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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

September 8, 2026

Via Electronic Filing
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. – Electric Division
Docket No. R-2025-3059430
I&E Main Brief

Dear Secretary Homsher:

Enclosed for electronic filing please find the Main Brief of the Bureau of Investigation and Enforcement in the above-captioned proceeding.

Copies are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Adam J. Williams
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 310019
(717) 787-8754
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AJW/ac
Enclosures

cc: Administrative Law Judge Steven K. Haas (*via email* - sthaas@pa.gov)
Administrative Law Judge Chad L. Allensworth (*via email* - callenswor@pa.gov)
Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
Office of Small Business Advocate	:	
Office of Consumer Advocate	:	
Kory Boothe	:	Docket Nos. R-2025-3059430
Mary Hibbard	:	C-2026-3061698
Elizabeth Saxton	:	C-2026-3061790
Carol Buchalski	:	C-2026-3062281
	:	C-2026-3062957
v.	:	
	:	
UGI Utilities, Inc. – Electric Division	:	

MAIN BRIEF
OF
THE BUREAU OF INVESTIGATION & ENFORCEMENT

Adam J. Williams
Prosecutor
PA Attorney ID No. 310019

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Dated: September 8, 2026

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I. INTRODUCTION

A. Procedural History

The following is a summary of the procedural history of this proceeding. On March 27, 2026, UGI Utilities, Inc. – Electric Division ("UGI Electric" or "Company"), filed Supplement No. 92 to UGI Electric Tarriff – PA P.U.C. No. 6 ("Supplement 92"), seeking a general rate increase, with a proposed effective date of March 29, 2026. Supplement 92 as proposed, if approved by the Commission, would increase UGI Electric's annual jurisdiction revenues by $17.283 million, or 11.89%.

Adam J. Williams of the Bureau of Investigation and Enforcement ("I&E") entered his appearance on March 31, 2026. The Office of Small Business Advocate ("OSBA") entered their appearance on March 31, 2026, and filed a Formal Complaint on April 7, 2026. The Office of Consumer Advocate ("OCA") filed their appearance as well as a Formal Complaint on April 8, 2026. Also on April 8, 2026, the Commission on Economic Opportunity ("CEO") filed a Petition to Intervene in this proceeding. Additionally, there were four formal complaints filed by UGI Electric ratepayers that were consolidated into this proceeding.

On April 16, 2026, the Commission issued an Order pursuant to Section 1308(d) of the Public Utility Code suspending the implementation of the proposed Supplement by operation of law until January 1, 2027, and opening an investigation into the lawfulness, justness, and reasonableness of the proposed rates, rules and regulations contained within. The case was assigned to the office of Administrative Law Judge for the scheduling of such hearings as may be necessary, culminating in the issuance of a Recommended Decision. Pursuant to the Prehearing Conference Order issued on April 23, 2026, a prehearing conference was held on Thursday, May

7, 2026 at 10 a.m. before Administrative Law Judges Steven K. Haas and Chad L. Allensworth ("The ALJs").

Public input hearings were held in person in Wilkes Barre, PA on June 10, 2026 at 1:00 p.m. and 6:00 p.m. Telephonic public input hearings were held on June 11, 2026 at 1:00 p.m. and 6:00 p.m.

Pursuant to the established litigation schedule, I&E filed the following pieces of direct, rebuttal and surrebuttal testimony:

Getachew Bedasa
- I&E Statement No. 1 (PROPRIETARY AND NON-PROPRIETARY VERSIONS)
- I&E Exhibit No. 1 (PROPRIETARY AND NON-PROPRIETARY VERSIONS)
- I&E Statement No. 1-R
- I&E Exhibit No. 1-R
- I&E Statement No. 1-SR (PROPRIETARY AND NON-PROPRIETARY VERSIONS)
- I&E Exhibit No. 1-SR

D.C. Patel
- I&E Statement No. 2
- I&E Exhibit No. 2
- I&E Statement No. 2-SR
- I&E Exhibit No. 2-SR

Ethan Cline
- I&E Statement No. 3
- I&E Statement No. 3-SR

During the course of this proceeding, the parties held a series of settlement conferences but were unable to amicably resolve the issues presented in this base rate proceeding. On Wednesday, August 12, and Thursday, August 13, 2026, at the time and place set for the evidentiary hearing, the parties appeared in-person before the ALJs. Prior to the hearing, the parties agreed to waive cross-examination of a majority of the witnesses while conducting cross examination on six witnesses. All parties moved for the admission of their pre-served written testimony and exhibits as well as their specific hearing exhibits. I&E moved the pieces of I&E testimony and exhibits identified *supra* into evidence. Following completion of cross examination of all remaining witnesses on August 13, the hearing originally scheduled for August 14, 2026 was cancelled. A court reporter was present and a Hearing Transcript ("Hrg. Tr.") for August 12 and 13, 2026, was prepared and later distributed to the parties. I&E served electronic copies of the I&E testimony and exhibits, along with witness verifications, on The Sargent's Group court reporting by email on Thursday, August 13, 2026.

I&E now submits this Main Brief ("I&E MB") in support of the arguments made by the I&E witnesses in the record evidence presented.

B. Burden of Proof

It is axiomatic that the burden of proof in any proceeding involving a utility's existing or proposed rates is on the utility.[1] UGI Electric must satisfy its burden of proof by presenting a preponderance of evidence.[2] A preponderance of the evidence is such evidence that is more convincing, by even the smallest amount, than that presented by another party.[3] If a preponderance of evidence is submitted, the burden of going forward with competing evidence shifts to opposing parties to produce credible evidence of at least equal weight.

While the burden of going forward and producing evidence may shift back and forth between the parties, the ultimate burden of persuasion remains with the Company. Further, the Commission must ensure that any adjudication is supported by substantial evidence.

[1] *See* 66 Pa. C.S. §§ 1301, 315(a); *Brockway Glass Co. v. Pennsylvania Public Utility Commission,* 437 A.2d 1067 (Pa. Commw. 1981); *Lower Frederick Twp. v. Pennsylvania Public Utility Commission*, 409 A.2d 505 (Pa. Commw. 1980).

[2] *Samuel J. Lansberry, Inc. v. Pennsylvania Public Utility Commission*, 578 A.2d 600 (Pa. Commw. 1990).

[3] *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

"Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion.[4]

I&E asserts that UGI Electric has failed to meet its burden and therefore I&E respectfully requests that the ALJs and the Commission adopt the adjustments and the overall revenue requirement set forth in the record evidence presented by I&E as summarized in this I&E Main Brief and in the Appendices attached hereto.

II. SUMMARY OF ARGUMENT

I&E's total recommended revenue requirement for the Company is $151,541,000. This recommended revenue requirement represents an increase of $6,082,000 to the Company's claimed present rate revenues of $145,459,000.

RATE BASE

Rate base, also known as measure of value, is the depreciated original cost of a utility's investment in plant a utility has in place to serve customers plus other additions and deductions that the Commission determines to be necessary in order to keep the utility operating and providing safe and reliable service to its customers.

I&E recommended that the Company be required to provide I&E and OCA with updates to their Future Test Year ("FTY") and Fully Projected Future Test Year ("FPFTY") schedules to include actual plant balances and retirements by month, and the Company agreed to do so.

I&E did not submit testimony on the issue of accumulated depreciation.

I&E recommends an allowance of $13,210,000, or a reduction of $84,000 ($13,294,000 - $13,210,000) to the Company's claim. I&E's recommendation is based on I&E's adjustments to cash-based O&M expenses as discussed in I&E's testimony. Finally, I&E noted that its cash

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4 *Norfolk & Western Ry. Co. v. Pennsylvania Public Utility Commission,* 413 A.2d 1037 (Pa. 1980).

working capital recommendation is not a final recommendation because all adjustments to the Company's claims must be continually brought together in the ALJ's Recommended Decision and again in the Commission's Final Order.

REVENUES

The revenue requirement formula used in base rate cases is RR = E + D + T + (RB x ROR).

I&E, after taking all other revenue considerations into effect and reaching a recommended increase of $12,164,000, recommends a further adjustment to allow for one half, or 50% of the overall increase, reducing I&E's recommendation to $6,082,000. This adjustment is based on the pending Joint Application filed by UGI Utilities, Inc. ("UGI") and Argo Infrastructure Partners LLC ("Argo") to allow for full transfer of ownership and operation of all UGI electric utility operations to Argo, a Delaware limited liability company headquartered in New York City. As UGI has requested expedited review and approval of the Joint Application on or before April 2027, or roughly 50% into the FPFTY in this case, I&E recommends this measure to mitigate the potential uncertainties when considering the possibility that a completely different entity could assume control of UGI Electric operations halfway into the FPFTY.

I&E recommends an increase in the forfeited discount revenue claim by the same percentage as the overall base rate increase that is granted in this proceeding.

I&E recommends the Commission consider the impact any rate increase will have on UGI Electric's customers given the concerns cited by both PUC Vice Chair Barrow and Governor Shapiro.

I&E's total recommended revenue requirement for the Company is $151,541,000. This recommended revenue requirement represents an increase of $6,082,000 to the Company's claimed present rate revenues of $145,459,000.

EXPENSES

I&E recommend that UGI Electric's rate case expense be normalized over a period of 33 months based on the Company's historic filing history rather than the Company's proposed normalization period of 24 months, resulting in an annual expense of $389,000 [($1,071,000 ÷ 33 months) x 12 months], or a reduction of $147,000 ($536,000 - $147,000) to the Company's claim.

I&E recommends an allowance of $3,469,000 for vegetation management contractor costs based on the most recent three-year average, or a reduction of $469,000 ($3,938,000 - $3,469,000) to the Company's claim.

TAXES

I&E's only proposal related to taxes was mitigated by the Company in rebuttal testimony and was ultimately withdrawn by I&E.

RATE OF RETURN

I&E recommends the following rate of return for the Company:

I&E Recommendation UGI Gas of Pennsylvania, Inc. Summary of Cost of Capital			
Type of Capital	**Ratio**	**Cost Rate**	**Weighted Cost Rate**
Long-Term Debt	50.00%	5.22%	2.61%
Common Equity	50.00%	9.69%	4.85%
Total	**100.00%**		**7.46%**

Regarding proxy groups, I&E recommends that the Commission consider only the regulated utilities group meeting the criteria set forth by I&E when evaluating UGI Electric's requested return on equity (ROE) in this proceeding.

I&E recommends using a hypothetical capital structure of 50% long-term debt and 50% common equity, as the Company's claimed structure is atypical and/or too heavily weighted on equity when compared to the five-year average equity ratio of both I&E and UGI Electric's relevant proxy groups.

I&E recommends using the Company's proposed long-term debt cost rate of 5.22%.

I&E's recommended return on equity of 9.69% is based on a calculation of the average of I&E's Discounted Cash Flow ("DCF") method, the average of two variations of the Capital Asses Pricing Model ("CAPM") method, and the recent national average authorized return on equity for rate cases involving electric distribution utilities (2025 – early 2026).

I&E recommends the Commission continue its historic practice of recognizing the 10-year Treasury Note as the superior measure for the risk-free rate, as long-term Treasury Bonds have substantial maturity risk associated with the market risk and the risk of unexpected inflation.

I&E rejects the Company's use of the 30-year treasure bond to determine the risk-free rate.

I&E rejects UGI Electric's reliance on the Empirical Capital Asset Pricing Model ("ECAPM"), Predictive Risk Premium Model ("PRPM"), Risk Premium ("RP"), and Comparable Earning ("CE") methodologies as they are largely speculative, unreliable and inconsistent with Commission precedent.

