COMMONWEALTH OF PENNSYLVANIA

June 10, 2026

E-FILED

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division / Docket No. R-2025-3059523

Dear Secretary Homsher:

Enclosed please find the Admitted PreServed Testimony, Exhibits, and Verifications, on behalf of the Office of Small Business Advocate ("OSBA"), pursuant to the Order Granting Unopposed Motion of the Office of Small Business Advocate for Admission of Pre-Served Testimony, that was issued on June 9, 2026, in the above-referenced proceeding:

- Direct Testimony and Exhibits of Mark D. Ewen, labelled OSBA Statement No. 1, with Exhibit IEc-1, with signed Verification of Mark D. Ewen.
- Rebuttal Testimony of Mark D. Ewen, labelled OSBA Statement No. 1-R, with signed Verification of Mark D. Ewen.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: Mark D. Ewen
Maksim Malukoff
Parties of Record

Office of Small Business Advocate
Forum Place | 555 Walnut Street, 1st Floor | Harrisburg, PA 17101 | 717.783.2525 | Fax 717.783.2831 | www.osba.pa.gov

COMMONWEALTH OF PENNSYLVANIA

April 13, 2026

The Honorable F. Joseph Brady
Administrative Law Judge
Pennsylvania Public Utility Commission
Philadelphia District Office
801 Market Street
Philadelphia, PA 19107

The Honorable Alphonso Arnold
Administrative Law Judge
Pennsylvania Public Utility Commission
Philadelphia District Office
801 Market Street
Philadelphia, PA 19107

Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division / Docket No. R-2025-3059523

Dear Judge Brady, and Judge Arnold:

Enclosed please find the Direct Testimony and Exhibit of Mark D. Ewen, labelled OSBA Statement No. 1, and associated Exhibit IEc-1, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-referenced proceeding.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: PA PUC Secretary Matthew L. Homsher (Cover Letter & Certificate of Service Only)
Mark Ewen
Maksim Malukoff
Parties of Record

OSBA STATEMENT NO. 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket Nos. R-2025-3059523**
v.	:	
	:	
UGI Utilities, Inc. - Gas Division	:	

DIRECT TESTIMONY AND EXHIBIT

of

MARK D. EWEN

On Behalf of the

Pennsylvania Office of Small Business Advocate

Topics:

Customer Assistance/Affordability
Cost Allocation
Revenue Allocation
Rate Design
Weather Normalization Adjustment

Date Served: April 13, 2026

Date Submitted for the Record: ____________________________

OSBA STATEMENT NO. 1

DIRECT TESTIMONY OF MARK D. EWEN

1. Introduction and Context

Q. Mr. Ewen, please state your name and briefly describe your qualifications.

A. My name is Mark D. Ewen. I am a Principal and President of Industrial Economics, Incorporated ("IEc"), a consultancy headquartered at 2067 Massachusetts Avenue, Cambridge, MA 02140. My consulting practice focuses on regulatory and energy economics, expert case management and economic damages estimation in a variety of litigation contexts, and financial analysis. I obtained a B.A. degree in Economics and Political Science from the University of North Dakota, and a Master of Public Policy degree from the University of Michigan. I have participated and provided testimony in a variety of proceedings before the Pennsylvania Public Utilities Commission ("Commission"), including electric and gas base rates cases, 1307(f) purchased gas cost filings, energy efficiency and conservation cases, merger and acquisition cases, and default service provider ("DSP") petitions. My résumé and a listing of the expert testimony that I have filed in various litigation and utility regulatory proceedings are attached in Exhibit IEc-1.

Q. Please describe your assignment in this matter.

A. I am appearing in this proceeding on behalf of the Pennsylvania Office of Small Business Advocate ("OSBA"). The OSBA requested that I review the filing of UGI Utilities, Inc. ("UGI" or the "Company') in this proceeding to evaluate whether the Company's cost allocation, revenue allocation, and rate design proposals are consistent with sound regulatory economics and policy and are fair and reasonable to small business customers. If I have not addressed a particular issue, it cannot be inferred that I agree with the Company's proposal for that topic.

Q. Please summarize the Company's filing from a cost allocation and rate design perspective.

A. UGI proposes a base rate increase of $99.4 million, or 8.0 percent of base rate revenues, for the fully projected future test year ("FPFTY") ending September 30, 2027. Replacement of aging gas plant infrastructure, new plant additions, IT system upgrades, increased operating costs, and the Company's requested return on equity ("ROE") are the primary drivers of the proposed rate increase. The Company requests an ROE of 10.75 percent and a capital structure consisting of 45.75 percent long-term debt and 54.25 percent common equity. The Company also requests an extension of its Weather Normalization Adjustment ("WNA") pilot for a second five-year period.

Q. Please summarize your recommendations.

A. I offer the following recommendations:

- The Company should implement a formal mechanism to track small business customers that experience financial difficulties. UGI should also provide the OSBA's contact information and a description of the services the OSBA offers on the Company's website.
- The Commission should carefully consider ratepayers' interest, affordability concerns, and the risk reduction benefits of a low-risk regulatory environment in evaluating the Company's cost of capital claim in this proceeding.
- The Commission should adopt my alternative revenue allocation proposal shown in Table IEc-3.
- The Commission should reject the Company's request to extend the WNA pilot program for a five-year period. Instead, the Commission should authorize no more than a limited two-year extension of the WNA mechanism, subject to the following conditions. At the conclusion of the next WNA pilot period, if the Company wishes to adopt a permanent WNA mechanism, the Company should provide the Commission with a comprehensive evaluation of: a) the WNA mechanism's impacts on UGI's revenues and cost of capital; b) the WNA mechanism's impacts on customer bills; c) alternatives considered; and d) a customer outreach/education plan justifying and explaining the WNA mechanism to ratepayers. Without explicit consideration of the WNA mechanism's impacts on the Company's requested ROE and on ratepayers, the Commission should discontinue the WNA mechanism.

2. <u>Customer Assistance and Affordability</u>

Q. How does the Company address affordability concerns in its filing?

A. The Company's Universal Service and Energy Conservation Program ("USECP") contains four programs to assist low-income residential customers. UGI Statement No. 12 describes the Company's recent efforts to address affordability concerns for residential customers. Looking ahead, the Company will contribute $1.0 million annually between fiscal years 2027-2029 to its Operation Share Energy Fund, which provides financial support to customers having difficulty paying their heating bills.

