23 with the Gas Division. The employees shared with the Gas Division provide various

1 management and support services to both of the Company's Divisions (e.g., finance and
2 accounting, payroll, supply, rates, purchasing, fleet, marketing, administrative duties,
3 customer service, credit and collection, and information technology). In addition, UGI
4 Electric receives management and support services provided by its parent company, UGI
5 Corp. (e.g., insurance, finance and accounting, human resources, legal, treasury operations,
6 information technology, communications, and corporate governance).

7
8 **III. SYSTEM RELIABILITY AND PERFORMANCE**

9 **Q. Please describe UGI Electric's reliability performance in recent years.**

10 A. UGI Electric has historically demonstrated consistently excellent or good system reliability
11 based on its frequency of meeting or exceeding PUC benchmark metrics and being below
12 PUC standard metrics for outages. In the past three years, UGI Electric has exceeded the
13 PUC's benchmarks in all three categories measured.

14
15 **Q. Has the Company prepared an analysis showing its performance history?**

16 A. Yes. UGI Electric's Exhibit VAD-2 provides a historical view of UGI Electric's system
17 reliability between Calendar Years 2004 and 2025. As shown in UGI Electric's Exhibit
18 VAD-2, over the last 22 years, UGI Electric has maintained a general history of excellent
19 reliability performance, exceeding Commission Benchmark metrics for most of the period.

20
21 **Q. How is UGI Electric positioning itself to continue the support of reliable service into
22 the future?**

23 A. UGI Electric continues its accelerated efforts in critical areas, including robust vegetation
24 management practices on a shorter cycle, and reliability-driven Long Term Infrastructure

1 Improvement Plan (“LTIP”) initiatives such as relocation of off right-of-way lines and
2 development of inter-substation tie-lines. Another significant threat to reliability is aging
3 equipment and equipment not built to meet modern design standards. As discussed below,
4 UGI Electric is entering its ninth year of targeted repair and replacement programs for key
5 assets, such as wood poles and associated appurtenances, distribution substation
6 equipment, and underground residential primary cable, to address aging distribution assets
7 and reduce the risk aging assets pose to reliability and safety.

8
9 **Q. Please describe UGI Electric’s LTIP.**

10 A. In April 2022, UGI Electric filed its Second LTIP¹ proposing to continue many of the
11 programs focused on accelerating safety and reliability investments undertaken by the
12 Company in its Initial LTIP² and to modify certain programs to more efficiently deploy
13 capital to improve reliability. The Second LTIP was approved in August 2022. In
14 December 2024, UGI Electric filed a Petition for Approval of a Major Modification to the
15 2023 – 2027 LTIP³ due to a dramatic increase in facility upgrades and replacements
16 associated with pole attachment make-ready work. The major modification was approved
17 by Commission Opinion and Order entered on September 25, 2025.⁴

18
19 **Q. Please describe the progress that the Company has made through its Second LTIP.**

¹ *Petition of UGI Utilities Inc. – Electric Division for Approval of its Second Long-Term Infrastructure Improvement Plan*, Docket No. P-2022-3032042 (Opinion and Order entered August 25, 2022).

² *Petition of UGI Utilities Inc. – Electric Division for Approval of its Long-Term Infrastructure Improvement Plan*, Docket No. P-2017-2619834 (Opinion and Order entered December 21, 2017) (“Initial LTIP”).

³ *Petition of UGI Utilities, Inc. - Electric Division for Approval of a Major Modification to its Second Long-Term Infrastructure Improvement Plan*, Docket No. P-2022-3032042 (Opinion and Order entered September 25, 2025)

⁴ *Id.*

1 A. The Company has made significant progress four years into its Second LTIP. UGI Electric
2 continues to identify, repair, improve, and replace its distribution infrastructure on an
3 accelerated basis, consistent with its obligations and commitments as described in the
4 LTIP. During the course of its Second LTIP, UGI Electric has met or exceeded its
5 planned replacement activities. This included the replacement of nearly 1,485 wood poles
6 under the inspection and maintenance program and an additional 3,500 wood poles through
7 various other system improvement programs; replacement of over 92,000 trench feet of
8 forty-year-old underground cable; replacement of nearly 1,000 porcelain Cut-
9 Outs/insulators, replacement of seven substation power transformers, and the continued
10 replacement and conversion of non-standard lower voltage circuit elements. The continued
11 accelerated replacement of aging infrastructure will result in a modern and more resilient
12 distribution system. Since the beginning of its LTIP in 2018, the Company has already
13 reduced the average age of power transformers on its system by seventeen years (from 42
14 years to 25 years) and reduced the average age of distribution circuit breakers on the system
15 from 26 years to 13 years.

16

17 **Q. How has the Second LTIP impacted reliability?**

18 A. Every individual replacement and/or upgrade contributes to the long-term reliability of the
19 system. Some contribute in small incremental ways, such as an individual pole
20 replacement, and others as part of targeted reliability projects or as components of an
21 overall resiliency strategy. For example, short-term impacts have been realized through the
22 accelerated expansion of distribution automation (“DA”) devices and the creation of inter-
23 substation tie-lines through the Major System Improvement program. To date during the

1 Second LTIP, UGI Electric has installed 135 remotely monitored and controlled reclosers
2 under the DA program and completed several reliability/capacity-based tie-lines between
3 substations. These efforts reduce customer outage-minutes by enabling remote switching
4 and sectionalizing of faults – rather than dispatching emergency response crews, and by
5 allowing impacted customers to be served from a secondary supply point. This type of
6 capability can save a significant amount of outage minutes when utilized and even more
7 when fully automated. However, many LTIP programs will take a longer period for the
8 intended reliability benefits to fully materialize. More specifically, this will occur as the
9 replacement of older assets and their associated failure rates become a less substantial
10 portion of the overall distribution system. While progress has been made, it is expected that
11 multiple LTIP periods will be necessary to fully modernize the system, given the age of
12 the existing facilities and the outdated routing of lines and early design standards that are
13 still pervasive across UGI Electric’s system.

14
15 **Q. How much capital is the Company planning to invest through its LTIP?**

16 A. While UGI Electric originally planned to spend \$50.6 million, the revised Second LTIP
17 currently reflects investments totaling \$73.1 million.⁵

18
19 **Q. Does UGI Electric have any other significant capital projects that will go into service**
20 **in the FPFTY?**

⁵ See *Petition of UGI Utilities, Inc. - Electric Division for Approval of a Major Modification to its Second Long-Term Infrastructure Improvement Plan*, Docket No. P-2022-3032042 (Opinion and Order entered September 25, 2025).

1 A. Yes, the Mine Hollow Substation project will go into service in September 2027. This
2 project is based on both a reliability and capacity need that will be satisfied by the creation
3 of a new substation in a remote area of the UGI Electric service territory. This new
4 substation will serve customers on the western and northwestern side of UGI Electric's
5 service territory that are currently fed through substations many miles away over rural
6 roads, right-of-way, and densely treed areas, making them vulnerable to outages. The
7 design of the new substation closely follows standard designs used elsewhere on UGI
8 Electric's system with a single transformer tapped off a networked transmission line. A
9 13.8 kV main breaker protects the 13.8kV bus with four (4) distribution feeder breakers in
10 a box structure configuration. The project timeline includes finalization of the design and
11 permitting by summer 2026, site construction through 2026 into 2027, and
12 erection/commissioning/energization by September 2027. The total cost reflected in the
13 FPFTY for this project is \$9.5 million. The substation will support approximately 7,000
14 customers that are served off the four (4) existing distribution feeders. With respect to
15 reliability, this project will establish two distribution tie-lines that will connect to existing
16 feeders that are currently on the priority worst performing circuit list. These tie-lines will
17 allow for future customer segmentation, as well as fault sectionalizing and restoration
18 schemes that will significantly improve reliability. The substation will also create two
19 additional distribution feeders that will connect as tie-lines to the Swoyersville Substation.
20 These tie-lines will also enable load to be shifted from Swoyersville to Mine Hollow,
21 thereby eliminating a peak loading issue and creating room for additional load growth at
22 Swoyersville.

1 **IV. SAFETY INITIATIVES**

2 **Q. Please describe UGI Electric’s safety culture.**

3 A. UGI Electric understands the importance of, and continually strives to foster, a positive
4 safety culture within its day-to-day operations. The Company’s safety culture is embodied
5 by several key elements, each of which is essential to creating and sustaining a safe work
6 environment for employees and the safe and reliable delivery of energy to our customers.
7 These elements include Management Commitment, Employee Involvement, Open
8 Communication, and Training. A positive safety culture results in employees
9 understanding their roles and responsibilities regarding safety and consistently fulfilling
10 them. The UGI Electric safety culture is founded on the idea that the Company must
11 continuously pursue the safety of its employees, customers, and the public in general.
12 Moreover, UGI Electric is committed to continuous forward progress in its efforts to
13 protect the public, the Company’s employees, and its customers.

14

15 **Q. What programs and initiatives does UGI Electric have to promote employee,
16 customer, and system safety?**

17 A. As discussed above, employee safety is a function of safety culture. To that end, the
18 Company is working to enhance the elements that drive a positive safety culture. From a
19 communication and employee standpoint, UGI Electric has a very active local safety
20 committee that involves all work groups and provides a forum for identifying, discussing,
21 investigating, and addressing employee safety concerns. It also provides a forum for
22 discussing utility-wide safety metrics, incidents, and initiatives, fostering company-wide
23 awareness and ownership of safety culture. Annually UGI Electric holds a safety stand

1 down to review safety procedures, inspect equipment, and refocus on safety. UGI Electric
2 has a learning management system (“LMS”) that provides OSHA-based training
3 curriculum and the ability to add and track Company-developed safety content and training.
4 A second technology-based initiative was the implementation of the IntelliShift Fleet
5 Management System in late 2021. Central to this system is the ability to provide drivers
6 with real-time in-cab coaching on a variety of parameters, including distracted driving,
7 following distance, and speed. The system includes both inward- and forward-facing
8 cameras, as well as GPS location tracking to assist with dispatch operations. Since the
9 adoption of Intellishift, companywide preventable Avoidable Vehicle Incidents have
10 declined by 11%. Since November 2023, the fleet has consistently maintained a behavior
11 score of 0.95, indicating a high and stable level of driver compliance with safe driving
12 standards. UGI also runs the Right Fit for Safety initiative, focused on providing personal
13 protective equipment to ensure employees have the correct personal protective equipment
14 to perform all tasks safely. A third technology-based initiative was the introduction of
15 satellite devices to provide emergency communications for lone workers. There are areas
16 within the Company’s service territory that do not have cellular service, or where the
17 Company radios do not work. This solution provides a third option for communication.

18
19 **Q. What are some actions that UGI Electric takes to focus on public safety?**

20 A. At the core of UGI Electric’s focus, the Second LTIP contain numerous repair,
21 replacement, and improvement activities, which directly impact the delivery of safe and
22 reliable electric service. Preventing would-be facility failures directly supports the creation
23 and maintenance of safe conditions across UGI Electric’s service territory, where the public

1 resides, works, and lives. Well-defined and executed vegetation management programs
2 help facilitate public safety (e.g., avoiding prolonged outages and surges) while also
3 hardening reliability and resiliency. In addition, UGI Electric personnel meet with local
4 first responders (e.g., volunteer fire departments) to provide an electrical safety awareness
5 training program. Non-utility first responders do not always have access to information on
6 electric specific hazards or a general understanding of the electric system. This program
7 provides an opportunity to share information and interact with these important volunteers
8 who are often on-scene before utility personnel arrive. UGI also distributes safety-related
9 news releases that provide seasonal safety tips via traditional media outlets, through social
10 media, and on UGI’s website. UGI’s website further includes tips on electrical safety.
11 Finally in 2025, the UGI Communications Group began sending email notifications to
12 customers prior to the change of season to provide safety information related to possible
13 storm impact, tips to keep safe, and UGI’s 1-800 contact number. In addition, prior to a
14 possible impactful storm event, the UGI Communications Group emails customers with
15 what they can expect, safety information, and UGI’s 1-800 contact number.

16
17 **V. PRIOR RATE CASE COMPLIANCE ITEMS**

18 **Q. Please describe the compliance obligations associated with the Company’s last base**
19 **rate case.**

20 A. The settlement of the 2023 Electric Rate Case at Docket No. R-2022-3037368 (“2023
21 Electric Rate Case Settlement”) approved by the Commission included compliance
22 provisions related to a reliability project, the Ruckle Hill Road upgrade, and ongoing

1 vegetation management expenses. I will describe the Company's actions to fulfill the
2 commitments made in the 2023 Electric Rate Case Settlement.