I&E rejects UGI Electric's erroneous interpretation of the *Hope* and *Bluefield* standards which would allow for consideration of non-price regulated companies to be used in proxy groups.

I&E rejects UGI Electric's attempts to use these non-price regulated proxy groups, as the companies contained within do not face similar market conditions and are not appropriate comparators for regulated utilities.

I&E recommends that the Company's proposed flotation cost adder of 12 basis points (0.12%) should be rejected in its entirety.

I&E recommends that the Company's proposed size adjustment of 40 basis points (0.40%) be rejected in its entirety.

I&E recommends that any additional consideration or adjustments for the Company's claimed risk profile in determining the cost of equity for UGI Electric is/are unwarranted, unjustified, and unsupported.

I&E recommends that the Company should be afforded the opportunity to earn an overall rate of return of 7.46%. This recommended overall rate of return is comprised of a weighted average of a 5.22% rate of return on long-term debt, and a 9.69% rate of return on common equity.

I&E's recommended return on common equity of 9.69% is higher than the average return on equity of 9.56 % of all electric utility rate cases decided/approved by state regulatory authorities in 2025 and early 2026.

RATE STRUCTURE AND RATE DESIGN

A utility's rate structure implements the Commission's approved revenue increase to determine how the overall increase will be allocated among the utility's various rate classes. A properly designed rate structure will not unduly burden one class of ratepayers to the benefit of another.

UGI Electric performed and provided an Allocated Cost of Service Studie in its initial filing, including a customer cost analysis.

Regarding rate design and customer charges, I&E relied on the Company's rate design recommendation and customer cost analysis.

I&E concluded that the proposed customer charges for the majority of the rate classes are too high, in that nearly all are over 100% increases, which violates the principle of gradualism.

I&E recommended customer charge increases that were more moderate, allowing for a gradual shift toward the Company's stated goals of cost-based rate making.

I&E accepted the proposed customer charges for schedule LP customers.

If the Commission grants an increase less than the amount requested by the Company, then I&E recommends that all proposed increases to customer charges and usage rates be scaled back proportionately based on the ACOSS that is ultimately approved by the Commission.

CUSTOMER SERVICE/QUALITY OF SERVICE

I&E did not submit testimony on customer service/quality of service issues.

UNIVERSAL SERVICE PROGRAMS

Most of the universal service programs issues were raised by the OCA and CEO.

I&E recommends that no increase in the budgeted LIURP amount be approved in this proceeding. I&E reasoned that, while CEO's recommendation is well-intentioned, it is inappropriate to consider an increase in the LIURP budget in this base rate proceeding and rather should be addressed in a USECP proceeding.

CONCLUSION

UGI Electric has not met its burden of proof as the record evidence presented by UGI Electric does not substantiate a revenue increase of $16,050,000. Instead, based on the weight of the record evidence, the Commission should only grant UGI Electric the I&E recommended revenue increase of $6,082,000. Further, the Commission should implement the recommendations set forth by I&E in its testimony, exhibits and main brief arguments.

III. I&E OVERALL POSITION ON RATE INCREASE REQUEST

I&E's total recommended revenue requirement for the Company is $151,541,000[5]. This recommended revenue requirement represents an increase of $6,082,000 to the Company's claimed present rate revenues of $145,459,000[6]. This total recommended allowance incorporates I&E adjustments made in I&E witness Getachew Bedassa's direct, rebuttal and surrebuttal testimony to O&M expenses,[7] and the recommended adjustments made in the direct and surrebuttal testimony of I&E witnesses DC Patel[8] and Ethan Cline.[9]

IV. RATE BASE

Rate base, also known as measure of value, is the depreciated original cost of a utility's investment in plant a utility has in place to serve customers plus other additions and deductions that the Commission determines to be necessary in order to keep the utility operating and providing safe and reliable service to its customers. Rate base is one part of the financial

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5 I&E St. No. 1-SR, p.4. *See also* App. A, Table I *infra*.
6 *Id.*
7 *See* I&E St. No. 1; I&E St. No. 1-R; and I&E St. No. 1-SR.
8 *See* I&E St. No. 2; and I&E St. No. 2-SR.
9 *See* I&E St. No. 3; and I&E St. No. 3-SR.

equation used by the Commission to determine the appropriate revenue that a utility is granted in a rate proceeding.

Additionally, the depreciated original cost is determined by subtracting the book reserve, which is the accumulation of all prior annual depreciation expense, and other items such as salvage value, from the original cost of the plant in service that is projected to be used and useful in the public service. The depreciated original cost of the plant in service is determined by taking a "snapshot" look at the depreciated original cost value of used and useful utility plant in service at the end of the FPFTY.

Further, for a utility plant to be included in rates, the plant must be used and useful in the provision of utility service to the customers. Therefore, by definition, only plant currently providing or capable of providing utility service to customers or plant projected to be completed and in service by the end of the FPFTY is eligible to be reflected in rates.

A. Electric Plant in Service

I&E witness Ethan Cline recommended that that the Company be required to provide I&E and the OCA with an update to UGI Electric Book IV, Exhibit A – Future, Schedule C-2, no later than February 1, 2027, under this docket number, which should include actual plant balances along with plant additions and retirements by month from October 1, 2025 through September 30, 2026 and an additional update to UGI Electric Book IV – Exhibit A – Fully Projected, Exhibit C-2, no later than February 1, 2028, which should likewise include actual plant balances, plant additions and retirements by month from October 1, 2026 through September 30, 2027.[10]

[10] I&E St. No. 3, pp. 4-5.

I&E reasoned there is value in determining how closely UGI Electric's projected investments in future plant align with the actual investments that are made by the end of the FTY and FPFTY.[11] Determining the correlation between UGI Electric's projected and actual results will help inform the Commission and the parties in UGI Electric's future rate cases as to the validity of the Company's projections.[12]

The Company agreed with I&E's recommendation.[13] Given the stated value of the data and agreement by the Company, I&E's recommendation should be approved.

B. Accumulated Depreciation

I&E did not submit any testimony regarding the accumulated depreciation issue. I&E took no position on this issue.

C. Additions to and Deductions from Rate Base

As detailed in the surrebuttal testimony of I&E witness Getachew Bedasa, some of I&E's recommendations for reductions within the Company's proposed rate base increases were accepted by the Company as part of their updated requested revenue increase in rebuttal testimony.[14] As these were accepted by the Company and were not opposed by any other party, this Brief will not reiterate the arguments from Mr. Bedasa's direct testimony[15] that were accepted by the Company, but will focus on the remaining contested issues. This Brief will likewise not address issues raised by I&E in direct testimony that were mitigated by the Company in rebuttal adjustments and were ultimately accepted by I&E as reasonable for the sake

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11 *Id.*
12 *Id.*
13 UGI Electric St. No. 3, pp. 4-5.
14 I&E St. No. 1-SR, p. 2, citing UGI Electric Exhibit A – FPFTY Rebuttal, Schedule A-1 and UGI Electric St. No. 2-R, pp. 6-7.
15 See I&E St. No. 1, pp. 14-37.

of the instant proceeding.[16] As these adjustments were not objected to by any other party, I&E recommends that all such adjustments be accepted by the ALJs and the Commission.

Though the Company accepted some of I&E's recommended adjustments in this case, I&E recommends a reduction of $84,000 to the Company's claimed Cash Working Capital ("CWC") as part of its rate base, reducing the proposed $13,294,000 to $13,210,000 based on updated adjustments to cash-based O&M expenses as detailed by Mr. Bedasa.[17] Finally, Mr. Bedasa noted in his surrebuttal testimony that his recommendation for CWC is not a final recommendation because all adjustments to the Company's claim must be continually brought together in the ALJ's Recommended Decision and again in the Commission's Final Order.[18] This process, known as iteration, effectively prevents the determination of a precise calculation until such time as all adjustments have been made to the Company's claims.[19]

V. REVENUE

A. Overall Revenue Requirement

The revenue requirement formula used in base rate cases is as follows:

RR = E + D + T + (RB x ROR)

Where:

RR = Revenue Requirement

E = Operating Expenses

D = Depreciation Expense

T = Taxes

RB = Rate Base

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16 *E.g.* I&E St. No. 1-SR, pp. 14-15.
17 See I&E St. No. 1-SR p. 26; I&E Exhibit 1-SR.
18 I&E St. No. 1-SR, p. 27.
19 *Id.*

ROR = Overall Rate of Return[20]

In the above formula, the rate of return is expressed as a percentage.[21] The calculation of that percentage is independent of the determination of the appropriate rate base value for ratemaking purposes.[22] As such, the appropriate total dollar return is dependent upon the proper computation of the rate of return and the proper valuation of the Company's rate base.[23]

B. Adjustment Due to Potential Sale of UGI Electric to Argo

I&E, after accounting for all other revenue considerations, reached a recommended revenue increase for UGI Electric of $12,164,000. However, as detailed in the direct and surrebuttal testimonies of I&E witness Getachew Bedasa, I&E recommends an additional adjustment to allow for one half, or 50% of the overall increase, reducing I&E's recommendation to $6,082,000.[24] This recommendation was originally based in part on a press release from April 28, 2026, and was later revised following the filing of a Joint Application by UGI and Argo at Docket A-2026-3063610, in which UGI and Argo have petitioned the Commission to allow the full transfer of ownership and operation of all UGI electric utility operations to Argo. Per the Joint Application, UGI has requested expedited consideration and approval by the Commission on or before April 2027.[25] Due to the concerns highlighted *infra* and expanded on in the testimonies of Mr. Bedasa, I&E recommends that, as an April 2027 sale would be roughly 50% into the FPFTY, that the Commission only authorize a revenue increase of 50% of I&E's otherwise overall recommendation.

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[20] I&E St. No. 2, pp. 2-3.
[21] *Id.*
[22] *Id.*
[23] *Id.*
[24] I&E St. No. 1-SR, p. 10. I&E's original proposal in direct testimony was to allow 25% of the requested increase. I&E updated the proposal in surrebuttal to 50%.
[25] UGI Electric Exhibit JRR-3RJ, p. 37.

As Mr. Bedasa explains in his direct testimony, the filing information in this case, specifically the FPFTY information, becomes unreliable when considering the possibility that a completely different entity could be controlling what is now UGI Electric.[26] Two major points of concern cited by Mr. Bedasa are the uncertainty as to what extent Argo would receive the same shared services and allocated costs that UGI Electric receives from its parent corporation, UGI, and the uncertainty as to whether the claimed FPFTY O&M expenses and other claims such as rate of return and rate base would be consistent with what Argo (who is not a party to this case and has presented no testimony here) plans to do once the purchase and transfer are complete. Further concerns cited by Mr. Bedasa include the uncertainty as to whether Argo will honor all of UGI Electric's commitments, plans, policies, projections and calculations that are built into the FPFTY ratemaking claims in this filing, and to what extent Argo will prudently incur or expend fully the FPFTY claimed expenses and costs given their questionable experience in providing utility services in Pennsylvania.[27]

On June 24, 2026, after the filing of direct testimony in this case, UGI and Argo officially filed their Joint Application, which has been included as an exhibit in this case.[28] The Application does attempt to address some of the concerns cited above through a proposed Transition Services Agreement ("TSA"), wherein UGI will provide, or cause to be provided, "certain administrative and operational services to the Company during a transition period following closing".[29] These proposed services would include (i) billing and customer care services; (ii) information technology services; (iii) finance and accounting services; (iv) rates and regulatory services; (v) human resources services; (vi) purchasing and materials management;

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26 I&E St. No. 1, pp. 6-7.
27 *Id.*
28 UGI Electric Ex. JRR-3RJ.
29 *Id.* at 30.

