

COMMONWEALTH OF PENNSYLVANIA



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September 18, 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
vs.
UGI Utilities, Inc. – Electric Division

Docket No. R-2025-3059430

Dear Secretary Homsher:

Attached for electronic filing please find the Office of Consumer Advocate's Reply Brief **PUBLIC** version in the above-referenced proceeding.

Please note that the **CONFIDENTIAL** and **HIGHLY CONFIDENTIAL** versions of the OCA's Reply Brief will only be sent to the parties that have executed the non-disclosure agreement as indicated on the Certificate of Service. The **CONFIDENTIAL** and **HIGHLY CONFIDENTIAL** versions of the OCA's Reply Brief will be e-filed using the Public Utility Commission's Share Point file process.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

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Enclosures

cc: The Honorable Stephen K. Haas (email only)
The Honorable Chad L. Allensworth (email only)
Certificate of Service

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3059430
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UGI Utilities, Inc. – Electric Division	:	
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I hereby certify that I have this day filed electronically on the Commission’s electronic filing system and served a true copy of the following document, the Office of Consumer Advocate’s Reply Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 18th day of September, 2026.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF
OF THE
OFFICE OF CONSUMER ADVOCATE

Public VERSION

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I. INTRODUCTION

On September 8, 2026, the Office of Consumer Advocate (OCA) filed its Main Brief in this matter consistent with the Procedural Schedule ordered in this case. The OCA incorporates by reference the description of the OCA, the procedural history, and the legal standards as discussed in its Main Brief. UGI and the Office of Small Business Advocate (OSBA) are the settling parties in a non-unanimous settlement. The non-unanimous joint petition for settlement was filed on September 10, 2026. The OCA will file comments on the joint petition consistent with the procedural schedule on September 18, 2026

II. SUMMARY OF REPLY ARGUMENT

As the OCA stated in its Main Brief, UGI's request to increase its base rates should be rejected in its entirety.

In the event the Commission does not reject the request in its entirety, substantial record evidence demonstrates that UGI requires no more than \$5.127 million in additional annual distribution revenue to provide safe, adequate and reliable service at just and reasonable rates. This revenue requirement includes the OCA's recommendation to require UGI to switch from the Equal Life Group method of depreciation to the Average Life Group method of depreciation. This revenue requirement also includes the recommendation to impute UGI's capital structure of 58% long term debt and 42% common equity for ratemaking purposes and to authorize a return on equity of 8.7%. This capital structure is consistent with the Statement of Vice Chair Barrow made at the time this matter was suspended for investigation,¹ as well as the open letter from Governor Josh Shapiro² to the Commission and Pennsylvania's utility leaders.

Rate Structure and Rate Design

¹ I&E Exh. 2, Sch. 2, at 1.

² Governor Shapiro's Hearing Exhibit 1; see Tr. at 114-115.

The OCA maintains its recommendations that the Commission: (1) adopt the OCA's alternative cost of service study methodology, which utilizes a 100% demand-based allocation factor for primary and secondary distribution plant, instead of the minimum system study proposed by UGI; (2) adopt the OCA's proposed revenue allocation, based on its alternative cost of service study; (3) adopt the OCA's proposed gradualism ceiling of 1.15 times the system average increase when allocating revenue in this case; (4) reject the Company's proposal to increase the residential customer charge; and (5) adopt I&E's recommendation to include customer charges in the scale-back of rates authorized in this proceeding.

Customer Service and Low Income

The OCA has further presented substantial record evidence demonstrating that the Commission should direct UGI to 1) allocate the costs of its universal service programs among all customer classes, not just the residential class, 2) Cease collection and retention of customers Social Security Numbers, 3) Require UGI to implement a field agent training regarding customer rights and termination of service, 4) Require UGI to meet its 2024 – 2025 call center performance standards, 5) Require UGI to further revise its written confirmation of customer payment arrangements, and 6) Require UGI to provide additional electric supply shopping information.

III. OVERALL POSITION ON RATE INCREASE

The OCA recommends that the Commission deny UGI's general rate increase request as UGI has not met its burden of proof in demonstrating that its overall proposed revenue increase of \$16.05 million or the revenue increase of \$10.70 million as reached in the Joint Petition for Non-Uniform Settlement of All Issues (Non-Uniform Settlement) produces rates that are just and reasonable, equitable among customer groups, or in the public interest. Accordingly, the Commission should reject both UGI's requested rate increase as well as the revenue requirement reached in the Non-Uniform Settlement.

UGI argues that the main driver of its rate increase request is the unchallenged planned infrastructure investments planned for the FPFTY that are necessary for the safety and reliability of the Company's system.³ In reality, the main driver of the rate request is UGI's ask for an excessive return on equity (ROE) of 10.85%, which it argues is critical to the continuation of its infrastructure investment and a "fully-compensatory and reasonable return on common equity."⁴ As explained in the OCA's Main Brief, UGI's requested ROE is an unreasonable, excessive, and unsupported ask.⁵ Moreover, UGI's desire to increase its ROE must be balanced with just and reasonable rates for its ratepayers, particularly at a time when macroeconomic conditions are causing increasing affordability concerns for its ratepayers.⁶

UGI downplays the impact of the requested rate increase on its customers through its arguments that it has sufficiently addressed the parties' affordability concerns in the way it operates and the choices it made in bringing this case, such as not asking for a management adder and proposing a return on equity "well below the mid-point of its peer group."⁷ UGI further argues that affordability is properly addressed through "directing affordability relief through targeted public programs and Commission-approved universal service mechanisms," which is consistent with UGI's "administration and support for a wide range of assistance programs, investments in long-term usage reduction for income-eligible customers, and providing flexible payment tools for customers facing hardship."⁸ Customer assistance programs are important and benefit many

³ UGI M.B. at 11.

⁴ UGI M.B. at 17.

⁵ OCA M.B. at 15-16, 22-28, 57-62.

⁶ OCA M.B. at 18-27; Tr. at 245:22-246:3.

⁷ See UGI M.B. at 13.

⁸ UGI M.B. at 14.

customers, but as the Commission has recognized, they are not a substitute for the Commission considering rate affordability concerns when setting rates that are just and reasonable.⁹

However, as the OCA established in its Main Brief, affordability concerns are not separate and apart from “cost-of-service” ratemaking as UGI argues.¹⁰ Indeed, as the OCA stated in its Main Brief, the Commission has determined that affordability is a central concern for determining just and reasonable rates where it is dealing with essential, non-discretionary services and that affordability should be viewed in the context of the impact of economic conditions.¹¹ Moreover, as the OCA has stated, while “cost-of-service” is the primary consideration for the rate design and allocation process, the setting of just and reasonable rates is not limited to the “cost-of-service” in lieu of other concerns and considerations like affordability and economic conditions.¹²

UGI further argues that the Non-Unanimous Settlement reached by UGI and OSBA adequately addresses the parties’ affordability concerns.¹³ However, it emphasizes the Expanded Arrearage Forgiveness Pilot Program, which while a good program, targets low-income individuals,¹⁴ is not a substitute for the Commission considering affordability concerns for all ratepayers when reviewing this case, and must be considered in the full context of the settlement including a proposed revenue requirement and increase to the customer charge that are not supported by the record.

Finally, UGI makes additional arguments as to why its revenue increase, revenue allocation and rate design is fully supported by the record and the OCA and I&E’s arguments should be

⁹ See OCA M.B. at 19-20, 100; *PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 36, 41 (July 27, 2026) (*PAWC 2026*).

¹⁰ UGI M.B. at 14; OCA M.B. at 22.

¹¹ OCA M.B. at 18-20; *Pa. PUC et al. v. Pennsylvania-American Water Company*, Docket Nos. R-2025-3058051 (Order July 26, 2026).

¹² UGI M.B. at 14; OCA M.B. at 22; *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006) (*Lloyd*).

¹³ UGI M.B. at 14-15.

¹⁴ UGI M.B. at 14-15.

rejected.¹⁵ However, as the OCA demonstrated in its Main Brief and further rebuts UGI's arguments below, should the Commission determine that UGI needs a rate increase at this time, the OCA's alternative recommended ROE and ratemaking capital structure, depreciation, rate allocation and rate design adjustments and changes are fully substantiated and supported by record evidence.

IV. RATE BASE

A. Electric Plant in Service

The OCA did not address this issue in testimony.

B. Accumulated Depreciation

1. Introduction

As discussed in the OCA's Main Brief, the Commission should require UGI to adopt the Average Life Group (ALG) procedure because it will result in fairer rates to consumers and it is not prohibited by state or federal law.¹⁶ The OCA also provided substantial record evidence that the service life adjustments made by OCA witness Garren are supported by substantial record evidence and result in just and reasonable rates.

UGI points to recent Commission decisions in support of its continued use of the Equal Life Group (ELG) procedure.¹⁷ However, as discussed in the OCA's Main Brief, the historic use of ELG is not the relevant legal standard as to whether the ELG procedure should continue to be maintained by UGI Electric.¹⁸ Depreciation procedure is squarely a matter of Commission ratemaking discretion, as there is no state or federal law that mandates a specific depreciation procedure for conducting a depreciation analysis.¹⁹ Further, the Public Utility Code and the

¹⁵ UGI M.B. at 17-21.

¹⁶ OCA M.B. at 29-43.

¹⁷ UGI M.B. at 33-34

¹⁸ *Id.*

¹⁹ OCA M.B. at 35-36.

Commissions regulations do not require a utility's depreciation procedure be adopted indefinitely.²⁰ Moreover, UGI Electric's practice in using the ELG procedure is contrary to the practice of most Pennsylvania electric distribution companies.²¹ Thus, the OCA provided substantial record evidence that the Commission is empowered to require UGI to switch to the ALG procedure and that the ELG procedure produces inequitable, unjust, and unreasonable rates.

UGI also argues that requiring a switch to the ALG procedure would shift costs to future customers that should be borne by current customers.²² This statement is inaccurate. The ALG procedure matches current costs borne by the utility to current customers. The OCA provided substantial record evidence that UGI's ratepayers should not be required to pay accelerated depreciation costs for the potential that years from now even though those rates may be lower to future customers, who may or may not be the same customers paying accelerated rates now.²³ Thus, it is the ELG procedure which has produced inequity by unreasonably accelerating UGI's recovery of depreciation expense.

2. Adopting the ALG Procedure Results in Fairer Rates to Consumers.

UGI agrees with the OCA that the ELG procedure causes current customers to pay more.²⁴ By its own admission UGI confirms what the OCA has argued throughout this case that current UGI customers are being prejudiced by being forced to pay an accelerated depreciation expense. The ELG procedure results in intergenerational inequity.²⁵ To be clear, at no point in UGI's main brief or testimony did UGI rebut the fact that, compared to the ALG procedure, the ELG procedure results in higher depreciation rates for current customers. Rather, UGI highlighted UGI witness

²⁰ *Id.*

²¹ Tr. at 340-341.

²² UGI M.B. at 33.

²³ OCA M.B. at 37.

²⁴ UGI M.B. at 47.

²⁵ *See* OCA M.B. at 43-45.

Weidmayer's two-unit example, arguing that under the ELG procedure capital recovery is better matched to the actual lives forecast by the estimated survivor curve.²⁶ However, the OCA presented substantial record evidence that the ALG procedure evenly charges depreciation expense by using the same depreciation rate over the average life of the plant.

a. UGI has had ample notice and opportunity to be heard regarding being directed to switch from the ELG method to the ALG method of depreciation.

UGI then argues that recent Commission precedent support its continued use of the ELG procedure.²⁷ However, UGI fails to consider that Commission precedent, as with all other administrative agencies, is not set in stone and can be changed, with adequate notice and an opportunity to be heard to all affected parties. It is well settled that administrative agencies are not strictly bound by stare decisis in the same manner as appellate courts.²⁸ While agencies may alter course or render decisions that differ from past rulings, they are expected to explicitly distinguish or overrule their own precedents when doing so.²⁹ Additionally, for matters coming before an administrative agency, procedural due process, however, requires that a party be afforded reasonable notice of the issues raised and the agency's rulings on those issues, so that the party has an opportunity to present any response or objection.³⁰

UGI has had ample notice and opportunity to be heard on this issue of the appropriate method of depreciation to use in this case. UGI has failed to satisfy its burden in this case, and its argument that using the ALG method would contradict Commission precedent is without merit and should be rejected. The Commission should direct UGI to use ALG in this case instead of ELG.

²⁶ UGI M.B. at 42-44.

²⁷ UGI M.B. at 46-47

²⁸ *Dee-Dee Cab, Inc. v. Pa. Pub. Util. Comm'n*, 817 A.2d 593, 598 (Pa. Cmwlth. 2003) (citing *Bell Atl.-Pa., Inc. v. Pa. Pub. Util. Comm'n*, 672 A.2d 352 (Pa. Cmwlth. 1995)).

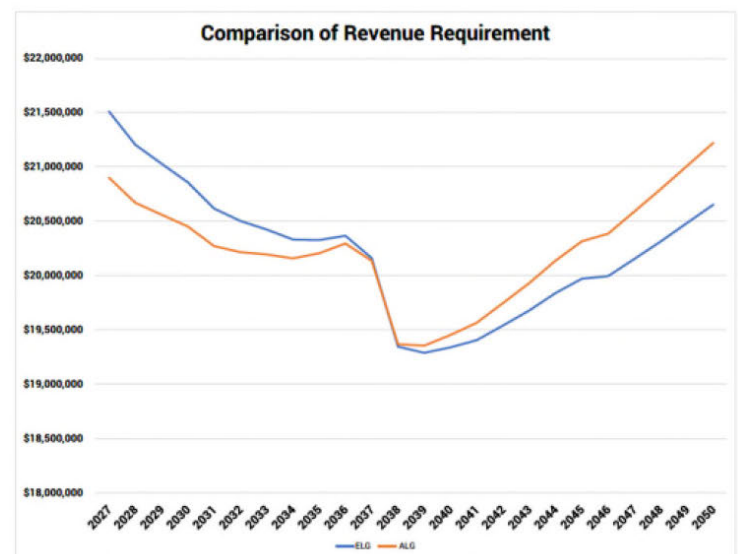
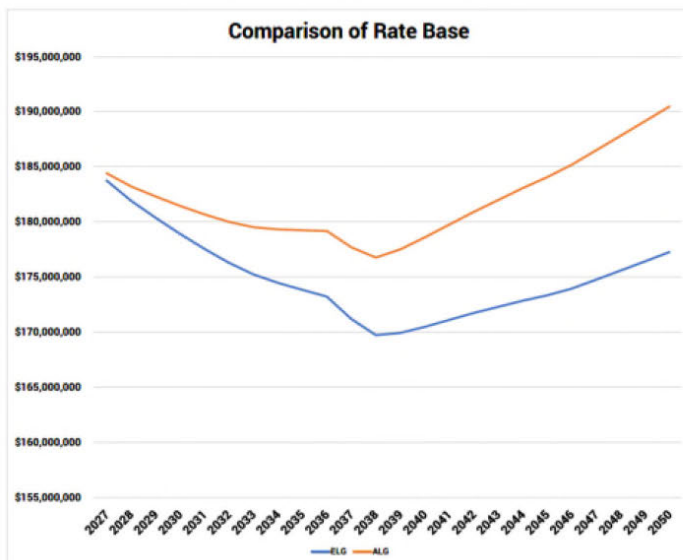
²⁹ *Id.*

³⁰ *Id.*; see also, *Honey Brook Water Co. v. Pa. Pub. Util. Comm'n*, 647 A.2d 653 (Pa. Cmwlth 1994).

b. The ALG method, not the ELG method, solves problems of intergenerational inequity.