3
4 **Q. Please explain the background for the Ruckle Hill Road upgrade.**

5 A. In the 2023 Electric Rate Case Settlement, the Commission approved a settlement
6 provision allowing UGI Electric to upgrade the highest risk section of the circuit servicing
7 Ruckle Hill Road customers to improve reliability and implement storm hardening
8 techniques for 67 customers. Pursuant to the settlement, it was agreed that:

9 The Company will complete a project to upgrade the highest risk
10 section of the circuit servicing Ruckle Hill Road customers in order
11 to improve reliability and implement storm hardening techniques.
12 This solution will include the replacement of older non-standard
13 wood poles with Class 2 – 45' and 50' wood poles where
14 appropriate, and the installation of approximately 10,000' of spacer-
15 cable construction and associated conductor.
16

17 **Q. Has UGI Electric completed the upgrade for the circuit serving the Ruckle Hill Road?**

18 A. Yes. UGI Electric reconductored approximately 4,840' of covered primary and 6,600' of
19 Hendrix cable. In addition, UGI Electric replaced non-standard wood poles with twenty-
20 three (23) 50' poles, sixteen(16) 55' poles and two (2) 35' guy stub poles. The project was
21 completed in three (3) phases over twelve (12) months with Phase 2 and Phase 3 running
22 concurrently. Phase 1 began in November 2023 and ended in April 2024. Eighteen (18)
23 poles were replaced with 50' class 2 poles and 3,040 feet of covered 3-phase conductor
24 was installed at a cost of \$578,664. Phase 2 began in May 2024 and ended in October
25 2024. Five (5) 50' class 2 and six (6) 55' Class 2 poles were replaced and 4,800 feet of
26 Hendrix cable was installed. The cost of Phase 2 was \$623,296. Phase 3 began in August
27 2024 and ended in November 2024. Ten (10) 55' Class 2 and two (2) 35' Class 2 poles

1 were replaced and 1,800 feet of Hendrix cable and 1800 feet of covered 3-phase conductor
2 was installed. The cost of Phase 3 was \$456,575. The total project cost was approximately
3 \$1.658 million.

4
5 **Q. Please describe UGI Electric’s actions related to vegetation management expenses.**

6 A. Yes. As part of the 2023 Electric Rate Case Settlement, the Company agreed “to report
7 actual monthly vegetation management expenses on an annual basis for the 12-month
8 period ending September 30, with the first report being due as part of the Company’s 2024
9 Annual Asset Optimization Plan (“AAOP”) filing.” UGI Electric complied with this
10 requirement by including Vegetation Reports in its AAOPs filed on November 25, 2024 at
11 Docket No. M-2024-3052308 and on November 24, 2025 at Docket No. M-2025-3058829.
12 As required by the Settlement, the reports include the quantity of vegetation management
13 work performed each year, along with a summary overview of the Company’s vegetation
14 management program.

15
16 **VI. CONCLUSION**

17 **Q. Does this conclude your direct testimony?**

18 A. Yes, it does.

UGI ELECTRIC

EXHIBIT VAD-1

Vincent A. DeGiusto Jr.
UGI Utilities, Inc. – Electric Division
Sr. Director Electric

WORK EXPERIENCE

UGI Utilities, Inc. (Wilkes-Barre, PA)

Sr. Director Electric	May 2025 to Present
Sr. Manager System Operations & Planning Dept.	December 2014 to May 2025
Project Engineer Distribution Engineering & Operations Dept.	July 2009 to December 2014
Staff Engineer Standards & Transmission Dept.	July 2003 to July 2009
Staff Engineer Computer & Communications Dept.	July 1999 to July 2003
Engineer II Computer & Communications Dept.	July 1993 to July 1999
Engineer I – Resource Planning Dept.	July 1991 to July 1993

EDUCATION

Bachelor of Science Electrical Engineering / Physics Minor	Wilkes University, 1989
Master of Business Administration	Wilkes University, 2001

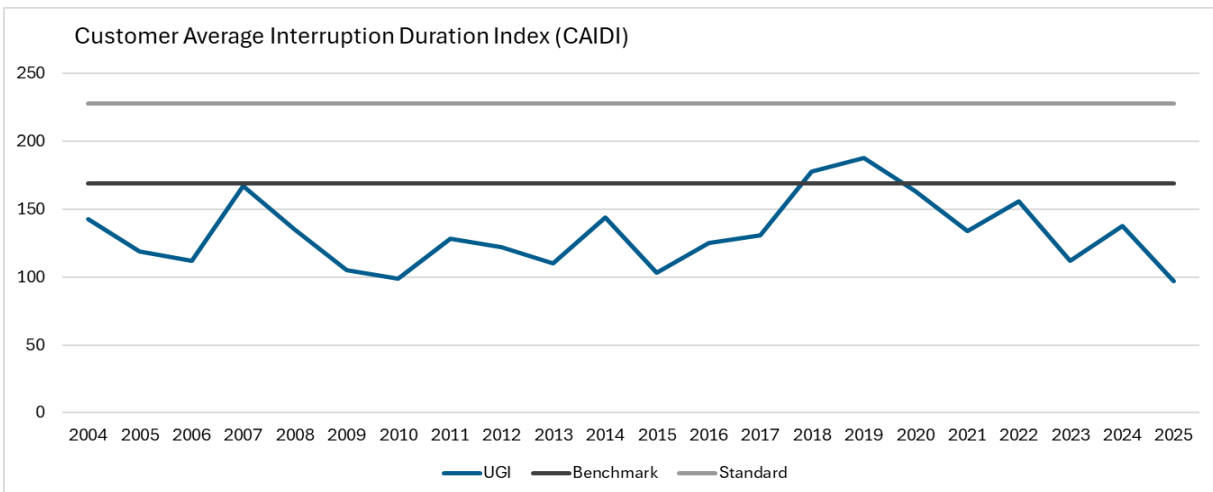
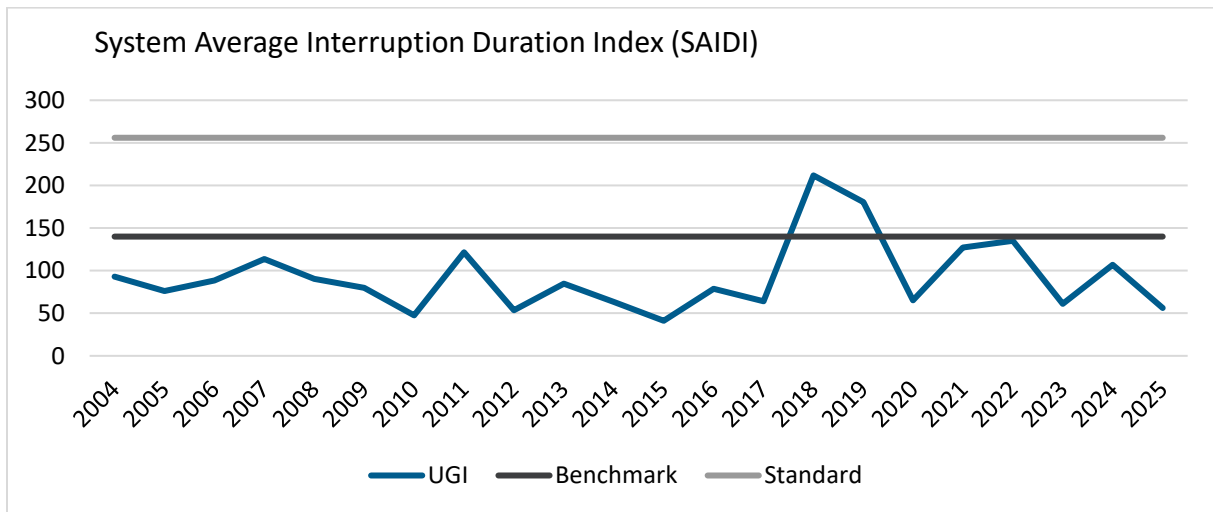
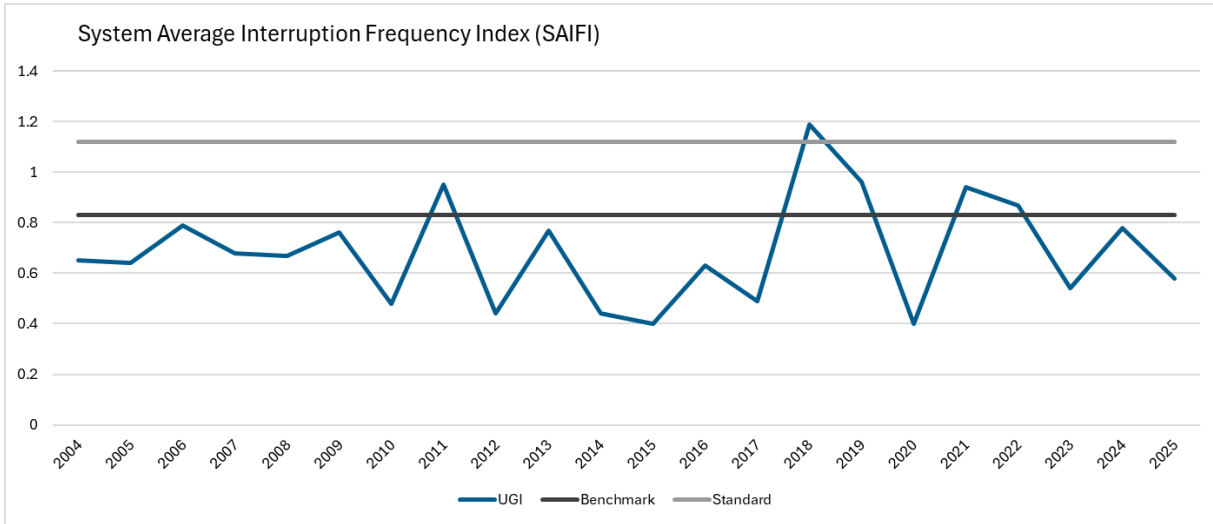
PRIOR TESTIMONY

No prior testimony.

UGI ELECTRIC

EXHIBIT VAD-2

UGI Utilities, Inc. – Electric Division
Reliability Performance: 2004 – 2025



UGI Electric — Rolling 12-Month Reliability Score

SAIFI benchmark: 0.83 | Standard: 1.12 SAIDI benchmark: 140 | Standard: 256 CAIDI benchmark: 169 | Standard: 228

Year	SAIFI (benchmark 0.83)	SAIDI (benchmark 140)	CAIDI (benchmark 169)	Reportable Storms
2004	0.65	92.95	143	0
2005	0.64	76.16	119	0
2006	0.79	88.48	112	0
2007	0.68	113.56	167	1
2008	0.67	90.45	135	0
2009	0.76	79.80	105	0
2010	0.48	47.52	99	0
2011	0.95	121.60	128	1
2012	0.44	53.68	122	1
2013	0.77	84.70	110	0
2014	0.44	63.36	144	0
2015	0.40	41.20	103	0
2016	0.63	78.75	125	0
2017	0.49	64.19	131	0
2018	1.19	211.82	178	0
2019	0.96	180.48	188	2
2020	0.40	65.24	163.1	0
2021	0.94	127.00	134	1
2022	0.87	135.00	156	0
2023	0.54	61.00	112	1
2024	0.78	107.00	138	1
2025	0.58	56.00	97	0

UGI ELECTRIC STATEMENT NO. 4

VIVIAN K. RESSLER

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2025-3059430

UGI Utilities, Inc. – Electric Division

Statement No. 4

**Direct Testimony of
Vivian K. Ressler**

Topics Addressed: **Budgeting Process**
 Operating Expense Adjustments
 Capital Treatment of Certain
 Information Technology Costs

Dated: March 27, 2026

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Vivian K. Ressler. My business address is 1 UGI Drive, Denver, Pennsylvania
4 17517.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as Director – Utility Financial Planning &
8 Analysis (“FP&A”). UGI is a wholly-owned subsidiary of UGI Corporation (“UGI
9 Corp.”). UGI has two operating divisions, the Electric Division (“UGI Electric” or the
10 “Company”) and the Gas Division (“UGI Gas”), each of which is a public utility regulated
11 by the Pennsylvania Public Utility Commission (“Commission” or “PUC”).

12
13 **Q. What are your responsibilities as Director – Utility FP&A?**

14 A. I have responsibility for UGI’s financial budgeting, forecasting and analysis processes. I
15 lead a team of analysts responsible for preparing the annual budget, including obtaining
16 input from operational departments throughout the business. The team also performs
17 analysis of budget to actual variances and completes financial forecasting and modeling to
18 support business decisions. My duties also include the coordination of these functions with
19 UGI’s Accounting Department and the UGI Corp. Sr. Director of FP&A as well as finance
20 and accounting personnel at UGI Corp.

21
22 **Q. Please describe your educational background and work experience.**

23 A. My full educational background and work experience are set forth in my resume attached
24 as UGI Electric Exhibit VKR-1.

1 **Q. Have you testified previously before this Commission?**

2 A. Yes. UGI Gas Exhibit VKR-1 provides a list of the proceedings in which I have testified.

3

4 **Q. What is the purpose of your testimony?**

5 A. I am providing testimony on behalf of UGI Electric in support of the Company's rate case
6 budgeting methodology and certain operating expense adjustments. First, I will discuss
7 the budgeting process used by UGI Electric (Section II). Next, I will discuss certain
8 operating expense adjustments (Section III). Finally, I will discuss the Company's
9 accounting for certain Information Technology ("IT") costs (Section IV).