Q. Does the Company address affordability concerns for small businesses in its filing?

A. Other than general statements about designing rates that are affordable for each customer class, no.

Q. Does the Company offer financial assistance to commercial customers?

A. The Company offers payment plans for commercial customers, up to six months for arrears.[1] Beyond the formally established tariff provisions, the Company represents that it will try to work with commercial customers experiencing financial difficulties, but the Company does not track such interactions.[2]

Q. What are your recommendations with respect to customer assistance programs?

A. I recommend that the Company implement a formal mechanism to track interactions in which small business customers report financial difficulties (e.g., trouble paying heating bills on time), including both participation in the Company's existing late payment plan and more informal complaints or inquiries. These interactions should be tracked annually and categorized by the customer's respective rate class (Rate N, Rate DS, etc.) I also recommend that UGI provide the OSBA's contact information and a description of the services the OSBA offers on the Company's website.

Q. How does the Company's requested ROE impact its proposed revenue requirement?

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[1] Response to OSBA-II-2.

[2] Response to OSBA-II-3.

A. The importance of approving an ROE that balances the interests of shareholders and ratepayers cannot be overstated. For example, holding all other inputs in the revenue requirements model constant, if the Company assumes an ROE of 9.0 percent instead of the requested ROE of 10.75 percent, the revenue requirement would decrease by $57.1 million.[3]

Q. Do you have concerns about the Company's requested ROE?

A. Yes. My primary concern is that the Company does not adequately consider customers' interests in its ROE determination. Two United States Supreme Court cases, *Bluefield*[4] and *Hope*[5], established the standards for determining fair rates of return for utilities. Longstanding precedent holds that a utility's awarded return should be commensurate with those on investments of corresponding risk and sufficient to attract capital and maintain financial integrity. However, determining the cost of capital and rate of return cannot be considered in isolation of the full ratemaking process. Setting rates that are just, reasonable, and affordable is an important goal for the Commission.

Company Witness D 'Ascendis cites to the *Hope* decision but ignores a key provision concerning consumer interests: "The ratemaking process under the Act, i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and the consumer interests."[6] In discovery, the Company confirmed that Witness Mr. D'Ascendis did not consider customers' ability to afford rate increases a risk to the Company's ability to earn its authorized revenue requirements, and that Witness D'Ascendis "is assigned with determining the investor-required return, not the impact of the resulting rates on customers."[7] At the same time, Witness D'Ascendis concludes his testimony by stating

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[3] My calculations based on the UGI Gas Exhibit A - Fully Projected Excel spreadsheet provided in response to I&E-RB-1-D.

[4] *Bluefield Waterworks and Improvement Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923).

[5] *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944).

[6] UGI Statement No. 8, at 6.

[7] Response to OCA-2-11.

that the proposed ROE of 10.75 percent is fair and reasonable to both UGI *and* its customers, without proper assessment of affordability and customer interests.

In addition, the Company's evaluation of its business-specific risks is flawed and omits discussion of factors that should reduce its cost of capital. For example, weather conditions and the regulatory environment both impact the risks a natural gas distribution company ("NGDC") faces. As I discuss in detail below, UGI's WNA, as a form of revenue decoupling, insulates the Company from revenue uncertainty associated with weather and the regulatory environment. More broadly, while a WNA mechanism reduces utility risk and therefore should reduce the utility cost of capital, it is difficult to identify any reduction in allowed utility rates of return associated with adoption of WNA mechanisms in Pennsylvania. NGDCs in Pennsylvania also file revenue requirements based on future test years that allow for prospective investments and adjustments. Accordingly, the risk of regulatory lag impacting the Company's ability to recover costs is low.

Based on the above factors, the Commission should carefully consider ratepayers' interest, affordability concerns, and the risk reduction benefits of a low-risk regulatory environment in evaluating the Company's cost of capital claim in this proceeding.

3. <u>Cost Allocation</u>

Q. What is a utility cost allocation study?

A. A utility cost allocation study, in this case the Company's gas allocated class cost of service study ("ACOSS"), is an analytical tool that assigns the utility's test year total costs (i.e., the "revenue requirement") among the various utility rate classes. Pennsylvania electric and gas utilities generally use an "embedded cost" approach to cost allocation, in which accounting book costs are directly assigned among the rate classes, rather than a marginal cost approach. It is generally agreed that costs should, to the extent practicable, be assigned among rate classes based on "cost causation," such that costs caused by a particular class of customers are assigned to that class. A cost allocation study generally involves a three-step process, in which costs are (a) segregated by function ("functionalization"): (b) further segregated by cost causation factor, notably throughput, peak demand, "excess" demand, and customer count ("classification"); and (c) allocated among the rate classes based on each class's contribution to the cost causation factor ("allocation").

Q. What purpose does the ACOSS serve in a utility rate proceeding?

A. The ACOSS informs both the assignment of the rate increase among customer classes ("revenue allocation") and the design of rates to recover the revenues assigned to each rate class. Revenue allocation is often used to move rate revenue more into line with allocated costs from the ACOSS. For rate design, classified costs, such as customer-related and demand-related costs, are used to inform the development of specific rate charges, such as monthly customer and demand charges.

Q. Please describe the Company's rate classes used in the ACOSS.

A. The Company's ACOSS includes the following rate classes:

- Rate R - General Service – Residential & Residential Transportation
- Rate N - General Service – Non-Residential & Non-Residential Transportation
- Rate DS - Delivery Service
- Rate LFD - Large Firm Delivery Service
- Rate XD Firm - Extended Large Firm Delivery Service
- Rate IS - Interruptible Service

Q. Turning to the issues of cost allocation methodology, what are the most important cost allocation issues for a NGDC like UGI?

A. An ACOSS allocates rate base and associated capital costs, distribution expense, customer accounts/service expense, expense, administrative/general ("A&G") expense, and taxes. Often, costs are allocated on a derivative basis, based on costs already allocated. For example, depreciation, income taxes, and return are often allocated in the same manner as, or in proportion to, rate base. General plant and A&G costs are typically allocated based on some combination of overall plant allocations or O&M expense or labor allocations. Thus, the overall results of an ACOSS are substantially driven by the allocation of a few large asset accounts. These "big ticket" issues for cost allocation are generally:

- Classification of mains costs, potentially into peak demand, throughput and/or customer components.
- Definition and derivation of the peak-demand allocation factor, including the treatment of interruptible load in the allocator.