One of the greatest points of contention between UGI and the OCA on the issue of depreciation is to what extent, either the ELG method or ALG method creates intergeneration inequity in rates. UGI argues that the ELG procedure tends to produce lower customer rates over time.³¹ However, this is misleading because it fails to consider the impact of adding plant to rate base. UGI is constantly adding plant to rate base which is then accelerated at a higher rate under ELG which then drives up customer rates.³²

UGI then produces two graphs prepared by OCA witness Wiedmayer³³ which purport to prove the unfounded claim that UGI's revenue requirement would be higher under the ALG method.³⁴ These graphs are as follows:



35

³¹ UGI M.B. at 47.

³² OCA St. 4SR at 7.

³³ The OCA notes that it was not able to have a substantive response to these graphs because they were presented during rejoinder testimony and the company is entitled to the last word.

³⁴ UGI M.B. at 48.

³⁵ UGI M.B. at 48.

First, UGI conveniently omits the fact that these graphs assume a Rate of Return (ROR) of 8.00%.³⁶ To be clear, no party in this proceeding, including UGI, has proposed a ROR of 8.00%. UGI has proposed an overall ROR of 8.28% based upon an excessive 10.85% Return on Equity.³⁷ The OCA, has proposed an overall weighted ROR of 6.65% based upon a ROE of 8.7%.³⁸ Further, I&E has proposed an overall ROR of 7.44%.³⁹ These graphs also assume a plant growth rate of 3% which is not UGI's historic growth rate in plant.⁴⁰ There's an old saying that the OCA believes is appropriate to describe this scenario "garbage in, garbage out". UGI's graphs cannot be cited as authoritative because the assumptions driving the model are not based in record evidence and are flawed. Rather, the ROR and growth rate appear to be derived to reach an outcome that conforms with UGI witness Wiedmayer's previous false assertions about the ELG versus the ALG procedure.

UGI's graphs illustrate visually how the ALG method benefits current UGI customers by lowering rates. During the current affordability crisis UGI's customers need the value that each dollar brings today, not at an uncertain point in the future. Further, UGI's own graphs also demonstrate how for the first eight years, UGI would realize greater revenue simply from using the ELG method instead of the ALG method. Under cross examination about these graphs UGI witness Wiedmayer testified that if the ROR input was lowered in the model, then the crossover point of when the ALG procedure would produce a higher revenue requirement would be pushed back.⁴¹ According to the graph, the crossover point where the ALG procedure would produce a higher revenue requirement is 2034, nearly ten years away and likely multiple intervening rate

³⁶ UGI Exh. JFW 1RJ.

³⁷ UGI M.B. at 75.

³⁸ OCA M.B. at 57.

³⁹ I&E St. 2 at 63.

⁴⁰ Tr. at 191.

⁴¹ Tr. at 193-194.

cases away.⁴² If realistic inputs were used to make the graphs it may be possible a crossover would not occur at all. However, at a minimum the Commission can ensure that UGI's ratepayers will pay a reduced rate for at least eight years while allowing UGI to fully recover its depreciable assets. At a time when every dollar counts, the Commission must ensure that ratepayers are not paying more than necessary. Under the ELG method, UGI ratepayers are forced to pay more than their fair share by paying an accelerated form of depreciation designed to benefit the company, not the ratepayer.

There is also a disconnect with the theoretical test years utilized by UGI and how it translated into actual ratemaking. UGI's graphs assume that depreciation expense changes continuously over time. In actual ratemaking, however, base rates are established at discrete points and generally remain in effect until changed in a subsequent base rate proceeding. Once the Commission establishes base rates, the depreciation expense reflected in those rates generally remains in place until the next base rate proceeding. ELG depreciation rates, by contrast, decline over time as the composition and remaining lives of the underlying property groups change. Unless depreciation expense is updated between rate cases to reflect those changing ELG rates, customers may continue paying rates based on the higher depreciation expense established at the beginning of the rate period. This is the practical reason the OCA concludes that the higher initial ELG accruals will burden current customers without assuring that future customers will receive theoretical offsets under the ELG procedure. As a result, it is the ALG method, not the ELG method, that solves problems of intergenerational inequity.

c. UGI witness Garren did not make errors when performing his calculations.

⁴² UGI Exh. JFW 1RJ.

UGI argues that OCA witness Garren made errors in his depreciation calculations.⁴³ UGI witness Garren did not make errors in his calculations as described by UGI and their argument should be ignored. OCA witness Garren testified:

I do not believe that my testimony or exhibits contain substantive errors. Mr. Wiedmayer states that by failing to recalculate the accumulated depreciation for all three periods in order to calculate the rates, I have made an error. It is true that I have declined to calculate my adjustments to depreciation rates and expenses for all three periods. I regard my role in proposing adjustments to depreciation to be to critique the underlying methods, procedures and proposed life and net salvage parameters that are used in the calculation of depreciation rates. Given my adjustments, I attempt to calculate the magnitude of the impact of the resulting adjustments on overall depreciation expense, so that their revenue requirement impacts can be reviewed by the Commission. However, this is an estimate of the impact of my underlying adjustments.⁴⁴

OCA witness Garren utilized his years of experience and expert judgment when making his recommendations to the Commission. Mr. Garren's credentials were not challenged at any point in this proceeding. Merely disagreeing with an expert's adjustments does not mean that expert has made an error. As such, UGI's argument regarding any errors in UGI witness Garren's testimony are unfounded and not supported by substantial record evidence.

3. Adopting OCA witness Garren's Service Life and Net Salvage Recommendation Can Save Ratepayers nearly \$400,000.

UGI argues that OCA witness Garren's adjustments to its service life parameters results in service life estimates that are unreasonably long for the actual assets studied and the Company's current and future operating environment.⁴⁵ However, the OCA presented substantial record evidence that OCA witness Garren's service life adjustments are reasonable.⁴⁶

a. Account 364 Poles, Tower, and Fixtures

⁴³ UGI M.B. at 51-52.

⁴⁴ OCA St. 4SR at 8-9.

⁴⁵ UGI M.B. at 35.

⁴⁶ OCA M.B. at 41-44.

UGI argues that OCA's proposed 63-R2 life and curve is too long for account 364.⁴⁷ However, the OCA provided substantial record evidence that the oldest retirements in the data for account 364 occur at age 92.5.⁴⁸ This means that UGI's proposed life and curve underestimate the actual life and curve of the poles, towers, and fixtures being depreciated. OCA witness Garren testified that a 63-R2 life and curve is the best estimate we have for how long the absolute longest-lived assets in these accounts will last.⁴⁹ As such the OCA presented substantial record evidence that account 364 should have a 63-R2 life and curve and should be adopted by the Commission.

b. Account 365 Overhead Conductors

UGI argues that the OCA's proposed 65-R1.5 life and curve for account 365 is unreasonable because it would result in too large of an increase for a relatively large mass plant account to experience over a 5-year period.⁵⁰ However, the OCA presented substantial record evidence that industry data for this type of account shows service lives as high as 75-years.⁵¹ As such, the OCA presented substantial record evidence that account 365 should have a 65-R1.5 life and curve and should be adopted by the Commission.

c. Account 368.1 Transformers

UGI argues that the OCA's proposed 55-L1 life and curve for account 368.1 is unreasonable.⁵² UGI argues that the best mathematical fit is not the determining factor for account 368.1.⁵³ However, UGI fails to cite to statute, caselaw, Commission order, or any authority other than its own direct testimony when making this unfounded claim about what the appropriate factors the Commission must determine. The OCA has found no authority limiting the

⁴⁷ UGI M.B. at 35

⁴⁸ OCA M.B. at 42.

⁴⁹ OCA St. 4SR at 12.

⁵⁰ UGI M.B. at 37.

⁵¹ OCA M.B. at 43.

⁵² UGI M.B. at 39

⁵³ *Id.*

Commissions discretion in this way. Thus, the Commission is not preempted from weighing the best mathematical fit for account 368.1 merely because UGI claims it. The Commission may look to many factors including the best mathematical fit when determining if UGI's proposed life and curve for account 368.1 is reasonable.

UGI also argues that since 2016 there have been few retirements to this account which is atypical and should not be considered.⁵⁴ However, OCA witness Garren testified:

While it is reasonable to be skeptical of changes to retirement patterns over short periods of time, when a retirement pattern changes for nearly ten years, that ceases to be an atypical pattern of data, and should be regarded as a change in the pattern of retirements. There might be a variety of reasons for the decrease in the failure rate or replacement rate of transformers in this account, and the best indication of these changes is the available data. In the absence of a clear programmatic explanation for why such a significant period of data is not representative of the future, it should be taken into consideration, along with the overall preponderance of data, when arriving at the average service life and curve shape.⁵⁵

The fact that retirements of this account have been consistent for ten years is not atypical, rather it shows that the data has changed and requires updating.⁵⁶ As such, UGI has failed to meet its burden to show why this account does not reflect current data and that its proposed life and curve is reasonable. Rather, the Commission should use OCA witness Garren's recommendation because it does not exclude relevant data affecting the service life of this account.

Therefore, the OCA provided substantial record evidence that account 368.1's life and curve should be 55-L1.⁵⁷ OCA witness Garren testified that "the higher ages of retirement rate analysis appear not to be based on as significant an amount of exposures, with relatively little plant in this account having achieved ages of 60 or more."⁵⁸ Therefore, the OCA requests the Commission

⁵⁴ UGI M.B. at 40.

⁵⁵ OCA St. 4SR at 12-13.

⁵⁶ *Id.*

⁵⁷ OCA M.B. at 43.

⁵⁸ OCA St. 4 at 32.

adopt OCA witness Garren's 55-L1 life and curve recommendation for account 368.1. This recommendation is supported by Mr. Garren's expertise and will result in just and reasonable rates.

C. Additions to Rate Base

The OCA did not address this issue.

D. Deductions from Rate Base

The OCA did not address this issue.

V. REVENUES

The OCA did not address this issue.

VI. EXPENSES

A. Expense Adjustments Accepted by UGI in Rebuttal

UGI acknowledged in its Main Brief its updated revenue requirement from \$17.283 million to \$16.05 million is based on acceptance of accounting adjustments presented by other parties in this case.⁵⁹ This aligns with the OCA's position in its Main Brief.⁶⁰ UGI has proposed a different revenue requirement in its joint petition for non-unanimous settlement which the OCA will address in its comments.⁶¹

B. Cash Working Capital

The methodology for calculating cash working capital (CWC) is not disputed in this case.⁶² UGI disputes the underlying adjustments related to CWC made by the OCA.⁶³ For the reasons set forth in the OCA's Main Brief, the OCA presented substantial record evidence that its revenue requirement adjustments are reasonable.⁶⁴ As such the OCA maintains its recommendation that, if

⁵⁹ UGI M.B. at 11.

⁶⁰ OCA M.B. at 44.

⁶¹ The revenue requirement in the non-unanimous settlement is a "black box" settlement as it does not specify the adjustments included.

⁶² See UGI M.B. at 23; *see also* OCA M.B. at 45.

⁶³ OCA M.B. at 45.

⁶⁴ OCA M.B. at 45-56.

the Commission adopts its adjustments to UGI's claimed expenses, then it should adopt the OCA's recommended CWC adjustment resulting in a disallowance of \$1,186,518.⁶⁵

C. Incentive Compensation

UGI disagrees with the OCA's adjustment of [Begin Confidential] [REDACTED] [End Confidential] to the growth metric regarding the UGIU program.⁶⁶ UGI then makes the claim that by disallowing this amount the OCA is discriminating against small utilities and would result in hindering the ability for small utilities to establish policies that will increase growth in a way that benefits existing customers.⁶⁷ Making an accounting adjustment based on grounded ratemaking rules and subject to current Commission practice is not discrimination. It is also worth noting that the only customer benefit argued by UGI is that it encourages employees to optimize the connection process for individuals interested in becoming customers in a manner that supports good customer service experiences.⁶⁸ Good customer service experience should be a basic function of the utility under Section 1501 of the Public Utility Code.⁶⁹

First, the concept of growth in a utility is misleading because UGI is providing a monopolistic public good with a regulatory Commission standing in the place of competition. OCA witness Garrett explained this concept when he testified that unlike competitive firms, regulated utilities cannot launch a new product line, franchise, rebrand to new target a new demographic, or expand into a developing market.⁷⁰

Second, the OCA presented substantial record evidence that costs associated with the UGIU program should be disallowed.⁷¹ UGI acknowledges but ignores current Commission

⁶⁵ OCA M.B. at 45.

⁶⁶ UGI M.B. at 65.

⁶⁷ *Id.*

⁶⁸ UGI M.B. at 66.

⁶⁹ 66 Pa. C.S. § 1501.

⁷⁰ OCA St. 3SR at 7.

⁷¹ OCA M.B. at 46-48.

practice as it relates to incentive compensation. Similar to *Columbia 2025* and *PAWC 2026*, UGI has failed to demonstrate with credible evidence that its financial metrics associated with the UGIU program are reasonable or provide a benefit to ratepayers.⁷² As such, the OCA maintains that disallowing [Begin Confidential] [REDACTED] [End Confidential] relating to UGI's UGIU incentive compensation expense is reasonable and that UGI failed to support with substantial record evidence that his expense will result in just and reasonable rates. Thus, the Commission should find that the OCA presented substantial record evidence that it is inequitable to require ratepayers to fund portions of an incentive compensation program that do not relate to the safe and reliable service of electric distribution resulting in a disallowance from rates of [Begin Confidential] [REDACTED] [End Confidential].⁷³

D. Rate Case Expense

UGI argues that a two-year normalization period for its rate case expense is reasonable because UGI anticipates it will file another rate case in two years.⁷⁴ This justification goes against current Commission practice.⁷⁵ In *PGW 2023* the Commission unequivocally stated that “Moreover, the normalization period should reflect the company’s historical rate case frequency, not the Company’s future intention for filing a rate case.”⁷⁶ The Commission should continue to consistently find that a company’s historical rate case frequency is the correct normalization period.

⁷² *Pa. PUC v. Columbia Gas of Pa., Inc.*, 2025 PA. PUC LEXIS 395, *86-87 (Dec. 4, 2025) (*Columbia 2025*); *Pa. PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 114 (July 27, 2026) (*PAWC 2026*).

⁷³ OCA M.B. at 48.

⁷⁴ UGI. M.B. at 53.

⁷⁵ See *Pa. PUC v. Phila. Gas Works*, Docket No. R-2023-3037933 Order at 66 (Nov. 9, 2023) (*PGW 2023*). See also *Columbia 2025* at 138..

⁷⁶ *PGW 2023* at 66.