10

11 **Q. Are you sponsoring any exhibits in this proceeding?**

12 A. Yes. I am sponsoring UGI Electric Exhibit VKR-1. In addition, I am sponsoring those
13 portions of UGI Electric Exhibit A (Fully Projected), Exhibit A (Future) and Exhibit A
14 (Historic), which address certain adjustments to operating expenses discussed later in my
15 testimony. I am also sponsoring those responses to the Commission's standard filing
16 requirements as stated on the master list accompanying this filing.

17

18 **II. BUDGETING PROCESS**

19 **Q. Please provide a high-level summary of UGI Electric's budgetary preparation and**
20 **approval process.**

21 A. UGI Electric's fiscal year begins on October 1 and ends on September 30 of the following
22 year. Preparation of the UGI Electric Operating Budget for the subsequent two fiscal years
23 begins during the spring, *i.e.*, the budget process for the October 1, 2025 through September
24 30, 2026 fiscal year (Fiscal 2026) and the October 1, 2026 through September 30, 2027

1 fiscal year (Fiscal 2027) begins in the spring of 2025, with information being requested
2 and incorporated from all departments. This allows UGI Electric to utilize the budget as a
3 starting point for its FPPTY rate claim. Internal reviews and revisions occur throughout
4 the spring and summer before the final budget for UGI Corp. is approved by the UGI Corp.
5 Board of Directors in September – immediately prior to implementing the budget. I
6 provide further detail regarding the preparation of the “Operating” and “Capital” Budgets
7 below.

8
9 **Q. Please describe how the Operating Budget is prepared.**

10 A. As an initial matter, I note that the Operating Budget has both a revenue and expense
11 component, which I will discuss in turn. In addition, each element of the UGI Electric
12 Operating Budget is formulated by personnel with responsibilities specific to each aspect
13 of the operation. The first and primary use of the Operating Budget is as a working tool
14 for the management and planning of the business.

15 The revenue portion of the budget is directed by the FP&A department. Given the
16 relative stability of the customer numbers, the FP&A department generally uses an average
17 number of customers from recent history, along with usage from the last year. If there are
18 specific incremental commercial and industrial customers, specific projections are
19 developed for those customers. The budgeted number of customers and usage per
20 customer are combined to produce monthly budgeted sales. The revenue budget is
21 calculated by applying appropriate rates for each customer class to budgeted sales volumes,
22 plus an adjustment for unbilled revenue. The sales and revenue budget is then reviewed
23 with and approved by senior management. Normalizing and annualizing ratemaking

1 adjustments to the budget for presentation of the FPFTY sales and revenue in this filing
2 are discussed in the direct testimony of UGI Electric witness Sherry A. Epler (UGI Electric
3 Statement No. 10).

4 Concurrent to revenue development, the expense portion of the Operating Budget
5 is prepared. Operating and maintenance expenses are developed by functional managers
6 based upon review of trends, monthly expenditure patterns, and new or changed programs.
7 Employee levels are reviewed, and staffing levels are set for the upcoming fiscal years.
8 The direct expense portion of the Operating Budget is submitted for review and approval
9 by senior management. UGI Electric's direct expenses are then consolidated with allocated
10 expenses from shared administrative and general functions within UGI and from other
11 affiliated companies providing shared services to UGI Electric to develop the budgeted
12 Statement of Operations. Allocated expenses in the Statement of Operations include
13 functions such as accounting, rates, commodity supply, human resources, information
14 systems, payroll, customer relations, billing, and remittance processing, which are
15 performed in accordance with PUC-approved methods of allocation and affiliated interest
16 arrangements or agreements.

17 The final Operating Budget is then submitted to UGI's President for review and
18 approval. After this approval, the UGI budget is submitted to the Chief Financial Officer
19 at UGI Corp. for additional review and approval and is consolidated with the budgets of
20 other operating units of UGI Corp. The President of each UGI Corp. business unit reviews
21 his or her budget with the UGI Corp. Board of Directors and then the UGI Corp. Board of
22 Directors approves the consolidated UGI Corp budget.

1 **Q. Please describe how the Capital Budget is prepared.**

2 A. In order to prepare the Capital Budget, operating personnel in each functional area prepare
3 a detailed list of capital projects. Each project is identified, described, and justified along
4 with a breakdown of the costs associated with it. These projects are presented to senior
5 management, which reviews them in terms of priority, capital availability, and strategic
6 alignment with the operating budget. After due consideration, the Capital Budget is set
7 and presented, along with the Operating Budget, to senior management in a series of review
8 meetings. This Capital Budget is subject to approval by the UGI Corp. Board of Directors
9 in a manner similar to that described above for the Operating Budget. Additional
10 information concerning the factors considered in establishing the UGI Electric Capital
11 Budget is provided in the direct testimony of Vicky A. Schappell (UGI Electric Statement
12 No. 7).

13
14 **Q. Please explain how expenses from affiliated companies are treated to develop the
15 budgeted Statement of Operations.**

16 A. UGI Electric incurs costs for services provided by UGI Corp., and other affiliated
17 companies, in accordance with affiliated interest arrangements authorized by the
18 Commission. UGI also allocates or assigns applicable costs between UGI Electric and
19 UGI Gas. Costs that can be identified as pertaining exclusively to an operating unit are
20 billed directly to that unit. Those costs that cannot be directly associated with the operation
21 of an individual operating unit are allocated to the various companies benefiting from the
22 service. Allocations are made by using a methodology applicable to the cost (*e.g.*,
23 budgeted time allocations, number of employees, etc.) or, if no one methodology is specific

1 to the cost, by using a formula referred to as the Modified Wisconsin Formula (“MWF”)
2 or another reasonable allocation methodology. The MWF or other allocation methodology
3 achieve a reasonable distribution of common expenses based on the relative activity and
4 size of each operating unit to the total of all operating units which benefit from the
5 respective activities. Activity is measured by revenues and operating and maintenance
6 (“O&M”) expenses. Size is measured by tangible net assets employed (excluding
7 acquisition goodwill) or by gross plant balance.

8
9 **Q. How is the budget information used to support UGI Electric’s requested revenue**
10 **increase?**

11 A. This budget information is the starting point for UGI Electric’s claims and is adjusted as
12 appropriate to reflect certain anticipated changes based on ongoing business activities since
13 the completion of the budgeting process and through application of other appropriate
14 ratemaking principles.

15
16 **III. OPERATING EXPENSE ADJUSTMENTS**

17 **Q. Please describe how the Company’s claimed operating expenses were determined.**

18 A. As discussed in the direct testimony of Tracy A. Hazenstab (UGI Electric Statement No.
19 2), the *pro forma* FPFTY expenses were based on the budgeted level of expenses as a
20 starting point. This budgeted level of expenses was then adjusted to comply with
21 Commission precedent and generally accepted ratemaking principles to reflect a normal,
22 ongoing level of operations. The supporting schedules for those adjustments are found in
23 UGI Electric Exhibit A (Fully Projected), Section D. Below, I will discuss the specific

1 operating adjustments that I am sponsoring, as contained in UGI Electric Exhibit A (Fully
2 Projected), Section D.

3
4 **1. Uncollectible Accounts Expense**

5 **Q. Please explain the Adjustment #1 shown on Schedule D-11 for Uncollectible Accounts**
6 **Expense.**

7 A. This adjustment, (\$0.258 million) (line 8, column 5), adjusts budgeted uncollectible
8 accounts expense to reflect a three-year average rate of uncollectible accounts expense to
9 tariff revenue for Fiscal Years 2023, 2024, and 2025.

10 The amount of uncollectible expense in the budget is adjusted utilizing the three-
11 year average uncollectible rate of 2.167 percent (line 4, column 5). The 2.167 percent is
12 applied to the *pro forma* revenues at present rates (line 6, column 3) to calculate the *pro*
13 *forma* uncollectible accounts expense of \$3.136 million (line 7, column 4). This results in
14 a decrease in the level of uncollectible accounts expense for the FPFTY from the budgeted
15 amount of \$3.394 million (line 5). The 2.167 percent uncollectible rate is then applied to
16 determine the level of uncollectible accounts expense at *pro forma* proposed rates through
17 the gross revenue conversion factor, as shown in column 3, line 2 of Schedule D-35.

18
19 **Q. Please describe the Adjustment #2 shown on Schedule D-11 for Uncollectible**
20 **Accounts Expense.**

21 A. This adjustment, (\$0.150 million) (line 11, column 5), adjusts budgeted deferred
22 uncollectible amortization expense to zero for the FPFTY.

1 **Q. Please provide additional background on deferred uncollectible amortization**
2 **expense?**

3 A. As part of the settlement related to its prior rate case (Docket No. R-2022-3037368), UGI
4 Electric received approval to amortize its deferred uncollectibles related to Fiscal 2021
5 over three years at a rate of \$0.105 million per year. This amortization became effective
6 on October 1, 2023, and will end on September 30, 2026. This amortization period will be
7 complete prior to the beginning of the UGI Electric FPFTY in this case, which begins
8 October 1, 2027.

9
10 **Q. What is the reason for this Adjustment #2?**

11 A. During the UGI Electric budget preparation process, the Company inadvertently included
12 a budget of \$0.105 million for the amortization of the Fiscal 2021 deferred uncollectibles.
13 This adjustment removes that budgeted amount from UGI Electric's claimed expense in
14 this proceeding, as the amortization period will not extend into the FPFTY.

15

16 **2. Customer Accounts Expense Adjustment**

17 **Q. Please discuss the adjustment for Customer Accounts Expense shown on Schedule D-**
18 **15.**

19 A. This adjustment is included to recover interest on customer deposits. The Company is
20 required to pay interest on Customer Deposits that it holds in accordance with its tariff
21 requirements. The Company has added this amount to its expense claim as it is not
22 otherwise reflected in the Operations Budget. It is calculated by using the average level of
23 customer deposits anticipated for the FPFTY (*i.e.*, \$1.725 million) times the required
24 interest rate (7.0 percent) anticipated for the FPFTY, as published by the Pennsylvania

1 Department of Revenue and as required under the Company's tariff. The total interest on
2 customers deposits, an amount of \$0.121 million, is shown on line 1.

3
4 **3. PUC Assessment**

5 **Q. Please discuss the adjustment for PUC assessment shown on Schedule D-15.**

6 A. This adjustment reflects the difference between the budgeted PUC assessment expense
7 (\$0.700 million on line 2) and the projected annual PUC assessment expense as of
8 September 30, 2027 (\$0.560 million on line 3). This adjustment of \$0.141 million (line
9 10) is necessary to (1) to adjust from the budget timing (October through September) to
10 the timing of the PUC assessment (July through June) and (2) to update the projection
11 amount based on the most recent PUC assessment invoice (which was received subsequent
12 to completion of the Company's budget).

13
14 **IV. CAPITAL TREATMENT OF CERTAIN INFORMATION TECHNOLOGY**
15 **COSTS**

16 **Q. What is the Company's policy for capital treatment of IT costs?**

17 A. Since 2016, UGI (including UGI Electric and UGI Gas) has received authorization to
18 capitalize certain IT costs associated with software implementation projects within various
19 base rate proceedings. These IT costs consist of internal labor, external consulting
20 expenses, and other expenses related to the preparation of the vendor and system integrator
21 requests for proposals. IT costs also include current-state assessments, reengineering
22 business processes to adapt to the new system, data conversion, cleansing and migration
23 (including field verification and digitization of asset attributes required for accurate data
24 and facility capture), and implementation training costs. Additionally, the Company

1 capitalizes the above-mentioned cost items for cloud computing software implementation
2 projects. Further, beginning in 2019, the Company began capitalizing Hypercare costs
3 associated with large software implementation projects. Hypercare is a term for post-
4 implementation support following the deployment of an IT project to ensure that the newly
5 implemented system operates as planned.

6
7 **Q. Is the Company planning to continue with similar methods of IT cost capitalization**
8 **in this proceeding?**

9 A. Yes. The Company continues to capitalize such costs in line with the authorizations
10 received previously, and all such costs which are claimed in the current case are included
11 within the Company's budgeted capital as laid out in Exhibit A (Future) and Exhibit A
12 (Fully Projected).