(vii) energy supply services; (viii) communications and community relations services; and (ix) vehicle fleet maintenance and management services.[30] However, as Mr. Bedasa explained during cross examination, this proposal does not fully mitigate I&E's concerns, since the transition agreement cannot be fully evaluated because it is not included in the application.[31] Mr. Bedasa also noted that the Application does not state that the cost of the transition services will be identical, which means the shared/allocated service amounts in the FPFTY remain uncertain.[32] Finally, Mr. Bedasa noted there is no indication that Argo would be required to use these services.[33] Since the description of the proposed transition agreement does not include any mention of exclusivity, Argo could theoretically chose to not continue with the transition services offered and seek other services for other prices.

It is important to note that I&E's concerns in this matter relate to uncertainty. Regardless of the likelihood of such issues occurring, the timing of these cases was entirely within the control of UGI. Any such uncertainty could have been avoided if UGI Electric had concluded this rate case prior to the Application, or if UGI had stated in the Application that the sale, if approved, will not take effect until after the end of the FPFTY of this base rate case. Instead UGI has asked for expedited approval, thus magnifying the concerns created by these uncertainties.

Though I&E recognizes this is an unusual recommendation, I&E maintains that the UGI/Argo transaction is an unusual situation, as it is not a proposed merger of two existing Pennsylvania companies such as the Essential Utilities/PAWC merger pending before the

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30 *Id.*
31 Hrg. Tr. 8-12 p. 272.
32 *Id.* at 273.
33 *Id.*

Commission[34], but rather is a proposal to transfer 100% of the membership interests in UGI's electric division to an entity controlled by Argo, a Delaware limited liability company headquartered in New York City, who has only held indirect or minority ownership in three Pennsylvania utilities and does not appear to have had any direct business with this Commission.[35] I&E's recommended adjustment has been aggressively opposed by the Company, and while I&E admits it's proposal is not perfect, I&E does consider it to be an appropriate response to UGI's decision to encourage an expedited closing of the transaction which would place the date of sale roughly 50% into the FPFTY, thus creating a number of concerns as to the presentation made by UGI Electric in this proceeding.

While I&E takes no position in this proceeding on whether the Application to Transfer UGI Electric to Argo should be approved, the fact remains that UGI has indicated that it does not intend to own this system through the end of the FPFTY, which warrants careful consideration in this base rate case where numerous calculations and adjustments have been made regarding the FPFTY. If the ALJs or the Commission determine that the mechanics of I&E's exact proposal are not appropriate, I&E would request that the ALJs and the Commission nonetheless consider the concerns raised by I&E when determining the final revenue increase for this matter, and make such adjustments as they feel are warranted to mitigate these uncertainties.

C. Forfeited Discounts

I&E witness Ethan Cline, in his direct testimony, commented on the Company's projected claim for forfeited discounts revenue, or the revenue received by the utility as a result of charges to customers who do not pay their bill on time.[36] UGI Electric originally projected

34 A-2025-3058927, A-2025-3058928, A-2025-3058929.
35 UGI Electric Exhibit JRR-3RJ, pp. 18-19.
36 I&E St. No. 3, pp. 6-7.

$627,000 of revenue due to forfeited discounts for the FPTY.[37] Mr. Cline reasoned that as a utility's base rates increase, the forfeited discount revenue is likely to also increase, as the charge for failure to pay a bill on time is typically a percentage of the customer's bill.[38] Therefore, Mr. Cline recommended an increase in the forfeited discount revenue claim by the same percentage as the overall base rate increase that is granted in this proceeding.[39] The Company, in its rebuttal testimony, adjusted the amount as recommended by Mr. Cline, resulting in a revised claim of $696,000.[40] I&E recommends that this revised claim be accepted by the Commission.

VI. EXPENSES

It is well settled that a utility is entitled to recover its reasonably and prudently incurred expenses.[41] Operating and maintenance expenses, if properly and prudently incurred, are allowed as part of the overall base rate computation. As such, a public utility is entitled to recover all reasonable and normal operating and maintenance expenses incurred by providing regulated service.[42] To the extent that expenses are not incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable through rates. The public utility requesting a rate increase and seeking to recover expenses has the burden of showing that the rate requested, including all claimed expenses, is just and reasonable.[43]

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37 UGI Electric Exhibit A – Fully Projected Future, Schedule D-2.
38 I&E St. No. 3, p. 6.
39 *Id.* at 7.
40 UGI Electric St. No. 2-R, pp. 4-5.
41 *UGI Corp. v. Pa. P.U.C.*, 410 A.2d 923, 932 (Pa. Commw. 1980).
42 *Western Pennsylvania Water Company v. Pa. P.U.C.*, 422 A.2d 906 (Pa. Commw. 1980).
43 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

A. Rate Case Expense

The Company's FPFTY claim for base rate case expense is $536,000.[44] Further, the Company proposed to normalize the entire estimated rate case expense of $1,071,000 over a 24-month period based on the expectation of filing another base rate case in two years.[45] While I&E did not challenge the overall claimed rate case expense of $1,071,000, I&E disagreed with applying a 24-month normalization period, because it is not supported by the Company's historic rate case filing frequency, and instead recommends a 33-month normalization period.[46]

I&E, through the direct and surrebuttal testimony of Getachew Bedasa, recommends an allowance of $389,000 [($1,071,000 ÷ 33 months) x 12], or a reduction of $147,000 ($536,000 - $389,000) to the Company's claim.[47] In contrast to the Company's claimed 24-month normalization period, I&E recommends a 33-month normalization period, which is reasonable and is validated by the Company's recent filing history.[48] The Company's rate case expense normalization of 24 months is speculative, as it is based the Company's expectation of future base rate case filings, but is not supported by the historic filing frequency.[49] These expectations become even more speculative when considering the possibility that Argo could own UGI Electric before the 24 month period has passed, and neither UGI Electric nor Argo has provided any evidence in this proceeding as to Argo's expectation of future base rate case filings.

Regardless of the Company's stated speculation that it will file its next base rate case in 24 months, it is more appropriate to utilize the historic filing frequency of 33 months. Therefore, in consideration of the record evidence presented, I&E recommends an allowance of $389,000 or

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44 I&E St. No. 1, p. 9, *citing* UGI Electric Exhibit A – Fully Projected Future, Schedule D-10.
45 *Id.*, *citing* UGI Electric St. No. 2, p. 12.
46 I&E St. No. 1, p. 10.
47 *Id.* at 9-10.
48 *See* I&E St. No. 1, p. 7, *citing* I&E Exh. No. 1, Sch. 1, p. 2.
49 UGI Electric St. No. 2, p. 12.

a reduction of $147,000 ($536,000 - $147,000) to be normalized over 33 months for rate making purposes.[50]

B. Vegetation Management Contractor Costs

As detailed in direct and surrebuttal testimonies by I&E witness Getachew Bedasa, I&E recommends an allowance of $3,469,000 for vegetation management contractor costs, or a reduction of $469,000 to the Company's claim of $3,938,000.[51] Mr. Bedasa reasoned in direct testimony that based on the fluctuation in spending in recent years ($3,298,000 in 2023, $3,708,000 in 2024, $3,401,000 in 2025), the appropriate method for ratemaking purposes was to average the most recent three years, leading to the recommended $3,469,000.[52]

UGI Electric witness Vincent DeGiusto opposed I&E's recommendation in rebuttal testimony, arguing that vegetation management expenses have not shown fluctuation but rather "very clearly show acceleration over the period since the Company's 2018 base rate case."[53] This is a surprising statement, since Mr. DeGiusto included a table in his testimony which in fact showed two periods from 2018-2025 when vegetation management spending did not increase from the previous year, those being 2020 and 2025.[54] I&E witness Bedasa noted this pattern in his surrebuttal testimony and maintained I&E's recommendation.[55] Mr. DeGiusto's other rebuttal arguments include a previously unmentioned contract with its external line clearance contractor, and a previously unmentioned plan to hire an additional crew to complete proposed vegetation management works.[56] However, as noted by Mr. Bedasa, the failure to provide this contract in the Company's filing and failure to include the budget details for an additional crew

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50 I&E St. No. 1, pp. 6-7; I&E St. No. 1-SR, pp. 5-8.
51 *See* I&E St. No. 1, pp. 26-27, I&E St. No. 1-SR pp. 19-22, I&E Ex. No. 1, Sch. 7, p. 2.
52 I&E St. No. 1, p. 27.
53 UGI Electric St. No. 3-R, p. 3.
54 *Id.*
55 I&E St. No. 1-SR, p. 21.
56 UGI Electric St. No. 3-R, pp. 4-6.

in the rate filing make these claims difficult to validate for the sake of this proceeding, and thus do not assuage the concerns of I&E on this point.[57]

Mr. DeGiusto then attempted to change his account in rejoinder testimony, and provided another entirely new table showing different spending values than those presented in rebuttal testimony, reportedly due to the rebuttal table only providing contractor costs but failing to provide transmission costs.[58] Mr. DeGiusto in rejoinder attempts to use this new table to show that, when including the newly submitted transmission costs "the Company has shown a persistent and steady increase in vegetation management expense on a combined basis, as well as generally steadily increasing the amount of distribution vegetation work."[59] I&E would note that in addition this statement being factually inaccurate, as total spending was lower in 2024 than in 2023, the explanation provided by Mr. DeGiusto shows that the variability in distribution costs year over year was attributable in part due to fluctuation of the amount of funds reallocated to transmission vegetation management year to year. This very testimony thus illustrates that UGI Electric's budgeted amounts do in fact fluctuate on multiple levels, and therefore an average of historic costs is the more prudent and appropriate method for ratemaking purposes. I&E therefore recommends a reduction of $469,000 to the Company's claim of $3,938,000 for vegetation management contractor costs, for a total allowance of $3,469,000.

VII. TAXES

I&E's only proposal related to taxes was mitigated by the Company in rebuttal testimony and ultimately withdrawn by I&E.[60] I&E takes no position on other tax adjustments raised in this proceeding.

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57 I&E St. No. 1-SR, p. 21.
58 UGI Electric St. No. 3-RJ, pp. 3-4.
59 *Id.* at 4.
60 I&E St. No. 1-SR, pp. 15-17.

