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Pennsylvania Public		
Utility Commission,		Docket Nos.:
v.		R-2025-3059430
UGI Utilities, Inc. -		
Electric Division		
Telephonic Public Input		
Hearing		
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Judge's Chambers  
Commonwealth Keystone  
Building - Plaza Level  
400 North Street  
Harrisburg, PA

INDEX TO EXHIBITS

Docket No. R-2025-3059430

Hearing Date: June 11, 2026

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
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Governor Shapiro Hearing Exhibit:

1	Comments on UGI Utilities	114	120
	Electric Division Base Rate		
	Filing		



Governor Shapiro has made lowering costs for Pennsylvanians a central focus of his Administration's efforts around economic development and energy and has sounded the alarm about the increasing frequency of utility requests for large base rate increases. On April 29, 2026 the Governor sent an open letter to Pennsylvania utility executives calling on them to put their customers first and change the utility practices that are driving up rates. Specifically, Governor Shapiro articulated three principles for utilities to follow to ensure that rates are fair and that Pennsylvanians are not unduly harmed by unjustifiable costs. These comments will review compliance with the Governor's principles briefly.

**First**, UGI Electric's proposed capital structure of 54.5 percent common equity and 45.5 percent long-term debt is nearly inverse to its parent company, UGI Corporation, which employs a capital structure of 58.1 percent debt and 41.8. percent equity,<sup>2</sup> which does not meet the Governor's precept that utilities should seek to raise capital in the most cost-effective form available.

**Second**, UGI Electric's rate increase proposal does not adequately explain in plain language why its proposed investments are necessary and cost-effective. Through rates based on a fully projected future test year ("FPFTY") ending September 30, 2027, the company proposes to recover costs for—and earn a return on—new capital investments totaling nearly \$70 million between October 1, 2026 and September 30, 2027.<sup>3</sup> Most of this investment is being made under the company's current Long-Term Infrastructure Improvement Plan ("LTIIIP").<sup>4</sup> But the company provides little data to support the recovery of its LTIIIP investments in base rates and no cost-effectiveness analysis.

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<sup>2</sup> See Book I, UGI Electric Responses to Section 53.53 - III-E - Parent - Subsidiary Relationship, Attachment III-E-2.

<sup>3</sup> See UGI Electric Statement No. 1, Direct Testimony of Jessica R. Rogers at 6:15-20.

<sup>4</sup> See UGI Electric Statement No. 1, Direct Testimony of Jessica R. Rogers at 6:11-20.

**Finally**, UGI Electric has requested a significant increase to its return on equity: 10.85 percent. In his letter, Governor Shapiro urged utilities to demonstrate the reasonableness of their proposed returns on equity by providing a benchmark that is transparently derived through a public process with competitive bidding by multiple participants to establish a fair market cost of that equity or to request a return on equity that does not exceed the rate of the current 10-year U.S. Treasury yield plus the five-year median of the equity risk premium as published in the Federal Reserve's Financial Stability Reports.

As noted above, the Governor is cognizant that UGI Electric has persistently reported low equity returns according to the Public Utility Commission's Report on the Quarterly Earnings of Jurisdictional Utilities. However, the Governor notes for the record here that UGI Electric's proposed ROE of 10.85 percent is incommensurate with the relatively low-risk nature of monopoly electric distribution service.

For all these reasons, Governor Shapiro opposes UGI Electric's proposed rate increase and urges the company to modify its application to satisfy the Governor's principles.

Respectfully submitted:

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/s/ Mark Szybist  
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*Counsel for Governor Josh Shapiro*

# **Exhibit 1**



## GOVERNOR JOSH SHAPIRO

April 29, 2026

Dear Utility Leaders:

As you are no doubt aware, many of your customers across the Commonwealth are experiencing markedly higher utility costs. Rising utility bills have themselves become drivers of inflation. While there are many factors affecting those increases, several core causes are directly within your control and result from your policy and fiscal decisions, including the excessive rate requests several utilities have sought in recent years. Last year alone, 13 Pennsylvania utilities requested \$975 million in higher rates after those very same utilities had earned a total of \$1.4 billion in profits in 2024.

We have reached a tipping point, and this is a moment to put your customers first and change the behaviors causing rate increases. As I've expressed publicly and privately, I believe the 20<sup>th</sup> century utility model is broken—we can no longer simply prioritize corporate profitability to drive infrastructure development. Rather, we must be laser focused on delivering on the actual needs of our communities. As I stated clearly in my Budget Address in February, Pennsylvania consumers should not be asked to pay a single dollar more than is needed to support a safe and reliable utility system.

Change is needed, and my Administration stands ready to support each Pennsylvania utility in raising the capital you need to invest in your service territories and workers, both in modernizing with cost-effective new technologies and maximizing the existing infrastructure that you have developed over time. However, as we work together to implement this new approach, you must seek to procure that capital in more affordable ways, conscious of the utility burdens facing many consumers across our Commonwealth.

I write today to lay out three commonsense practices to ensure the needs of Pennsylvanians come first. My Administration will use these three practices as a benchmark to evaluate rate case proposals going forward. Let me be clear: my Administration and I will vocally and forcefully oppose rate case requests from utilities that fail to adhere to these three commonsense practices.