13
14 **Q. Does this conclude your direct testimony?**

15 A. Yes, it does.

UGI ELECTRIC

EXHIBIT VKR-1

Vivian K. Ressler**Director – Utility Financial Planning & Analysis****Work Experience**

UGI Utilities, Inc. – Denver, PA

Oct. 2024 – Current

Director – Utility Financial Planning & Analysis

Jan. 2023 – Sept. 2024

Sr. Manager - Finance

March 2022 – Jan. 2023

Assistant Controller

Dec. 2021 – March 2022

Sr. Manager – Plant & Regulatory Accounting

Feb. 2020 – Dec. 2021

Sr. Manager – SOX, Plant Accounting & Accounts Payable

June 2018 – Feb. 2020

Manager – Technical Accounting & Controls

The Bon-Ton Stores, Inc. – York, PA

May 2014 – May 2018

Departmental Vice President – Corporate Accounting

Trout, Ebersole & Groff, LLP – Lancaster, PA

May 2012 – May 2014

Supervisor – Attest Services

BI-LO, LLC – Greenville, SC

Nov. 2007 – May 2012

Sr. Manager – Corporate Accounting & Tax

Deloitte & Touche, LLP – Greenville, SC

Sept. 1998 – Oct. 2007

Staff Accountant through Sr. Manager – Audit Services

Previous Testimony before the Pennsylvania Public Utility Commission

UGI Gas Base Rate Case Docket No. R-2019-3015162

UGI Electric Base Rate Case Docket No. R-2021-3023618

UGI Gas Base Rate Case Docket No. R-2021-3030218

UGI Electric Base Rate Case Docket No. R-2022-3037368

UGI Gas Base Rate Case Docket No. R-2024-3052716

UGI Gas Base Rate Case Docket No. R-2025-3059523

Education & Professional Certification

B. S. in Accounting – Bob Jones University, Greenville, SC

Certified Public Accountant – Commonwealth of Pennsylvania

UGI ELECTRIC STATEMENT NO. 5

AMY M. KELLER

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2025-3059430

UGI Utilities, Inc. – Electric Division

Statement No. 5

Direct Testimony of

Amy M. Keller

Topics Addressed: **Accounting Process and Historic Costs**
Rate Base
Operating Expense Adjustments

Dated: March 27, 2026

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Amy M. Keller. My business address is 1 UGI Drive, Denver, Pennsylvania
4 17517.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as Senior Manager, Regulatory and Plant
8 Accounting. UGI is a wholly-owned subsidiary of UGI Corporation (“UGI Corp.”). UGI
9 has two operating divisions, the Electric Division (“UGI Electric” or the “Company”) and
10 the Gas Division (“UGI Gas”), each of which is a public utility regulated by the
11 Pennsylvania Public Utility Commission (“Commission” or “PUC”).

12
13 **Q. What are your responsibilities as Senior Manager, Regulatory and Plant Accounting?**

14 A. I have responsibility for UGI’s plant accounting and regulatory accounting processes. I
15 lead a team of accountants responsible for maintaining complete and accurate plant
16 accounting records and preparing and submitting certain regulatory filings with the PUC
17 and the Federal Energy Regulatory Commission (“FERC”). My duties also include the
18 coordination of these functions with UGI’s Assistant Controller, financial accounting and
19 reporting personnel, and UGI Corp.

20
21 **Q. Please describe your educational background and work experience.**

22 A. My full educational background and work experience are set forth in my resume attached
23 as UGI Electric Exhibit AMK-1.

1 **Q. Have you testified previously before this Commission?**

2 A. Yes. Attached to my direct testimony is UGI Electric Exhibit AMK-1, which contains a
3 list of proceedings in which I previously testified. Additional exhibits that I am sponsoring
4 are described below.

5
6 **Q. What is the purpose of your testimony?**

7 A. I am providing testimony on behalf of UGI Electric in support of the Company's rate case
8 accounting methodology and test year methodology. First, I will explain UGI Electric's
9 accounting processes, which were used to develop the actual book accounting results
10 inputted into the Company's historic test year ended September 30, 2025 ("HTY") (Part
11 II).¹ Second, I will present the Company's claim for rate base in this proceeding using a
12 FPFTY methodology (Part III). Finally, I will discuss certain operating expense
13 adjustments (Part IV).

14
15 **Q. Ms. Keller, are you sponsoring any exhibits in this proceeding?**

16 A. Yes. I am sponsoring UGI Electric Exhibit AMK-1. In addition, I am sponsoring those
17 portions of UGI Electric Exhibit A (Fully Projected), Exhibit A (Future), and Exhibit A
18 (Historic), which address rate base and certain adjustments to rate base and operating
19 expenses discussed later in my testimony. I am also sponsoring those responses to the
20 Commission's standard filing requirements as stated on the master list accompanying this
21 filing.

¹ The budgets for the future test year ending September 30, 2026 ("FTY") and the fully projected future test year ending September 30, 2027 ("FPFTY") are discussed in the direct testimony of Vivian K. Ressler (UGI Gas St. No. 4).

1 **II. ACCOUNTING PROCESS AND HISTORIC COSTS**

2 **Q. How are the accounting records of UGI Electric maintained?**

3 A. The accounting records of UGI Electric are kept in accordance with generally accepted
4 accounting principles (“GAAP”) and the FERC’s Uniform System of Accounts (“USOA”)
5 as required under the provisions of 52 Pa. Code § 57.42. The Company also maintains a
6 continuing property records system in accordance with the requirements of 52 Pa. Code §
7 57.46.

8
9 **Q. Are the books and records of UGI Electric subject to audit?**

10 A. Yes. The books and records of UGI Electric are audited by its internal auditors. In
11 addition, UGI Electric’s books and records are included in Company-wide audits of UGI,
12 performed by its external auditor, KPMG, LLP. The Company’s books and records are
13 further subject to audit by the PUC and the FERC.

14
15 **Q. Do the continuing property records of UGI Electric reflect the original cost value of
16 property?**

17 A. Yes, they do. UGI Electric’s plant in service, plant additions, retirements, and book
18 adjustments have been recorded on an original cost basis in accordance with GAAP and
19 the USOA requirements.

20
21 **Q. What process does UGI Electric follow to assure that property reflected in its plant
22 accounts is in service?**

23 A. UGI Electric’s capital project managers create records that document the costs of projects
24 and/or asset purchases. When a capital project or asset is placed into service, the project

1 manager records the in-service date and the retirement detail for any related assets that are
2 taken out of service. Then, the record is provided to accounting personnel. This
3 information is transferred through accounting entries into the appropriate UGI Electric
4 plant property accounts, subject to review by authorized individuals who approve the
5 entries and further review by internal and external auditors.

6
7 **Q. How was the Company's accounting process used in preparing the Company's filing?**

8 A. The above-described accounting process was used to prepare the principal accounting
9 exhibits that support UGI Electric's claim in this proceeding. As discussed in the direct
10 testimony of Company witnesses Hans G. Bell (UGI Electric Statement No. 1) and Tracy
11 A. Hazenstab (UGI Electric Statement No. 2), the Company's claim is based on the FPFTY.
12 The accounting data for the FPFTY was derived from UGI Electric's operating and capital
13 budgets for the 12 months ending September 30, 2027, as shown in UGI Electric Exhibit
14 A (Fully Projected). The accounting data for the FTY was derived from UGI Electric's
15 operating and capital budgets for the 12 months ending September 30, 2026, as shown in
16 UGI Electric Exhibit A (Future). The accounting data for the HTY was derived from UGI
17 Electric's books and records for the 12 months ending September 30, 2025, as shown in
18 UGI Electric Exhibit A (Historic).

19
20 **III. FULLY PROJECTED FUTURE TEST YEAR RATE BASE**

21 **Q. With reference to UGI Electric Exhibit A (Fully Projected), please discuss how the**
22 **Company's specific rate base items are determined.**

23 A. UGI Electric's rate base presentation is shown in UGI Electric Exhibit A (Fully Projected),
24 Schedule C-1. It summarizes the UGI Electric rate base values for the FPFTY. Column 1

1 provides the schedule where the calculation of each of the rate base elements is found.
2 Columns 3 and 5 show the amounts at present and proposed rates, respectively. UGI
3 Electric's total FPFTY rate base claim—net of deductions for accumulated depreciation,
4 accumulated deferred income taxes and customer deposits—is \$239.2 million. Except
5 where otherwise noted, I will describe each of these rate base elements in greater detail
6 below.

7
8 **1. Utility Plant in Service**

9 **Q. Please explain how UGI Electric determined its FPFTY rate base value for net plant**
10 **in service.**

11 A. UGI Electric's claim for FPFTY rate base value for net plant in service is the sum of the
12 gross utility plant in service claim and the accumulated depreciation claim as of September
13 30, 2027, as described below.

14 Gross utility plant in service represents the sum of the closing plant balances as of
15 September 30, 2025, plus budgeted additions placed in service for the years ending
16 September 30, 2026, and September 30, 2027, less expected FTY and FPFTY plant
17 retirements. The direct testimony of Company witness Vicky A. Schappell (UGI Electric
18 Statement No. 7) discusses the capital addition planning process and the basis for the
19 additions placed in service in the FTY and FPFTY.

20 UGI Electric's claim also reflects a reduction for accumulated depreciation, which
21 is based on the closing accumulated depreciation balances as of September 30, 2025, plus
22 depreciation expenses for the years ending September 30, 2026, and September 30, 2027,
23 less expected FTY and FPFTY plant retirements.

1 **Q. Please describe Schedule C-2 to UGI Electric Exhibit A (Fully Projected).**

2 A. This schedule presents UGI Electric's FPFTY claim of \$354.0 million for used and useful
3 electric utility plant in service on page 1, column 2, line 48. The electric utility plant
4 enables UGI Electric to provide safe and reliable electric service to its customers.

5
6 **Q. How was the electric utility plant in service amount of \$354.0 million shown on
7 Schedule C-2, page 1, column 2, line 48 determined?**

8 A. As noted above, this amount is based on the *pro forma* balance as of September 30, 2027.
9 The amount includes: (1) utility plant in service as of September 30, 2025, and (2) budgeted
10 capital expenditures expected to be placed in service for the 12-month periods ending
11 September 30, 2026 and 2027, less expected plant retirements during the same periods.
12 UGI Electric witness Vince A. DeGiusto (UGI Electric Statement No. 3) also discusses the
13 basis for the plant additions in the FTY and FPFTY.

14
15 **Q. Please describe the information included on Schedule C-2, page 2.**

16 A. This information provides a summary of UGI Electric's *pro forma* claim for utility plant
17 in service by category. Column 2 shows the FPFTY ending balances based on the placed
18 in-service budget; column 3 shows the net effect of the various plant adjustments, if any;
19 and column 4 provides the adjusted FPFTY plant in service.

1 **Q. What information is included on Schedule C-2, page 3?**

2 A. Columns 2 and 3 on this page show the electric plant in service balances for 2026 and 2027
3 at the FERC account level, based on the placed in service budget. Column 5 provides the
4 ending FPFTY plant balance at the FERC account level.

5
6 **Q. Where are the HTY, FTY and FPFTY additions shown?**

7 A. Page 4 of Schedule C-2 provides actual (for the HTY) and projected (for the FTY and
8 FPFTY) plant in service additions. The Company categorizes plant in service additions by
9 FERC account.

10

11 **Q. Where are the HTY, FTY and FPFTY retirements shown?**

12 A. Page 5 of Schedule C-2 provides actual (for the HTY) and projected (for the FTY and
13 FPFTY) plant retirements. Retirements for most plant accounts were projected by plant
14 account. The Company applied the average retirement rate, as a percent of additions for
15 the five fiscal years 2021 through 2025, to the FPFTY and FTY plant additions. For certain
16 plant accounts subject to amortization accounting, retirements are recorded when a vintage
17 is fully amortized. For these accounts, all units are retired when the vintage is fully
18 amortized.

19

20 **2. Accumulated Depreciation**

21 **Q. Please explain how UGI Electric determined its rate base deduction for accumulated
22 depreciation.**

23 A. UGI Electric started with accumulated depreciation as of September 30, 2025, added the
24 budgeted level of depreciation expense for the FTY and FPFTY, and calculated the impact

1 of the FTY and FPFTY plant retirements and a provision for net salvage as shown on
2 Schedule C-3. The depreciation rates and test year expense levels are discussed in the
3 direct testimony of John F. Wiedmayer (UGI Electric Statement No. 6), with the underlying
4 FPFTY depreciation analysis provided in UGI Electric Exhibit A (Fully Projected).

5
6 **Q. Please describe UGI Electric's accumulated depreciation claim.**

7 A. UGI Electric's accumulated depreciation claim is shown on Schedule C-3 of UGI Electric
8 Exhibit A (Fully Projected). This schedule presents the accumulated provision for
9 depreciation as of September 30, 2027, distributed among the various FERC accounts. The
10 total amount for accumulated depreciation, \$102.3 million, is summarized on page 1 of this
11 schedule. That amount is reflected on line 2 of the measure of value summary on Schedule
12 C-1 as a reduction to rate base.

13 Page 2 of Schedule C-3 shows the *pro forma* FPFTY level of accumulated
14 depreciation distributed to the various plant categories. Page 3 shows the details of the
15 accumulated depreciation by FERC account for Fiscal Years 2026 (column 2) and 2027
16 (column 3) based on budget plus adjustments (column 4), if any, to arrive at the FPFTY
17 balance (column 5). Pages 4 and 5 show the cost of removal and negative net salvage
18 amortization by FERC account, respectively. Page 6 includes the salvage amounts by
19 FERC account. These amounts are included in the FPFTY accumulated depreciation
20 calculations. The amortization of negative net salvage was calculated using a 5-year
21 amortization schedule in accordance with Commission precedent.