UGI's argument that the normalization period should be based on when UGI next plans to file a base rate case should also be rejected because UGI's current plan is to be under new ownership within two years. OCA witness Mugrace testified that UGI Electric is in the process of being acquired by Argo with the acquisition case currently pending before this Commission.⁷⁷ UGI cannot say with any degree of certainty when the next base rate case filing will occur because UGI is planning on that decision being made by the proposed new owners, Argo, who is not a party to this case or provided any testimony in this proceeding. As such, the OCA provided substantial record evidence, consistent with current Commission practice that UGI's rate case expense should be normalized over a three-year period reducing this expense by \$179,000.⁷⁸ Therefore, the OCA provided substantial record evidence in its main brief that UGI's rate case expense should be normalized over a three-year period reducing this expense by \$179,000.⁷⁹

E. Vegetation Management

UGI admits that that its vegetation management expense varies from year to year but argues that this should not be a reason to normalize its vegetation management expense.⁸⁰ Next, UGI points to a negligible [BEGIN HIGHLY CONFIDENTIAL] ■ [END HIGHLY CONFIDENTIAL] increase to labor under a new contract and an erroneous claim that it has increased its vegetation management expense.⁸¹ OCA witness Mugrace testified that UGI's vegetation management expense balances "do not reflect an accelerated activity related to vegetation management."⁸² Mr. Mugrace testified:

In fact, the Company reduced its expenses from 2021 – 2022, increased the balance by 16.84% in the FY 2023 and increased the balance by 8.88% in FY 2024. In FY 2025, there was a reduction of \$288,000 or 7.06%. In the FTY 2026 there was an

⁷⁷ OCA Corrected St. 2 at 6.

⁷⁸ OCA M.B. at 50-51.

⁷⁹ *Id.*

⁸⁰ UGI M.B. at 58.

⁸¹ *Id.* at 59.

⁸² OCA St. 2SR at 12.

increase of \$151,000 or 3.97% and in the FPFTY 2027 there was an increase of \$201,000 or 5.09%. I do not consider these adjustments to be accelerated in nature; at best it is a slight increase over historical periods.⁸³

The OCA provided undisputed substantial record evidence that UGI's vegetation management expense varies from year to year.⁸⁴ The OCA also provided substantial record evidence that normalizing vegetation management expense better reflects the level of recovery based upon prior cost levels.⁸⁵

The OCA highlighted that from 2021-2022 UGI reduced its vegetation management expenditures.⁸⁶ The OCA also provided substantial record evidence that vegetation management is uncontrolled in nature and unplanned in advance.⁸⁷ OCA witness Mugrace testified that "Normalizing these types of costs better reflects the level of recovery based upon prior cost levels. Although the Company may argue that its vegetation management activities are planned in advance, circumstances may prevent such activities to be completed."⁸⁸ Thus, using historical data is a reasonable method for determining the appropriate normalization period for vegetation management expense.

Lastly, UGI claims that it has reliable history of exhausting its budget for vegetation management as a reason for denying the OCA's and I&E's adjustments.⁸⁹ However, UGI provides no record evidence or citation to any supporting data or testimony to support this claim. The OCA requests the Commission properly rule that this statement is unfounded and should be ignored.

As such, UGI has failed to meet its burden of proof that its vegetation management expense will result in just and reasonable rates. The OCA requests the Commission rule that the five-year

⁸³ OCA St. 2SR at 12.

⁸⁴ OCA M.B. at 51.

⁸⁵ *Id.*

⁸⁶ OCA M.B. at 52.

⁸⁷ OCA M.B. at 52.

⁸⁸ OCA St. 2SR at 12.

⁸⁹ UGI M.B. at 61.

historic average of costs associated with vegetation management resulting in a disallowance of \$265,000 from UGI's proposed \$4,141,000 resulting in an ongoing level of tree trimming costs of \$3,876,000 is reasonable.⁹⁰ Therefore, the OCA presented substantial record evidence in its main brief that UGI's vegetation management should be normalized over a historic five-year period resulting in a disallowance of \$265,000.⁹¹

F. Major Storms Expense

UGI did not address the OCA's testimony and arguments regarding the major storms expense. As this issue is now uncontested, the OCA requests the Commission reduce UGI's major storms expense by \$23,000.⁹²

G. Credit and Collections Expense

As will be discussed *infra* in section XI (C), the OCA provided substantial record evidence regarding UGI's credit and collection expense totaling \$941,028 should be shared 50/50 or \$470,514.⁹³

H. Injury & Damages

UGI argues that it is inappropriate to normalize the non-claims cost component of the injury and damages (I&D) expenses.⁹⁴ UGI also argued that the decrease in the non-claims costs from 2023 to 2024 was due to a reduction in the rate of allocation to UGI Electric for costs incurred at the parent company level.⁹⁵ UGI then points to the 34% increase from 2024 to 2025 in support of their argument.

⁹⁰ OCA St. 2SR at 12-13, *see also* OCA Sch. SR-DM-10.

⁹¹ OCA M.B. at 52.

⁹² OCA M.B. at 53.

⁹³ See OCA M.B. at 124-129.

⁹⁴ UGI M.B. at 67.

⁹⁵ UGI M.B. at 68.

The wide variance of percentage increases pointed out by UGI are exactly why a normalization adjustment is reasonable. OCA witness Mugrace testified:

As noted and identified in response to OCA-7-36 these costs fluctuate and vary from year to year depending on the activities related to damages, litigation and changes in claims and as such all 1 of these costs should be normalized for ratemaking purposes.⁹⁶

To promote consistent rulemaking the Commission should find that normalization of expenses that vary greatly from year to year is reasonable. As such, the Commission should adopt the OCA's disallowance of \$209,000 from I&D expense because it is supported by substantial evidence.⁹⁷ Therefore, the OCA presented substantial record evidence in its main brief that UGI should not be allowed to recover \$209,000 of its I&D expense.⁹⁸

I. Membership Dues

UGI argues that it should be allowed to recover its membership dues to Edison Electric Institute (EEI) and Energy Association of Pennsylvania (EAP).⁹⁹ UGI argues that these organizations provide benefits to UGI's ratepayers.¹⁰⁰ UGI avers that by removing the lobbying costs in its detailed breakdown from the memberships dues claim the remaining expense is therefore recoverable.¹⁰¹

Under the Public Utility Code, utilities are not permitted to recover the costs of "membership fees, dues or charges to fraternal, social or sports clubs or organizations."¹⁰² The fact that these expenses have lobbying costs associated with them is enough to demonstrate that these costs do not benefit ratepayers but rather, are an opportunity for UGI to engage with legislators,

⁹⁶ OCA St. 2SR at 16-17.

⁹⁷ OCA M.B. at 54.

⁹⁸ OCA M.B. at 53-54.

⁹⁹ UGI M.B. at 68-69.

¹⁰⁰ *Id.*

¹⁰¹ UGI M.B. at 69.

¹⁰² 66 Pa. C.S. § 1316.1.

regulators, and other policymakers which advocate in regulatory proceedings.¹⁰³ The OCA provided substantial record evidence that UGI should not be able to recover the costs of memberships which reflect its corporate citizenship and should be incurred “below-the-line.”¹⁰⁴

UGI relies on the Commission’s decision in *Columbia 2025* where the Commission allowed Columbia to recover costs associate with its EAP membership dues.¹⁰⁵ The present case before the Commission is distinguished by the fact that UGI is an EDC and Columbia is a Natural Gas Distribution Company. Further, UGI fails to recognize that in *Columbia 2025* the Commission found that a utility should not be permitted to recover costs which mainly benefit the Company as being a good corporate citizen, advocate on policy issues before various agencies, and civic related initiatives.¹⁰⁶ OCA witness Mugrace testified:

I believe these costs are essentially lobbying costs in which EEI, EA of PA and PA Chamber of Commerce, engages with legislators, regulators and other policymakers and advocate with regulated utilities in regulatory proceedings. EEI runs the Political Action Committee (PAC) in which I believe are for engaging with federal agencies on matters before the federal and state legislation bodies. Ratepayers should not be paying for such costs when they are not related to employee duties not related to customer service, especially when these costs are outside the normal course of business. There is no discernable link between these types of costs and customer service metrics nor do they benefit ratepayers. These costs are far too removed from utility service to justify the inclusion in the revenue requirement.¹⁰⁷

¹⁰³ OCA St. 2SR at 17.

¹⁰⁴ *Pa. PUC v. Columbia Gas of Pa.*, Docket No. R-2022-3032167, 2023 PA. PUC LEXIS 173 at *27 (Order June 15, 2023) (tariff charge determined by the Commission to not be necessary for the provision of service should have been included “below the line,” despite providing service which is desirable for some consumers, and could not be included in rates); *cf. Pa. PUC v. Pa.-American Water Co.*, Docket No. R- 00038304, 2003 Pa. PUC LEXIS 498 (Order Nov. 26, 2003) at *145 (charitable contributions which the Commission lacks authority to order a public utility to make are properly considered “below the line” for ratemaking purposes, even if such contributions may provide benefits to some ratepayers).

¹⁰⁵ UGI M.B. at 70.

¹⁰⁶ *Columbia 2025 Order* at 157-158.

¹⁰⁷ OCA Corrected St. 2 at 46.

The OCA maintains that ratepayers must not be required to pay a single penny for UGI's lobbying and other political actions.¹⁰⁸ The OCA provided substantial record evidence that UGI's claimed expenses relating to EEI and EAP should be excluded from rates and UGI's decreased by \$51,770.¹⁰⁹ Thus, the OCA provided substantial record evidence in its main brief that UGI's EEI and EAP expense should be excluded from rates resulting in a decrease of \$51,770.¹¹⁰

VII. TAXES

A. Accumulated Deferred Income Taxes

UGI correctly asserts that the calculation of Accumulated Deferred Income Taxes (ADIT) are not disputed in this case.¹¹¹ However, UGI did not include changes to ADIT based on OCA witness Garren's recommendation to depreciation.¹¹² If the Commission adopts the OCA's depreciation adjustment the accompanying adjustment to UGI's ADIT is a reduction of \$427,174.¹¹³

VIII. RATE OF RETURN

B. Introduction

In its Main Brief, the OCA demonstrated that the Commission should reject UGI's proposed return on equity (ROE) of 10.85% because it is excessive and unsupported by record evidence.¹¹⁴ Throughout this proceeding, UGI has failed to provide substantial record evidence to support its request.

¹⁰⁸ OCA M.B. at 56.

¹⁰⁹ OCA M.B. at 56.

¹¹⁰ OCA M.B. at 56.

¹¹¹ UGI. M.B. at 70-71.

¹¹² *Id.*

¹¹³ OCA Corrected St. 2 at 16, *see also* OCA Sch. SR-DM-8.

¹¹⁴ OCA M.B. at 56-69.

Instead, OCA witness Garrett presented an objective equity analysis that demonstrates that a market-based cost of equity for Peoples is no higher than 8.7%.¹¹⁵ Similarly, in order to promote a fair authorized rate of return (ROR), the Commission should also reject UGI's proposed equity-rich ratemaking capital structure which consists of much higher amounts of high-cost equity than low-cost debt. As Mr. Garrett testified:

My capital structure adjustment simply aligns UGI's capital structure with the average capital structure of Mr. D'Ascendis's own proxy group. The average debt ratio of Mr. D'Ascendis's own proxy group is 58%. To accept a debt ratio less than this for the purpose of calculating the ROR essentially amounts to cherry-picking the metrics of the proxy group to obtain a more favorable ROR for the Company. This is because there is a direct relationship between risk and cost of equity. The more financial risk (or debt) a company has in its capital structure, it will have an increasing effect on its cost of equity. The fact that UGI has less debt in its capital structure relative to the proxy group is significant, and it means that UGI has less financial risk than the proxy group. Since we are obtaining all of the other metrics used to estimate UGI's cost of equity from the proxy group, it would be inaccurate to reject the capital structure of that same proxy group as part of the analyses.¹¹⁶

Mr. Garrett also proposed, in the alternative, that if the Commission accepts UGI's proposed ratemaking capital structure, then it should authorize an ROE of 8.00%.¹¹⁷

UGI cites *Bluefield* and *Hope*, arguing that under the constitutional standards UGI must receive a return "sufficient to assure confidence in the financial integrity of the enterprise".¹¹⁸ UGI's argument is misleading because it does not give the whole picture. The holding in *Hope* is not that a utility must be awarded excessive or even a high ROR. In *Hope*, the Court held:

Rates which enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed certainly cannot be condemned as invalid, even though they might produce only a **meager** return on the so-called "fair value" rate base.¹¹⁹

¹¹⁵ *Id.*

¹¹⁶ OCA St. 3SR at 3.

¹¹⁷ OCA St. 3 at 3.

¹¹⁸ UGI M.B. at 73-74; citing *Fed. Power Com. v. Hope Nat. Gas Co.*, 320 U.S. 591, 605, 64 S. Ct. 281, 289 (1944) (*Hope*).

¹¹⁹ *Hope* at 605 (emphasis added).

In *Hope*, the Commission found Hope Natural Gas' requested 8% ROR to be unreasonable and ordered Hope's ROR be 6.5%.¹²⁰ The Commission in *Hope*, determined that a ROR of 6.5% would maintain the financial integrity of the company and considered factors including the financial history of Hope Natural Gas Co., the financial data of Hope's industry, and the financial history of Hope, and general economic conditions.¹²¹

In this proceeding, the OCA presented substantial record evidence that the economic conditions weigh in favor of a general rate denial or, in the alternative, weigh in favor of a lower than requested ROE.¹²² In this proceeding the OCA presented substantial record evidence that UGI's overall ROR should be 6.65%.¹²³ Similar to *Hope*, the OCA presented substantial record evidence on UGI's previous financial history.¹²⁴ OCA witness Deupree testified that "since 2018, Company revenues have increased by more than 57.80 percent in just seven years, 5 averaging nearly 8.26 percent per year."¹²⁵ Lastly, UGI has failed to present substantial record evidence that if its rate request were denied entirely that it would fall into financial ruin. In all actuality UGI's financial metrics are such that it has become the target of being acquired by Argo at a premium.¹²⁶

The OCA requests this Commission to look at the substantial record evidence presented by the OCA showing that first, UGI is entitled to no increase based on general economic conditions presented by OCA witness Deupree. In the alternative, if the Commission determines UGI is entitled to some level of increase, UGI should not be allowed to earn a ROE higher than 8.7 percent based on the substantial record evidence presented by the OCA in its Main Brief.¹²⁷ As such, the

¹²⁰ Hope at 599.

¹²¹ Hope at 604.

¹²² See generally OCA Corrected St. 1.

¹²³ OCA M.B. at 57

¹²⁴ OCA Corrected St. 1 at 6-7

¹²⁵ OCA Corrected St. 1 at 7.

¹²⁶ Tr. At 217.

¹²⁷ OCA M.B. at 56-69

Commission should reject UGI's excessive 10.85% ROE and adopt the OCA's reasonable, market based 8.7% ROE along with a fair capital structure because it is the only ROE and capital structure proffered in this proceeding which will produce just and reasonable rates.

C. UGI's Proposed Capital Structure Must be Rejected Because it Will Produce Unjust and Unreasonable Rates.

UGI erroneously states that the Commission has recently affirmed that a utility's actual capital structure is to be used, absent circumstances where the actual capital structure is atypical for the type of utility service being offered.¹²⁸ UGI cites to the recent *PAWC 2026* order, however, in *PAWC 2026* the Commission rejected PAWC's proposed capital structure. In *PAWC 2026*, PAWC requested a 56.31% common equity 0.01% preferred stock, and 43.68% capital structure.¹²⁹ The Commission rejected PAWC's capital structure and ordered PAWC to have a 55.00% common equity, 0.01% preferred stock, and 44.99% long-term debt capital structure as proposed by I&E.¹³⁰ Further, UGI's argument ignores the statement of Vice Chair Barrow that was made at the time this matter was suspended for investigation.¹³¹ In that statement, Vice Chair Barrow stated:

I urge 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. Deviations in each of these items translate into millions of dollars charged to customers of all rate classes. Too often, the relationship between debt and ROE to cost of debt and capital is asserted as a general matter from basic economic principle alone. However, those relationships are not established empirically and left for the Commission to assume the relationship without any supporting data. Therefore, I believe a careful and detailed review of UGI's claimed capital structure and ROE is warranted.¹³²

¹²⁸ UGI. M.B. at 79.