- Allocation of meters and services costs.

Q. Please describe the basic issues involved in gas utility mains cost causation.

A. Gas distribution mains are installed to meet two basic objectives: (a) to interconnect the customer with the interstate pipeline system (or other gas supply sources); and (b) to be able to transport sufficient gas to meet the demand of customers downstream under extreme peak conditions.

However, it is not easy to develop an analytical model capable of reflecting these cost causation factors. Ideally, the cost of any particular segment of mains would only be allocated to those specific customers who are served downstream from that segment. In practice, undertaking such an analysis can be detailed, costly, and time consuming.

Q. What are the more traditional approaches to mains cost classification?

A. Various analytical models are used in place of the traditional detailed modeling approaches. These methods attempt to address the following questions:

- What causation factors best correlate with mains costs?
- Are mains costs causally related to the number of customers? And, if so, how should the "customer component" of mains costs be derived?
- How should mains costs that are not causally related to number of customers be allocated among the various rate classes?

Regarding the first question, the traditional cost allocation parameters include throughput, peak demand, excess peak over average demand, and number of customers. As a matter of arithmetic, a throughput allocation factor is equivalent to an "energy" allocator, a "commodity" allocator, a "volumetric" allocator, and an "average demand" allocator.[8]

[8] Average demand is generally measured as annual throughput divided by 365 days. As such, it is arithmetically equivalent to annual throughput when used as an allocation factor. The ratio of average demand to peak day demand is generally referred to as load factor. High load factor customers typically use gas for manufacturing process applications; low load factor customers often rely on gas primarily for heating purposes.

Regarding the second question, one argument is that more footage of mains must be installed to interconnect many small customers than to connect one larger customer with the same aggregate load. This approach is particularly appealing for small to medium business customers who are often more geographically concentrated in commercial areas, thereby requiring less mains footage.

Commission precedent indicates that the Commission has rejected the use of a customer component for gas distribution utilities in Pennsylvania, in the most recent cases of which I am aware.

Q. If there are no customer component mains costs, what methods are used generally for allocating these costs?

A. The traditional allocation methods include three general approaches: a peak demand method ("Peak Demand"); a peak-and-average ("P&A") method; and an average-and-excess ("A&E") method. In the Peak Demand method, costs are allocated in proportion to each class's share of system "design day" peak demand, which represents the capacity needed to serve the class under extreme weather conditions. The logic for this approach is that the mains must be sized to meet peak day demand.

In the P&A method, costs are allocated based on a weighted mix of design day peak demand and average day demand. The two component are typically weighted 50/50.

The A&E allocation factor is a weighted average of average demand (i.e., throughput) and "excess" demand. Excess demand is measured as the difference between peak demand and average demand. Because this allocation factor consists of an average demand component and a "peak minus average" demand component, it is typically closer in magnitude to a Peak Demand allocator than to a P&A allocator. However, this observation depends on the weighting factor used to derive the A&E factor. Under specific conditions, namely when the weighting factor is based on the system load factor and there is no diversity of demand across classes, the P&A allocator is arithmetically identical to the A&E factor.

Q. Please review Commission precedent with respect to mains cost allocation methods.

A. In the Columbia Gas proceeding at Docket No. R-2022-3031211, the Commission reaffirmed that the terms and conditions of settlements are not relied upon as precedential and that cost of service studies should be evaluated on a case-by-case basis:

> We note that even in cases in which the revenue allocation methodology is litigated, a determination regarding which ACCOSS should be used should be determined on a case-by-case basis. We have observed that "the inherent distinctions between utilities and rate cases may result in different methodologies to be reasonable for different reasons. In other words, the best-suited ACCOSS may depend on the circumstances of the situation on a case-by-case basis."[9]

In PECO Gas's 2020 base rates proceeding, the Commission approved the Company's proposed A&E allocation method, that produced allocation factors substantially similar to a peak demand allocator.[10]

Q. What approach does UGI use in this proceeding?

A. The Company classifies all mains costs as demand-related (i.e., zero customer component) and allocates the costs using a modified load-factor weighted A&E method.

For the large industrial Rate XD-F and XD-I customers, the Company directly assigns the cost of the specific mains used by those customers to the respective classes. These customers are generally located in close proximity to interstate transmission lines, and the specific mains are identifiable. Thus, the average demands and peak demands for those customers are set to zero for the development of the class allocation factors.

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[9] Opinion and Order, Pennsylvania Public Utility Commission, Docket No. R-2022-3031211 et al., Order Entered December 8, 2022, at 107.

[10] Opinion and Order, Pennsylvania Public Utility Commission, Docket No. R-2020-3018929 et al., Order Entered June 17, 2021, at 228-231.

Joint Petition for Settlement of Rate Investigation, Pennsylvania Public Utility Commission, Docket No. R-2022-3031113 et al., Order Entered September 19, 2022.

The Company also presented results based on the P&A method. UGI found that the A&E method allocates a higher percentage of costs to Rate R and Rate N due to reliance on the system load factor, while the P&A method allocates a higher percentage of costs to Rate LFD and interruptible customers. I understand that the parties settled the 2024 UGI rate case based on a compromise between the P&A and A&E methods. I recommend that the Company provide the results of a similar compromise approach in this proceeding.

Q. Do you have any concerns regarding the Company's ACOSS?

A. At this time, I have no identified concerns based upon my review of the Company's ACOSS. The Company's cost allocation model is consistent with the methods which the Commission has previously accepted. Table IEc-1 below reports revenue-cost ratios at the Company's current and proposed rates for those rate classes subject to cost-based rates. At both current and proposed rates, the Residential Class is modestly under-recovering costs. The Company's proposed increase for Rate N brings revenues fully into line with allocated costs. The remaining rate classes are over-recovering costs at current and proposed rates.