1 **3. Cash Working Capital**

2 **Q. Please explain how UGI Electric determined its rate base value for cash working**
3 **capital (“CWC”).**

4 A. CWC is the capital requirement arising from the difference between (1) the lag in the
5 receipt of revenue for rendering service and (2) the lag in the payment of cash expenses
6 incurred to provide that service, as shown in Schedule C-1. A detailed analysis of UGI
7 Electric’s CWC requirements is provided in Schedule C-4.

8
9 **Q. Where is the CWC rate base value summarized?**

10 A. The CWC rate base value is summarized at Schedule C-4, page 1. The various components
11 of the working capital claim are listed on this page, along with a reference to the page
12 where the component is further detailed within Schedule C-4.

13
14 **Q. What data is shown on page 2 of Schedule C-4?**

15 A. Page 2 summarizes the derivation of UGI Electric’s revenue collection lag and overall
16 expense payment lag. The revenue lag days of 64.15 are shown on line 1. Expense lag
17 days include three categories of annual operating expenses: (1) payroll; (2) purchased
18 power costs; and (3) other expenses. The expense lag days are shown for each component
19 on lines 3-5, which amount to 29.44 (on line 7). The net lag in the collection of revenue is
20 34.71 days as shown on line 8. This number is then multiplied by the average daily
21 operating expense balance on line 9 to arrive at a base CWC amount for Operations and
22 Maintenance (“O&M”) expense of \$10.7 million (line 10). The average daily expense
23 balance of \$307,000 shown on line 9 is determined by dividing the total *pro forma* annual

1 operating expenses, excluding uncollectible accounts expense, of \$112.0 million (line 6,
2 column 2), by the number of days in the year, or 365. I will describe the other components
3 of the CWC claim when I discuss the related schedules.
4

5 **Q. Please describe the revenue lag calculation shown on Schedule C-4, page 3.**

6 A. The Company's calculation for the total revenue lag days of 64.15 (line 23) is comprised
7 of several steps. First, the annual revenue (line 18, column 3) was divided by the average
8 month-end accounts receivable balances for the thirteen months ended September 30, 2025
9 (line 17, column 2). This results in an accounts receivable turnover rate of 7.82 (line 19,
10 column 4), which is equivalent to 46.68 lag days (line 20, column 5) (*i.e.*, 365 divided by
11 7.82 accounts receivable turnover rate). As shown on lines 20-23, the payment portion of
12 the revenue lag is added to (1) the 2.26 day lag between the meter reading day and the day
13 bills are sent out and recorded as revenue and accounts receivable by the Company; and
14 (2) the 15.21 day service lag (*i.e.*, midpoint lag factor), which is the time from the mid-
15 point of the service period until the meter reading date (appearing on line 22). This
16 calculation results in a total revenue lag of 64.15 days.
17

18 **Q. How was the mid-point of the service period calculated?**

19 A. The mid-point of the service period is equal to the number of days in an average service
20 month (365 days divided by 12, or 30.4 days) divided by two (*i.e.*, 15.21 days).

1 **Q. How are the payroll expense lag days for the CWC claim calculated?**

2 A. This calculation is shown on page 4 of Schedule C-4, lines 1-6. The payroll amounts shown
3 there reflect the payroll for the FPFTY, which is shown on Schedule D-7. The lag periods
4 for union and non-union payroll are shown separately on page 4 of Schedule C-4, lines 1-
5 2, with the same bi-weekly pay period. The lag days are calculated based on 14 days in the
6 pay period divided by 2 (for an average), with a 5-day payroll processing time period
7 added, resulting in a 12-day lag period.

8

9 **Q. How were the lag days associated with the purchased power costs shown on Schedule**
10 **C-4, page 4, line 8 calculated?**

11 A. This calculation is shown on page 6 of Schedule C-4, and is based on a review of electric
12 purchases during the 12-month period of October 2024 through September 2025. The total
13 dollar amount of electricity purchased during this period was \$67.062 million (on line 13,
14 column 2). The average payment lag was calculated by dividing the total dollar days for
15 purchased power costs (or \$2,334.686 million) by the total dollar amount of electric supply
16 purchased or (\$67.062 million), which equals 34.81 days (on line 14). The payment lag
17 was determined by using the midpoint of the service period for each of the payments and
18 the payment date for each, averaged over the 12-month study period. The 34.81-day lag
19 for electric supply purchased is then brought forward to Schedule C-4, page 4, line 8, and
20 Schedule C-4, page 2, column 3, line 4.

21

22 **Q. What are dollar days, and how were they used in the CWC calculation?**

23 A. Dollar days are the product of a payment amount multiplied by the number of days between
24 the invoice date or service date and the date that the payment clears the Company's bank.

1 The dollar days calculation is used to calculate a weighted average number of lag days for
2 both electric supply purchases (Schedule C-4, page 6) and general disbursements (Schedule
3 C-4, page 5).

4
5 **Q. How were the Other O&M Expense lag days, shown on Schedule C-4, page 4, line 22,**
6 **calculated?**

7 A. The calculation is shown on page 5 of Schedule C-4. The average payment lag for all
8 remaining expenses was derived from data over the HTY, as shown in more detail on page
9 5 of Schedule C-4. A summary list of all cash disbursements, including the invoice date,
10 the amount of the disbursement, the date the payment was made, and the type of
11 disbursement (for capital, commodity, or expense), during each of these months was used.
12 As shown on page 5, lines 1-24, columns 1 and 2, each month's listing contained numerous
13 cash disbursements. Once the raw payment data was assembled, the dollar days for
14 expense purchases were determined by multiplying the amount of the disbursement by
15 either (i) the number of days from invoice date until bank clearance for wire and Automated
16 Clearing House ("ACH") payments, or (ii) the number of days from the invoice date until
17 check date, plus seven days for payments made by check. Disbursements were eliminated
18 if they were included in another calculation (e.g., electric commodity purchases) or if they
19 were paid for capital items. After these adjustments, the average of the expense lag days
20 for each month shown on Schedule C-4, page 5, column 4, line 25 resulted in a payment
21 lag for general disbursements of 20.57 days. The 20.57 day lag for Other Disbursements
22 is then brought forward to Schedule C-4, page 4, line 22, and Schedule C-4, page 2, column
23 3, line 5.

1 **Q. Please explain how the interest payment amount included on line 2 of Schedule C-4,**
2 **page 1 was determined.**

3 A. The calculation of this amount is shown on Schedule C-4, page 7. This calculation
4 measures the lag associated with the payment of interest on outstanding debt. The *pro*
5 *forma* annual interest expense shown on line 4 is divided by 365 to obtain the daily interest
6 expense of \$16,000 shown on page 7, line 5. That amount is then multiplied by the net
7 payment lag, resulting in a reduction to the working capital allowance of \$420,000 as
8 shown on page 7, line 9 of Schedule C-4. This amount is then included on page 1, line 2
9 of Schedule C-4.

10

11 **Q. How was the tax payment lag for the working capital requirement, shown on line 3 of**
12 **Schedule C-4, page 1, determined?**

13 A. This calculation is shown on page 8 of Schedule C-4. Separate tax payment lag calculations
14 (for working capital) are made for federal income tax, state income tax, PA Property Tax
15 and Public Utility Realty Tax Act (“PURTA”) taxes. Each of these calculations is based
16 on anticipated FPFTY tax payments and an April 1 mid-point of annual service. The result
17 for each of these components are shown and summed in column 10 to derive the net
18 working capital allowance for tax payments of \$369,000 shown on page 8, line 19. This
19 amount is then included on page 1, line 3 of Schedule C-4.

1 **Q. How was the working capital allowance for prepayments, shown on line 4 of Schedule**
2 **C-4, page 1, derived?**

3 A. That amount is calculated on page 9 of Schedule C-4 and represents the 13-month average
4 of actual prepaid amounts for each month ended from September 2024 through September
5 2025. The 13-month average of total actual prepaid amounts during that period is \$2.822
6 million, shown on page 9, line 18. This amount is then included on page 1, line 4, of
7 Schedule C-4.

8

9 **Q. What is the total amount of the Company's CWC claim?**

10 A. UGI Electric's claim for CWC is \$13.426 million. This amount is shown on Schedule C-
11 4, page 1, line 5; Schedule C-1, line 4; and on Schedule A-1, line 4.

12

13 **4. Materials and Supplies Inventory**

14 **Q. What is the rate base claim for materials and supplies inventory?**

15 A. UGI Electric maintains various materials and supplies in inventory for use in its operations.
16 The Company's claim for those items is \$3.835 million, as shown on Schedule C-1, line 7,
17 and on Schedule A-1, line 7. This amount is based on the average inventory for the 13-
18 month period ending September 30, 2025, as shown on Schedule C-8.

1 **5. Accumulated Deferred Income Taxes**

2 **Q. Does the Company include in its rate base calculation a reduction for the value of**
3 **Accumulated Deferred Income Taxes (“ADIT”), including Excess Deferred Federal**
4 **Income Taxes (“EDFIT”)?**

5 A. Yes. The Company’s determination of its rate base value for ADIT, including EDFIT, is
6 shown on Schedule C-6 and is discussed in the direct testimony of Darin T. Espigh (UGI
7 Electric Statement No. 9).

8
9 **6. Customer Deposits**

10 **Q. Please explain how the Company calculated the rate base value for customer deposits.**

11 A. Customer deposits offset the need for UGI Electric to provide capital. UGI Electric’s rate
12 base reduction for customer deposits is based on the average customer deposit balance for
13 the 13-month period ending September 30, 2025, as shown on Schedule C-7.

14
15 **Q. What is the rate base offset for customer deposits?**

16 A. The customer deposit offset is \$1.725 million as shown on Schedule C-1, line 6, and on
17 Schedule A-1, line 6.

18
19 **IV. OPERATING EXPENSE ADJUSTMENTS**

20 **Q. Please describe how the Company’s claimed operating expenses were determined.**

21 A. As discussed in the direct testimony of Tracy A. Hazenstab (UGI Electric Statement No.
22 2), the *pro forma* FPFTY expenses were based on the budgeted level of expenses as a
23 starting point. This budgeted level of expenses was then adjusted to comply with
24 Commission precedent and generally accepted ratemaking principles to reflect a normal,

1 ongoing level of operations. The supporting schedules for those adjustments are found in
2 UGI Electric Exhibit A (Fully Projected), Section D. Below, I will discuss the specific
3 operating adjustments that I am sponsoring, as contained in UGI Electric Exhibit A (Fully
4 Projected), Section D.

6 **1. Benefits Expense Adjustment**

7 **Q. Please describe the adjustment shown on Schedule D-14.**

8 A. The adjustment shown on Schedule D-14 reflects an adjustment from budgeted pension
9 expense to reflect cash to be contributed to the plan in the FPFTY. The Company's budget
10 reflects pension expense based on GAAP requirements to reflect service and non-service
11 costs based on certain assumptions. However, consistent with prior ratemaking practices,
12 the Company claims pension costs within its rates on a cash basis. The adjustment is
13 calculated as the total cash contributions (as provided by the Company's actuary in the
14 most recent actuarial report), reduced to reflect only the portion attributable to UGI
15 Electric, and then further reduced to reflect the portion of pension that is capitalizable. This
16 cash pension expense of \$0.657 million (line 5) is compared to the budgeted pension
17 expense of \$0.176 million (line 1), also calculated for UGI Electric only and net of the
18 capitalizable portion, resulting in an adjustment of \$0.481 million (line 6). This total
19 adjustment is then allocated to UGI Electric's distribution allocation factor of 83.95%,
20 resulting in a *pro forma* adjustment to the Company's claim of \$0.404 million.

21
22 **Q. Does this conclude your direct testimony?**

23 A. Yes, it does.

UGI ELECTRIC

EXHIBIT AMK-1

Amy M. Keller

Senior Manager – Regulatory and Plant Accounting

Work Experience

UGI Utilities, Inc. – Denver, PA

Oct. 2025 – Current	Senior Manager – Regulatory and Plant Accounting
Dec. 2021 – Sep. 2024	Manager of Process Improvement
Feb. 2020 – Nov. 2021	Manager of General Ledger and Regulatory Accounting
Feb. 2018 – Jan. 2020	Manager of Revenue and Supply Accounting
May 2016 – Jan. 2018	Supervisor of Revenue Accounting

Penn National Gaming. – Wyomissing, PA

May 2015 – May 2016	Senior Auditor, Internal Audit
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Fulton Financial Corporation – Lancaster, PA

Jan. 2013 – May 2015	Senior Auditor, Internal Audit
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Baker Tilly (formerly ParenteBeard, LLC) – Wyomissing, PA

Jan. 2010 – Jan. 2013	Intern through Staff Accountant II, Small Business Division
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Previous Testimony before the Pennsylvania Public Utility Commission

UGI Gas Base Rate Case Docket No. R-2025-3059523

Education & Professional Certification

B. S. in Accounting – Albright College, Reading, PA

B. S. in Psychology – Elizabethtown College, Elizabethtown, PA

Certified Public Accountant – Commonwealth of Pennsylvania

UGI ELECTRIC STATEMENT NO. 6

JOHN F. WIEDMAYER

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2025-3059430

UGI Utilities, Inc. - Electric Division

Statement No. 6

**Direct Testimony of
John F. Wiedmayer, C.D.P.**

Topics Addressed: Depreciation

Date: March 27, 2026

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1 DIRECT TESTIMONY OF
2 JOHN F. WIEDMAYER
3 DOCKET NO. R-2025-3059430
4

5 **I. INTRODUCTION**

6 **Q. Please state your name and address.**

7 A. My name is John F. Wiedmayer. My business address is 1010 Adams Avenue,
8 Audubon, Pennsylvania 19403.
9

10 **Q. Are you associated with any firm and in what capacity?**

11 A. Yes. I am associated with the firm of Gannett Fleming Valuation and Rate Consultants,
12 LLC (“Gannett Fleming”) as Senior Project Manager, Depreciation and Valuation
13 Studies.
14

15 **Q. How long have you been associated with Gannett Fleming?**

16 A. I have been associated with the firm since I graduated from college in June 1986.
17

18 **Q. What is your educational background?**

19 A. I have an AB Engineering degree from Lafayette College and a Master of Business
20 Administration from the Pennsylvania State University.
21

22 **Q. Do you belong to any professional societies?**

23 A. Yes. I am a member of the National and Pennsylvania Societies of Professional
24 Engineers and the Society of Depreciation Professionals (“SDP”). In 2005, I served as
25 President of the SDP and was a member of the SDP’s Executive Board from 2003
26 through 2007.