¹²⁹ PAWC 2026 order at 183-186.

¹³⁰ *Id.*

¹³¹ I&E Exh. 2, Sch. 2, at 1.

¹³² I&E Exh. 2, Sch. 2, at 1.

The OCA has provided just that a “careful and detailed review” of UGI’s claimed capital structure through the testimony of Mr. Garrett to “ensure reasonableness” of “millions of dollars charged to customers of all rate classes,” as the Vice Chair requested.¹³³

OCA witness Garrett highlighted the importance of a fair capital structure when he testified:

In order to promote a fair authorized 1 rate of return, the Commission should also reject UGI’s proposed ratemaking capital structure, which consists of 45.75% debt and 54.25% equity (I refer to the rounded figures of 46% and 54% throughout in my testimony). The Company’s proposed, equity-rich capital structure consists of much higher amounts of high-cost equity rather than low-cost debt, which contributes to an excessive authorized rate of return. By comparison, UGI’s proposed debt ratio is much lower than its parent company’s debt ratio, the average rate of the proxy group, and debt ratios observed in comparable industries in the U.S. I propose a ratemaking capital structure for the Company that is equal to the proxy group average, which consists of 58% debt and 42% equity.¹³⁴

UGI relies exclusively on the argument that its capital structure is within the range of capital structures presented in the proxy group.¹³⁵ The OCA presented substantial record evidence that there are more factors to consider when determining an appropriate capital structure for UGI that will result in just and reasonable rates.¹³⁶ For example, the OCA presented substantial record evidence that UGI’s proposed capital structure will harm ratepayers through the concept of double leveraging which unreasonably profits UGI’s parent company at the expense of UGI ratepayers in Pennsylvania.¹³⁷ This is done by the process of UGI’s parent company using debt to finance UGI’s “equity” resulting in shareholders of the parent company receiving a high-cost equity return on

¹³³ I&E Exh. 2, Sch. 2, at 1.

¹³⁴ OCA St. 3 at 3.

¹³⁵ UGI M.B. at 79-85.

¹³⁶ OCA M.B. at

¹³⁷ OCA M.B. at 61-62

low-cost debt.¹³⁸ This is highlighted by the fact that UGI's parent company earned a ROE in 2025 of 15.2%.¹³⁹

The OCA presented substantial record evidence that the Commission, standing in the place of competition, must ensure that UGI has enough low-cost debt instead of high-cost equity.¹⁴⁰ A process where shareholders of UGI's parent company send debt down to the subsidiary level, in this case UGI, then call it equity and receive a high equity return on it cannot be described as fair.¹⁴¹ If the Commission's goal is to produce just and reasonable rates, as it must be, ensuring the negative effects of double leveraging are minimized must be of utmost importance.

As such, UGI has failed to meet its burden of proof that its proposed capital structure of 45.75% debt and 54.25% equity will produce just and reasonable rates. Merely alleging that it falls within the range of the proxy group is not enough. Rather, the OCA considered the statement of Vice Chair Barrow at the outset of the proceeding and presented substantial record evidence that UGI's capital structure for ratemaking purposes should consist of 58% debt and 42% equity.

D. Proxy Group

OCA witness Garrett used the same proxy group presented by UGI.

E. Cost of Long-Term Debt

OCA witness Garrett uses the same long-term debt rate of 5.17% as UGI.

F. A Reasonable ROE for UGI is 8.7%.

UGI argues that a reasonable ROE would fall within a range of 10.63% to 12.17%.¹⁴² This range is misleading for many reasons. First, the OCA cannot think of a time in recent memory where this Commission authorized a ROE above 10.63% which represents the bottom of UGI's

¹³⁸ *Id.*

¹³⁹ *Id.*

¹⁴⁰ OCA M.B. at 61

¹⁴¹ *Id.*

¹⁴² UGI M.B. at 87.

identified range. The Commission most recent decision in *PAWC 2026* authorized a ROE of 9.55% which is over one hundred basis points lower than the bottom of UGI's proposed range.¹⁴³ This alone is enough to conclude that UGI's proposed ROE calculations are unreasonable and unsupportable. Even UGI does not believe their range is reasonable by requesting a ROE of 10.85% which is close to the bottom of the calculated range.¹⁴⁴

UGI claims that OCA witness Garrett's use of a perpetual growth rate of 3.8% in his Discounted Cash Flow (DCF) analysis is flawed.¹⁴⁵ UGI argues that using the nominal Gross Domestic Product (GDP) growth rate is not specific enough to UGI. However, the OCA provided substantial evidence that a growth rate of 3.8% is reasonable. OCA witness Garrett testified:

Utilities are fundamentally very low growth companies. In more than 10 years of testifying as an expert witness, I have never seen a historical or projected annual customer or demand growth rate over a 10-year period that exceeded the long-term U.S. GDP growth rate.¹⁴⁶

OCA witness Garrett further explained that UGI's claim about the need to account for firm specific risk is misleading when he testified:

[I]t is important to begin the analysis of UGI's growth rate with this simple, qualitative question: how is this regulated utility going to achieve a sustained growth in earnings? If this question were asked of a competitive firm, there could be several answers depending on the type of business model, such as launching a new product line, franchising, rebranding to target a new demographic, or expanding into a developing market. Regulated utilities, however, cannot engage in these potential growth opportunities.¹⁴⁷

Utility companies are mature, low-growth firms.¹⁴⁸ UGI has a fixed service territory and defined by the Commission which further limits new "customers". A well understood economic

¹⁴³ *PAWC 2026* at 45.

¹⁴⁴ UGI M.B. at 87.

¹⁴⁵ UGI M.B. at 101.

¹⁴⁶ OCA St. 3SR at 7.

¹⁴⁷ OCA St. 3 SR at 7.

¹⁴⁸ OCA St. 3 at 24.

principle is that for mature companies, such as utilities, the terminal growth rate should not exceed nominal GDP growth.¹⁴⁹ The OCA presented substantial record evidence that the long-term forecast for nominal U.S. GDP growth is 3.8%.¹⁵⁰ The Commission therefore, cannot rule a ROE is just and reasonable if the growth rate in the underlying calculations used a growth rate higher than 3.8% because a reasonable ROE must be calculated in line with well understood economic principles. As such, the OCA presented substantial record evidence that the methodology employed by OCA witness Garrett is the only ROE which can produce a just and reasonable rate.

Next, UGI argues that the OCA witness Garrett's capital asset pricing model (CAPM) is flawed because OCA witness garret did not also calculate an ECAPM.¹⁵¹ UGI also argues that OCA witness Garrett's reliance on expert surveys necessitate disregarding his analysis.¹⁵²

First, the OCA can point to no statute or Commission regulation which necessitates the use of the ECAPM. UGI's position that the OCA's CAPM analysis is flawed because it did not perform an analysis not required and not often used by this Commission is illogical and unsound ratemaking. To UGI's second point the OCA presented substantial record evidence that relying on expert surveys is reasonable.¹⁵³ OCA witness Garrett testified:

In criticizing these sources for the ERP, Mr. D'Ascendis compares the ERP estimates from these sources with actual market returns. The main problem with this argument is that the ERP is not supposed to be a prediction of market returns. Market returns will naturally fluctuate (often widely) from year to year, as shown in the table in Mr. D'Ascendis's testimony. However, ERP estimates based on the additional risk of equity securities do not fluctuate widely from year to year in an established economy. The same criticism Mr. D'Ascendis is raising against the objective source of the ERP could be used with his own ERP estimates. Though they are consistently very high, they do not fluctuate widely from year to year based on my experience. If Mr. D'Ascendis's logic were to be followed, one might think an accurate ERP estimate in 2022 would have been negative, since the actual

¹⁴⁹ OCA St. 3 at 28

¹⁵⁰ *Id.*

¹⁵¹ UGI M.B. at 103.

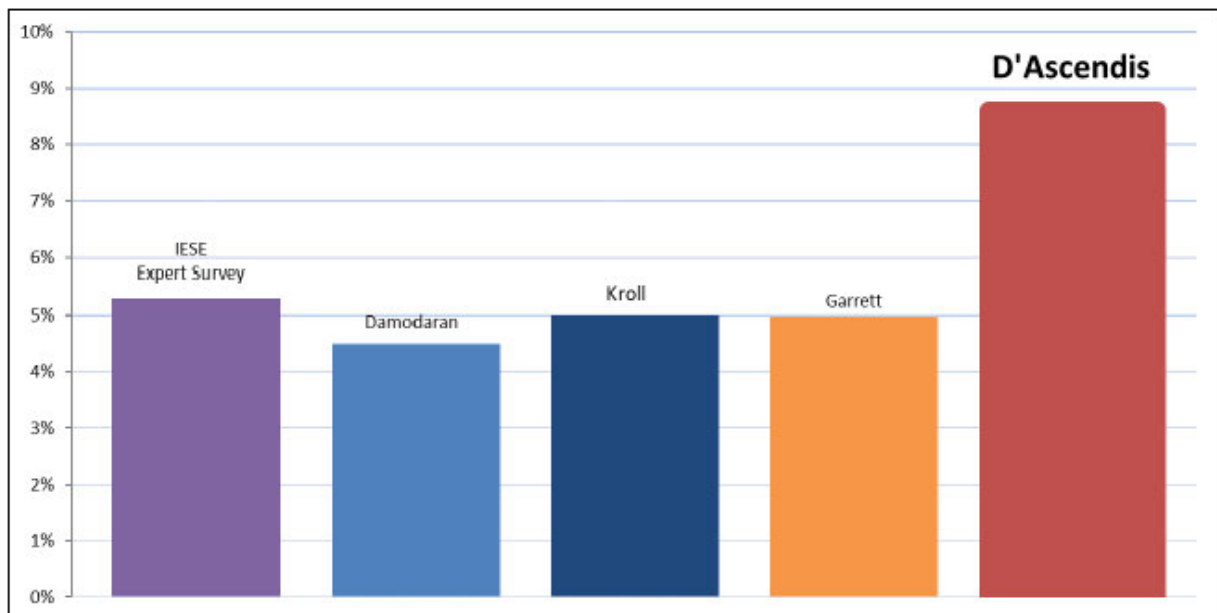
¹⁵² *Id.*

¹⁵³ OCA M.B. at 66-69.

market return were negative. Of course, it is impossible for an ERP estimate to ever be negative. Mr. D'Ascendis's arguments on this issue are confusing, at best.¹⁵⁴

The reasonableness of OCA witness Garrett's calculated ERP of 4.9% is demonstrated through the following graph.

**Figure 2:
Equity Risk Premium Comparison**



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Thus, it is UGI's ERP calculations which are flawed when compared against I&E, OCA, and other leading experts. As such, UGI's claim that OCA witness Garrett's CAPM analysis is flawed is without merit and should be ignored. The OCA requests this Commission to look at the substantial record evidence presented by the OCA showing that first, UGI is entitled to no increase based on general economic conditions presented by OCA witness Deupree. In the alternative, if the Commission determines UGI is entitled to some level of increase, UGI should not be allowed

¹⁵⁴ OCA St. 3SR at 11-12.

¹⁵⁵ OCA St. 3SR at 10.

to earn a ROE higher than 8.7 percent based on the substantial record evidence presented by the OCA in its Main Brief.¹⁵⁶ As such, the Commission should reject UGI's excessive 10.85% ROE and adopt the OCA's reasonable, market based 8.7% ROE along with a fair capital structure because it is the only ROE and capital structure proffered in this proceeding which will produce just and reasonable rates.

IX. RATE STRUCTURE AND RATE DESIGN

In its Main Brief, the OCA recommends that the Commission adopted its proposed alternative allocated cost of service study (ACOSS) methodology; resulting revenue allocation, including a gradualism constraint of 1.15 times the system average increase; reject UGI's proposed residential customer charge increase; and include customer charges in any scale back of rates included in authorization of a revenue requirement of less than UGI's initial proposal.¹⁵⁷ UGI's arguments regarding the OCA's recommendations are inconsistent with the Commission's prior orders and the factual record developed in this case.¹⁵⁸ As a result, the OCA maintains its recommendations as supported by law and fact, and respectfully requests that UGI's arguments be given little weight, as – if adopted – they would result in unjust and unreasonable rates.

A. Cost of Service Study

The OCA presents an alternative ACOSS methodology which allocates the costs of primary and secondary distribution plant on a 100% demand basis.¹⁵⁹ The OCA disputes the Company's reliance on a minimum system study (MSS) ACOSS methodology, which inappropriately includes a customer component in the allocation of the costs of primary and

¹⁵⁶ OCA M.B. at 56-69

¹⁵⁷ OCA M.B. at 69-83.

¹⁵⁸ UGI M.B. at 104-29.

¹⁵⁹ OCA M.B. at 69-76; OCA Corrected St. 1 at 29-35; OCA St. 1SR at 8-12. By "primary and secondary distribution plant," the OCA refers to plant recorded in accounts 364 (Poles, Towers, and Fixtures), 365 (Overhead Conductors and Devices), 367 (Underground Conductors and Devices), and 368 (Transformers). OCA M.B. at 70, n. 370; OCA Corrected St. 1 at 29.

secondary distribution plant in spite of the lack of correlative evidence between the number of customers connected to UGI's system and the Company's investment in such plant.¹⁶⁰ UGI maintained that its MSS methodology is appropriate because the Commission has previously relied upon an MSS ACOSS in prior cases, a 100% demand allocation results in higher costs to larger customers, certain treatises recognize a customer component to primary and secondary distribution plant, and a dispute over whether OCA witness Deupree demonstrated that primary and secondary distribution costs do not vary directly with the number of customers.¹⁶¹ UGI's arguments do not accurately describe prior Commission orders or the record evidence in this proceeding and, as a result, should be given little weight.

First, while the Commission has previously utilized an MSS ACOSS methodology in order to allocate revenue, the Commission has clarified that the correct ACOSS methodology for a particular rate case is selected based on the record evidence presented in that case.¹⁶² Specifically, the Commission has found that "the inherent distinctions between utilities *and rate cases* may result in different methodologies to be reasonable for different reasons. In other words, the best-suited ACCOSS may depend on the circumstances of the situation on a case-by-case basis."¹⁶³ UGI neglected to mention this clear direction from the Commission.¹⁶⁴ The OCA's recommendation is specific to the facts of this case, and UGI bears the burden of proving that the MSS method is appropriate for purposes of cost allocation and rate design based on the record before the Commission. UGI has failed to meet its burden, and sufficient record evidence permits

¹⁶⁰ OCA M.B. at 69-70; OCA Corrected St. 1 at 34; OCA Exh. MWD-2.

¹⁶¹ UGI M.B. at 107-13.

¹⁶² *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2022-3031211, Order at n.30 (Dec. 8, 2022).

¹⁶³ *Pa. PUC v. PECO Energy Co.*, 2021 Pa. PUC LEXIS 241, *120 (Order June 22, 2021) (*PECO Gas 2021*) (emphasis added).