Table IEc-1
Summary of UGI Gas ACOSS: Revenue-Cost Ratios

	Current Rates	Proposed Rates
Rate R	0.89	0.97
Rate N	0.92	1.00
Rate DS	1.05	1.07
Rate LFD	1.07	1.08
Rate XD Firm	1.45	1.44
Rate IS	1.37	1.37
Total	**0.93**	**1.00**

Source: IEc WP1

4. Revenue Allocation

Q. What is revenue allocation?

A. Revenue allocation is the assignment of the dollar net increase or decrease to each of the Company's rate classes in a base rates proceeding. In contrast, *rate design* determines how the allocated revenue is recovered from individual ratepayers within each class. From a cost recovery standpoint, revenue allocation addresses *inter-class* cross-subsidization issues, while rate design addresses *intra-class* cross-subsidization issues.

Q. What are the primary economic and regulatory criteria for revenue allocation?

A. In general, allocated cost is the primary criterion used by regulators in the revenue allocation process. Most utilities and regulators adopt a policy in a base rate proceeding of attempting to move revenues more into line with allocated costs by varying the magnitude of the rate increases for the individual classes. However, regulators also subject the rate increases to other non-cost criteria of ratemaking. Of the traditional rate design criteria, the most common non-cost considerations in the revenue allocation process are:

- the *gradualism* principle (or avoidance of "rate shock"), in which large rate increases for individual customers or classes of customers are avoided; and

- the *value of service* principle, which is often used to mitigate rate increases for customers or customer classes with relatively elastic demand. [11]

Using these criteria, the utility will develop a proposal for assigning the increase in the revenue requirement among the classes that reflects both cost and non-cost considerations. With this proposal, the ACOSS can be simulated at both present and proposed rates to evaluate the magnitude of progress that has been made toward the policy of achieving cost-based rates.

Q. Please summarize the Company's proposed revenue allocation in this proceeding.

A. The Company describes its approach in Statement No. 11. The Company generally indicates a desire to move rates more into line with allocated costs subject to rate gradualism constraints. In effect this means limiting the rate increase for the Residential class to 1.15 times the system average increase. The Company evaluates its revenue allocation proposal using a revenue-to-cost ratio benchmark, where a ratio of 1.0 indicates

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[11] See, for example, Principles of Public Utility Rates, Second Edition, Bonbright, Danielsen, Kamerschen, 1988, pages 383–387. The criteria in this text apply to the overall development of a utility rate structure. The criteria that I discuss in this testimony are those that apply to the revenue allocation portion of the process, which is only one aspect of the overall development of utility rates.

that revenues are fully in line with allocated costs. UGI also states that its proposal reduces subsidies between rate classes. **Table IEc-2** below summarizes the Company's revenue allocation proposal.

Table IEc-2
Summary of UGI Gas Proposed Revenue Allocation

	Increase $000	Increase %	R/C Current	R/C Proposed	Increase/System Avg. Increase
Rate R	$74,677	9.4%	0.89	0.97	1.15
Rate N	$23,386	8.7%	0.92	1.00	1.07
Rate DS	$708	2.0%	1.05	1.07	0.24
Rate LFD	$736	1.3%	1.07	1.08	0.15
Rate XD Firm	($64)	-0.2%	1.45	1.44	-0.02
Rate IS	($73)	-0.3%	1.37	1.37	-0.04
Total	**$99,369**	**8.1%**	**0.93**	**1.00**	**1.00**
Source: IEc WP1					

Q. Do you agree with the Company's revenue allocation proposal?

A. I disagree that rate decreases should be assigned to the Rate XD and Rate IS classes. These customers are subject to negotiated rates, which have already been accepted by the customers. In particular, the Rate IS tariff requires that the negotiated rates be set based on the cost of alternative fuels. There is therefore no competitive need to provide rate reductions to these customers.

I propose setting the rate increases for those customer classes at zero and applying the $138,000 to one or both of the rate classes with revenue-to-cost ratios above 1.0 (Rate DS, Rate LFD) in the form of cost savings. I recommend reducing the increase for Rate DS by $138,000 since this class receives a larger rate increase in percentage terms than Rate LFD under the Company's proposal.

Q. What is your alternative revenue allocation proposal?

A. **Table IEc-3** summarizes my alternative revenue allocation proposal, as described above.

Table IEc-3
Summary of IEc Alternative Revenue Allocation

	Increase $000	Increase %	R/C Current	R/C Proposed	Increase/System Avg. Increase
Rate R	$74,677	9.4%	0.89	0.97	1.15
Rate N	$23,386	8.7%	0.92	1.00	1.07
Rate DS	$570	1.6%	1.05	1.07	0.19
Rate LFD	$736	1.3%	1.07	1.08	0.15
Rate XD Firm	$0	0.0%	1.45	1.44	0.0
Rate IS	$0	0.0%	1.37	1.37	0.0
Total	**$99,369**	**8.1%**	**0.93**	**1.00**	**1.00**

Source: IEc WP1

5. Rate Design for Rate N and Rate DS

Q. What is the Company's proposal for base rates tariff changes for Rate N and Rate DS in this proceeding?

A. For Rate N, the Company proposes to increase the monthly customer charge from $36.42 to $39.00 and to recover the remaining revenue increase from the volumetric charge. For Rate DS, the Company proposes to increase the monthly customer charge from $300 to $353 and to recover the remaining revenue increase from the volumetric charge. The Company bases these increases on the ACOSS results, which show that customer-related unit costs for these rate classes exceed the current and proposed customer charges.

Q. Do you agree with the Company's customer charge increases?

A. Because the Company's proposed customer charges are supported by cost-based analysis at proposed rates, I do not object in principle. However, I recommend that the Rate DS customer charge be reduced proportionally to reflect my alternative revenue allocation. In addition, customer charges for both Rate N and Rate DS should be adjusted downward if the overall revenue requirement is reduced in this proceeding.

6. Weather Normalization Adjustment

Q. What is the Company's proposal regarding WNA in this proceeding?

A. The Company requests a five-year extension of its current WNA pilot program after it ends in October 2027, on the grounds that the WNA is necessary to recover Commission-authorized revenue requirements even during abnormal weather conditions.