VIII. RATE OF RETURN

A. Introduction - Rate of Return Standards

Following an updated cost of equity analysis presented by UGI Electric in rebuttal testimony, the Company claimed the following rate of return:[61]

UGI UTILITIES, INC. – ELECTRIC DIVISION Summary of Cost of Capital			
Type of Capital	**Ratio**	**Cost Rate**	**Weighted Cost Rate**
Long-Term Debt	45.75%	5.22%	2.39%
Common Equity	54.25%	10.85%	5.89%
Total	**100.00%**		**8.28%**

I&E, after updating using the Company's updated cost of long-term debt as presented in rebuttal testimony, recommended the following rate of return for the Company:[62]

I&E Recommendation UGI UTILITIES, INC. – ELECTRIC DIVISION Summary of Cost of Capital			
Type of Capital	**Ratio**	**Cost Rate**	**Weighted Cost Rate**
Long-Term Debt	50.00%	5.22%	2.61%
Common Equity	50.00%	9.69%	4.85%
Total	**100.00%**		**7.46%**

I&E witness D.C. Patel testified extensively regarding I&E's overall rate of return analysis in his direct and surrebuttal testimonies. Along with the above recommended rate of return, Mr. Patel opined that I&E's recommended return on equity is 9.69% based on the calculated average of the results of Mr. Patel's DCF analysis, the average of two variations of the

61 I&E St. No. 2-SR, p. 4-5, citing UGI Electric Rebuttal Exhibit B, Schedule DWD 1-R, p. 1.
62 I&E St. No. 2-SR, p. 5.

CAPM method, and the recent national average authorized return on equity for rate cases involving electric distribution utilities, as shown in the table below:

Discounted Cash Flow (DCF) Model	10.18%
Average of I&E calculated traditional Capital Asset Pricing Model (CAPM) Result and Kroll CAPM Result	9.32%
National Average of Electric Distribution Authorized Return on Equity (ROE) Complied by S&P Global	9.56%
Average ROE ((10.18% + 9.32% + 9.56%) ÷ 3)	**9.69%**

Rate of return, one of the components of the revenue requirement formula, is the amount of revenue an investment generates in the form of net income.[63] It is typically expressed as a percentage of the amount of an asset base at a particular point in time, which in base rate proceedings, is the projected rate base balance at the end of the test year, or in this case the fully projected future testy year.[64]

In the revenue requirement formula used in base rate cases (RR = E + D + T + (RB x ROR)) the rate of return is expressed as a percentage, the calculation of which is independent of the determination of the appropriate rate base value for ratemaking purposes.[65] As such, the appropriate total dollar return is dependent upon the proper computation of the rate of return and the proper valuation of the Company's rate base.[66]

Further, a fair and reasonable overall rate of return is one that will allow the utility an opportunity to recover those costs prudently incurred by all classes of capital used to finance the rate base during the prospective period in which its rates will be in effect.[67] The Commission has

63 I&E St. No. 2, p. 2.
64 *Id.*
65 I&E St. No. 2, pp. 2-3.
66 *Id.*
67 *Id.* at 3.

the authority to determine the fair revenue requirement and rate of return, which the utility has the opportunity to earn, but not a guarantee to earn.[68]

The *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia,* 292 U.S. 679, 692-93 (1923) ("*Bluefield*"), and *Federal Power Commission v. Hope Natural Gas Co.,* 320 U.S. 591, 603 (1944) ("*Hope*") cases set forth the principles that are generally accepted by regulators throughout the country as the appropriate criteria for measuring a fair rate of return:

- A utility is entitled to the opportunity of a return similar to that being earned by other enterprises with corresponding risks and uncertainties, but not as high as those earned by highly profitable or speculative ventures;

- A utility is entitled to the opportunity of a return level reasonably sufficient to assure financial soundness;

- A utility is entitled to the opportunity of a return sufficient to maintain and support its credit and raise necessary capital; and,

- A fair return can change (increase or decrease) along with economic conditions and capital markets.[69]

In base rate proceedings, the overall rate of return is traditionally calculated using the weighted average cost of capital method.[70] In UGI Electric's case, the capital components consist of long-term debt and common equity.[71] The historical component of the debt cost rate can be computed accurately, and any future debt issuances are based on estimates.[72] The cost rate of common equity is not fixed and is more difficult to measure, which is why a proxy group is used as discussed further below.[73] Then, each capital structure component percentage is

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[68] *Id.*
[69] *Id.* at 4.
[70] *Id.*
[71] *Id.* at 4-5.
[72] *Id.* at 5.
[73] *Id.*

multiplied by its corresponding effective cost rate to determine the weighted capital component cost rate.[74] Finally, the sum of the weighted cost rates produces the overall rate of return.[75] This overall rate of return is multiplied by the rate base to determine the return portion of a company's revenue requirement. [76]

B. Proxy Group

I&E witness D.C. Patel testified extensively regarding the proxy group used in his rate of return calculations in his direct and surrebuttal testimonies. Mr. Patel described a proxy group as a set of companies that have similar traits as compared to the subject utility, with the group acting as a benchmark for determine the subject utility's rate of return in a base rate case.[77] A proxy group's cost of equity is used as a benchmark to satisfy the long-established guideline of utility regulation that seeks to provide the subject utility with the opportunity to earn a return similar to that of companies with corresponding risks and uncertainties.[78] A proxy group is typically utilized for sake of reliability, as data from one company could be less reliable due to various short-term anomalies in the marketplace, while a proxy group has the effect of smoothing out such anomalies and producing a more consistent and reliable rate of return.[79]

The criteria Mr. Patel used for his proxy group is designed to select companies that are representative of UGI Electric. I&E applied the following criteria to the Value Line Investment Survey East, Central and West Electric Utility groups:

1. Fifty percent or more of the company's revenues must be generated from the regulated electric utility industry.

2. The company's stock must be publicly traded.

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[74] *Id.*
[75] *Id.*
[76] *Id.*
[77] I&E St. No. 2, p. 7.
[78] *Id.* at 7-8.
[79] *Id.* at 8.

3. Investment information for the company must be available from more than one source, which must include Value Line.

4. The company must not be currently involved in an announced merger or the target of an acquisition.

5. The company must have four consecutive years of historic earnings data.

6. The company must be operating in a state that has a deregulated gas utility market.[80]

Mr. Patel's proxy group included twelve companies.[81]

I&E disagrees with the Company's selection of proxy group companies, specifically the inclusion of six companies that operate in states which do not have a deregulated electric utility market, meaning one in which the utility is responsible only for the distribution of electricity, not the generation.[82] In a deregulated market, utility companies can compete and sell electricity directly to consumers, and correspondingly allows consumers the ability to seek competitive rates from other electricity suppliers.[83] Conversely, in a regulated electric utility market where utilities are responsible for both distribution and generation, utilities are typically vertically integrated, with generation owned and operated by the same utility.[84] This is a significant difference, as it can place such utilities in a substantially different risk profile based on the types and ages of generation plant owned and operated.[85] I&E recommends the Commission utilize I&E's proxy group, as it more appropriately reflects the risk profile of utilities in deregulated markets such as Pennsylvania.

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80 *Id.* at 9-10.
81 *See Id.* at 10 for the complete list.
82 *Id.* at 12.
83 *Id.*
84 *Id.*
85 *Id.*

C. Capital Structure

A capital structure represents how a firm has financed its rate base with different sources of funds, the primary sources of which are long-term debt and common equity.[86] A capital structure may also include preferred stock and/or short-term debt, though UGI Electric does not include these sources.[87] As detailed extensively in Mr. Patel's direct and surrebuttal testimonies, I&E recommends using a hypothetical capital structure of 50.00% long-term debt and 50.00% common equity for this case.[88] While UGI witness Dylan D'Ascendis describes the I&E position as a "sudden change" based on I&E's acceptance of the actual capital structure in the recent UGI Gas base rate case[89], every case requires an individual analysis, and the use of a hypothetical capital structure is well supported in this case.

It has been the practice of the Commission to exercise its discretion to impose a hypothetical capital structure in cases where it determines that the subject utility's proposed actual capital structure is either atypical or too heavily weighted on either the debt or the equity side.[90] In a statement from the April 16, 2026 public meeting, Commission Vice Chair Kimberly Barrow expressed concern regarding UGI Electric's capital structure and urged the parties to "take a critical look at the Company's requested rate of return and return on equity (ROE) as well as the capital structure (common equity ratio and debt capital) to ensure reasonableness", and noted that "deviations in each of these items translate into millions of dollars charged to customers of all rate classes."[91] As noted in Mr. Patel's direct testimony, I&E's proposed

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86 I&E St. No. 2, p. 13.
87 *Id.*
88 *See* I&E St. No. 2, pp. 13-20, I&E St. No. 2-SR pp. 6-12.
89 UGI St. No. 8-R, p. 6, citing Docket No. R-2025-3059523.
90 *PA PUC et al. v. Pennsylvania-American Water Company*, Docket No. R-2025-3057983 (Order Entered July 27, 2026), p. 184.
91 I&E St. No. 1, pp. 14-15, citing I&E exhibit No. 2, Schedule 2, p. 1.

hypothetical capital structure in this case would save ratepayers close to one million dollars[92]. At the June 11, 2026 public input hearing for this case, Mark Szybist, the Special Counsel for Energy Affordability appointed by Governor Josh Shapiro, provided comments detailing similar affordability concerns, as well as noting that the capital structure proposed by UGI Electric in this case (54.25% equity/45.75% debt) is nearly inverse to its parent company UGI Corporation, which employes a 41.8% equity/58.1% debt structure.

While I&E does not dispute that the Company can maintain whatever capital structure it sees fit for its own operations, a hypothetical capital structure is appropriate for ratemaking purposes in this case not only for the affordability concerns cited above, but also due to the atypical structure proposed by UGI Electric. As described in Mr. Patel's surrebuttal testimony, UGI Electric witness Dylan D'Ascendis referred to David C. Parcell's "CRRA Guide" and Charles F. Phillps' book "the Regulation of Public Utilities", both of which essentially proscribe that in ratemaking, a utility's actual capital structure should be used except in cases where the utility's capital structure is deemed substantially different from those of other utilities in the industry, or in cases where the utility is diversified.[93] In this case, UGI Electric's proposed 54.25% equity ratio would be substantially different than other utilities in the industry, specifically based on both the five year average equity ratio of Mr. Patel's proxy group utilities, which is 42.48%, and the highest average common equity of any utility during the same period, which is 53.36%.[94] I&E would argue that such a high deviation in equity (11.77% above the proxy group average) should certainly be considered substantially different than those in the proxy group. Even if the Commission were to accept UGI Electric witness D'Ascendis' electric

92 I&E St. No. 1, p. 20.
93 I&E St. No. 2-SR, pp 8-10.
94 I&E Exhibit No. 2, Sch. 2, pp. 6-7.

utility proxy group, the same arguments would apply, as the five-year average equity ratio for his proxy group is 40.36% and the highest average equity ratio from his group is 53.38%.[95]

Furthermore, the Company's proposed 54.25% equity is above even the highest average equity ratio of any I&E or UGI Electric proxy group utility, just as was the case in the recent Pennsylvania American Water Company ("PAWC") base rate case.[96] I&E recommends that the Commission similarly exercise their discretion in this case as they did in the PAWC case by utilizing a hypothetical capital structure in order to adjust an abnormally high equity ratio. While I&E's proposed capital structure in this case is a larger adjustment than what was recommended in the PAWC case, the deviation from the proxy group average is much more severe in this case than in PAWC[97], and I&E's proposed 50/50 structure is consistent with the average authorized equity ratio of 50.42% for rate cases of electric distribution companies for January 2025 - April 2026.[98]

D. Cost of Short-Term and Long-Term Debt

I&E recommends using the Company's FPFTY claimed long-term debt cost rate of 5.22%.[99] Per the testimony of I&E witness D.C. Patel, the claimed debt cost falls within I&E's proxy group implied long-term debt cost range, and the claimed rate is below the Mergent Bond Record average yield (5.75%) for May 2025 – April 2026 for A-rated public utility bonds.[100] As the Company's claimed long-term debt cost is within these metrics, I&E accepts the rate as reasonable for the sake of this proceeding.

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[95] UGI Rebuttal Exhibit B, Sch. DWD-1R, pp. 4-5.

[96] *PA PUC et al. v. Pennsylvania-American Water Company*, Docket No. R-2025-3057983 (Order Entered July 27, 2026), pp. 182-183.