¹⁶⁴ UGI M.B. at 105, 110.

the Commission to distinguish this case from its prior orders permitting the use of the MSS method.¹⁶⁵

Second, UGI's results-based analysis of the OCA's alternative ACOSS methodology emphasizes impact on high demand customer classes without considering the impact of its own methodology on low demand customer classes, including residential and small business customers.¹⁶⁶ Namely, the MSS method fails to recognize factors that can affect customer connection costs, such as the size of UGI's service territory or its population density.¹⁶⁷ OCA witness Deupree explains:

The incremental cost of constructing an appropriate distribution system to serve an additional customer within an urban area with existing nearby infrastructure is substantially less than the cost to extend an existing utility system by potentially miles to serve an additional customer located in a rural area, a fact inherently ignored by MSS and zero-intercept methodologies.¹⁶⁸

Overlooking or oversimplifying factors such as population density – as UGI's proposed MSS does – overstates costs to residential and small commercial customers and understates costs to larger commercial and industrial customers. Even though the OCA's proposed ACOSS methodology may allocate more costs to higher demand customer classifications, it doing so is not inconsistent with principles of cost causation but, rather, recognizes different system design factors. This principle is illustrated by the addition of a hypothetical, no-load customer to UGI's system where secondary distribution plant has already been installed: no investment would be required in

¹⁶⁵ OCA M.B. at 71-72; *Bell Atl. – Pa., Inc. v. Pa. Pub. Util. Comm'n*, 672 A.2d 352, 354 (Pa. Cmwlth. 1995) (administrative agencies are not bound by the rule of *stare decisis*, but are, instead, tasked with rendering consistent opinions that affirm, overrule, or distinguish prior opinions); *Pa. PUC v. Pa.-American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 228 (July 27, 2026) (“Prior acceptance of a cost of service methodology may be relevant background, but it does not freeze that methodology in place or relieve [the utility] of its burden to support the continued use of” that methodology).

¹⁶⁶ UGI M.B. at 110-11.

¹⁶⁷ OCA Corrected St. 1 at 32.

¹⁶⁸ OCA Corrected St. 1 at 32.

upstream facilities, even though a new customer would be connected.¹⁶⁹ UGI's argument regarding overstating costs to large commercial and industrial customers because of the choices made in designing its ACOSS proposal is, therefore, inconsistent with its statement that "cost allocation remains an inexact science, and there is no single correct cost allocation methodology."¹⁷⁰

Third, UGI omits from its discussion of treatises on cost allocation methodologies an important component: the National Association of Regulatory Utility Commissions and Dr. James Bonbright both emphasize that the MSS method fails to adequately capture the minimum load carrying capability of primary and secondary distribution plant.¹⁷¹ As Mr. Deupree stated:

The NARUC Cost Allocation Manual, however, does recognize that a common complaint is that the MSS approach specifically will disproportionately allocate demand-related cost since the approach fails to recognize that minimum-sized distribution equipment has a certain load-carrying capability, resulting in customers receiving a second layer of demand costs mislabeled as customer costs.¹⁷²

As a result, UGI's blanket assertion that primary and secondary distribution plant contains customer costs¹⁷³ fails to capture the nuanced criticisms of the MSS methods referenced by OCA witness Deupree regarding the theoretical weakness of the MSS method. In comparison to the demand-based allocation supported by Mr. Deupree, UGI's proposed MSS ACOSS requires too much analyst discretion to control for the minimum load carrying capability of primary and secondary distribution plant and consider the unique characteristics of the Company's service territory, including population density.¹⁷⁴ Slight errors in analysis can result in significant cost impacts to UGI's customers.

¹⁶⁹ Tr. 242-44.

¹⁷⁰ UGI M.B. at 109.

¹⁷¹ Compare UGI M.B. at 111-12 with OCA St. 1SR at 9-10 (*quoting* Electric Utility Cost Allocation Manual (January 1992), NARUC at ii; James C. Bonbright, et al., *Principles of Public Utility Rates*, 1988 Edition. Arlington, VA: Public Utilities Reports, Inc. at 491-92).

¹⁷² OCA St. 1SR at 9.

¹⁷³ UGI M.B. at 111-12.

¹⁷⁴ OCA M.B. at 72-73; OCA St. 1SR at 8-10.

Fourth, UGI's criticisms of OCA witness Deupree's analysis of the correlation between UGI's customer count and investment in distribution plant are addressed in full by Mr. Deupree's testimony.¹⁷⁵ Namely, Mr. Deupree examined the correlation over the past 10 years between changes in UGI's customer base and net additions to distribution plant, instead of examining the correlation between the change in the number of customers and net plant additions in any individual year.¹⁷⁶ UGI's argument – that Mr. Deupree's analysis does not account for long-term investment in primary and secondary distribution plant, including investment which may be implemented through large, discrete projects – results from a misreading of Mr. Deupree's analysis.¹⁷⁷ Further, Mr. Deupree did not purport to demonstrate primary and secondary distribution investment is not driven by multiple factors; rather, OCA witness Deupree presented that there is a lack of a statistically significant correlation between growth in primary and secondary distribution investment and the change in UGI's customer base.¹⁷⁸ If customer interconnections were a driver of UGI's costs, then there would be a “discernable empirical relationship between changes in Company customer counts and Company investments into distribution plant Accounts 364-368.”¹⁷⁹

Ultimately, UGI conflates the critical question before the Commission in this proceeding, not whether customer counts are relevant to some portion of UGI's primary and secondary distribution facilities, but, instead, whether UGI's proposed MSS accurately reflects the portion of customer-related costs for UGI's primary and secondary distribution facilities. According to Mr. Deupree: “The MSS approach is fundamentally flawed and provide[s] little to no value as to the

¹⁷⁵ UGI M.B. 112; OCA M.B. at 73-74; OCA St. 1SR at 11.

¹⁷⁶ OCA M.B. at 74. OCA Exh. MWD-2.

¹⁷⁷ Compare UGI M.B. at 112 with OCA Exh. MWD-2.

¹⁷⁸ OCA Exh. MWD-2; OCA St. 1SR at 11.

¹⁷⁹ OCA St. 1SR at 11.

just and reasonable setting of rates. Research has shown this method is flawed, and some state regulatory Commissions have gone so far as to expressly reject its use.”¹⁸⁰ Based on the record evidence before the Commission in this case, UGI’s proposed MSS, if used for revenue allocation purposes, would not result in just and reasonable rates: the MSS method fails to adequately account for the unique design and buildout of UGI’s distribution system, as demonstrated by its recent history. As a result, the Commission should assign little weight to UGI’s arguments and adopt the OCA’s proposed alternative ACOSS which uses a 100% demand allocation for the cost of primary and secondary distribution plant.¹⁸¹

B. Revenue Allocation

The OCA makes two independent recommendations regarding revenue allocation in this proceeding: (1) that the Commission adopt the revenue allocation based on its alternative ACOSS methodology, and (2) that the Commission apply a gradualism ceiling of 1.15 times the system average increase when allocating revenue.¹⁸² UGI argued that its proposed revenue allocation is reasonable.¹⁸³ UGI’s arguments are inconsistent with record evidence and should be given little weight.

The Commission should affirmatively reject the Company’s repeated, deliberately misleading statement that the OCA’s proposed revenue allocation moves customer classes away from the classes’ indicated cost of service because it is inconsistent with the nature of the OCA’s proposed revenue allocation.¹⁸⁴ The OCA’s proposed revenue allocation is based in its alternative ACOSS methodology, *not* in the Company’s proposed MSS.¹⁸⁵ UGI omits this critical point of

¹⁸⁰ OCA Corrected St. 1 at 35.

¹⁸¹ OCA M.B. at 76; OCA Corrected St. 1 at 36-40.

¹⁸² OCA M.B. at 76-78; OCA Corrected St. 1 at 37-40; OCA St. 1SR at 12-13.

¹⁸³ UGI M.B. at 113-17.

¹⁸⁴ UGI M.B. at 105, 114, 116.

¹⁸⁵ OCA M.B. at 76-77; OCA Corrected St. 1 at 39-40; OCA St. 1SR at 13.

distinction in its Brief.¹⁸⁶ Instead, UGI compares the results of the OCA's revenue allocation proposal with its revenue allocation proposal based on the findings of its MSS, *not* based on the OCA's alternative ACOSS recommendation.¹⁸⁷ Based on the results of the OCA's ACOSS recommendation, UGI's Flood Control Power (FCP) and Large Power rate classifications are substantially underearning their indicated cost of service, resulting in a greater revenue allocation, in comparison to UGI's proposed MSS, which indicates these classifications are overearning.¹⁸⁸

Applying UGI's logic, its proposed revenue allocation moves the FCP and Large Power rate classifications *away* from their indicated cost of service and, therefore, UGI's proposed revenue allocation is inconsistent with principles of cost causation.¹⁸⁹ However, this is a disingenuous, apples-to-oranges comparison.¹⁹⁰ Instead, the Commission should review a party's revenue allocation proposal in the context of the ACOSS methodology used for purposes of calculating classes' indicated cost of service. UGI's argument that the OCA's revenue allocation fails to comport with cost causation principles are, therefore, baseless, deeply flawed and inconsistent with the factual record.¹⁹¹

Based on the OCA's recommended ACOSS, its revenue allocation proposal moves classes towards their indicated class cost of service.¹⁹² UGI does not argue that the OCA's revenue

¹⁸⁶ UGI M.B. at 115-16.

¹⁸⁷ Compare UGI M.B. at 115-16 with OCA Exh. MWD-5.

¹⁸⁸ Compare OCA Exh. MWD-4 (providing UGI's proposed revenue allocation) with MWD -5 (providing the OCA's proposed revenue allocation).

¹⁸⁹ Compare OCA Exh. MWD-4 with MWD -5; *Lloyd v. Pa. PUC*, 904 A. 2d 1010, 1020 (Pa. Cmwlth. 2006).

¹⁹⁰ UGI goes so far as to claim that "OCA attempts to allocate revenues in a manner that ignores the cost to serve each class solely to allocate less of the proposed revenue increase to the residential class." UGI M.B. at 114. Again, applying UGI's logic, the OCA could argue that UGI's revenue allocation proposal ignores the cost to serve each class solely to allocate *more* revenue to the residential class, and less to its larger commercial and industrial classes. See OCA MWD-5 (demonstrating that the FCP and Large Power customer classifications significantly underearn their indicated costs of service). However, the OCA does not make this argument because it would be misleading.

¹⁹¹ UGI M.B. at 105, 114, 116. Notably, UGI specifically recognizes that the OCA's revenue allocation proposal is consistent with its proposed ACOSS. UGI M.B. at 115 ("OCA's revenue allocation was based on OCA's alternative ACOSS"). UGI does not clarify this inconsistency in its Brief.

¹⁹² OCA Exh. MWD-5.

allocation proposal is inconsistent with cost causation principles *when viewed in the context of the OCA's ACOSS proposal*.¹⁹³ Therefore, the OCA's approach is consistent with principles of cost causation and is reasonable if the Commission adopts the OCA's proposed ACOSS methodology.¹⁹⁴

UGI fails to adequately address the OCA's proposed gradualism constraint of 1.15 times the system average increase in its Brief.¹⁹⁵ To the extent that UGI's conclusory averment that its proposed revenue allocation "maintain[s] reasonable rate stability across customer classes" is intended to argue that UGI's proposed revenue allocation is consistent with rate gradualism, the Company's proposal set forth in testimony fails to do so.¹⁹⁶ UGI witness Fang did not opine that the OCA's proposed gradualism constraint is unreasonable.¹⁹⁷ The OCA and OSBA agreed that, due to the significant amount of revenue that UGI proposes to allocate to the residential and small commercial classes in this proceeding, over 95% of the total overall revenue increase, the Commission should adopt a gradualism ceiling of 1.15 times the system average increase.¹⁹⁸

Therefore, for these reasons and those set forth in the OCA's Main Brief, the Commission should adopt the OCA's recommended revenue allocation proposal, and, whether the Commission adopts the OCA's recommended ACOSS or UGI's proposed ACOSS, it should apply a gradualism constraint of no more than 1.15 times the system average increase in this proceeding.¹⁹⁹ Other than disagreeing with the OCA's recommended, 100% demand allocation for the costs of primary and secondary distribution plant, UGI did not submit testimony against either of these recommendations. The Company's argument that the OCA's proposed revenue allocation is

¹⁹³ UGI M.B. at 113-17.

¹⁹⁴ *Lloyd*, 904 A.2d at 1020.

¹⁹⁵ UGI M.B. at 113-17.

¹⁹⁶ UGI M.B. at 115.

¹⁹⁷ UGI St. 11-RJ at 6.

¹⁹⁸ OCA M.B. at 77-78; OCA Corrected St. 1 at 39-40; OCA St. 1SR at 12-13; OSBA St. 1-R at 2:10-12.

¹⁹⁹ OCA M.B. at 76-78; OCA Corrected St. 1 at 37-40; OCA St. 1SR at 12-13.

inconsistent with cost causation is meritless, based on an inappropriate comparison between the results of the OCA's recommended revenue allocation and the costs of service indicated by its proposed ACOSS, and should be affirmatively rejected as results-based and not based in fact.

C. Rate Design and Customer Charges

The OCA recommends that the Commission reject UGI's proposal to increase the residential customer charge by 104.7%, from \$10.75 to \$22.00, or by \$11.25.²⁰⁰ In its Main Brief, the OCA argues that UGI's proposal threatens to create rate shock, deprive customers of the ability to control their bills through usage reduction,²⁰¹ disproportionately negatively impact low-income customers,²⁰² and position UGI as having one of the highest customer charges in the region.²⁰³ UGI argues that its proposed customer charge increase is supported by its customer charge analysis, still permits customers to lower bills through conservation, and addresses bill stability.²⁰⁴

First, while UGI references OCA witness Deupree's customer cost analysis, it omits the critical conclusion reached by Mr. Deupree: UGI already recovers enough of its customer costs through its current customer charge.²⁰⁵ In other words, the Company's current recovery of projected customer-related costs "do[es] not demonstrate a need to increase residential and general service customer charges on a cost-causation basis."²⁰⁶ Furthermore, the Company's reliance on its prior rate case filings' indicated customer-related costs does not reflect the actual customer costs associated with the rate base, expense, return on equity, and capital structure ultimately

²⁰⁰ OCA M.B. at 78-82; OCA Corrected St. 1 at 42-51; OCA St. 1SR at 15.

²⁰¹ OCA Corrected St. 1 at 46-49.

²⁰² OCA Corrected St. 1 at 49-50.

²⁰³ OCA Corrected St. 1 at 45; OCA Exh. MWD-3.

²⁰⁴ UGI M.B. at 121-27.

²⁰⁵ *Compare* UGI M.B. at 121-22 with OCA M.B. at 79 and OCA Corrected St. 1 at 44.

²⁰⁶ OCA Corrected St. 1 at 44.

approved by the Commission.²⁰⁷ Without knowing the *actual* customer costs, as indicated by prior Commission order, the Company’s comparison table is without value to the Commission.

Second, as described in full in the OCA’s Main Brief, the Commission should consider the portion of a customer’s bill occupied by the customer charge when considering the impact of a customer charge increase on customer conservation.²⁰⁸ Even though the majority of a residential customer’s bill would be usage-based, the preservation of existing usage-based price signals is essential to ensure residential customers’ incentives to conserve and invest in energy efficiency improvements are maintained.²⁰⁹

Third, the Company’s customer charge increase deprives customers of the opportunity to elect the extent to which they wish to pursue flatter seasonal bills.²¹⁰ If the Company wishes to encourage households to better address seasonal bill variations, UGI “should engage in a more aggressive marketing of budget billing, particularly to customers (low-income and not) who experience payment difficulties.”²¹¹ However, “improved bill stability” is not a substitute for addressing affordability concerns that result from rate design, but a tool that customers should have the option to utilize if it is best for their circumstances.