In addition, per the terms of the 2024 rate case settlement agreement, UGI evaluated the use of a rolling ten-year historical average period to calculate "normal" weather conditions, measured by heating degree days ("HDD"), for purposes of the WNA. The current WNA is based on a 15-year historical weather period. The Company proposes that its WNA pilot program be extended using a ten-year period. The proposed ten-year period would be updated in future rate cases.

Q. What is a WNA mechanism?

A. The Company's WNA mechanism is a form of a rate "decoupling," that utilities use to "weaken" or "break" the link between revenues and customer gas consumption. Decoupling mechanisms allow utilities to adjust rates and/or implement charges and credits to customer bills to ensure the utility receives a pre-established, benchmark level of revenue. A WNA reconciles revenues between those approved in the base rates case and those actually earned based on variances in the weather. If the weather is warmer than normal, the NGDC is permitted to earn supplemental revenues to make up the shortfall; if weather is colder than normal, the NGDC credits the ratepayer with a lower bill for base rates.[12]

Q. What is the apparent allure of a WNA and other decoupling mechanisms and what are the drawbacks?

[12] Gas supply charges are not subject to the WNA. Thus, weather fluctuations will continue to cause bill fluctuations with respect to gas supply.

A. The WNA mechanism as used in Pennsylvania is a partial rate decoupling mechanism, which has at least three advantages over broader rate decoupling mechanisms. First, the WNA provides mutual risk reduction benefits to both NGDC and ratepayer, in the form of revenue/bill stability. The NGDC gets more stable revenues; the ratepayer gets a more stable bill. In theory, the more stable NGDC revenues should reduce its risk, and thus its allowed rate of return. In extremely cold conditions, the ratepayer gets a lower base rates bill under the WNA than it would without a WNA. In contrast, revenue decoupling mechanisms for non-weather variances generally involve an increase in risk for ratepayers and reduced risk for the NGDC. Consider economic fluctuations. In an unexpected economic downturn, a broad rate decoupling mechanism will impose higher charges on ratepayers to make up for the overall downturn in load, at the same time that the ratepayers are suffering the effects of the economic downturn. The NGDC, by contrast, is insulated from the effects of the economic downturn. Thus, as rate decoupling mechanisms go, the WNA is more balanced than broader mechanisms.

The second advantage is that the WNA mechanism can be adopted in "real time". WNAs can be calculated within the billing period in which the variance between actual and normal weather occurs. This avoids the intergeneration inequity problems of broader rate decoupling mechanisms.

The third advantage is that the WNA mechanism can be customer-specific. Weather normalization adjustment mechanisms can be designed to specifically reflect the weather-related usage of the individual customer. As such, it is a fairer mechanism than broader rate decoupling mechanisms, which have little or no linkage between the cause of the revenue variance and the recovery mechanism.

Q. Are there general concerns about the working of WNA mechanisms?

A. Yes, there are several.

First, use of a WNA mechanism means that a customer is being billed for a level of gas consumption that is not metered, but is only estimated. As such, it is often difficult to explain to customers why their rates appear to fluctuate up and down each month, or why there is a mysterious "WNA" charge/credit on their bills that is not related to any specific metered consumption amount.

Second, the WNA mechanism weakens price signals for energy conservation during extreme periods. Under the WNA, a ratepayer has a lower per-mcf incentive to reduce usage during unusually cold periods than it does under traditional volumetric rates. As gas distribution systems are designed, at least in part, to meet extreme weather demands, the traditional rate approach is more consistent with cost causation and with how costs are allocated in the allocated cost of service study.

Third, problems can be exacerbated in periods where actual HDDs are low, such as a warm spell in the spring. Unless protections are in place, an unadjusted WNA might produce very large multipliers, if, say, the normal HDDs are 300 and the actual HDDs are 30. For customers who happen to have an unusual load in that period, the WNA would charge that load at a factor of 10:1.[13]

Q. Please summarize how the Company's existing WNA pilot works.

A. UGI's WNA applies to the Residential and Small Commercial classes. The Company adjusts the amount billed to each customer to reflect "normal" weather, regardless of actual conditions. In technical terms, the Company compares actual heating degree day ("AHDD") variations from normal heating degree days ("NHDD") based on a 15-year weather history, adjusted for a three percent deadband. No adjustment applies to customer bills if weather falls within the three percent deadband, and the WNA mechanism only applies for variation of actual weather from normal weather outside of the deadband.

Q. Why does the Company conclude that a ten-year period should define normal weather in the WNA calculations?

A. The Company states that using a ten-year historical average better reflects recent weather conditions and increases the accuracy of the "normal" weather benchmark in the WNA calculations. According to Company Witness John Taylor:

> As a result, deviations between actual weather and normalized assumptions are expected to be smaller, on average, than under a longer historical period that includes older, less representative data.

[13] The PGW mechanism did, in fact, produce such anomalous results in the spring of 2022.

> This improved alignment is expected to reduce the magnitude of WNA surcharges or credits over time, while preserving the WNA's role in addressing unavoidable weather variability.[14]

Q. What do you recommend regarding the Company's WNA?

A. I have broader concerns about UGI's continued use of a pilot program. What was originally approved as a limited pilot program may, through successive renewals and expansions, effectively become a permanent feature of UGI's rate structure without the same level of regulatory scrutiny applied to other ratemaking proposals. A pilot program, by definition, carries an expectation of evaluation, assessment, and a genuine possibility of discontinuation. UGI's proposal to extend the mechanism through 2032 is not necessary to evaluate the proper design of the Company's WNA, including whether a 15-year or ten-year historical average period is appropriate. The Company already has the data at its disposal to assess the bill impacts during the past three winters if it had used a ten-year period.[15]

Accordingly, I recommend the Commission authorize no more than a limited two-year extension, rather than the five-year period proposed by the Company. At the conclusion of that period, if the Company wishes to adopt a permanent WNA mechanism, the Company should provide the Commission with a comprehensive evaluation of: a) the WNA mechanism's impacts on UGI's revenues and cost of capital; b) the WNA mechanism's impacts on customer bills; c) alternatives considered; and d) a customer outreach/education plan justifying and explaining the WNA mechanism to ratepayers. Without explicit consideration of the WNA mechanism's impacts on the Company's requested ROE and on ratepayers, the Commission should discontinue the WNA mechanism.