1 **Q. Do you hold any special certification as a depreciation expert?**

2 A. Yes. The SDP has established national standards for depreciation professionals. The
3 SDP administers an examination to become certified in this field. I passed the
4 certification exam in September 1997 and have fulfilled the requirements necessary to
5 remain a Certified Depreciation Professional.

6

7 **Q. Please outline your experience in the field of depreciation.**

8 A. I have over 39 years of depreciation experience, which includes expert testimony in
9 numerous cases before 14 regulatory commissions, including the Pennsylvania Public
10 Utility Commission (“PA PUC” or the “Commission”).

11 In June 1986, I was employed by Gannett Fleming as a Depreciation Engineer.
12 I held that position from June 1986 through December 1995. In January 1996, I was
13 assigned to the position of Supervisor of Depreciation Studies. In August 2004, I was
14 promoted to Project Manager of Depreciation Studies. In 2020, I was promoted to my
15 present position as Senior Project Manager of Depreciation Studies. I am responsible
16 for conducting depreciation and valuation studies, including the preparation of
17 testimony, exhibits, and responses to data requests for submission to the appropriate
18 regulatory bodies. My additional duties include determining final life and salvage
19 estimates, conducting field reviews, presenting recommended depreciation rates to
20 management for its consideration, and supporting such rates before regulatory bodies.

21 During the course of my employment with Gannett Fleming, I have assisted in
22 the preparation of numerous depreciation studies for utility companies in various
23 industries such as electric, gas, water, steam, telephone, and railroads.

1 In each of the studies I was involved with, I assembled and analyzed historical
2 and simulated data, performed field reviews, developed preliminary estimates of service
3 lives and net salvage, calculated annual depreciation, and prepared reports for
4 submission to state public utility commissions or federal regulatory agencies.
5

6 **Q. Have you previously testified on the subject of utility plant depreciation?**

7 A. Yes. I have submitted testimony to the Kentucky Public Service Commission, the
8 Newfoundland and Labrador Board of Commissioners of Public Utilities, the Nova
9 Scotia Utility and Review Board, the Federal Energy Regulatory Commission, the Utah
10 Public Service Commission, the Arizona Corporation Commission, the Missouri Public
11 Service Commission, the Illinois Commerce Commission, the Maine Public Utilities
12 Commission, the Maryland Public Service Commission, the New York Public Service
13 Commission, the New Jersey Board of Public Utilities, Public Utilities Regulatory
14 Authority (for Connecticut), and the PA PUC.
15

16 **Q. Have you received any additional education relating to utility plant depreciation?**

17 A. Yes. I have completed the following courses conducted by Depreciation Programs, Inc.:
18 “Techniques of Life Analysis,” “Techniques of Salvage and Depreciation Analysis,”
19 “Forecasting Life and Salvage,” “Modeling and Life Analysis Using Simulation,” and
20 “Managing a Depreciation Study.” In 1999, I became an instructor at the SDP’s annual
21 conference, lecturing on “Salvage Concepts,” “Depreciation Models,” “Analyzing the
22 Life of Real-World Utility Property – Actuarial Analysis,” “Theoretical Reserve,” and
23 “Data Requirements for a Depreciation Study.” I am a faculty member of the Society

1 of Depreciation (“Society”) and, since 1999, have been responsible for preparing and
2 presenting courses on depreciation matters each year at the Society’s annual conference.

3
4 **II. PURPOSE OF TESTIMONY**

5 **Q. What is the purpose of your testimony?**

6 A. My testimony is in support of the depreciation studies conducted under my direction
7 and supervision for the electric plant of UGI Utilities, Inc. - Electric Division (“UGI
8 Electric” or the “Company”) in this proceeding. I have been retained by the Company
9 as a depreciation consultant. UGI Electric retained me to determine the book
10 depreciation reserve as of September 30, 2027, and to determine the annual depreciation
11 expense to be included as an element of the cost of service, and to testify in support of
12 those two determinations in this proceeding.

13 I am also a sponsoring witness for UGI Electric’s depreciated original cost of
14 electric plant in service included in rate base. My testimony will address my
15 depreciation study, the appropriate depreciation reserve for ratemaking purposes, the
16 original cost measure of value, and the appropriate annual depreciation expense to be
17 included in the ratemaking cost of service as of September 30, 2027.

18
19 **Q. Were you responsible for the preparation of any of the Company's responses to**
20 **the Commission's filing regulations that were filed in support of the Company's**
21 **general rate filing?**

22 A. Yes. I am the responsible witness for the following items in UGI Electric Books I and

23 II:

	<u>Item No.</u>	<u>Subject</u>
1		
2		
3	II-D-13	Experienced and Estimated Net Salvage
4		
5	V-A-1	Electric Plant in Service
6		
7	V-A-2	Comparison of Calculated Reserve vs. Book Reserve
8		
9	V-A-3	Projected Plant and Reserve Balances
10		
11	V-B-1	Comparison of Calculated vs. Book Accruals
12		
13	V-B-2	Survivor Curves and Surviving Original Cost Including Related
14		Annual and Accrued Depreciation
15		
16	V-C-1	Retirement Rate Actuarial Method of Life Analysis
17		
18	V-D-1	Summary Depreciation Calculations by Account
19		
20	V-D-2	Detailed Depreciation Calculations by Account and Vintage
21		Year
22		
23	V-E-1	Description of Depreciation Methods and Factors Considered in
24		Arriving at Estimates of Service Life and Dispersion by
25		Account
26		

27 **Q. Have you previously prepared comparable studies for UGI Electric?**

28 A. Yes. I provided testimony on depreciation matters for the Company in the prior three

29 UGI Electric base rate cases at Docket Nos. R-2017-2640058, R-2021-3023618, and R-

30 2022-3037368. Also, I provided testimony on depreciation matters for the Company in

31 the prior two UGI Penn Natural Gas (“PNG”) base rate cases at Docket Nos. R-2016-

32 2580030 and R-2008-2079660, the prior two UGI Central Penn Gas (“CPG”) base rate

33 cases at Docket Nos. R-2010-2214415 and R-2008-2079675, and the prior six UGI

34 Utilities, Inc. – Gas Division (“UGI Gas”) base rate cases at Docket Nos. R-2025-

35 3059523, R-2024-3052716, R-2021-303-0218, R-2019-3015162, R-2018-3006814, and

36 R-2015-2518438. Prior to those rate filings, I prepared exhibits for the depreciation

1 study in UGI Gas’s previous base rate case filed in 1995 at Docket No. R-00953297 and
2 UGI Electric’s prior two base rate cases at Docket Nos. R-00973975 and R-00953534.

3
4 **III. OUTLINE OF EXHIBITS C (FULLY PROJECTED), C (FUTURE), AND C**
5 **(HISTORIC)**

6 **Q. Will you be sponsoring any exhibits with your direct testimony?**

7 A. Yes, I am attaching and sponsoring the following exhibits: UGI Electric Exhibit C
8 (Fully Projected), UGI Electric Exhibit C (Future), and UGI Electric Exhibit C
9 (Historic). UGI Electric Exhibit C (Fully Projected) presents the summarized
10 depreciation calculations and supporting tables related to the fully projected future test
11 year ending September 30, 2027 (“FPFTY”). UGI Electric Exhibit C (Future) presents
12 summarized depreciation calculations and supporting charts and tables related to the
13 depreciation study for the future test year ending September 30, 2026 (“FTY”). UGI
14 Electric Exhibit C (Historic) presents the summarized depreciation calculations and
15 supporting tables related to the historic test year ended September 30, 2025 (“HTY”).
16 Each of the three exhibits is organized in a similar manner, and each contains
17 information and schedules supporting the amounts applicable to each test year period.
18 UGI Electric Exhibit C (Future) contains additional information, including the
19 supporting charts and life tables related to the service life estimates.

20
21 **Q. Does UGI Electric Exhibit C (Fully Projected) accurately portray the results of**
22 **your depreciation study as of September 30, 2027?**

23 A. Yes.

1 **Q. In preparing the depreciation study (contained in Exhibit C (Future)), did you**
2 **follow generally accepted practices in the field of depreciation?**

3 A. Yes.

4
5 **Q. Please describe the contents of the depreciation study reports, UGI Electric Exhibit**
6 **C (Future) and UGI Electric Exhibit C (Fully Projected).**

7 A. The depreciation study report in UGI Electric Exhibit C (Future) consists of eight parts,
8 including charts and tables filed in the Company's most recent service life study report
9 submitted to the PA PUC in May 2022, based on electric plant in service as of September
10 30, 2021. Part I, Introduction, includes statements related to the scope of and basis for
11 the depreciation study. Part II, Estimation of Survivor Curves, presents detailed
12 discussions of: (1) survivor curves; and (2) methods of life analysis, including an
13 example of the retirement rate method. Part III, Service Life Considerations, presents
14 the relevant factors considered for estimating service lives. Part IV, Calculation of
15 Annual and Accrued Depreciation, sets forth a description of: (1) the group depreciation
16 procedures used for calculating annual and accrued depreciation; and (2) an explanation
17 of the manner in which net salvage was incorporated in the calculations. Part V, Results
18 of Study, includes a description of the results and summaries of the detailed depreciation
19 calculations as of September 30, 2026. Part VI, Service Life Statistics, presents the
20 results of the retirement rate analyses prepared as the historical bases for the service life
21 estimates. Part VII sets forth the detailed depreciation calculations related to surviving
22 original cost as of September 30, 2026. The detailed depreciation calculations present
23 the annual and accrued depreciation amounts by account and vintage year. The
24 remaining life annual accrual rate is also set forth in the tables of Part VII. Part VIII,

1 Experienced and Estimated Net Salvage, contains the net salvage amortization of
2 experienced and estimated net salvage for the fiscal years 2022 through 2026.

3 UGI Electric Exhibit C (Fully Projected) includes: a description of the scope,
4 basis, and results of the studies; summaries of the depreciation calculations; and the
5 detailed depreciation calculations as of September 30, 2027. The descriptions and
6 explanations presented in UGI Electric Exhibit C (Future) are also applicable to the
7 depreciation calculations presented in UGI Electric Exhibit C (Fully Projected). The
8 graphs and tables related to service life presented in UGI Electric Exhibit C (Future)
9 also support the service life estimates used in UGI Electric Exhibit C (Fully Projected)
10 and UGI Electric Exhibit C (Historic), since the estimates are the same for all three test
11 years.

12 The results of the study are set forth in Part II in UGI Electric Exhibit C (Fully
13 Projected). Table 1, pages II-3 through II-5 of UGI Electric Exhibit C (Fully Projected),
14 presents the estimated survivor curve, the original cost and depreciation reserve at
15 September 30, 2027, and the calculated annual depreciation rate and amount for each
16 account or subaccount of Electric Plant in Service. Table 2, pages II-6 through II-7 of
17 UGI Electric Exhibit C (Fully Projected), presents the bring-forward to September 30,
18 2027, of the depreciation reserve as of September 30, 2026. Table 3, pages II-8 through
19 II-9 of UGI Electric Exhibit C (Fully Projected), presents the calculation of the book
20 depreciation amounts for the FPFTY. Table 4, pages II-10 and II-11 of UGI Electric
21 Exhibit C (Fully Projected), presents the experienced and estimated net salvage for
22 fiscal years 2023 through 2027. The amortization of net salvage is based on experienced
23 and estimated net salvage during the period October 1, 2022, through September 30,
24 2027. The summary tables and detailed depreciation calculations set forth in UGI

1 Electric Exhibit C (Fully Projected) as of September 30, 2027, are organized and
2 presented in the same manner as those presented in UGI Electric Exhibit C (Future) as
3 of September 30, 2026.