[97] *Id.* at 183. The average equity rate of I&E's proxy group in the PAWC case was 51.72%, PAWC's proposed equity was 56.31%, for a difference of 4.59% compared to the 11.77% difference in this case.

[98] I&E Exhibit No.2, Sch. 2, p. 16.

[99] I&E St. No. 2-SR, p. 5.

[100] *Id.*

E. Cost of Common Equity

As detailed in the direct and surrebuttal testimonies of I&E witness D.C. Patel, I&E's cost of common equity recommendation in this case is based on a combination of multiple analyses, including the DCF method, the average of two variations of the CAPM, and the recent national average authorized return on equity for electric distribution cases in the U.S. for cases concluded in 2025 through March of 2026.[101] Mr. Patel's final recommended cost of common equity, 9.69%, was reached by averaging the results of the three methods.[102] Mr. Patel's recommendation in this matter averages the results of several methods due to multiple factors, including recent Commission precedent, the general regulatory acceptance of the DCF and CAPM methods, and guidance derived from the *Hope* and *Bluefield* cases regarding a utility's entitlement to a return similar to that earned by comparable enterprises.[103]

I&E continues to utilize the DCF method, as it contains the most up-to-date projected information of any model and is the preferred method for determining rate of return for the current economic market, as it measures the cost of equity directly.[104] I&E's DCF result of 10.18% was reached using multiple proxy group dividend yield results to accommodate spot and 52-week average dividend yields.[105] The DCF growth rate was determine based on the proxy group average, though as Mr. Patel explains, two outlier growth rates for Entergy Corporation were excluded due to their significant difference from the average of the overall group.[106] Though UGI Electric witness D'Ascendis criticizes Mr. Patel's failure to exclude an additional Entergy Corporation growth rate that Mr. D'Ascendis argues is also significant, as Mr. Patel

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101 I&E St. No. 2, p. 24.
102 *Id.* at 7.
103 *Id.* at 24-26.
104 *Id.* at 25.
105 *Id.* at 30.
106 *Id.* at 31; I&E St. No. 2-SR pp. 12-14.

explains, the degree of difference from the overall average for the two excluded rates is higher than the difference for the rate cited by Mr. D'Ascendis, a difference that Mr. Patel considered significant enough to exclude two but not the third.[107]

I&E also utilized two versions of the CAPM due in part to recent Commission decisions which incorporated the use of CAPM in addition to DCF.[108] Although I&E continues to endorse the DCF method, as it more accurately reflects changes in the utility industry, the CAPM does include inputs that allow it to be specific to the utility industry, and changes in the market can affect the outcome of each method in different ways.[109] I&E's CAPM result of 9.32% was reached by averaging the results of the traditional CAPM analysis and an additional CAPM analysis based on data from Kroll's.[110] I&E's traditional CAPM result (9.97%) was reached using the average beta for the I&E proxy group (0.73) based on Value Line data, and a risk-free rate of return from the projected yield on 10-year treasury notes as a balancing measure, as the volatility of short-term T-bills and the maturity risk of 30-year treasury bonds make them less desirable options.[111] The Commission has also historically agreed with the use of the 10-year treasury note because it mitigates the risk of the other two options.[112] I&E's Kroll's based CAPM result (8.66%) was reached using Kroll's recommended U.S. Equity Risk Premium paired with Kroll's suggested use of the 20-year U.S. treasury yield.[113]

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107 I&E St. No. 2-SR, pp. 12-14.
108 *See PUC v. Aqua Pennsylvania, Inc.,* Docket Nos. R-2021-3027385 & R-2021-3027386, pp. 154 and 178 (Order Entered May 16, 2022)*, Pa. PUC v. Columbia Water Company,* Docket No. R-2023-3040258, p. 105 (Order Entered January 18, 2024)*, Pa. PUC. v. Pennsylvania-American Water Company,* Docket Nos. R-2023-30433189 & R-2023-3043190, p. 194 (Order Entered July 22, 2024*), and Pa. PUC v. Columbia Gas of Pennsylvania, Inc.,* Docket No. R-2025-3053499 (Order Entered December 9, 2025), pp. 226 and 234.
109 I&E St. No. 2, p. 26.
110 *Id.* at 37.
111 *Id.* at 32-34.
112 *Id.* at 34.
113 *Id.* at 36.

Finally, I&E utilized data from the S&P Global Market Intelligence to find the national average authorized ROE for electric distribution companies across the U.S. for rate cases decided in 2025 and early 2026, that result being 9.56%[114] I&E incorporated this additional input to its cost of common equity recommendation in this case based on the principle set by the U.S. Supreme Court in the *Hope* and *Bluefield* cases that a utility is entitled to earn a return similar to that of other enterprises with corresponding risks and uncertainties.[115] I&E's overall recommendation of 9.69% remains above the national average, but is significantly closer than UGI Electric's recommendation of 10.85%.

F. Critique of UGI Electric's Rate of Return Analysis

UGI Electric witness D'Ascendis recommends a 10.85% cost of equity, but his analysis is flawed for multiple reasons as detailed by I&E witness Patel.[116] UGI Electric's analysis gives improper weight to less reliable models, relies on the 30-year treasury bond, uses an inappropriate proxy group of non-price regulated companies, and includes unreasonable business risk and flotation cost adjustments.[117]

I&E rejects the usage of the ECAPM, RP, PRPM and CE methodologies used by UGI witness D'Ascendis. As explained further by I&E witness Patel, the use of the ECAPM should continue to be rejected by the Commission, as it does not increase the validity of the traditional CAPM result but instead injects another subjective measure and reduces the purpose of beta, the only company-specific variable to the CAPM.[118] The RP method should be excluded as it relies on questionable assumptions, such as equity risk premium remaining constant over time, and

114 *Id.* at 38.
115 *Id.*
116 *Id.* at 39-64.
117 *Id.* at 39-40.
118 *Id.* at 44.

does not recognize company-specific bias through the use of beta.[119] The PRPM is not a commonly used method, cannot be evaluated without specific software, and does not solve the problems of the RP method is it is still an indirect measure of the cost of equity.[120] The CE method should be excluded from cost of equity calculation due to the subjective nature of company selection and, just as with the ECAPM, and RP, its consistent rejection or lack of inclusion by the Commission in prior cases.[121]

UGI Electric witness D'Ascendis recommends use of the 30-year treasury bond, but just as in UGI Electric's 2018 base rate case, the Commission should reject such use, as the 10-year treasury bond recommended by I&E appropriately balances the shortcomings of short-term T-Bill and the 30-year treasury bond.[122]

Mr. D'Ascendis' interpretation of the standards of *Hope* and *Bluefield* should be rejected, in that he asserts that non-price regulated firms that are not utilities could theoretically be used as a proxy group that is comparable in total risk to an electric utility proxy group.[123] Mr. D'Ascendis' non-price regulated proxy group consists of 42 companies operating in a variety of business areas, including such varied entries as Microsoft, Lockheed Martin, IBM, UnitedHealth Group and Sherwin-Williams.[124] For his CAPM and ECAPM results, Mr. D'Ascendis uses a non-price regulated proxy group of nine companies which he purports to have comparable total risk to his electric proxy group, with such companies including Costco, Walmart, and Yum! Brands.[125] I&E recommends the Commission reject the use of such a proxy group, as these

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119 *Id.* at 26-27.
120 *Id.* at 42-43.
121 *Id.* at 27.
122 *Id.* at 46, citing *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order Entered October 25, 2018), p. 99.
123 UGI Electric St. No. 8, p. 50.
124 UGI Electric Ex. B, Sch. DWD-7, p. 3.
125 UGI Electric Rebuttal Ex. B, Sch. DWD-1R, pp. 41-42.

businesses are not comparable to utilities due to the highly dissimilar business and financial risk due to the differences in their markets, most notably the competitive nature of non-price regulated markets where an effective monopoly is not possible as it is with utilities.[126] To use such a proxy group would effectively improperly blend the CE method into the other analyses, which has been historically rejected by the Commission, including in the 2025 Columbia Gas rate case due to the highly speculative nature of comparing non-regulated private companies and regulated utilities.[127] Just as the Commission rejected use of such a proxy group in UGI Electric's 2018 base rate case, citing the inclusion of companies such as Coca-Cola, Kellogg's and Walmart as "companies operating in industries that are very different from a utility company and have significantly more competition,"[128] I&E recommends the Commission again reject any proxy group using such companies as not reasonably comparable to utilities.

Mr. D'Ascendis also recommends an addition of 40 basis points or 0.40% to the cost of common equity due to UGI Electric's smaller size relative to the companies in his electric utility proxy group.[129] However, the Commission should continue to reject such an adder, as the literature cited by Mr. D'Ascendis is not specific to the utility industry, meaning it does not properly consider the monopoly market environment of utilities. I&E witness Patel cites Dr. Annie Wong to support his recommendation to reject the Company's proposal.[130] In her article "Utility Stocks and the Size Effect: An Empirical Analysis," Dr. Wong concludes:

> The objective of this study is to examine if the size effect exists in the utility industry. After controlling for equity values, there is some weak evidence that firm size is a missing factor from the CAPM for the industrial but not for utility stocks. This implies that although

126 I&E St. No. 2, pp. 50-52.
127 *Id.*, citing *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.,* Docket No. R-2025-3053499 (Order Entered December 9, 2025). See generally Fair Rate of Return, Proxy Groups - Disposition, pp. 204 and 205.
128 *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order Entered October 25, 2018), p. 105.
129 I&E St. No. 2, pp. 53-55.
130 *Id.* at 56-57.

> the size phenomenon has been strongly documented for the industrials, the findings suggest that there is no need to adjust for the firm size in utility rate regulation.[131]

UGI Electric presented no significant evidence to support application of a non-utility study regarding a size adjustment for risk to a utility setting. The additional articles cited by the Company, particularly the study by Dr. Thomas Zepp, does not contain enough credible evidence to refute Dr. Wong's findings,[132] and furthermore, the analysis by I&E witness Patel supports the argument that it is not appropriate to link the small size effect of non-regulated companies with the regulated utility industry due to the notable differences between the industries such as reduced competition and regulatory ratemaking mechanisms.[133] Additionally, the Commission rejected the application of a size adjustment in UGI Electric's 2018 rate case.[134] Finally, the addition of 0.40% to the Company's cost of equity would cost the ratepayers an additional $775,776 annually.[135]

UGI Electric witness D'Ascendis also recommends an addition of 12 basis points or 0.12% due to floatation costs[136], which are incurred when a company issues securities such as stocks or bonds while raising capital, and can include legal fees, underwriting fees, auditing fees and other administrative costs.[137] I&E recommends this proposed adder be rejected, as UGI Electric does not issue its own stock independent of its parent company UGI Corporation and there is no indication that UGI Corporation will issue new stocks during the FPFTY when the

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131 Dr. Annie Wong, "Utility Stocks and the Size Effect: An Empirical Analysis," *Journal of Midwest Finance Association* 1993, pp. 95-101.
132 I&E St. No. 2, pp. 56-57.
133 *Id.*
134 *Pa. PUC. v. UGI Utilities, Inc. – Electric Division,* Docket No. R-2017-2640058 (Order Entered October 25, 2018), p. 100 (Disposition of Cost of Common Equity).
135 I&E St. No. 2 p. 58.
136 Mr. D'Ascendis' recommendation was reduced from 13 basis points in his direct testimony to 12 basis points in his rebuttal testimony. *See* I&E St. No. 2-SR, p. 31.
137 *Id.* at 58-60, citing UGI Electric St. No. 8, pp. 63-65.