OCA witness Deupree found that low-income customers tend to be low usage customers because – with the exception of households earning less than \$5,000 per year – the United States Energy Information Administration’s Residential Energy Consumption Survey results

²⁰⁷ UGI M.B. at 123. For example, in *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058, Order (Oct. 25, 2018) (*UGI Elec. 2018*), the Commission approved a residential customer charge of \$14.00, which was scaled back to the authorized customer charge of \$8.74. *UGI Elec. 2018* at 173-76.

²⁰⁸ OCA M.B. at 80; OCA Corrected St. 1 at 46.

²⁰⁹ OCA M.B. at 80; OCA Corrected St. 1 at 46 (UGI’s proposal “reduces economic incentives for ratepayers to control monthly utility bills through energy efficiency and conservation efforts, because only the variable component of bills is avoidable.”).

²¹⁰ OCA M.B. at 81.

²¹¹ OCA Corrected St. 6 at 38.

demonstrate that, as household income increases, so too does household energy usage.²¹² The Company's responsive analysis utilized too small of a sample size, restricted to only confirmed low-income customers²¹³, instead of all customers who may be subject to affordability pressures.²¹⁴ As the Commission recognized in *PAWC 2026*, affordability is not an issue that is solely the province of the poor.²¹⁵ This is why Mr. Deupree found that the Company's testimony attempting to break the well-established connection between low-income and low usage households "represents an incomplete analysis of the relationship between household income and electric consumption."²¹⁶ As a result, low usage customers, who are disproportionately low-income customers,²¹⁷ will face a higher energy burden under the Company's proposal than under the current customer charge or a customer charge increase which would occupy the same proportion of a customer's monthly bill.²¹⁸

For these reasons, the arguments made by UGI in its Main Brief do not adequately address the significant evidence that the Company's proposed residential customer charge increase would have significant impacts on rate gradualism, customers' incentives to conserve electricity, and customer affordability.²¹⁹ As a result, the Commission should assign little weight to the Company's arguments, and reject its proposed residential customer charge increase because the Company failed to meet its burden of proof that an increased residential customer charge would result in just and reasonable rates.

²¹² OCA M.B. at 81; OCA Corrected St. 1 at 50.

²¹³ The OCA made recommendations regarding how the Company can improve confirming the low-income status for its low-income residential customers, indicating that the pool of confirmed low-income customers is under-representative of the Company's actual low-income customer base. *See* OCA M.B. at 129-34.

²¹⁴ UGI M.B. at 125-26.

²¹⁵ *PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 36 (July 27, 2026).

²¹⁶ OCA St. 1SR at 16.

²¹⁷ OCA St. 1SR at 15.

²¹⁸ OCA M.B. at 81; OCA Corrected St. 1 at 49-51.

²¹⁹ OCA M.B. at 78-82; OCA Corrected St. 1 at 42-51; OCA St. 1SR at 13-16.

D. Scale Back

The OCA recommends that the Commission adopt I&E witness Cline's proposal to include customer charges in the scale back adopted by the Commission when it adopts a lower revenue requirement than requested by UGI.²²⁰ UGI argues that customer charges should be excluded from the scale back because its customer charge proposals are below the level of costs indicated by its customer cost analysis.²²¹ The Company's argument is inconsistent with recent Commission orders which included customer charges in the scale back of revenue allocations.²²² Furthermore, the Commission's adjustments to the Company's claimed rate base, expenses, return on equity, and/or capital structure bear directly on the indicated customer-related costs in its customer cost analysis; as a result, a scale back is appropriate to reflect the changes to customer-related costs associated with adjustments to the constituent component costs within the customer function.²²³ If customer charges are not included in a scale back, then the Commission would sever any purported cost causative basis for the requested customer charge. As a result, UGI's proposal to exclude customer charges from any scale back adopted by the Commission is inconsistent with prior Commission orders as well as any claim of a cost-based customer charge, and should be given little weight.

X. CUSTOMER AND QUALITY OF SERVICE

UGI argues that the majority of the OCA's recommendations should be rejected.²²⁴ However, the OCA's Main Brief demonstrated why each of the OCA's recommendations should be adopted by the Commission if it determines to grant UGI any rate increase.²²⁵

²²⁰ OCA M.B. at 82-83; I&E St. 3 at 12.

²²¹ UGI M.B. at 128-29.

²²² *Pa. PUC v. Columbia Gas of Pa., Inc.*, 2025 PA. PUC LEXIS 395, *174, 184 (Dec. 4, 2025) (*Columbia 2025*)

²²³ OCA M.B. at 82-83.

²²⁴ UGI M.B. at 129.

²²⁵ See generally OCA M.B. at 83-94.

A. The OCA’s recommendation that the Commission require UGI to meet its 2024-2025 call center performance standards if it grants a rate increase is supported by the record and should be adopted.

UGI argues that OCA witness Alexander’s recommendation that the Commission require UGI to meet its 2024-2025 call center performance standards if it grants a rate increase should be rejected because it is not supported by the record and because the Commission rejected a similar recommendation in the recent *Columbia Gas 2025* rate case.²²⁶ However, the Commission, in *Columbia 2025*, “was swayed by the testimony ... describing the measures taken by the Company since 2023 to improve its call center performance” and record evidence that the measures appeared to be working.²²⁷ Here, OCA witness Alexander described a significant deterioration with abandonment rates in multiple months and testified to her concern of customers receiving a range of experiences as a result of that deterioration and the fact that it is reasonable for the Commission to require UGI to evaluate and improve its performance during those months.²²⁸ UGI’s assertion that the OCA’s recommendation is not supported by the record is thus incorrect.

Moreover, although UGI asserts that it already submits metrics to demonstrate compliance against a standard,²²⁹ that “industry standard” or “benchmark” as noted by UGI is lower than its current performance,²³⁰ and therefore not an enforceable standard by which customers can be assured they will continue receiving the same or improved level of customer service performance as in recent years. As the OCA stated in its Main Brief, the Commission can and should require UGI to maintain its level of call center performance if it receives an increase.²³¹ If customers are

²²⁶ UGI M.B. at 130.

²²⁷ See OCA M.B. at 87; *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499 (Dec. 9, 2025), Opinion and Order at 310-11.

²²⁸ OCA M.B. at 86-87; OCA St. 5 (PUBLIC) at 14; OCA St. 5SR at 11-12.

²²⁹ UGI M.B. at 130.

²³⁰ UGI 13RJ at 2-3.

²³¹ OCA M.B. at 87-88.

being asked to pay more for service, they should also be assured that the customer service will, at a minimum, remain the same.

B. The OCA’s recommendations that UGI should develop and implement field agent training regarding customer rights and termination of service are supported by the record and should be adopted.

UGI argues that the OCA’s recommendations should be denied because field technicians are not trained as customer service representatives or to assess sensitive matters and are therefore not the appropriate resource. However, UGI witness Adamo also testified that its field technicians “are responsible for in-person contact and the physical termination of service in the field.”²³² As such, field technicians should be trained, at minimum, to recognize customers’ rights to be able to refer a customer to the appropriate resource, which is the purpose of the OCA’s recommendation.²³³ Moreover, the OCA does not need to establish that this additional measure “will improve outcomes for customers facing immediate termination” when this recommendation is to ensure that UGI is in full compliance with Chapter 56 requirements.²³⁴ The Commission should thus adopt the OCA’s recommendation on field agent training.

C. The Commission should adopt the OCA’s recommendation that UGI be required to further revise its written confirmations of customer payment arrangements.

In its Main Brief, the OCA recommended that UGI be required to further revise its written confirmations of customer payment arrangements to include a notice of customer rights.²³⁵ UGI did not address this recommendation in its Main Brief. Therefore, for all the reasons stated in the OCA’s Main Brief, the Commission should adopt the OCA’s recommendation.²³⁶

²³² See UGI St. 3R (PUBLIC) at 9-10.

²³³ OCA M.B. at 89-90; OCA St. 5 (PUBLIC) at 17-18; OCA St. 5SR at 12-13.

²³⁴ See OCA M.B. at 89-90; OCA St. 5 (PUBLIC) at 17-18.; 52 Pa. Code Ch. 56

²³⁵ OCA M.B. at 90-91.

²³⁶ OCA M.B. at 90-91; OCA St. 5 (PUBLIC) at 19.

D. The Commission should adopt the OCA’s recommendation for a more distinctive section of its website.

Although UGI argues that a more distinctive section of its website is unnecessary because more than sixty percent of the pages encompassed in its navigation structure apply to both natural gas and electric, it does not negate the fact that the landing page for UGI Utilities is dominated by information for its natural gas service customers.²³⁷ For the reasons stated in the OCA’s Main Brief, the Commission should adopt this recommendation.

E. The OCA’s recommendation that UGI provide additional electric supply shopping information to its residential customers is not unnecessary and should be adopted.

UGI argues that the OCA’s recommendations on additional communications around electric supply shopping (1) are “unnecessary and costly”; (2) are “problematic” because more directly linking the PTC and “Generation Charge” would conflict with the Commission’s regulations and reflects a misunderstanding of the PTC’s components; and (3) have been rejected by the Commission in the recent *Columbia 2025* case.²³⁸ First, UGI only provided estimated costs for providing more targeted alerts to customers who have selected an EGS—“[UGI] estimates that the IT costs to program a price to compare alert versus the customer’s current choice supplier rate would be approximately \$150,000.”²³⁹ It provides no testimony or basis for the estimates as to the cost for simply more directly linking the PTC and Generation Charge terms. Yet in its Main Brief, UGI lumps the recommendations together and then states that all the recommendations should be rejected as costly.²⁴⁰ Second, the record shows that the total amount of excess charges to customers, \$230,091 is more than what UGI states it would cost to provide more targeted communication.²⁴¹

²³⁷ OCA M.B. at 91; OCA St. 5 (PUBLIC) at 21; Exhibit BA-8.

²³⁸ UGI M.B. at 131-32.

²³⁹ UGI St. 13R at 6.

²⁴⁰ UGI M.B. at 131.

²⁴¹ OCA M.B. at 93; OCA St. 5SR at 14; OCA St. 5 (PUBLIC) at 21.

Viewed from that angle and in the full scope of the rate increase request, it is a *de minimus* cost that would help save ratepayers money.

Second, UGI raises for the first time during the proceeding, its argument that the OCA's recommendation to more directly link the PTC and Generation Charge would conflict with the Commission's regulations.²⁴² This argument does not appear in any testimony provided by UGI witness Adamo in either rebuttal or rejoinder such that OCA witness Alexander would have been able to respond. UGI's argument still fails to explain why more directly linking the terms so that customers are better able to understand what they should be comparing with the Price to Compare would conflict with Commission Regulations. Moreover, UGI witness Adamo states that "the Price to Compare is clearly defined on Page 2 of the bill for customers unfamiliar with the phrase."²⁴³ However, Price to Compare does not appear in the explanation of terms on the sample residential bill provided by UGI in discovery.²⁴⁴ The terms that do appear in that box include Distribution and Generation Charges.²⁴⁵

Third, the OCA's recommendation about more directly linking the terms on the customer bill were not at issue in the *Columbia 2025* case and should not be lumped in with the OCA's second recommendation regarding more targeted customer communications for those customers who have chosen an EGS.²⁴⁶ Moreover, in *Columbia 2025*, the Commission left for another time, the question of the merits of the arguments offered by the Parties.²⁴⁷ Although the Commission believes a separate proceeding would be more appropriate, it agrees that a base rate case is a proper venue to consider customer service issues.²⁴⁸ This is clearly a customer service issue that could be

²⁴² UGI M.B. at 131.

²⁴³ UGI St. 13RJ at 4.

²⁴⁴ See OCA Exhibit BA-6 (UGI response to OCA Interrogatory 3-7, attachment OCA3-7(e)).

²⁴⁵ *Id.*

²⁴⁶ *Columbia 2025* at 381-90.

²⁴⁷ *Id.* at 390.

²⁴⁸ *Id.* at 389.

addressed in a base rate proceeding because it is directly applicable to UGI's distribution services and affects the customers.²⁴⁹

XI. CUSTOMER ASSISTANCE PROGRAMS AND LOW-INCOME ISSUES

A. Affordability and UGI's Customer Assistance Program (CAP)

UGI argues that the utility programs and ratemaking are not intended to resolve all of the affordability pressures faced by customers.²⁵⁰ UGI also argues that because CAP enrollment is voluntary UGI is unable to solve on its own the issue that low-income customers are not enrolled in CAP.²⁵¹ By its own admission UGI recognizes that its CAP program is underenrolled and is unwilling to do anything about it.²⁵² However, the OCA provided substantial record evidence that UGI is able to enroll more of its low-income customer base in CAP through including plain language in their CAP notice for confirmed low-income customers.²⁵³

Further, UGI is missing the point on this issue. As OCA witness Colton testified:

Mr. Meilinger presents a red herring argument when he testified that the Commission should not be holding UGI Electric "solely accountable" for participation rates in assistance programs such as LIHEAP that are administered by the Commonwealth of Pennsylvania. Of course, no-one has proposed to hold UGI Electric accountable for the low participation rate in LIHEAP. Nonetheless, when UGI claims credit for LIHEAP participation, and the financial benefits provided by the federal government which UGI Electric has claimed to have facilitated, it is legitimate to question whether the Company is also creating barriers to LIHEAP participation. In all of the ways I identified in my Direct Testimony, none of which Mr. Meilinger disputed, the Company does, indeed, fail to do all it can, and does, indeed, create barriers.²⁵⁴

UGI is not powerless as it claims to do anything about CAP enrollment. Rather, UGI is unwilling to lift the barriers it has unreasonably placed in customers' way to enroll in CAP. As

²⁴⁹ OCA M.B. at 92-93; OCA St. 5 (PUBLIC) at 22-23; OCA St. 5SR at 14-15.

²⁵⁰ UGI M.B. at 141.

²⁵¹ UGI M.B. at 141-142.

²⁵² *Id.*

²⁵³ OCA M.B. at 113-135.

²⁵⁴ OCA Corrected St. 6SR at 16-17.

such, the Commission must act and require UGI to adopt the requirements as set out in the OCA's main brief to ensure low-income customers are protected from an apathetic company.

Regarding affordability, The OCA provided substantial record evidence that the Commission has broad discretion in determining whether rates are reasonable.²⁵⁵ Further, Pennsylvania law does not prescribe a single methodology for determining whether utility rates are just and reasonable.²⁵⁶ The Commission may, in its discretion, consider the ability of customers to afford proposed rates as part of its determination whether those rates are just and reasonable.²⁵⁷

UGI misinterprets the purpose of low-income universal service programs. OCA witness Colton testified that "the purpose of Universal Service Programs, in other words, is to "assist low-income customers to afford gas and electric service," not merely to generate "positive outcomes" for "many" participants.²⁵⁸ OCA witness Colton testified:

In short, generating "positive outcomes" for "many" participants does not achieve the statutory objective identified in the 2024 BCS Report. Moreover, the fact that Mr. Meilinger "disagrees" with the conclusion that UGI Electric bills are "consistently unaffordable" to low-income customers and his extended effort to assert that the Company is "consistently improving its Universal Service Programs to ensure that payment-troubled customers receive the necessary assistance to maintain utility service" is belied by the data.²⁵⁹

UGI does not dispute the data showing that 60% of UGI's confirmed low-income customers in arrears were in arrears for 180 days or more.²⁶⁰ UGI also does not dispute the fact that UGI's confirmed low income customers had a median arrears nearly 50% higher than

²⁵⁵ OCA M.B. at 95; citing *City of Pittsburgh v. Pennsylvania Public Utility Commission*, 42 Pa. Commw. 242, 400 A.2d 672 (Pa. Cmwlth. 1979).