4 **Q. Please outline the contents of Exhibit C (Historic).**

5 A. UGI Electric Exhibit C (Historic) is organized like UGI Electric Exhibit C (Fully
6 Projected). UGI Electric Exhibit C (Historic) includes: a description of the scope, basis,
7 and results of the studies; summaries of the depreciation calculations; and the detailed
8 depreciation calculations as of September 30, 2025. The descriptions and explanations
9 presented in UGI Electric Exhibit C (Future) are also applicable to the depreciation
10 calculations presented in UGI Electric Exhibit C (Historic). The same depreciation
11 methods and procedures used to calculate depreciation were used in all three test year
12 periods. The summary tables and detailed depreciation calculations as of September 30,
13 2025, are organized and presented in the same manner as those as of September 30,
14 2027, with two exceptions. Tables 2 and 3 presented in UGI Electric Exhibit C (Fully
15 Projected) are not necessary and, therefore, are not presented in UGI Electric Exhibit C
16 (Historic).

17
18 **IV. THE DEPRECIATION STUDY - OVERVIEW**

19 **Q. Please describe what you mean by the term “depreciation.”**

20 A. My use of the term “depreciation” is in accord with the definition set forth in the
21 Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to
22 the Provisions of the Federal Power Act (or FERC Uniform System of Accounts).
23 “Depreciation” refers to the loss in service value not restored by current maintenance,
24 incurred in connection with the consumption or prospective retirement of electric plant

1 in the course of service from causes which are known to be in current operation, against
2 which the company is not protected by insurance. Among the causes to be given
3 consideration are wear and tear, decay, action of the elements, inadequacy,
4 obsolescence, changes in the art, changes in demand, and requirements of public
5 authorities.

6 In the study that I performed, which is the basis for my testimony, I used the
7 straight line remaining life method of depreciation, with the average service life and
8 equal life group procedures. The annual depreciation is based on a system of
9 depreciation accounting that aims to distribute the unrecovered cost of fixed capital
10 assets over the estimated remaining useful life of the unit or group of assets in a
11 systematic and rational manner.

12
13 **Q. Is the Company's claim for annual depreciation in the current proceeding based**
14 **on the same methods of depreciation as were used in its most recent Annual**
15 **Depreciation and Service Life Study Report filed in May 2022?**

16 **A.** Yes, it is. For most plant accounts, the current claim for annual depreciation is based
17 on the straight line remaining life method of depreciation, which has been used by the
18 Company for many years. The depreciation methods and procedures are described
19 further in Part II of UGI Electric Exhibit C (Future).

20 For General Plant Accounts 391, 393, 394, 395, 397, and 398, I used the straight
21 line remaining life method of amortization. The annual amortization is based on
22 amortization accounting, which distributes the unrecovered cost of fixed capital assets
23 over the remaining amortization period selected for each account.

1 **V. ORIGINAL COST MEASURE OF VALUE**

2 **Q. What is the original cost of electric plant to be included in rate base in this**
3 **proceeding?**

4 A. As of September 30, 2027, the original cost of electric plant in service is \$353,968,202
5 as shown in column 4 of Table 1 on pages II-3 through II-5 of UGI Electric Exhibit C
6 (Fully Projected). This amount includes \$322,151,122 of Electric Plant and
7 \$31,817,080 of Other Utility Plant allocated to UGI Electric. Other Utility Plant is
8 primarily comprised of plant assets included in Common Plant and Information Services
9 (“IS”). The assets included in Common Plant and IS are shared and jointly used among
10 the gas and electric divisions at UGI Corporation. The costs related to Common Plant
11 and IS are allocated to UGI Electric using specific allocation factors.

12 Also, the Empire Office and Service Center in Wilkes-Barre, PA, is a facility
13 jointly used by both UGI utility divisions; however, the cost of the facility is currently
14 included in the gas division for book accounting purposes. For ratemaking purposes, a
15 portion of the Empire facility has been allocated to the electric division.

16 Also, 16.05107 percent of the UGI Electric Division’s Intangible, General and
17 Common Plant was excluded from the Company’s current proceeding based on the
18 transmission factor from UGI Electric’s most recent transmission rate filing before
19 FERC. The amounts allocated to Transmission Plant and excluded from electric
20 distribution operations are shown on Table 1 of Exhibit C (Fully Projected).

1 **VI. THE ACCRUED DEPRECIATION CLAIM**

2 **Q. Have you determined UGI Electric’s accrued depreciation for ratemaking**
3 **purposes as of September 30, 2027?**

4 A. Yes. I have determined the allocated book depreciation reserve as of September 30,
5 2027, to be \$102,322,767.

6
7 **Q. Is the Company's claim for accrued depreciation in the current proceeding made**
8 **on the same basis as has been used for over thirty years?**

9 A. Yes. The current claim for accrued depreciation is the book reserve brought forward
10 from the book reserve approved by the Commission in the last proceeding.

11
12 **Q. How did you determine UGI Electric’s allocated book depreciation reserve as of**
13 **September 30, 2026?**

14 A. The book depreciation reserve allocated to UGI Electric as of September 30, 2026, is
15 set forth in column 5 of Table 1 of UGI Electric Exhibit C (Future). Table 2 of UGI
16 Electric Exhibit C (Future) presents an annual bring-forward of the book depreciation
17 reserve as of September 30, 2025, using estimated accruals, retirements, salvage and
18 cost of removal for the twelve months from October 2025 through September 2026.
19 The table sets forth, by plant account, the beginning book reserve balance as of
20 September 30, 2025, the estimated reserve activity, and the ending reserve balance as
21 of September 30, 2026. The estimated reserve activity consists of depreciation accruals
22 (column 3), amortization of net salvage (column 4), projected retirements (column 5),
23 projected salvage (column 6), and projected cost of removal (column 7). Table 3 of
24 UGI Electric Exhibit C (Future) sets forth the calculation of the estimated depreciation

1 accruals by plant account, which is carried forward to column 3 of Table 2. The book
2 reserve as of September 30, 2025, by plant account, shown in column 2 of Table 2, was
3 obtained from UGI Electric’s books and records. The book depreciation reserve as of
4 September 30, 2026, is the sum of the book reserve at the beginning of the fiscal year,
5 September 30, 2025, and the projected 2026 reserve activity.

6
7 **Q. Please explain the manner in which you projected the depreciation accruals for the**
8 **twelve months ended September 30, 2026.**

9 A. The depreciation accruals for the twelve months ended September 30, 2026, by plant
10 account, were estimated by applying the annual depreciation accrual rates calculated as
11 of September 30, 2025, to the projected average 2026 plant balance. The average
12 balance for the twelve months ended September 30, 2026, is computed in columns 2
13 through 6 of Table 3 and is based on the projected additions and retirements in columns
14 3 and 4.

15
16 **Q. With reference to Exhibit C (Future) Table 2, column 4, please explain what you**
17 **mean by “the amortization of net salvage” and explain the manner in which you**
18 **projected it.**

19 A. The amortization of net salvage is the annual provision for recovering experienced
20 negative net salvage. This process for recognizing net salvage in the cost of service is
21 in accordance with Pennsylvania ratemaking practice. The amortization of net salvage
22 is based on experienced net salvage during the preceding five-year period, October 1,
23 2021, through September 30, 2026.

1 **Q. Please explain the manner in which you projected retirements, salvage, and**
2 **removal costs that are shown in columns 4, 5, and 6 of Table 2.**

3 A. Retirements were projected, by plant account, by applying the average retirement ratio,
4 expressed as a percent of additions, i.e., 2021 through 2025, to future test year (FTY)
5 additions for most plant accounts. For certain General Plant accounts subject to
6 amortization accounting, retirements are recorded when a vintage is fully amortized.
7 All units are retired per books when the age of the vintage reaches the amortization
8 period. Therefore, all vintages that reached or exceeded the amortization period were
9 retired during the FTY for certain General Plant accounts subject to amortization
10 accounting. Salvage and removal costs were projected by plant account by applying the
11 average salvage and cost of removal ratios to the projected retirement amounts. The
12 salvage and cost of removal ratios were determined as an average percent of the
13 retirement amounts recorded for the five years 2021 through 2025.

14
15 **Q. Was the book reserve at September 30, 2027, estimated using the same**
16 **methodology?**

17 A. Yes, essentially the same methodology was used with one minor exception. The book
18 depreciation accruals for fiscal year 2027 were calculated by applying depreciation rates
19 established as of September 30, 2026, to average monthly plant balances for purposes
20 of calculating the book reserve as of September 30, 2027.

1 **VII. THE ANNUAL DEPRECIATION EXPENSE CLAIM**

2 **Q. Have you determined UGI Electric’s annual depreciation expense to be included**
3 **as an element in the cost of service for purposes of this proceeding?**

4 A. Yes, I have. The annual depreciation expense is \$12,593,413 and consists of
5 \$10,961,308 of annual accruals to recover original cost and \$1,632,105 of net salvage
6 amortization. The \$10,961,308 related to original cost recovery is comprised of two
7 parts: \$8,690,270 related to electric plant and \$2,271,038 related to Other Utility Plant
8 allocated to UGI Electric. These amounts are set forth in column 8 of Table 1 in UGI
9 Electric Exhibit C (Fully Projected).

10
11 **Q. How did you determine the annual accruals of \$10,961,308?**

12 A. The determination of annual depreciation accruals consists of two phases. In the first
13 phase, survivor curves are estimated for each plant account or subaccount. In the second
14 phase, the composite remaining lives and annual depreciation accruals are calculated
15 based on the service life estimates determined in the first phase.

16 The determination of annual amortization amounts involves selecting
17 amortization periods and calculating amortization amounts based on the remaining
18 amortization period and the unrecovered cost for each vintage.

19
20 **Q. Please describe the manner in which you estimated the service life characteristics**
21 **for each depreciable group in the first phase of the study.**

22 A. The service life study consisted of: compiling historical data from records related to
23 UGI Electric’s electric plant; analyzing these data to obtain historical trends of survivor
24 characteristics; obtaining supplementary information from management and operating

1 personnel concerning UGI Electric's practices and plans as they relate to plant
2 operations; and interpreting the above data to form judgments of average service life
3 characteristics.

4
5 **Q. What historical data did you analyze to estimate the service life characteristics of**
6 **UGI Electric's electric plant?**

7 A. The data consisted of the entries made by UGI Electric to record electric plant
8 transactions during the period 1960 through 2021. The transactions included additions,
9 retirements, transfers, acquisitions, and the related balances. I classified the data by
10 depreciable group, type of transaction, the year in which the transaction took place, and
11 the year in which the plant was installed.

12
13 **Q. What method did you use to analyze these service life data?**

14 A. I used the retirement rate method of life analysis. The retirement rate method is the
15 most appropriate when aged retirement data are available because it develops the
16 average rates of retirement actually experienced during the period of study. Other
17 methods of life analysis infer the rates of retirement based on a selected type of survivor
18 curve.

19
20 **Q. Please describe the results of your use of the retirement rate method.**

21 A. Each retirement rate analysis resulted in a life table, which, when plotted, formed an
22 original survivor curve. Each original survivor curve, as plotted from the life table,
23 represents the average survivor pattern experienced by the several vintage groups
24 during the experience band studied. Inasmuch as this survivor pattern does not

1 necessarily describe the life characteristics of the property group, interpretation of the
2 original curves is required in order to use them as valid considerations in service life
3 estimation. Iowa type survivor curves were used for the purposes of developing these
4 analyses. The results of the retirement rate analyses are presented in Part VI of UGI
5 Electric Exhibit C (Future).

6
7 **Q. Please explain briefly what an “Iowa type survivor curve” is and how you used it**
8 **in estimating service life characteristics for each depreciable group.**

9 A. The range of survivor characteristics usually experienced by utility and industrial
10 properties is encompassed by a system of generalized survivor curves known as the
11 Iowa type survivor curves. The Iowa curves were developed at the Iowa State College
12 Engineering Experiment Station through an extensive process of observation and
13 classification of the ages at which industrial property had been retired. Iowa curves are
14 the accepted survivor curves for Pennsylvania, and the remaining 49 other states, and
15 have been for many years.

16 Iowa type curves are used to smooth and extrapolate original survivor curves
17 determined by the retirement rate method. The Iowa curves were used in this study to
18 describe the forecasted rates of retirement based on the observed rates of retirement
19 and the qualitative outlook for future retirements.

20 The estimated survivor curve designations for each depreciable group indicate
21 the average service life, the family within the Iowa system, and the relative height of
22 the mode. For example, the Iowa 36-R2.5 curve indicates an average service life of
23 thirty-six years; a Right-skewed, or R2.5, type curve (the mode occurs after average

1 life for right modal curves); and a relatively medium height, 2.5, for the mode (possible
2 modes for R type curves range from 0.5 to 5).