new rates will be effective.[138] Mr. D'Ascendis' recommendation is improper and unsupported, as it is based on the historical floatation costs of UGI Corporation's equity offerings in 2004 and 2021, and an allowance to recover historic flotation costs in this manner would represent inappropriate retroactive ratemaking.[139] Finally, the proposed 0.12% adder would cost the ratepayers an additional $231,660 annually.[140]

G. Conclusion - Overall Rate of Return

In consideration of the above and the record evidence presented, I&E recommends that the Company should be afforded the opportunity to earn an overall rate of return of 7.46%. I&E's recommended return on common equity of 9.69% is higher than the average return on equity of electric utilities granted in 2025 and early 2026.[141] UGI Electric's ROE recommendation of 10.85% is higher than I&E's by 1.16%, which represents a difference of $2,249,749 annually to the ratepayers.[142]

IX. RATE STRUCTURE AND RATE DESIGN

A utility's rate structure implements the Commission's approved revenue increase to determine how the overall increase will be allocated among the utility's various rate classes. Once a class revenue allocation is determined, development of a rate design will address how the tariffed rates and rate elements will generate the allocated revenues. A properly designed rate structure will not unduly burden one class of ratepayers to the benefit of another. Under the Public Utility Code, "[n]o public utility shall … make or grant any unreasonable preference to any person, corporation … No public utility shall establish or maintain any unreasonable

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138 I&E St. No. 2, p. 60.
139 *Id.*
140 *See Id.* at 61. Mr. Patel provided the economic impact to ratepayers based on the original 13-point adder. The above total is adjusted for the 12-point adder.
141 *Id.* at 64.
142 *Id.* at 63.

difference as to rates, either as between localities or as between classes of service."[143] Differences in rates charged to different classes are permissible so long as there is reasonable basis for the discrepancy.[144] Generally "public utility rates should enable the utility to recover its cost of providing service and should allocate this cost among the utility's customers in a just, reasonable and nondiscriminatory manner."[145]

A. Cost of Service Study

UGI Electric performed and provided an Allocated Cost of Service Study ("ACOSS") in its filing sponsored by UGI Electric witness Cynthia Fang as described in UGI Statement No. 11. I&E did not present testimony in opposition to the provided ACOSS and does not oppose its general use in this proceeding except as detailed below.

B. Revenue Allocation

I&E did not provide testimony specific to revenue allocation in this proceeding and takes no position on such issues.

C. Rate Design and Customer Charges

I&E witness Ethan Cline, in his direct and surrebuttal testimonies, noted that the ACOSS provided by UGI Electric includes a customer cost analysis, which is used to determine the appropriate customer charges for the various classes.[146] The result of the direct residential customer cost analysis shows a $28.48 cost per customer.[147] While Mr. Cline did not recommend any changes to the customer cost analysis, he did cite significant concerns with the Company's proposed increase to customer charges as shown below.[148]

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143 66 Pa. C.S. § 1304.
144 *See generally, Peoples Natural Gas Company v. Pa. P.U.C.*, 409 A.2d 446 (Pa. Commw.1979).
145 *See generally Pa. P.U.C. v. West Penn Power*, 73 Pa. P.U.C. 454, 510, 199 PUR 4th 110 (1990).
146 I&E St. No. 3, p. 7.
147 UGI Electric St. No. 11, p. 46.
148 I&E St. No. 3, p. 8, citing UGI Electric St. No. 11, p. 46.

Rate Schedule	Current	Increase	Proposed	Percent Increase
Schedule R	$10.75	$11.25	$22.00	105%
Schedule GS1	$17.00	$13.00	$30.00	76%
Schedule GS5	$10.75	$19.25	$30.00	179%
Schedule FCP	$6.03	$7.47	$13.50	124%
Schedule GS4	$18.00	$27.00	$45.00	150%
Schedule LP	$135.80	$14.20	$150.00	10%

Though I&E recognizes that the current residential customer charges are well below the unit cost per customer shown in the customer cost analysis, I&E opposes the substantial increases proposed by the Company and instead recommends the following increases[149]:

I&E Proposed Customer Charge				
Rate Schedule	**Current**	**Increase**	**Proposed**	**Percent Increase**
Schedule R	$10.75	$2.55	$13.30	23.7%
Schedule GS1	$17.00	$4.10	$21.10	24.1%
Schedule GS5	$10.75	$5.25	$16.00	48.8%
Schedule FCP	$6.03	$1.47	$7.50	24.4%
Schedule GS4	$18.00	$4.30	$22.30	23.9%

As Mr. Cline details in his direct and surrebuttal testimony, determining a customer charge requires balancing the need for stable revenues for the utility, the need for affordability for customers, and the desire to allow customers to conserve their utility use as they desire in accordance with their budget.[150] Higher fixed customer charges allow the utility to recover stable revenue at a higher rate, while lower customer charges (and thus correspondingly higher usage charges) allow the customers more ability to control their own costs. I&E's recommendation is therefore to limit the customer charge increases to 24%, or approximately two times the overall system average increase of 12%.[151] Though I&E does not generally oppose

[149] I&E St. No. 3, p. 10. Note that I&E does not recommend any change to the proposed LP class increase of 10%, as I&E considers this a reasonable increase.

[150] I&E St. No. 3, p. 9; I&E St. No. 3-SR, pp. 4-6.

[151] I&E St. No. 3, pp 9-10. The GS5 class is the exception to this recommendation at 48.8% due to the proposal to merge the GS5 and GS1 customer charges, which I&E does not specifically oppose.

the Company's stated intent to transition to a cost-based rate structure and away from block rates, I&E has significant concerns regarding the principle of gradualism.[152] Though gradualism is not the only factor to be considered in ratemaking, it is a significant one, and I&E maintains that the proposed increases of more than 100% would violate the principle of gradualism. I&E recommends that the Commission take a more measured approach as they did in the recent Columbia Gas base rate case, where they recognized that limiting the increases based on the average overall increase, as I&E recommended in the case, is a common and acceptable metric.[153]

I&E's recommendation in this matter allows for movement toward the transition to cost-based rates while more reasonably incorporating the principle of gradualism, and therefore I&E recommends the Commission limit increases to the customer charges as per the I&E recommendation.

D. Scale Back of Rate

If the Commission grants an increase less than the amount requested by the Company, then I&E recommends that all proposed increases to customer charges and usage rates be scaled back proportionately based on the ACOSS that is ultimately approved by the Commission.[154] Doing so would be consistent with Commission precedent, as such a scale back was granted in both the 2018 UGI Electric base rate case and the recent Columbia Gas base rate case.[155]

Finally, it is generally accepted that gradualism is a well-established ratemaking concept that seeks to limit the immediate increases customers receive when rates are increased and

[152] I&E St. No. 3, p. 11, citing UGI St. No. 11, pp. 39-40.
[153] *Pa. PUC. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499 (Order Entered December 9, 2025), p. 281.
[154] I&E St. No. 3, p. 12; I&E St. No. 3-SR, pp. 6-7.
[155] I&E St. No. 3-SR, p. 7.

instead seeks to implement a necessary significant rate changes on a more gradual basis over time. If the Commission should approve a rate increase, then the Commission has the discretion[156] to apply the concept of gradualism if the Commission determines the rate increase would result in a sudden and excessive increase that would violate the concept of gradualism. For this reason, I&E identifies the concept of gradualism as one of the tools of discretion in the Commissions toolbox.

X. CUSTOMER SERVICE / QUALITY OF SERVICE

I&E did not submit testimony on customer service/quality of service issues and takes no position on such issues.

XI. CUSTOMER ASSISTANCE PROGRAMS AND LOW-INCOME ISSUES

Most of the universal service programs issues were raised by the OCA and CEO. I&E did not submit testimony on most of the issues raised by the other parties and takes no position on such issues except as addressed below.

A. Low Income Usage Reduction Program (LIURP)

CEO, through the direct testimony of Jennifer Warabak, recommended that the Company be required to increase its LIRUP budget by the same percentage as the resulting increase in rates from this proceeding.[157]

I&E, through the rebuttal testimony of Getachew Bedasa, recommends that no increase in the budgeted LIURP amount be approved in this proceeding.[158] Mr. Bedasa reasoned that, while CEO's recommendation is well-intentioned, it is inappropriate to consider an increase in the

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[156] *See Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 (Order Entered February 19, 2021), pp. 44-55.
[157] I&E St. No. 1-R, p. 2, citing CEO St. No. 1, p. 6.
[158] I&E St. No. 1-R, p. 3.

LIURP budget in this base rate proceeding.[159] Mr. Bedasa noted that from discovery responses to CEO UGI Electric has not fully used its LIRUP budget over the past three years, and Ms. Warabak did not demonstrate that the Company would be able to fully utilize the proposed increased budget.[160] I&E recommends that any potential increase should be addressed in the Company's Universal Service and Energy Conservation Plan ("USECP") proceedings, where consideration and evaluation of all other related programs and comments from all stakeholders and interested parties can occur.[161] In his rebuttal testimony, I&E witness Getachew Bedasa cited to several recent Commission decisions finding that modifications to LIURP and other universal service programs should be made in the universal service and energy conservation plan proceedings and not in bae rate proceedings.[162]

Therefore, in consideration of the record evidence presented and the Commission precedent and guidance cited, I&E recommends that no increase in the budgeted LIURP amount be approved in this proceeding.

XII. OTHER ISSUES

I&E has no other issues to present in this matter.

XIII. CONCLUSION

I&E respectfully submits that for all the reasons presented in this I&E Main Brief, UGI Electric has not met its burden of proof as the record evidence presented by UGI Electric does not substantiate a revenue increase of $16,050,000. Instead, based on the weight of the record evidence, The ALJs and the Commission should only grant UGI Electric the I&E recommended

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[159] *Id.*
[160] *Id.*
[161] *Id.* at 3-4.
[162] *See* I&E St. No. 1-R, pp. 4-5, citing *PA PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929 (Order Entered June 22, 2021); *PA PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 (Order Entered February 19, 2021).

revenue increase of $6,082,000 in accordance with the record evidence presented by I&E and summarized in this I&E Main Brief and the appended I&E Tables.