²⁵⁶ *McCloskey v. Pa. PUC*, 225 A.3d 192, 195, 205 (Pa. Cmwlth. 2020).

²⁵⁷ See *Pa. Pub. Util. Comm'n, Proposed Rulemaking Order*, 55 Pa. B. 1170, 1172 & n.4 (Aug. 30, 2025) (citing *Pa. Pub. Util. Comm'n v. Twin Lakes Utils., Inc.*, Docket No. R-2019-3010958, at 48, 80 (Mar. 26, 2020)); see also 52 Pa. Code § 69.3301.

²⁵⁸ OCA Corrected St. 6SR at 15.

²⁵⁹ OCA Corrected St. 6SR at 16.

²⁶⁰ OCA Corrected St. 6SR at 15.

residential customers.²⁶¹ The OCA provided substantial record evidence that these levels of delinquency indicate that a substantial portion of customers in arrears are experiencing serious payment difficulties without factoring in the proposed rate increase.²⁶² It is also undisputed that total customer arrears increased from October 2023, the beginning of the 2023–2024 heating season, through March 2026.²⁶³ This is further substantial record evidence that UGI’s rate are currently unaffordable.

Lastly, the OCA provided substantial record evidence that the Asset Limited, Income Constrained, Employed (ALICE) data is one measure the Commission should require to better assess who should qualify for CAP.²⁶⁴ ALICE data captures many customers who are not classified as low-income under the federal guidelines but nonetheless earn incomes below what is required to meet basic living expenses including housing, food, transportation healthcare, and utilities.²⁶⁵ These customers should not be punished by being barred from CAP merely because their wages have not kept up with inflation. Therefore, the OCA provided substantial record evidence in its main brief that UGI presents significant electricity that affect a substantial portion of UGI’s low-income customer base.²⁶⁶ The OCA presented substantial record evidence that there are significant affordability concerns under existing rates, which would be further exacerbated by the proposed rate increase.²⁶⁷

B. CAP Cost Allocation

²⁶¹ *Id.*

²⁶² OCA M.B. at 98.

²⁶³ OCA M.B. at 98.

²⁶⁴ OCA M.B. at 101-104.

²⁶⁵ *Id.*

²⁶⁶ OCA M.B. at 113.

²⁶⁷ *Id.*

UGI disagrees with the OCA's position that universal service cost allocation be allocated among all customer classes through a flat fee basis.²⁶⁸ UGI's sole argument is that a rate case is not the appropriate context for addressing this issue.²⁶⁹

A base rate case is an appropriate forum to determine cost allocation of universal service. Cost allocation and rate design are currently being litigated in this base rate case.²⁷⁰ UGI's argument is also inconsistent with the Commission's response to this issue in the CAP Policy Statement Order which states:

(a) In evaluating utility CAPs for ratemaking purposes, the Commission will consider both revenue and expense impacts. Revenue impact considerations include a comparison between the amount of revenue collected from CAP participants prior to and during their enrollment in the CAP. CAP expense impacts include both the expenses associated with operating the CAPs as well as the potential decrease of customary utility operating expenses. Operating expenses include the return requirement on cash working capital for carrying arrearages, the cost of credit and collection activities for dealing with low income negative ability to pay customers and uncollectible accounts expense for writing off bad debt for these customers. When making CAP-related expense adjustments and projections, utilities should indicate whether a customer's participation in a CAP produced an immediate reduction in customary utility expenses and a reduction in future customary expenses pertaining to that account.

(b) In rate cases, parties may raise the issue of recovery of CAP costs, whether specifically or as part of universal service program costs in general, from all ratepayer classes. No rate class should be considered routinely exempt from CAP and other universal service obligations.²⁷¹

The cost of providing service through the Company's CAP program is not a cost that has a cost causation that can be limited to the residential class.²⁷² The Commission has previously recognized that universal service costs are caused by factors endemic to society as a whole. They are not caused by factors specific to residential customers. In its 2019 Order revising the CAP

²⁶⁸ UGI M.B. at 117-118.

²⁶⁹ *Id.*

²⁷⁰ See OCA M.B. at 69-83; *see also* UGI M.B. at 104-129.

²⁷¹ 52 Pa. Code § 69.266 (emphasis added).

²⁷² OCA Corrected St. 6 at 83.

Policy Statement, the Commission explicitly found that “poverty, poor housing stock, and other factors that contribute to households struggling to afford utility service are not just ‘residential class problems.’”²⁷³ Not only did the Commission explicitly find universal service programs further not merely the interests of residential customers, but also further a broader “public purpose,” it also concluded that “the General Assembly clearly identified the public purpose of these programs in the Competition Acts by requiring that their costs be nonbypassable”²⁷⁴ The Commission explicitly found that “[c]early, there is a persuasive argument to be made that home heating and energy assistance for low-income households serves a public good whose responsibility is not merely other residential ratepayers.”²⁷⁵

The Commission²⁷⁶ has previously determined that allocating CAP costs between all customer classes is lawful.²⁷⁷ Indeed, as recently as the Commission’s 2026 Order in Docket M-2025-3054271,²⁷⁸ the Commission held “We agree with CAUSE-PA and TURN that the Commission has the authority to require other customer classes, not just the residential class, to contribute to the costs of universal service programs and that we do have an obligation to ensure that electric service is available to all customers on reasonable terms and conditions.”²⁷⁹

Further, UGI did not dispute Mr. Colton’s testimony observing that the cost of providing service through the Company’s CAP program is not a cost that has a cost causation that can be

²⁷³ 2019 Amendments to Policy Statement on Customer Assistance Program, Docket No. M-2019-3012599, Final Policy Statement and Order, at 91 (Nov. 5, 2019).

²⁷⁴ *Id.* (emphasis added).

²⁷⁵ *Id.* at 94 – 95.

²⁷⁶ PGW and PWSA allocate costs among all customer classes. This allocation methodology predates the entities’ jurisdiction under the Commission, as both utilities historically followed this practice prior to becoming subject to Commission regulation.

²⁷⁷ “We note there is no statutory or appellate prohibition that limits the recovery of CAP costs, whether specifically calculated or as part of total universal service costs, to funding from the residential class. Universal service funding from non-residential classes, while not mandatory, is permissible.” Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 96 (Order entered Nov. 5, 2019).

²⁷⁸ *Interconnection and Tariffs for Large Load Customers*, Docket No. M-2025-3054271, Final Order (April 30, 2026) (hereafter “Large Load Final Order”).

²⁷⁹ *Id.* at 107.

limited to the residential class.²⁸⁰ Neither does UGI dispute the fact that the Commission has previously recognized that universal service costs are caused by factors endemic to society as a whole and are not caused by factors specific to residential customers.²⁸¹ Rather than being a cost “caused” by the residential class, the Commission explicitly found that “[c]early, there is a persuasive argument to be made that home heating and energy assistance for low-income households serves a public good whose responsibility is not merely other residential ratepayers.”²⁸² Mr. Colton has proven that the resulting direct financial subsidy from residential customers to non-residential customers is no different than the subsidy flowing to businesses from tax dollars that support the government-funded public benefits paid to employees who do not receive an adequate wage.²⁸³ In the CAP Policy Statement the Commission stated:

OSBA and the Industrial Customers have argued that recovering costs of universal service programs from industrial and commercial customers may negatively impact businesses in the Commonwealth. However, we have not seen evidence that the economic climate in Philadelphia has been negatively impacted as a result of universal service costs charged by PGW. Further, as noted by multiple parties in the *Review* proceeding, many states recover the cost of utility low-income programs from all ratepayer classes, including New York, New Jersey, Ohio, Illinois, Maine, and New Hampshire.²⁸⁴ We are not aware that this practice has negatively impacted the business climate of any these states.²⁸⁵

²⁸⁰ OCA Corrected St. 6SR at 6.

²⁸¹ *Id.*

²⁸² Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 94 -95 (Final Policy Statement and Order Nov. 5, 2019).

²⁸³ OCA Corrected St. 6SR at 6 (citing, General Accounting Office (Oct. 2020). Federal Social Safety Net Programs, Millions of Full-Time Workers Rely on Federal Health Care and Food Assistance, GAO Report No. GAO-21-45, available at <https://www.gao.gov/assets/d2145.pdf>). For data specific to Pennsylvania, see, Ken Jacobs, et al. (January 2022). The Public Cost of Low-Wage Jobs in the Pennsylvania Construction Industry, U.C. Berkeley Labor Center, available at, <https://laborcenter.berkeley.edu/wp-content/uploads/2022/01/The-Public-Cost-of-Low-Wage-Jobs-in-the-Pennsylvania-Construction-Industry-1.pdf>; see also, Sylvania Allegretto, et al. (2013). The public cost of low-wage Jobs in the fast-food industry, U.C. Berkeley Labor Center, available at https://laborcenter.berkeley.edu/pdf/2013/fast_food_poverty_wages.pdf; Ken Jacobs, et al. (April 2015). The High Public Cost of Low Wages, U.C. Berkeley Labor Center, available at <https://escholarship.org/content/qt1m83q6dm/qt1m83q6dm.pdf?v=lg>.

²⁸⁴ New York, for example, determines the specific distribution of this cost recovery in rate cases, where the total impacts of all revenue requirement changes can be considered. See *Order Adopting Low Income Program Modifications and Directing Utility Filings*, New York Public Service Commission, Case 14-M-0565 (Issued and Effective May 20, 2016), at 4.

²⁸⁵ 2019 Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 95-96 (Final Policy Statement and Order Nov. 5, 2019).

Lastly, UGI's argument states that the settlement resolves this issue.²⁸⁶ As will be discussed more in depth in the OCA's comments on the proposed settlement, the settlement does not resolve the issue of CAP cost allocation.

As such, the OCA provided substantial recorded evidence not only that this rate case is the appropriate forum to order CAP costs be allocated across all customers classes the OCA presented substantial record evidence, uncontested by UGI in its main brief, that UGI should be required to implement a universal service flat fee. Therefore, the Commission should require UGI to implement a flat fee that allocates universal service costs across all customer classes.

C. Credit and Collections Expense

UGI argues that the OCA carries the burden of proof to show that UGI's credit and collection activities are efficient, effective and adequate, or else an adjustment must be made to this expense claim. This argument is contrary to Section 523 of the Public Utility Code.²⁸⁷

Section 523 states:

The Commission shall consider, in addition to all other relevant evidence of record, the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates under this title. On the basis of the Commission's consideration of such evidence, it shall give effect to this section by making such adjustments to specific components of the utility's claimed cost of service as it may determine to be proper and appropriate.²⁸⁸

UGI incorrectly argues that the OCA carries the burden under section 523 because the OCA is proposing the adjustment.²⁸⁹ It is not the OCA's burden. The burden rests solely with UGI to demonstrate that each expense including the credit and collections expense that UGI proposed is

²⁸⁶ UGI M.B. at 118.

²⁸⁷ UGI M.B. at 55.

²⁸⁸ 66 Pa. Stat. § 523.

²⁸⁹ UGI M.B. at 56.

just and reasonable. The burden of proof does not shift to parties challenging the rate increase but rather must be met by the utility:

It is well-established that in general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one and that burden remains with the public utility throughout the course of the rate proceeding. It has been held that there is no similar burden placed on other parties to justify a proposed adjustment to the utility's filing.²⁹⁰

Further, UGI's argument hinges on the second clause of the second sentence of Section 523 arguing that the words "as it may deem proper and appropriate"²⁹¹ make the Commission's findings under Section 523 optional.²⁹² UGI's argument regarding the interpretation of the language of Section 523 is contrary to the clear and unambiguous statutory text, and should be ignored. Specifically, a plain reading of the statute demonstrates that the phrase "as it may determine to be proper and appropriate" applies to "by making such adjustments to specific components of the utility's claimed cost of service" which immediately precedes it; UGI reads this phrase to apply to the entirety of the Section, outside of the narrow context in which it appears. However, Section 523 begins with the words "the Commission shall".²⁹³ In the second sentence, the statute once again provides that "it [the Commission] shall give effect to this section...."²⁹⁴ Recently, the Supreme Court has interpreted that the word "shall" imposes a mandatory command and that "shall" means "must".²⁹⁵ Similar to the Supreme Court's interpretation of "shall" OCA witness Colton testified that the words "shall consider" and "shall give effect" set forth the statute

²⁹⁰ *Pa. PUC v. Pa.-American Water Co.*, 231 P.U.R.4th 277, 2004 Pa. PUC LEXIS 29, *16-18 (Jan. 29, 2004) (*PAWC 2004*) (citing *Berner v. Pa. PUC*, 116 A.2d 738 (Pa. 1955)).

²⁹¹ 66 Pa. C.S. § 523(a).

²⁹² UGI M.B. at 55.

²⁹³ 66 Pa. C.S. § 523(a).

²⁹⁴ 66 Pa. C.S. § 523(a).

²⁹⁵ *Bufkin v. Collins*, 604 U.S. 369, 379 (2025) (citations omitted).

in mandatory terms.²⁹⁶ Further, in Pennsylvania, the Commonwealth Court confirmed in *Pennsylvania Industrial Energy Coalition* that Section 523 provides the Commission with an affirmative statutory basis to examine a utility’s efficiency, effectiveness, and adequacy and, where warranted, to make appropriate adjustments to the utility’s claimed cost of service.²⁹⁷ The plain text of Section 523 – the best evidence of the General Assembly’s intent²⁹⁸ – shows that the Commission *must* consider efficiency, effectiveness, and adequacy of service and give effect to such considerations, though *how* it gives effect to its consideration is “as it [the Commission] may deem appropriate,” contrary to UGI’s contrary interpretation of the statute.²⁹⁹

The OCA provided substantial record evidence in its Main Brief that, taken together, and along with Mr. Colton’s observations, the termination data and the undisputed absence of differentiated collection activities provide a reasonable factual basis for the Commission to examine the efficiency, effectiveness, and adequacy of UGI Electric’s credit and collection practices pursuant to Section 523. The evidence need not establish in advance that a cost-of-service adjustment is warranted; rather, it need only provide a sufficient basis for the Commission to undertake the examination that Section 523 expressly requires.³⁰⁰ If that examination demonstrates that the practices are ineffective or inefficient, Section 523 provides the authority to consider an appropriate adjustment to the utility’s claimed cost of service.³⁰¹

UGI disagrees with the OCA’s adjustment to the credit and collections expense for three reasons. First, UGI argues that its collections attempts include mail, phone calls, and multiple field

²⁹⁶ OCA CORRECTED St. 6SR at 12.

²⁹⁷ *Pa. Indus. Energy Coal. v. Pa. PUC*, 653 A.2d 1336, 1353 (Pa. Commw. Ct. 1995) (*Pennsylvania Industrial Energy Coalition*).

²⁹⁸ 1 Pa. C.S. § 1921(b); *Phila. Gas Works v. Pa. PUC*, 249 A.3d 963, 970 (Pa. 2021) (“The plain language of a statute is the best indication of the General Assembly’s intent, and where the statutory language is clear and unambiguous, we must give effect to the plain language thereof.”)

²⁹⁹ 66 Pa. C.S. § 523(a).

³⁰⁰ *Pennsylvania Industrial Energy Coalition* at 1351.