3
4 **Q. Did you physically observe plant and equipment in the field?**

5 A. Yes. Field trips are conducted periodically in order to be familiar with the operation
6 of the Company and observe representative portions of the plant. Field trips are
7 conducted each time a service life study is performed. Service life study reports are
8 submitted to the PA PUC every five years, at a minimum. UGI Electric's most recent
9 service life study report was submitted in May 2022 based on electric plant in service
10 as of September 30, 2021. Facilities visited during field trips generally include
11 representative substations, service centers, warehouses, and office buildings. The most
12 recent field trip was conducted in December 2021. The specific dates and locations
13 visited during recent field trips are listed in Exhibit C (Future) in Part III. A general
14 understanding of the function of the plant and information with respect to the reasons
15 for past retirements and expected causes of retirements is obtained during these field
16 trips. This knowledge and information were incorporated in the interpretation and
17 extrapolation of the statistical life analyses.

18
19 **Q. Please describe the second phase of the process that you used to determine annual
20 depreciation for ratemaking purposes.**

21 A. After I estimated the service life characteristics for each depreciable group, I calculated
22 annual depreciation accruals for each group in accordance with the straight line
23 remaining life method, using remaining lives consistent with the average service life
24 procedure for plant installed prior to 1982 and remaining lives consistent with the equal

1 life group procedure for plant installed in 1982 and subsequent years. Summary
2 tabulations of the survivor curve estimates, and the annual accrual rates and amounts
3 are set forth in Table 1 of UGI Electric Exhibit C (Historic), UGI Electric Exhibit C
4 (Future), and UGI Electric Exhibit C (Fully Projected). The detailed tabulations of the
5 depreciation calculations are presented in Part III of UGI Electric Exhibit C (Historic)
6 and UGI Electric Exhibit C (Fully Projected), as well as Part VII of UGI Electric
7 Exhibit C (Future).

8
9 **Q. Please describe briefly the straight line remaining life method of depreciation that**
10 **you used for depreciable property.**

11 A. The straight line remaining life method of depreciation allocates the original cost less
12 accumulated depreciation in equal amounts to each year of remaining service life for
13 each vintage.

14
15 **Q. Please describe briefly the average service life procedure that you used in**
16 **conjunction with the straight line remaining life method for plant installed prior**
17 **to 1982.**

18 A. In the average service life procedure, the remaining life annual accrual for each vintage
19 is determined by dividing future book accruals (original cost less book reserve) by the
20 average remaining life of the vintage. The average remaining life is a directly weighted
21 average derived from the estimated survivor curve.

1 **Q. Please describe briefly the equal life group procedure that you used in conjunction**
2 **with the straight line remaining life method for plant installed in 1982 and in later**
3 **years.**

4 A. In the equal life group procedure, the remaining life annual accrual for each vintage is
5 determined by dividing future book accruals (original cost less book reserve) by the
6 composite remaining life for the surviving original cost of that vintage. The composite
7 remaining life for the vintage is derived by weighting the individual equal life group
8 remaining lives. In the equal life group procedure, the property group is subdivided
9 according to service life. That is, each equal life group includes the portion of the
10 property that experiences the life of that specific group. The relative size of each equal
11 life group is determined from the property's life dispersion curve.

12
13 **Q. Please describe briefly the amortization of certain General Plant accounts.**

14 A. General Plant Accounts 391, 393, 394, 395, 397, and 398 include a very large number
15 of units but represent a small percentage of depreciable electric plant. Depreciation
16 accounting is difficult for these assets, inasmuch as periodic inventories are required to
17 properly reflect plant in service. Many utilities have changed to amortization
18 accounting for general plant as a practical and reasonable solution that avoids significant
19 accounting expenditures for such a small percentage of plant.

20 In amortization accounting, units of property are capitalized in the same manner
21 as they are in depreciation accounting. However, retirements are recorded when a
22 vintage is fully amortized, rather than as the units are removed from service. That is,
23 there is no dispersion of retirement for accounts being amortized. All units are retired

1 per books when the age of the vintage reaches the amortization period. Amortization
2 accounting was initiated for UGI Electric in Docket No. R-00932862.

3
4 **VIII. ILLUSTRATION OF DEPRECIATION STUDY PROCEDURE**

5 **Q. Please illustrate the procedure followed in your depreciation study and the**
6 **manner in which it is presented in UGI Electric Exhibit C (Future) using an**
7 **account as an example.**

8 A. I will use Account 368.1, Transformers, to illustrate the manner in which the study was
9 conducted. As the initial step of the service life study phase, aged plant accounting
10 data were compiled for the years 1960 through 2021. These data were coded in the
11 course of UGI Electric's normal recordkeeping according to account or property group,
12 type of transaction, year in which the transaction took place, and year in which the
13 electric plant was placed in service. The plant additions, retirements, and other plant
14 transactions were analyzed by the retirement rate method of life analysis.

15 This account includes equipment used to reduce electric voltages, primarily
16 pole-top or pad-mounted line transformers. Retirements of line transformers are
17 primarily caused by storm damage, deterioration, fire, or third-party damage, capacity,
18 or loading issues, etc. Most of the pre-1983 line transformers that contained
19 polychlorinated biphenyls ("PCBs") have been removed. Discussions with operating
20 and management personnel indicated that the life characteristics of transformers will be
21 similar in the future as they were in the past. Typical service lives for line transformers
22 of other electric companies range from 35 to 45 years.

23 The life analysis was performed, and the Iowa 45-S1 survivor curve was judged
24 most appropriate for this account and is the survivor curve used for this filing. The

1 survivor curve estimate used in the previous service life study was the Iowa 43-S1
2 survivor curve. The Iowa 45-S1 survivor curve is a good fit for the original curve based
3 on the Company's retirement experience for the period 1960-2021. The proposed 45-
4 S1 survivor curve is within the range of estimates used by other electric companies and
5 is consistent with the outlook of Company management. The original and smooth
6 survivor curves are plotted in Part VI on page VI-17 of UGI Electric Exhibit C (Future).
7 The original life table for the 1960-2021 experience band is set forth on pages VI-18
8 through VI-21.

9 The calculation of annual depreciation, the second phase, for the original cost of
10 line transformers in service at September 30, 2026, is presented by vintage in Part VII
11 on pages VII-34 through VII-37 of UGI Electric Exhibit C (Future) for Electric Plant in
12 Service. The detailed depreciation calculations at September 30, 2027, are presented in
13 Part III of Exhibit C (Fully Projected). The tabular presentations of the detailed
14 depreciation calculations in Part VII of Exhibit C (Future) are similar in kind to those
15 set forth in Part III of Exhibit C (Fully Projected). The expectancy and average life
16 derived from the estimated survivor curve for each vintage were used to calculate the
17 accrued depreciation by the average service life procedure for 1981 and prior vintages.

18 The accrued depreciation for vintages subsequent to 1981 was calculated by the
19 equal life group procedure using the Iowa 45-S1 survivor curve. In the calculation, the
20 surviving cost in each vintage was further subdivided, through the use of a computer
21 program, into depreciable groups according to the expected service lives as defined by
22 the Iowa 45-S1 survivor curve. The accrued depreciation was derived for each equal
23 life group, based on its service life, and the totals shown for the vintages are the
24 summations of the individually derived amounts.

1 The book reserve was allocated to vintages based on the calculated accrued
2 depreciation. The remaining lives of the vintages were based on the Iowa 45-S1
3 survivor curve, the attained age, and the same group procedures as were used to
4 calculate accrued depreciation. The future book accruals (original cost less allocated
5 book reserve) were divided by the remaining lives to derive the annual depreciation
6 accruals by vintage.

7 The total depreciation accrual on page VII-37 of UGI Electric Exhibit C (Future)
8 was brought forward to column 8 of Table 1 on page V-4 of the exhibit and divided by
9 the total original cost in column 4 to calculate the annual depreciation accrual rate in
10 column 7. A similar process was used for the FPFTY.

11
12 **Q. Is the procedure you described for Account 368.1 typical of that followed for most**
13 **of the plant investment?**

14 A. Yes, it is, since the straight-line method and the average service life and the equal life
15 group procedures were used for most of the depreciable plant.

16
17 **Q. Please illustrate the procedure followed for the amortization of certain General**
18 **Plant accounts and the manner in which it is presented in UGI Electric Exhibit C**
19 **(Future), using an account as an example.**

20 A. I will use Account 394, Tools, Shop, and Garage Equipment, to illustrate the
21 amortization procedure. As the initial step of the amortization procedure, an
22 amortization period of 20 years was selected based on the period during which such
23 equipment renders most of its service, the amortization periods used by other utilities,
24 and the service life estimate previously used for depreciation accounting.

1 The calculation of the annual amortization as of September 30, 2026, is
2 presented by vintage in Part VII on page VII-59 of UGI Electric Exhibit C (Future).
3 The calculated accrued amortization is based on the ratio of the vintage's age to the
4 amortization period. The book reserve for vintages older than the amortization period
5 was set equal to the original cost. The remaining book reserve was allocated to vintages
6 based on the calculated accrued depreciation. The future book accruals or amortizations
7 (original cost less assigned or allocated book reserve) were divided by the remaining
8 amortization period to derive the annual amortizations by vintage.

9 The total amortization on page VII-59 of UGI Electric Exhibit C (Future) was
10 brought forward to column 8 of Table 1 on page V-4 of UGI Electric Exhibit C (Future).
11 A similar process was performed for UGI Electric Exhibit C (Fully Projected) and UGI
12 Electric Exhibit C (Historic). That is, the calculation of the annual amortization related
13 to the original cost of Tools, Shop and Garage Equipment in service at September 30,
14 2026, is presented by vintage on page III-59 of UGI Electric Exhibit C (Fully Projected)
15 and summarized in Table 1 on page II-3.

16
17 **Q. Briefly explain the methods used for the remaining portion of the depreciable**
18 **plant.**

19 A. The life span procedure was applied to major structures in Account 390. The life span
20 procedure was used for groups such as buildings, in which concurrent retirement of all
21 property in the group is expected. The life span of both the original installation and
22 subsequent additions is the number of years between installation and final retirement of
23 the group. The complete details, by vintage, of the accrued depreciation and remaining
24 life accrual calculations are set forth for each structure in Part III of UGI Electric Exhibit

1 C (Historic) and UGI Electric Exhibit C (Fully Projected) and in Part VII of UGI Electric
2 Exhibit C (Future).

3
4 **IX. THE NET SALVAGE AMORTIZATION CLAIM**

5 **Q. Please briefly describe the accounting treatment regarding net salvage for public**
6 **utilities operating in Pennsylvania.**

7 A. In accordance with the Uniform System of Accounts and the rules for recovery of net
8 salvage established by the Pennsylvania Superior Court in *Penn Sheraton Hotel v. Pa.*
9 *P.U.C.*, 198 Pa. Super. 618, 184 A.2d 324 (1962) (“*Penn Sheraton*”), net salvage is
10 charged to the depreciation reserve and is amortized over a five-year period beginning
11 with the year after net salvage is actually incurred. These accounting procedures were
12 affirmed by the Commission in PPL Gas Utilities Corporation’s (“PPL Gas”) rate filing
13 in Docket No. R-00061398. This procedure is consistent with how other Pennsylvania
14 public utilities account for net salvage and is the method used to prepare the Company’s
15 Annual Depreciation Reports, submitted each year to the Commission.

16
17 **Q. Earlier in your testimony, you indicated that UGI Electric’s annual depreciation**
18 **expense consists, in part, of \$1,632,105 of net salvage amortization. How did you**
19 **determine that amount?**

20 A. The \$1,632,105 is the result of determining the five-year average of net salvage
21 experienced and estimated during the period of October 1, 2022, through September
22 30, 2027. Net salvage is defined in the Uniform System of Accounts as gross salvage
23 less cost of removal. For most electric utilities, including UGI Electric, cost of removal
24 exceeds gross salvage, resulting in negative net salvage. Negative net salvage is

1 recorded to the depreciation reserve as a debit, which reduces the depreciation reserve.
2 Charges related to the negative net salvage amortization are recorded to the
3 depreciation reserve as a credit in the five years subsequent to the initial recording of
4 the negative net salvage amount. Therefore, the negative net salvage amount will have
5 been fully amortized after five years, and the net effect on the depreciation reserve is
6 zero. Detailed data related to the experienced and estimated cost of removal and
7 salvage are presented in Part VIII of UGI Electric Exhibit C (Future) and Part IV of
8 UGI Electric Exhibit C (Fully Projected).

9
10 **Q. Do you have any other comments on the other items that you are sponsoring in**
11 **this proceeding?**

12 A. Yes. The above testimony does not describe the responses to filing requirements set
13 forth in Items V-A-2, V-B-1, and V-B-2. In general, these responses are self-
14 explanatory. The response to V-A-2 compares the actual and projected book
15 depreciation reserves with the calculated accrued depreciation as of the end of the test
16 years. The response to V-B-1 compares the calculated depreciation accruals and the
17 book depreciation accruals related to the future and fully projected future test years.
18 The response to V-B-2 presents the survivor curves used in the most recent prior
19 general rate proceeding and the annual accrual rates that resulted from the use of these
20 curves.

21
22 **Q. Does this conclude your direct testimony?**

23 A. Yes, it does.