**First, utilities should seek to raise the most cost-effective forms of capital.** Best practices now require you to protect consumers by disfavoring expensive equity when lower-cost debt is available. Given the low risk profile of monopolistic utilities, which maintain a captive rate base able to repay obligations over time, consumers should not be expected to bolster corporate profits through over reliance on costly equity. This means debt should normally represent a clear majority of a utility's proposed ratemaking capital structure, as it does in many other lower-risk industries. As one measure of this approach, any equity share proposed in a rate case in excess of the amount of equity employed by the utility's parent holding company will require extraordinary justification to receive my Administration's support.

For utilities looking to find low-cost sources of capital, my Administration encourages you to apply to the Department of Energy, which is currently offering loan terms as favorable as the 10-year U.S. Treasury yield plus 35 basis points. By comparison, the average Pennsylvania utility requested a return on equity a staggering 682 basis points above the 10-year U.S. Treasury yield last year. Before raising such expensive equity, you should take advantage of more affordable sources of capital, like these loans, that many of your fellow utilities across the country are pursuing. My Administration stands ready to facilitate an introduction to loan officers at the Department of Energy upon your request.

**Second, whenever new revenue is sought, a utility must explain in plain, clear language why its proposed investments are necessary, using transparent data to identify a specific reliability or safety concern that will be addressed, or demonstrating with a thorough cost/benefit analysis that the investment will produce significant savings or reliability benefits for consumers.** This means showing the value customers will receive in terms of discrete improvements producing tangible outcomes that are timebound, verifiable, and logically linked to the need for additional capital. Creating real value for customers also means maximizing existing grid resources in ways that control costs and defer the need for future upgrades. You must also describe explicitly what amount of your

requested rate increase will be remitted to shareholders through corporate dividends or other means, as compared to what would be used to directly advance the needs of your customers.

**Third, you must provide transparent, justifiable equity returns.**

Pennsylvania has a long, proud tradition of trusting free markets to deliver fair, transparent pricing. In fact, this year marks the 30<sup>th</sup> anniversary of Act 138, which introduced competition into our utility sector for the first time. That bipartisan law embodies Pennsylvania's deep-seated belief that free-market competition—when properly implemented and overseen—is the best tool for delivering customers the fair value they deserve. Today, we use markets to price our wholesale power and rely on principles of competition to fairly and impartially award public contracts. Yet less accurate administrative determinations—essentially amounting to educated guesses—still govern how much utilities earn on their equity investment. And all too often the outcome of this administrative process is shrouded in “black box” settlements, that do not provide the public with transparency about costs they will have to pay. These vestiges of the past need to evolve to ensure that utilities are not seeking excessive profits but only the opportunity to earn the fair rate of return to which they are entitled.

To accomplish this, utilities can prove their need for a requested return on equity by providing a benchmark (representing at least 10% of the incremental requested equity) that is transparently derived through a public process with competitive bidding by multiple participants to establish a fair market cost of that equity. This sample offers the energy consumer and Public Utility Commission real-world evidence of the proper authorized return on equity, an amount that will allow the utility to earn reasonable equity returns under efficient operations. If a utility declines to justify its requested return on equity through a competitive, transparent process, it creates a presumption in the view of my Administration that the requested rate is higher than would have been derived from such a competitive process. Absent extraordinary and unforeseen circumstances, a utility can overcome that presumption by requesting a return on equity that does not exceed the rate of the current 10-year U.S. Treasury yield plus the five-year median of the equity risk premium as published in the Federal Reserve's Financial Stability Reports. In simple terms, this allows the filing utility to earn the same expected return as the stock market as a whole, according to Federal Reserve estimates, comfortably exceeding typical Public Utility Commission calculations of risk for the utility sector.

This provides an outcome that is fair for your utility and your customers even without an auction or other market-based price discovery mechanism.

This letter is an effort to be up front with you about my Administration's approach to rate requests going forward. In directly laying out these practices, I am making clear my expectations. I stand ready to collaborate with you, the Public Utility Commission, and other stakeholders in advancing thoughtful rate requests that put Pennsylvania families and businesses first and control costs after years of unacceptably high rate increases. Should you wish to have my Administration's support for any future rate requests, you must submit a description of your compliance with these practices to my Special Counsel for Energy Affordability alongside your rate case filings.

I appreciate your compliance with these practices and look forward to working together to control costs for ratepayers and build out the needed infrastructure for our Commonwealth.

Sincerely,



Governor Josh Shapiro

Cc: Honorable Stephen M. DeFrank, Chair, Pennsylvania Public Utility Commission  
Honorable Kimberly M. Barrow, Vice Chair, Pennsylvania Public Utility Commission  
Honorable Kathryn L. Zerfuss, Commissioner, Pennsylvania Public Utility Commission  
Honorable John F. Coleman, Commissioner, Pennsylvania Public Utility Commission  
Honorable Ralph V. Yanora, Commissioner, Pennsylvania Public Utility Commission  
Mark Szybist, Special Counsel for Energy Affordability, Office of General Counsel