³⁰¹ *Id.*

visits.³⁰² UGI then argues that although UGI does not differentiate between customer by types for its collections activities, outside of suspending terminations for nonpayment from December 1 through March 31 for confirmed low-income customers, UGI Electric’s practice comports with Chapter 56 of the Commission’s regulations.³⁰³ Lastly, UGI argues that it does not resort to termination more frequently for low-income customers.³⁰⁴

In this proceeding, OCA witness Alexander recommended UGI be required to create and implement a field agent training and compliance oversight to implement Chapter 56 requirements to attempt personal contact immediately prior to termination of service.³⁰⁵ UGI argued that this recommendation should be denied because field technicians “are not trained to function as customer service representatives or to assess sensitive customer matters such as medical conditions or income status.”³⁰⁶ UGI also argues that it satisfies the in person contact “via telephone three days prior to termination.”³⁰⁷ UGI’s first argument is inconsistent with their position in their Main Brief where UGI argues the OCA’s recommendation regarding the field training manual should be rejected.³⁰⁸ UGI’s claim that it attempts multiple field visits before termination of service is incongruous with its argument for rejecting the field training manual.³⁰⁹ The fact of the matter is that no in person visits occur before termination of service rather, UGI merely calls the ratepayer three days before terminating their service. As such, UGI’s argument should be rejected because it is inconsistent with its position regarding the field training manual.

³⁰² UGI M.B. at 54.

³⁰³ *Id.*; 52 Pa. Code Ch. 56

³⁰⁴ *Id.* at 55.

³⁰⁵ OCA St. 5 at 5; 52 Pa. Code Ch.56

³⁰⁶ UGI M.B. at 133.

³⁰⁷ *Id.*

³⁰⁸ UGI M.B. at 133.

³⁰⁹ *Id.*

UGI's second argument that UGI does not discriminate based on customer class highlights the need for the OCA's proposed adjustment.³¹⁰ OCA witness Colton testified:

Mr. Adamo presents no evidence that its credit and collection activity directed toward low-income customers is efficient, effective and adequate. The most that he asserts is that "the Company has repeatedly explained that collection practices are consistent with the requirements of 52 Pa. Code § 56.93—56.100." In advancing this argument, however, Mr. Adamo seeks to change the statute. The mandatory "adjustments" referenced by the statute are not based on a need for the Commission to find non-compliance with specific statutory and/or regulatory requirements. Rather, the statute mandates ("shall give effect") an adjustment upon after a consideration ("shall consider") of the "efficiency, effectiveness and adequacy of service." Mr. Adamo offers no evidence whatsoever of the "efficiency, effectiveness and adequacy of service." Indeed, he concedes the opposite. Mr. Adamo's rebuttal testimony explicitly states that "no separate or differentiated collection activities are conducted across customer types." Rather than collection activities being efficient, effective and adequate, Mr. Adamo concedes that they are the same for everyone, irrespective of the cause of nonpayment or what intervention might be appropriate to respond to that nonpayment given the cause. There is an old adage which counsels that "when your only tool is a hammer, you tend to see every problem as a nail." Responding to every instance of nonpayment in the same fashion, irrespective of the reasons underlying the nonpayment, raises the same issue. Rather than seeking to improve payment by remedying the cause of the nonpayment, "no differentiated collection activities" are pursued.³¹¹

UGI's practice of treating all nonpayment's the same irrespective of the circumstances is inequitable. Responding to every instance of nonpayment without considering the reasons for that nonpayment fails to address the underlying issues causing the nonpayment. Rather than ignoring this issue UGI must be required to address the reasons for nonpayment. By doing so UGI consumers will benefit and, in the long term, so will UGI.

Lastly, the OCA presented substantial record evidence that the 2025 termination-notice data provide a factual basis for the Commission to require an investigation.³¹² The 2025 termination-notice data show that fewer than 15% of the 4,324 notices issued to customers eligible

³¹⁰ UGI M.B. at 54.

³¹¹ OCA Corrected St. 6SR at 12-13.

³¹² OCA M.B. at 127.

for termination due to nonpayment resulted in disconnection among the confirmed low-income customer population.³¹³ Taken together, and along with Mr. Colton's observations, the termination data and the undisputed absence of differentiated collection activities provide a reasonable factual basis for the Commission to examine the efficiency, effectiveness, and adequacy of UGI Electric's credit and collection practices pursuant to Section 523. The evidence need not establish in advance that a cost-of-service adjustment is warranted; rather, it need only provide a sufficient basis for the Commission to undertake the examination that Section 523 expressly requires.³¹⁴

As such, The Commission should find that UGI Electric has neither demonstrated nor proven that its credit and collection activities are "efficient and effective" pursuant to Section 523 of the Public Utility Code.³¹⁵ The Credit and Collections expense should be reduced by \$470,514, or by 50% to reflect that Company's inefficiencies in credit and collections.

D. Plain Language CAP Notice for Confirmed Low-Income Customers

UGI argues that the OCA's recommendation to require a plain language CAP notice is unnecessary.³¹⁶ UGI does not dispute that over 5,700 confirmed low-income customers are not enrolled in cap.³¹⁷ Rather, UGI argues that of those 5,700 customers 51% are self-certified and have not yet gone through UGI's verification process.³¹⁸ UGI also argues that its twice a year marketing campaign focused on self-certified customers not enrolled in CAP is sufficient.³¹⁹

UGI's argument does not accurately address the recommendation the OCA is making in this proceeding because the Company continues to inappropriately conflate its understanding of low income protections. Further, UGI is conflating the duties it owes to CAP customers and its

³¹³ *Id.*

³¹⁴ *Pennsylvania Industrial Energy Coalition* at 1351.

³¹⁵ 66 Pa. C.S. § 523(a).

³¹⁶ UGI M.B. at 137.

³¹⁷ *Id.*

³¹⁸ *Id.*

³¹⁹ UGI M.B. at 137.

duties to confirmed low-income customers under the public utility code. OCA witness Colton testified:

While CAP enrollment requires a customer to apply for the program, and have their income-eligibility be verified, to be identified as a “Confirmed Low-Income customer” requires, by virtue of Commission regulation, only that UGI Electric have “a reasonable expectation by the Company of a customer’s low-income status.” Having a “reasonable expectation” that a customer is low-income is much different from establishing income-eligibility through an application and income verification process.³²⁰

UGI’s argument is not consistent with the regulations. In fact, it is inconsistent with the definition of confirmed-low-income customer applicable to electric distribution utilities. Section 54.72 of the Commission’s regulations defines a confirmed low-income customer as: *Confirmed low-income residential account*-Accounts where the EDC has obtained information that would **reasonably place the customer in a low-income designation.**³²¹ UGI attempts to distinguish between the OCA’s statement that the Company has a “reasonable expectation” and that “would reasonably place the customer” are two different things and that the OCA is extending the Commission’s definition.³²² The OCA presented substantial record evidence that this distinction is important.³²³ The OCA averred that CAP enrollment is an affirmative program enrollment determination based on verified eligibility, whereas identification as a confirmed low-income customer can be based on the Company’s reasonable expectation of the customer’s low-income status.³²⁴ The latter standard necessarily permits the Company to identify and protect low-income customers even when they have not completed a CAP application or undergone formal income verification.³²⁵

³²⁰ OCA Corrected St. 6SR at 18.

³²¹ 52 Pa. Code § 54.72 (emphasis added).

³²² UGI M.B. at 138.

³²³ OCA M.B. at 131.

³²⁴ *Id.*

³²⁵ *Id.*

Accordingly, CAP enrollment data cannot be treated as a complete measure of the population of customers who may qualify for the protections afforded to confirmed low-income customers.³²⁶ Mr. Colton’s recommendation concerns CAP enrollment, rather than merely the identification of a customer as low-income.³²⁷ He distinguishes between establishing that a customer is a “Confirmed Low-Income” customer and ensuring that the customer is informed of the opportunity to enroll in CAP.³²⁸ Mr. Colton recommends that customers from whom the Company has received sufficient information to establish that their household income falls within 0% to 150% of the Federal Poverty Level (“FPL”) be provided with a stand-alone, written Plain Language notice informing them of their alternative right to enroll in the Company’s CAP.³²⁹ The notice should also explain the advantages of CAP, including its arrearage forgiveness provisions.³³⁰ The OCA maintains its arguments and rationales as espoused in its Main Brief, and contends that the Company has not presented any evidence to refute the same.

UGI also argues that allowing a COMPASS printout to verify confirmed low-income status is unnecessary and would lead to confusion.³³¹ UGI also argues that a “reasonable expectation” is beyond the scope of “reasonably place” a customer as a low-income customer and that it would not apply to receipt of a COMPASS printout. UGI’s argument is unnecessarily overcomplicating the matter to avoid meeting their statutory responsibility regarding low-income customers. This issue is quite simple. A COMPASS printout would not be used for CAP enrollment, but instead would be used to identify a customer as a recipient of benefits through the Department of Human Services which has an income requirement that is “consistent with” those for designation as a low-

³²⁶ *Id.*

³²⁷ OCA Corrected St. 6 at 62.

³²⁸ *Id.*

³²⁹ *Id.*

³³⁰ *Id.*

³³¹ UGI M.B. at 137.

income customer. Such a printout would “reasonably place” the customer in a low-income designation consistent with Section 54.72 of the Commission’s regulations.³³² UGI’s argument that this requirement is inconsistent with Commission regulations is inexplicable and as such should be ignored.

As such the Commission should require a plain language CAP notice for confirmed low-income customers and prohibit UGI’s continued conflation of Confirmed Low Income with CAP Eligibility.

E. Use of Social Security Numbers (SSN)

UGI argues that the OCA’s recommendation regarding its retention of SSNs is a “solution in search of a problem.”³³³ UGI’s flippant response to the OCA’s raised concerns highlight the need for the Commission to issue an order requiring UGI to implement policies that protect UGI ratepayers. The OCA provided substantial record evidence that UGI’s collection and retention of customers SSNs is concerning and potentially harmful to consumers.³³⁴ The use of SSNs by private entities is one of the leading causes of identity theft. SSNs, along with a person’s date of birth and name, are the three most sought-after pieces of personal information sought by identity thieves.

It is not disputed in this present proceeding that:

- UGI Electric collects SSNs from 99.3% of its customers.
- UGI Collects SSNs for the express purpose of providing 1 them to a third party (“The Company asks for a new customer's SSN when they apply for service so an Experian check can be run to verify their identity.”)
- Experian’s use of, and protection of, SSNs is not subject to the jurisdiction of the Pennsylvania PUC. Indeed, UGI Electric has no control over how Experian protects Social Security Numbers.

³³² 52 Pa. Code § 54.72

³³³ UGI M.B. at 136.

³³⁴ OCA M.B. at 137-138.

- Not only does the Company collect these SSNs, but it also retains them in perpetuity.³³⁵

The OCA provided substantial record evidence that the clear direction in recent years is to reduce, and eliminate where possible, the unnecessary collection and retention of SSNs.³³⁶ UGI's assertion that it needs to use SSNs in order to prevent fraud are not supported by record evidence and further does not support the need for UGI to retain the information. Rather, UGI has significant power over its customers and by unnecessarily requiring them to give up the leading cause of identity theft. This disparate power relationship between UGI and its customers must come to an end because the disparity in power does not provide a realistic option for customer to say "no" to UGI's request.

As such, UGI should be directed to report to the Commission, within 12 months of a final decision in this docket, its plan to eliminate the collection and retention of customer Social Security Numbers. This plan should include a plan for elimination of the SSNs currently retained in Company information technology. At a minimum, UGI Electric should be directed to: (1) refrain from retaining SSNs from customers for more than 30-days after the customer establishes service; (2) refrain from providing a customer SSN to any entity outside of the Company; and (3) notify the customer, at the time the customer is asked to provide his/her/their SSN that, in the absence of the first two steps outlined above, that the SSN will be retained in perpetuity and that the SSN will be provided to a multi-national credit firm, to allow the customer to take such notice into account in deciding whether to provide their SSN.

F. Deposit Exemptions

³³⁵ OCA Corrected St. 6SR at 8-9.

³³⁶ OCA M.B. at 138.

UGI argues that CAP enrollment is not a prerequisite to receiving a deposit exemption, but the CAP application is utilized to streamline the process and have a uniform verification process for customers.³³⁷ UGI also argues that customers who have received LIHEAP in the current or prior season do not need to verify income, as they have already been through that process with DHS, and UGI Electric recognizes this as an acceptable form of verification.³³⁸ UGI incorrectly asserts that their form would assist in their problem of under enrollment in the CAP program and that having a separate form would create a redundant process.³³⁹

The OCA provided substantial record evidence that the Commission's regulation exempting low-income customers from being required to post a cash security deposit, or qualifying them for a refund of any previously posted deposit,³⁴⁰ does not require the customer to complete an income verification process for CAP or LIHEAP. Instead, a customer need only demonstrate that they are receiving public assistance through a program whose income eligibility is "consistent with" the income eligibility for CAP.³⁴¹ OCA witness Colton was clear when he testified:

Even though Mr. Meilinger seeks to conflate and confuse the various obligations which PUC regulations impose on the Company, the Commission's regulations impose three distinctly different obligations:

- Customers who apply for and are verified to be eligible for CAP should be enrolled in CAP;
- Customers for whom the Company has information that creates a "reasonable expectation" that the customer is low-income is defined by PUC regulation to be "confirmed low-income." This is a different test from having income-eligibility verified for purposes of CAP enrollment. This is an obligation with which UGI Electric does not reasonable comply.

³³⁷ UGI. M.B. at 139

³³⁸ UGI M.B. at 140.

³³⁹ *Id.*

³⁴⁰ 56 Pa. Code § 56.41(4).

³⁴¹ OCA M.B. at 136-137.

- Customers who provide information, including but not limited to actual income, demonstrating that they are eligible for a public assistance program which has eligibility “consistent with” CAP are exempted from deposit requirements. This, too, is a *different* test from being verified to enroll in CAP or, the less stringent test, of providing information which would raise a reasonable expectation that the customer is low-income.³⁴²

UGI’s “continuing effort to confuse the issue by asserting that all three tests are the same should be rejected in light of the clear language of PUC regulations.”³⁴³ As such, the OCA requests that the Commission direct UGI Electric to modify its processes and procedures governing the low-income exemption from cash security deposits.³⁴⁴ Specifically, he recommends that UGI Electric accept information beyond income and household size that attests to a household’s eligibility for a state benefit consistent with CAP income requirements.³⁴⁵ To rectify the same, the OCA requests that, within three months after entry of a final Commission order in this proceeding—and every three months thereafter—UGI Electric review the cash security deposits it holds. To the extent UGI Electric holds a cash security deposit for a Confirmed Low-Income customer, the OCA requests that the deposit be refunded consistent with Commission precedent.

XII. OTHER ISSUES

A. Public input hearing testimony

UGI addressed in its Main Brief the public input hearing testimony under this Section.³⁴⁶ The OCA addressed the public input hearing testimony at page 25 of its Main Brief and does not have any additional response to the Company’s Main Brief regarding the public input hearing testimony.

³⁴² OCA Corrected St. 6SR at 22.

³⁴³ OCA Corrected St. 6SR at 22.

³⁴⁴ OCA Corrected St. 6 at 65-68.

³⁴⁵ *Id.* at 68.

³⁴⁶ UGI M.B. at 144-149.

XIII. CONCLUSION

In summary, UGI Electric has not affirmatively demonstrated the reasonableness of every element of its claims for rate base, revenues and expenses, rate of return, revenue allocations, cost of service allocation and rate design. Accordingly, it is within the discretion of the ALJ and the Commission to deny UGI's ratemaking claims and requests in this proceeding that are challenged by the OCA.

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