Respectfully submitted,

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Prosecutor
PA Attorney ID No. 310019

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Bureau of Investigation and Enforcement
Commonwealth Keystone Building
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Dated: September 8, 2026

Appendix A Tables

I&E TABLE I

TABLE I
UGI Utilities, Inc. - Electric Division
INCOME SUMMARY
Docket No. R-2025-3059430
Dollars in $000

	Pro Forma Present Rates (1)	Company Adjustments (1)	Pro Forma Present Rates Adjusted (1)	I&E Adjustments	I&E Pro Forma Present Rates	I&E Revenue Increase	Total Allowable Revenues	
	$	$	$	$	$	$	$	
Operating Revenue	145,459	0	145,459	0	145,459	12,164	157,623	
Expenses:								
O&M Expense	114,051	0	114,051	(615)	113,436	264	113,700	
Depreciation	11,948	0	11,948	0	11,948	0	11,948	
Taxes, Other	9,807	0	9,807	0	9,807	702	10,509	
Income Taxes:								
State	(346)	0	(346)	7	(339)	839	500	
Federal	(876)	0	(876)	18	(858)	2,175	1,317	
Deferred Taxes/ITC	1,819	0	1,819	0	1,819	0	1,819	Check
Total Expenses	136,403	0	136,403	(590)	135,813	3,980	139,793	0
Net Inc. Available for Return	9,056	0	9,056	590	9,646	8,184	17,830	1
Rate Base	239,087	0	239,087	(84)	239,003		239,003	
Rate of Return	3.79%		3.79%		4.04%		7.46%	

(1) Company Rebuttal Testimony

Check
1

I&E Calculated Rate Increase:	$ 12,164
Times 50%	0.50
I&E Recommended Increase	$ 6,082

I&E TABLE I(A)

TABLE I(A)						
UGI Utilities, Inc. - Electric Division						
RATE OF RETURN						
Docket No. R-2025-3059430						
	Structure	Cost	After-Tax Weighted Cost	Effective Tax Rate Complement	Pre-Tax Weighted Cost Rate
Total Cost of Debt			2.61000000%		
Long-term Debt	50.00%	5.22%	2.61000000%		2.61%
Short-term Debt	0.00%	0.00%	0.00000000%		0.00%
Preferred Stock	0.00%	0.00%	0.00000000%	0.730829	0.00%
Common Equity	50.00%	9.69%	4.85000000%	0.730829	6.64%
	100.00%		7.46000000%		9.25%
Pre-Tax Interest Coverage	3.54				
After-Tax Interest Coverage	2.86				

I&E TABLE I(B)

TABLE I(B)	
UGI Utilities, Inc. - Electric Division	
REVENUE FACTOR	
Docket No. R-2025-3059430	
100%	1.00000000
Less:	
Uncollectible Accounts Factor (*)	0.02167000
PUC, OCA, OSBA Assessment Factors (*)	0.00000000
Gross Receipts Tax	0.05900000
Other Tax Factors (adjust for rounding)	-0.00120000
	0.92053000
State Income Tax Rate (*)	0.07490000
Effective State Income Tax Rate	0.06894800
Factor After Local and State Taxes	0.85158200
Federal Income Tax Rate (*)	0.21000000
Effective Federal Income Tax Rate	0.17883200
Revenue Factor (100% - Effective Tax Rates)	0.67275000
(*) I&E Surrebuttal	

I&E TABLE II

TABLE II							
UGI Utilities, Inc. - Electric Division							
SUMMARY OF ADJUSTMENTS							
Docket No. R-2025-3059430							
Dollars in $000							
Adjustments	Rate Base	Revenues	Expenses	Depreciation	Taxes-Other	State Income Tax	Federal Income Tax
	$	$	$	$	$	$	$
RATE BASE:							
CWC	(84)						
REVENUES:							
		0			0	0	0
EXPENSES:							
Rate Case Expense			-147			11	29
Vegetation Management Contractor			-469			35	91
Rounding Adjustment			1			0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
TAXES:							
Rounding							0
Interest Synchronization (Table III)						(39)	(102)
TOTALS	(84)	0	(615)	0	0	7	18

I&E TABLE III

TABLE III	
UGI Utilities, Inc. - Electric Division	
INTEREST SYNCHRONIZATION	
Docket No. R-2025-3059430	
Dollars in $000	
	Amount
Company Rate Base Claim	$ 239,087
I&E Rate Base Adjustments	(84)
I&E Rate Base	239,003
Weighted Cost of Debt	2.610%
I&E Interest Expense	6,238
Company Claim (1)	5,714
Total I&E Adjustment	(524)
Company Adjustment	0
Net I&E Interest Adjustment	(524)
State Income Tax Rate	7.49%
State Income Tax Adjustment	(39)
Net I&E Interest Adjustment	(524)
State Income Tax Adjustment	(39)
Net I&E Adjustment for F.I.T.	(485)
Federal Income Tax Rate	21.00%
Federal Income Tax Adjustment	$ (102)
(1) Company Rebuttal Testimony	

I&E TABLE IV

TABLE IV

UGI Utilities, Inc. - Electric Division

CASH WORKING CAPITAL - Interest and Dividends

Docket No. R-2025-3059430

Accrued Interest			Preferred Stock Dividends	
	Long-Term Debt	Short-Term Debt		
Company Rate Base Claim	$239,087	$239,087	Company Rate Base Claim	$239,087
I&E Rate Base Adjustments	($84)	($84)	I&E Rate Base Adjustments	($84)
I&E Rate Base	$239,003	$239,003	I&E Rate Base	$239,003
Weighted Cost of Debt	2.61000000%	0.00%	Weighted Cost Pref. Stock	0.00000000%
I&E Annual Interest Exp.	$6,238	$0	I&E Preferred Dividends	$0
Average Revenue Lag Days	0.0	0.0	Average Revenue Lag Days	0.0
Average Expense Lag Days	0.0	0.0	Average Expense Lag Days	0.0
Net Lag Days	0.0	0.0	Net Lag Days	0.0
Working Capital Adjustment				
I&E Daily Interest Exp.	$17	$0	I&E Daily Dividends	$0
Net Lag Days	0.0	0.0	Net Lag Days	0.0
I&E Working Capital	$0	$0		$0
Company Claim (1)	$0	$0	Company Claim (1)	$0
I&E Adjustment	$0	$0		$0
Total Interest & Dividend Adj.	$0			
(1) Company Rebuttal				

I&E TABLE V

TABLE V

UGI Utilities, Inc. - Electric Division

CASH WORKING CAPITAL -TAXES

Docket No. R-2025-3059430

Description	Company Proforma Tax Expense Present Rates	I&E Adjustments	I&E Pro forma Tax Expense Present Rates	I&E Allowance	I&E Adjusted Taxes at Present Rates	Daily Expense	Net Lead/ Lag Days	Accrued Tax Adjustment
PUC Assessment	$0	$0	$0	$702	$702	$1.92	0.00	$0
Public Utility Realty	$0	$0	$0		$0	$0.00	0.00	$0
Capital Stock Tax	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
State Income Tax	$0	$7	$7	$839	$846	$2.32	0.00	$0
Federal Income Tax	$0	$18	$18	$2,175	$2,193	$6.01	0.00	$0
	$0	$25	$25	$3,716	$3,741			
						I&E Allowance		0
						Company Claim (1)		0
						I&E Adjustment		0

(1) Company Rebuttal

I&E TABLE VI

TABLE VI					
UGI Utilities, Inc. - Electric Division					
CASH WORKING CAPITAL -- O&M EXPENSE					
Docket No. R-2025-3059430					
Description	Company Pro forma FTY Expense	I&E	I&E Pro forma Expenses	Lag Days	Lag Dollars
Service Company	$0	$0	$0	0.00	$0
Chemicals	$0	$0	$0	0.00	$0
Group Insurance	$0	$0	$0	0.00	$0
Insurance, Other	$0	$0	$0	0.00	$0
Labor	$0	$0	$0	0.00	$0
Leased Equip./Rent	$0	$0	$0	0.00	$0
Leased Vehicles	$0	$0	$0	0.00	$0
Miscellaneous	$0	$0	$0	0.00	$0
Natural Gas	$0	$0	$0	0.00	$0
Power	$0	$0	$0	0.00	$0
Purchased Water	$0	$0	$0	0.00	$0
Telephone	$0	$0	$0	0.00	$0
Waste Disposal	$0	$0	$0	0.00	$0
Post Retirement Benefits	$0	$0	$0	0.00	$0
Pensions	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
I&E Average Revenue Lag	0.0				
Less: I&E Avg. Expense Lag	0.0				
Net Difference	0.0	Days			
I&E Pro forma					
O&M Expense per Day	$0				
I&E CWC for O&M	$0				
Less: Company Claim (1)	$0				
I&E Adjustment	$0				
(1) Company Rebuttal					

Proposed Findings of Fact

1. UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company") is the electric operating division of UGI Utilities, Inc., a wholly-owned subsidiary of UGI Corporation. UGI Electric St. No. 1, p. 1.

2. UGI Electric delivers electric distribution service to approximately 63,230 customers and 9,255 lighting fixtures throughout Pennsylvania. UGI Electric Book 1, Section 53.52 Filing Requirements, p. 1.

3. On March 27, 2026, UGI Electric filed Supplement No. 92 to UGI Electric Tarriff – PA P.U.C. No. 6 ("Supplement 92") pursuant to 66 Pa. C.S. § 1308, seeking a general rate increase. I&E St. No. 1, p. 4.

4. Supplement 392 issued March 27, 2026, with a proposed effective date of June 1, 2026, proposes changes to UGI Electric's base distribution rates, and removes, revises, and adds various tariff provisions. UGI Electric Book 1, Statement of Reasons, p. 1.

5. UGI Electric's base rate filing requested an overall revenue increase of approximately $17,283,000 million per year, but was reduced to $16,050,000 following rebuttal testimony. I&E St. No. 1, p. 4; I&E St. No. 1-SR, p. 2.

6. UGI Electric has not met its burden of proof as UGI Electric failed to present substantial credible record evidence to support its request for a revenue increase of $16,050,000.

7. The record evidence presented supports only a total revenue increase of $6,082,000. I&E St. No. 1-SR, p. 10. *See also* Appendix A, Table I *infra*.

8. The Company agreed to provide the Bureau of Investigation and Enforcement and the Office of Consumer Advocate with an update to UGI Electric Book IV, Exhibit A – Future, Schedule C-2 no later than February 1, 2027, under this docket number, which should include actual plant balances along with plant additions and retirements by month for October 1, 2025 through September 30, 2026. I&E St. No. 3-SR, pp. 4-5.

9. The Company agreed to provide the same update to UGI Electric Book IV, Exhibit A – Fully Projected, Exhibit C-2, to I&E and OCA no later than February 1, 2028. I&E St. No 3-SR, pp. 4-5.

10. UGI Electric's average historic filing frequency for base rate cases is 33 months [(38 + 24 + 36) = 98 ÷ 3]. I&E St. No. 1, pp. 9-10.

11. I&E recommended an allowance of $13,210,000, or a reduction of $84,000 ($13,294,000 - $13,210,000) to the Company's claim for rate base. I&E St. No. 1-SR, p. 26.

12. I&E recommended a 50% overall reduction in revenue due to uncertainties in the FPFTY, as a proposed sale of UGI Electric to Argo Infrastructure Partners, LLC could occur as early as April 2027, or approximately 50% into the FPFTY. I&E St. No. 1-SR, p. 10.

13. I&E recommended an allowance of $3,469,000 for vegetation management contractor costs based on the most recent three-year average, or a reduction of $469,000 ($3,938,000 - $3,469,000) to the Company's claim. I&E St. No. 1, pp. 6-7.

14. I&E recommended an increase in the forfeited discount revenue claim by the same percentage as the overall base rate increase that is granted in this proceeding. I&E St. No. 3, p. 7.

15. I&E recommended that the Company should be afforded the opportunity to earn an overall rate of return of 7.46%. I&E St. No. 2-SR, p. 5.

16. I&E accepted UGI Electric's claimed long term debt cost rate of 5.22% as reasonable. I&E St. No. 2-SR, p. 5.

17. I&E's calculated cost of common equity was reached by averaging the results of the Discounted Cash Flow method, two versions of the Capital Asset Pricing Model, and the national average authorized return on equity for electric distribution cases in the U.S. for the period 2025 – March 2026. I&E St. No. 2, p. 24.

18. I&E recommended that calculations made by UGI Electric using the ECAPM, PRPM, RP, and CE methodologies should be rejected as speculative and unreliable. I&E St. No. 2, pp. 26-27; I&E St. No. 2, pp. 42-43.

19. I&E's recommended return on common equity of 9.69% is higher than the average return on equity of 9.56% for electric distribution cases decided nationwide for the period Jan 2025 to March 2026. I&E St. No. 2, p. 38.