Q. Does this conclude your direct testimony?

A. Yes, it does

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[14] UGI Statement No. 11, at 34.

[15] See Attachment OSBA I-7.

EXHIBIT IEc-1

RÉSUMÉ AND EXPERT TESTIMONY LIST

FOR

MARK D. EWEN

MARK D. EWEN PRESIDENT

Overview

Mr. Ewen has a strong background in applied economics, empirical methodologies, and financial analysis. As a Principal at Industrial Economics, Incorporated (IEc), he focuses on expert case management and economic damages estimation in a variety of litigation contexts, regulatory and environmental economics, and financial analysis. Within his areas of expertise, Mr. Ewen has been qualified as an expert witness before judicial and regulatory bodies (see schedule of testimony and appearances). He has also served as a Managing Director of the firm.

Education

Master of Public Policy, University of Michigan

B.A., *summa cum laude*, Economics and Political Science, University of North Dakota

Select Project Experience

Examples of his project work include the following:

Mr. Ewen has participated in various proceedings concerning energy markets and regulated utilities. These efforts, which focus on issues related to cost allocation, revenue allocation, and rate design, include working on behalf of industry and consumer intervenor groups in rate-making cases before the public utility commissions in New York, Pennsylvania, Alberta, Canada, and the U.S. Postal Rate Commission. For example, for **New York Department of State's Utility Intervention Unit (UIU)** and the **Pennsylvania Office of Small Business Advocate (OSBA)**, he has and continues to provide consulting and analytic support relating to electricity and natural gas tariff design, revenue requirements, and other regulatory initiatives concerning electrical and natural gas distribution utilities. For the **Rhode Island Attorney General**, Mr. Ewen conducted a due diligence review of PPL's proposed acquisition of Narragansett Electric Company and its potential impacts on the state's ratepayers.

For the **New York State Energy Research and Development Authority (NYSERDA) and Department of Public Service (DPS)**, Mr. Ewen provided expert services assessing the economic impacts to municipal governments of extended electricity outages related to Tropical Storm Isaias. As part of this work, he constructed a model to estimate various costs of incremental staffing requirements for over 500 localities, including excess overtime, surge time (i.e., bringing on extra staff for outage response coordination and logistics), and idle time (e.g., crews waiting extended periods for downed lines to be de-energized). The review also included consideration of other direct costs, including, among others: effects to water systems; delivery of bottled water; operation of generators; and other constraints on the provision of essential governmental services. The litigation was settled to the satisfaction of the involved parties.

For the **NYSERDA and New York DPS**, Mr. Ewen directed the development of a Generic Environmental Impact Statement (GEIS), pursuant to the requirement of the State Environmental Quality

Review Act (SEQRA) that assessed the environmental and economic impacts of the “Reforming the Energy Vision” and “Clean Energy Fund” initiatives within the state. He also directed the preparation of a Supplemental EIS to assess the environmental and economic impacts of the newly proposed Clean Energy Standard (CES). The CES is being developed to support the state’s goal of supplying 50 percent of electricity demand with renewable generation resources by the year 2030. More recently, he directed the development of a model to assess the financial viability of various waste-to-energy technologies, and related social welfare benefits. This model uses detailed capital budgeting scenarios for specific facilities to generate forecast scenarios.

For the **U.S. Department of the Interior, Bureau of Ocean Energy Management (BOEM)**, directing an assessment of the Bureau’s approach to calculating and presenting the operating fee included in offshore wind leases under BOEM’s jurisdiction. As part of this engagement, IEc provided a number of recommendations for simplifying the implementation of the operating fee formula and identified available data sources and approaches to estimating individual components of the fee formula. The review also addressed the structure and levels of fees associated with operations of renewable wind energy projects in the U.S. and worldwide. More recently, IEc has been supporting the development of Standard Operating Procedures for the fee calculation and lease management process. The overall goal is to provide information resources and a methodological approach that will allow lessees to derive accurate data for fee equation variables efficiently and consistently, and for BOEM to present the fee calculation clearly in the lease.

For **NYSERDA**, conducting a market analysis examining the potential economic development opportunities that could accrue in New York from hydrogen playing a role in achieving components of its Climate Leadership and Community Protection Act.

For the **U.S. Department of the Interior, Bureau of Ocean Energy Management**, managed the development of a model to assess the economic and fiscal impacts of offshore oil and gas activity in the Gulf of Mexico and other BOEM OCS regions. This model, the Lifecycle Impacts Model (LCIM), assesses the economic and fiscal impacts associated with a specific lease or group of leases, over the time horizon of the lease(s). IEc’s framework for the model was to build a capital budgeting forecasting tool for lease development, yielding estimates of industry expenditures, OCS revenues, industry profits, and employment impacts for a single lease or a set of leases. A key component of model development was to dynamically simulate the complex and unique timing parameters of lease development, incorporating the influence of critical exogenous factors like market prices and lease geology.

For the **U.S. Coast Guard, National Pollution Funds Center**, Mr. Ewen provides ongoing support to the NPFC in adjudicating damages claims resulting from oil spills. These claims include damages for business interruption, lost profits, property damage or value diminution, increased costs, and lost wages or employment, among other categories. Cases have also included damages for contract delays to construction projects and shipping demurrage. Industry sectors that Mr. Ewen has evaluated include: *electricity generation (nuclear and coal); railroads; cruise ships; oil ship transport; lodging and tourism; food and beverage; gambling; fisheries; marinas; real estate development, oil and gas development; and oil refining.*

Mr. Ewen’s analytic work includes expert financial analysis and economic damages estimation in the context of general litigation and environmental enforcement actions. These efforts include assessing damages in breach of contract, nuisance, and cost recovery actions, and assessing the financial capabilities and economic benefit of noncompliance of firms accused of environmental violations. Clients in this area of his practice include the **U.S. Department of Justice, U.S. Coast Guard, U.S. Environmental Protection Agency, States**, and private parties.

Testimony and Appearances

Mr. Ewen has provided testimony or appeared in the following cases and regulatory proceedings.

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning cost allocation, revenue allocation, and rate design in the base rates case for PPL Electric Corporation (Docket No. R-2025-3057164, December 2025).

On behalf of the New Hampshire Office of Consumer Advocate (OCA), submitting testimony before the New Hampshire Public Utilities Commission concerning cost of service, revenue allocation, and rate design in the matter of Until Energy Systems, Inc. Request for Change in rates (Docket DE 25-025, December 2025).

On behalf of New York Department of State's Division of Consumer Protection's Utility Intervention Unit (UIU), submitting testimony before the Public Service Commission concerning cost of service, revenue allocation, and rate design in electric and gas base rates cases of New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation (Docket Nos. 25-E-0375, 25-G-0380, 25-E-0379 and 25-G-0378, October 2025).

On behalf of New York Department of State's Division of Consumer Protection's Utility Intervention Unit (UIU), submitting testimony before the Public Service Commission, concerning revenue allocation and rate design in electric and gas base rates case of Consolidated Edison, Inc. (Docket Nos. 25-E-0072 & 25-G-0073, May 2025).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning the distribution system improvement charge (DSIC) case for PPL Electric Utilities Corporation (Docket No. R-2024-3048732, July 2024).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning cost allocation, revenue allocation, and rate design in the base rates case for First Energy of PA (Docket No. R-2024-30447068, June 2024).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning cost allocation, revenue allocation, and rate design in the base rates case for PECO Gas (Docket No. R-2024-3046932, June 2024).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning cost allocation, revenue allocation, and rate design in the base rates case for Columbia Gas of Pennsylvania (Docket No. R-2024-3046519, June 2024).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning the Default Service Plan for PPL Electric (Docket No. P-2024-3047290, June 2024).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning the Default Service Plan for PECO Energy Company (Docket No. P-2024-3046008, April/May 2024).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning recovery of purchased gas costs and revenue sharing for National Fuel Gas Distribution Corporation (Docket No R-2024-3045177, March 2024).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning electricity price hedging under the default service plan for Pike County Light and Power (Docket No. P-2023-3039927; direct testimony June 2023; surrebuttal testimony August 2023).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning base tariff rate development for Columbia Gas of Pennsylvania, including issues of cost allocation, revenue allocation, and rate design. (Docket No. R-2022-3031211, June/July 2022).

On behalf of Attorney General of the State of Rhode Island, submitted testimony before the Rhode Island Division of Public Utilities and Carriers concerning due diligence and related reviews of PPL Corporation's proposed acquisition of Narragansett Electric Company from National Grid USA (Docket No. D-21-09, November 2021).

Expert report and deposition testimony concerning economic damages and related financial matters, *Seaplane Adventures, LLC, vs. County of Marin, California*; expert report filed September 2021, deposition testimony given September 2021.

Expert reports and deposition testimony on bankruptcy reorganization plan feasibility and related financial matters, *in re: First Energy Solutions Corp., et al., Debtors, Case No. 18-50757*; expert reports filed July 2019, deposition testimony given August 9, 2019.

Expert declaration concerning economic damages and related financial matters, *in re: Outer Banks Power Outage Litigation, all actions, No. 4:17-CV-141-D*, March 2018.

Expert report and deposition testimony on Economic Damages in *State of Alaska v. Williams Alaska Petroleum, Inc., et al., Case No. 4FA-14-01544 CI*; expert report filed December 2016, deposition testimony given February 15, 2017.

Expert reports and deposition testimony on Economic Benefit in *Sierra Club v. Energy Future Holdings Corp. et al., Case No. 5:10-cv-156 (E.D. Tex.)* and *Sierra Club v. Energy Future Holdings Corp. et al., Case No. 6:12-cv-108 (W.D. Tex.)*; expert reports filed in June and July 2013, deposition testimony given August 2013. Trial testimony given in Case No. *6:12-cv-108 (W.D. Tex.) in March 2014*.

Expert testimony on ability-to-pay provided, in the matter of Mercury Vapor Processing Technologies, Inc., et al. (No. RCRA-05-2010-0015), July 2011.

Expert Declaration in a patent case concerning economic and financial matters in the context of environmental credits valuation – In re Patent Application of: Jeff Andrilenas et al., Application No.: 12/328,219, For: VALUING ENVIRONMENTAL CREDITS, submitted June 2011.

Export report and deposition testimony on financial matters in *Evansville Greenway and Remediation Trust v. Southern Indiana Gas and Electric Company, Inc., et al.* (03:07-cv-0066-SEB-WGH); expert report filed July 2009, deposition testimony given January 2010.

Expert testimony on ability-to-pay provided, in the matter of Robert J. Heser, Andrew J. Heser, and Heser Farms (No. CWA-05-2006-0002), May 2007.

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning tariff design issues for Columbia Gas of Pennsylvania (Docket No. R-00049783, May 2005).

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning cost allocation, revenue assignment, and rate design for Pennsylvania Power and Light (Docket No. R-00049255, August 2004).

Expert report on economic damages in *United States v. Southern California Edison No. CIV. F-01-5167 OWW DLB (E.D. Cal).*, July 2004; deposition testimony provided September 2004.

Expert testimony on ability-to-pay provided in *United States v. Peter Thorson, Managed Investments, Inc., Construction Management, Inc., and Gerke Excavating, Inc.* (No. 03-C-0074), May 2004.

Expert testimony on ability-to-pay provided in *United States v. Paul A. Heinrich and Charles Vogel Enterprises, Inc.* (No. 03-C-0075-S), October 2003.

Expert testimony on ability-to-pay provided in the matter of Dearborn Refining Company (No. RCRA-05-2001-0019), February 2003.

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning recovery of purchased gas costs and revenue sharing for PFG Gas and Northern Penn Gas (Docket No. R-00027389, July 2002).

Expert report and testimony on economic damages in *Carol Marmo et al. v. IBP, Inc.*; expert report filed March 2002, deposition testimony given June 2002, September 2004, and testimony at trial given February 2005.

On behalf of Pennsylvania's Office of Small Business Advocate, submitting testimony before the Pennsylvania Public Utility Commission, concerning recovery of purchased gas costs and revenue sharing for National Fuel Gas Distribution Corporation (Docket No. R-00016789, March 2002).

On behalf of the Office of the Consumer Advocate, providing testimony before the United States Postal Rate Commission regarding cost allocation of city carrier street time costs. Docket No. R2000-1, July 11, 2000.