20. I&E recommended that the Commission consider only the regulated utilities group meeting the criteria set forth by I&E when evaluating UGI Electric's requested return on equity in this proceeding. I&E St. No. 2, p. 12.

21. I&E recommended that the UGI Electric non-price regulated proxy groups should be rejected, as the companies contained within do not face similar market conditions and are not appropriate comparators for regulated utilities. I&E St. No. 2, pp. 50-52.

22. I&E recommended using a hypothetical capital structure of 50% long-term debt and 50% common equity, as the Company's claimed structure is atypical and/or too heavily weighted on equity when compared to the five-year average equity ratio of both I&E and UGI Electric's relevant proxy groups. I&E St. No. 2-SR, pp 7-10.

23. UGI Electric's claimed common equity rate of 54.25% is higher than the highest 5-year average common equity ratio of any utility in the electric utility proxy groups of both I&E and UGI Electric. I&E Exhibit No. 2, Sch. 2, pp. 6-7; UGI Rebuttal Exhibit B, Sch. DWD-1R, pp. 4-5.

24. I&E recommended the Commission continue its historic practice of recognizing the 10-year Treasury Note as the superior measure for the risk-free rate, as long-term Treasury Bonds have substantial maturity risk associated with the market risk and the risk of unexpected inflation. I&E St. No. 2, pp. 32-34.

25. I&E recommended that UGI Electric's proposed floatation cost adder of 12 basis points and size adjustment of 40 basis points be rejected in their entirety. I&E St. No. 2, pp. 53-60.

26. UGI Electric elected to use the Fully Projected Future Test Year to determine its base rates and the first day of the FPFTY is October 1, 2026. UGI Electric Book II, St. No. 2, p. 3.

27. UGI Electric performed and provided an Allocated Cost of Service Study which included a customer cost analysis. I&E St. No. 3, p. 7.

28. I&E recommended that any increase to customer charges be limited to 24%, or approximately two times the overall system average of 12%. I&E St. No. 3, pp. 9-10.

29. I&E recommended that all proposed increases to customer charges and usage rates be scaled back proportionately based on the ACOSS that is ultimately approved by the Commission should the Commission grant an increase less than the amount requested by UGI Electric. I&E St. No. 3-SR, pp. 6-7.

30. I&E recommended that no increase in the budgeted LIURP amount be approved in this proceeding. I&E St. No. 1-R, pp. 2-4.

Proposed Conclusions of Law

1. Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission. 66 Pa. C.S. § 1301.

2. No public utility shall … make or grant any unreasonable preference to any person, corporation … No public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service. 66 Pa. C.S. § 1304.

3. The burden of proving the justness and reasonableness of every element of the utility's rate increase rests solely upon the public utility. 66 Pa. C.S. § 315(a); *Lower Frederick Twp. v. Pa. Pub. Util. Comm.*, 409 A.2d 505 (Pa. Commw. Ct. 1980).

4. UGI Electric, as the base rate filer, must satisfy its burden of proof by a preponderance of evidence. *Samuel J. Lansberry, Inc. v. Pennsylvania Public Utility Commission*, 578 A.2d 600 (Pa. Commw. 1990).

5. A preponderance of evidence is such evidence that is more convincing, by even the smallest amount, than that presented by another party. *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

6. The burden of proof is comprised of two distinct burdens: the burden of production and the burden of persuasion. The burden of production tells the adjudicator which party must come forward with evidence to support a particular position. *In re: Loudenslager's Estate,* 430 Pa. 33, 240 A.2d 477 (1968). The burden of persuasion determines which party must produce sufficient evidence to convince a judge that a fact has been established, and it never leaves the party on whom it is originally cast. *Reidel v. County of Allegheny,* 633 A.2d 1325, 1329 n. 11 (Pa. Commw. 1993).

7. The Commission must ensure that any adjudication is supported by substantial evidence. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. *Norfolk & Western Ry. Co. v. Pennsylvania Public Utility Commission,* 413 A.2d 1037 (Pa. 1980).

8. While the burden of proof remains with the public utility throughout the rate proceeding, the Commission has stated that where a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. Pub. Util. Comm. v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Opinion and Order Entered July 17, 2008).

9. The Commission must consider the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates in exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return. 66 Pa. C.S. § 523.

10. In exchange for the utility's provision of safe, adequate and reasonable service, the ratepayers are obligated to pay rates which cover the cost of service which includes reasonable operation and maintenance expenses, depreciation, taxes and a fair rate of return for the utility's investors. *Pa. Pub. Util. Comm. v. Pennsylvania Gas & Water Co.,* 61 Pa. PUC 409, 415-16 (1986); 66 Pa. C.S. § 1501.

11 The Commission has the discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds that the service rendered by the public utility is inadequate. 66 Pa. C.S. § 526(a); *PA PUC v. UGI Gas of Pennsylvania Inc.,* Docket No. R-2020-3018835, Order entered February 19, 2021.

12. A Commission decision is adequate where, on each of the issues raised, the Commission was merely presented with a choice of actions, each fully developed in the record, and its choice on each issue amounted to an implicit acceptance of one party's thesis and rejection of the other party's contention. *Popowsky, et al. v. Pa. Pub. Util. Comm.*, 550 Pa. 449, 706 A.2d 1197 (1997).

13. The standard formula for determining a utility's base rate revenue requirement is:

RR = E + D + T + (RB x ROR)

RR: Revenue Requirement

E: Operating Expense

D: Depreciation Expense

T: Taxes

RB: Rate Base

ROR: Overall Rate of Return

14. A utility is entitled to recover its reasonably incurred expenses. *UGI Corp. v. Pa. Pub. Util. Comm'n,* 410 A.2d 923 (Pa. Commw. 1980). Expenses include such items as the cost of operations and maintenance (labor, fuel and administrative costs, e.g.), depreciation and taxes. *Pennsylvania Power Company v. Pa. Pub. Util. Comm.,* 561 A.2d 43, 47 (Pa. Commw. 1989).

15. The public utility requesting a rate increase and seeking to recover expenses has the burden of showing that the rate requested, including all claimed expenses, is just and reasonable. 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

16. To the extent that expenses are not reasonably incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable through rates. *Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

17. It is the historical filings, not the actual intentions of the utility, which will guide the determination of the normalization period. *Pa. Pub. Util. Comm. v. City of Lancaster,* R-2010-2179103, et al. (Opinion and Order entered July 14, 2011), 2011 Pa. PUC LEXIS 1685; *Pa. Pub. Utility Comm. v. Metropolitan Edison Company,* R-2006-00061366, et al. (Opinion and Order entered January 4, 2007), 2007 Pa. PUC LEXIS 5.

18. The rate of return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management…to raise the money necessary for the proper discharge of public duties. *Bluefield Waterworks & Improvement Co. v. Public Service Comm. of West Virginia,* 262 U.S. 679 (1923).

19. Establishment of a rate structure is an administrative function peculiarly within the expertise of the Commission. *Emporium Water Company v. Pa. Pub. Util. Comm.,* 955 A.2d 456, 461 (Pa. Commw. 2008); *City of Lancaster v. Pa. Pub. Util. Comm.*, 769 A.2d 567, 571-72 (Pa. Commw. 2001). The question of reasonableness of rates and the difference between rates in their respective classes is an administrative question for the Commission to decide. *Pennsylvania Power & Light Co. v. Pa. Pub. Util. Comm.,* 516 A.2d 426 (Pa. Commw. 1986); *Park Towne v. Pa. Pub. Util. Comm.,* 43 A.2d 610 (1981).

20. The basic factor in allocating revenue is to have the rates reflect the cost of service. *Lloyd v. Pa. Pub. Util. Comm.,* 904 A.2d 1010, 1020 (Pa. Commw. 2006).

21. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia,* 292 U.S. 679, 692-93 (1923).

22. "Our decision on this issue is consistent with prior decisions in which we have determined that it was not appropriate to consider proposals relating to a public utility's energy burdens, CAP, and other universal service program issues within the context of a base rate proceeding, finding that such proposals are more properly considered in a public utility's Universal Service and Energy Conservation Plan (USECP) proceeding." *PA Public Utility Commission et al. v. Aqua Pennsylvania, Inc.*, (2022 Aqua Order), Docket No. R-2021-3027386 (Order Entered May 16, 2022).

23. "[A] LIURP budget can only be revised through a USECP proceeding initiated pursuant to the periodic USECP review process or in response to a petition to amend a USECP earlier than the periodic USECP review process." Notice of Proposed Rulemaking for the *Initiative to Review and Revise the Exhibit Low-Income Usage Reduction Program (LIURP)*

Regulations at 52 Pa. Code §§ 58.1-58.18, (2023 LIURP Rulemaking Order), Docket No. L-2016-2557886, p. 36 (Order Entered May 18, 2023).

24. "As LIURP is a ratepayer-funded program, considerations impacting its budget determination should be open to scrutiny and comment. USECP proceedings allow all interested parties to provide comments, raise questions, and review information justifying the proposed change to the LIURP budget in an on-the-record proceeding." Notice of Proposed Rulemaking for the *Initiative to Review and Revise the Exhibit Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1-58.18,* (2023 LIURP Rulemaking Order), Docket No. L-2016-2557886, p. 37 (Order Entered May 18, 2023).

25. "Iteration" is an accepted ratemaking process that must be applied to the final calculation of rates as all adjustments are finalized.

26. "Scale back" of rates is an accepted rate making process that is applied to the final rate structure after the Commission approves the Company's new total revenue requirement.

27. UGI Electric did not meet its burden of proof in this matter.

Proposed Ordering Paragraphs

1. That I&E's proposed total revenue increase for UGI Electric of $151,541,000 is approved.

2. That the Company shall provide I&E and OCA with updated versions of UGI Electric Book IV, Exhibit A, Schedule C-2 for both future and fully projected future by February 1, 2027, and February 1, 2028, respectively.

3. That a rate case expense allowance of $1,071,000 is approved and shall be normalized over 33 months.

4. That an allowance of $3,469,000 for vegetation management contractor costs is approved.

5. That I&E's proposed hypothetical capital structure of 50% long term debt and 50% common equity is accepted.

6. That the Company's claimed cost of long-term debt of 5.22% is accepted.

7. That I&E's proxy group is accepted and shall be used for all rate making purposes in this proceeding.

8. That I&E's recommended cost of common equity of 9.69% is accepted.

9. That I&E's recommended overall rate of return of 7.46% is accepted.

10. That any additional consideration or adjustments for the Company's claimed risk profile in determining the cost of equity for UGI are rejected in their entirety.

11. That the Company's proposed request for a business risk adjustment of 40 basis due to UGI Electric's size be rejected in its entirety.

12. That the Company's proposed flotation cost adder of 12 basis points be rejected in its entirety.

13. That the Commission shall continue its historic practice of recognizing the 10-year Treasury Note as the superior measure for the risk-free rate.

14. That the Commission reject in their entirety UGI Electric's results of the ECAPM, PRPM, RP, and CE methodologies.

15. That UGI Electric's new rates become effective January 1, 2027.

16. That the customer charges shall be limited to the amounts set by I&E in support of the principle of gradualism.

17. That "scale back" of rates shall be proportionately applied to the new rates.

18. That no increase in the budgeted LIURP amount be approved in this base rate proceeding.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3059430
	:	
UGI Utilities, Inc. – Electric Division	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Main Brief** dated September 8, 2026, in the manner and upon the persons listed below.

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