Expert report and declaration on ability-to-pay in re Indspec Chemical Corporation and Associated Thermal Services, Inc., and related testimony in U.S. EPA administrative court on February 24, 1998 (No. CAA-III-086).

Expert report on ability-to-pay in re Harrisburg Hospital and First Capital Insulation, Inc. and related testimony in U.S. EPA administrative court on October 8, 1997 (No. CAA-III-076).

OSBA

WORKPAPERS

For

OSBA Statement No. 1

DIRECT TESTIMONY OF MARK D. EWEN

- IEc WP1 - UGI Gas BRC***

***** OSBA Workpapers are in excel format ONLY; therefore, will be served via electronic means ONLY, and will be served simultaneous to service of OSBA Statement No. 1, Direct Testimony of Mark D. Ewen ONLY*****

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket Nos. R-2025-3059523**
v.	:	
	:	
UGI Utilities, Inc. - Gas Division	:	

VERIFICATION

I, Mark D. Ewen, hereby state that the facts set forth in the Direct Testimony and Exhibit, labelled OSBA Statement No. 1, and associated Exhibit IEc-1, is true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: April 13, 2026

Mark Ewen
Mark D. Ewen

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket Nos. R-2025-3059523**
v.	:	**C-2026-3060353**
	:	
UGI Utilities, Inc. - Gas Division	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Date: April 13, 2026

/s/ Steven C. Gray
Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
Attorney ID No. 77538

COMMONWEALTH OF PENNSYLVANIA

May 13, 2026

The Honorable F. Joseph Brady
Administrative Law Judge
Pennsylvania Public Utility Commission
Philadelphia District Office
801 Market Street, Suite 4063
Philadelphia, PA 19107

The Honorable Alphonso Arnold
Administrative Law Judge
Pennsylvania Public Utility Commission
Philadelphia District Office
801 Market Street, Suite 4063
Philadelphia, PA 19107

Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division / Docket No. R-2025-3059523

Dear Judge Brady and Judge Arnold:

Enclosed please find the Rebuttal Testimony of Mark D. Ewen, labelled OSBA Statement No. 1-R, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-referenced proceeding.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: PA PUC Secretary Matthew L. Homsher (Cover Letter & Certificate of Service Only)
Mark Ewen
Maksim Malukoff
Parties of Record

OSBA STATEMENT NO. 1-R

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket No. R-2025-3059523**
v.	:	
	:	
UGI Utilities, Inc. - Gas Division	:	

REBUTTAL TESTIMONY

of

MARK D. EWEN

on behalf of the

Pennsylvania Office of Small Business Advocate

Topics:

Universal Service Cost Recovery

Date Served: May 13, 2026

Date Submitted for the Record: ____________________________

REBUTTAL TESTIMONY OF MARK D. EWEN

1. Introduction and Context

Q. Mr. Ewen, please state your name and briefly describe your qualifications.

A. My name is Mark D. Ewen. I submitted direct testimony and associated exhibits on behalf of the Pennsylvania Office of Small Business Advocate ("OSBA") earlier in these proceedings and my qualifications were presented therein.

Q. What is the purpose of this rebuttal testimony?

A. This rebuttal testimony responds to CAUSE-PA Witness Patrick M. Cicero regarding the recovery of universal service costs.

Q., Please summarize Witness Cicero's position regarding universal service cost recovery.

A. The Company's Universal Service Program ("USP") Rider recovers the costs of the Company's Universal Service and Conservation Programs that assist low-income residential customers. As is standard practice among utilities in Pennsylvania, UGI assigns the recovery of universal service costs only to residential customers. Witness Cicero argues that universal service and low-income assistance programs benefit all of UGI's customer classes because they provide economic benefits to entire communities and not just customers that receive assistance.[1] Accordingly, Witness Cicero supports a broad allocation of universal service costs to all rate classes. If the Commission rejects a broad allocation of universal service costs, Witness Cicero states that a portion of universal service costs should be allocated to Rate XD (Extended Large Firm Delivery Service) customers.[2]

Q. What is your position regarding the allocation of universal service costs?

A. By longstanding OSBA advocacy and Commission precedent, I maintain that small business customers should not contribute to universal service programs because these customers cannot take advantage of the residential-only programs. There is no causal relationship between UGI's universal service costs and small business customers. In

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[1] Direct Testimony of CAUSE-PA Witness Cicero, at 80-83.

[2] UGI Statement No. 10 at 22 states that "language has been added [to the USP Rider tariff] to allow the USP Rider to apply on a fully negotiated basis for certain Rate XD customers to contribute to Rider USP and otherwise lower USP costs borne by the Company's residential customers."

addition, assigning costs for the universal service programs to all rate classes would impose a burden on all hearing participants, including the OSBA, who would have an obligation to ensure that these programs are properly designed, effective, and necessary. Because most utilities in Pennsylvania do not assign universal service costs to all rate classes, the OSBA generally does not expend the resources to retain the necessary specialized experts in these fields.

Q. What are the practical issues if the Commission were to require all the Company's rate classes to contribute to universal service costs?

A. The form of cost recovery is of primary importance. Witness Cicero recommends that universal service costs "should be assigned to all rate classes based on their respective distribution revenue requirements per the Company's cost of service study (COSS) filed in the current case."[3] This proposal does not provide insight as to how universal service costs would be distributed within rate classes and would unfairly burden small businesses with a new tax without a cost basis. Transparency is another concern. If the Commission decides to abandon long-standing precedent and impose a new tax on small businesses, the new charge should be separately identified on the bills for non-residential customers, simply as a matter of honesty and openness about the policy change.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

---

[3] Direct Testimony of CAUSE-PA Witness Cicero, at 83.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket No. R-2025-3059523**
v.	:	
	:	
UGI Utilities, Inc. - Gas Division	:	

VERIFICATION

I, Mark D. Ewen, hereby state that the facts set forth in my Rebuttal Testimony, labelled OSBA Statement No. 1-R, is true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 7, 2026

Mark Ewen

Mark D. Ewen

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket Nos. R-2025-3059523**
v.	:	**C-2026-3060353**
	:	
UGI Utilities, Inc. - Gas Division	:	

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Date: May 13, 2026

/s/ Steven C. Gray
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