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September 18, 2026

VIA ELECTRONIC FILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission, et al. v. UGI Utilities, Inc. – Electric Division
Docket Nos. R-2025-3059430, et al.

Dear Secretary Homsher:

Enclosed for filing is the Reply Brief of UGI Utilities, Inc. – Electric Division (“UGI Electric”) in the above-referenced proceeding. UGI Electric notes that **PUBLIC** and **PROPRIETARY** versions of its Reply Brief are being filed. The **PUBLIC** version is being filed with the Commission via eFiling. The **PROPRIETARY** version is being filed with the Commission via its ShareFile for confidential filings.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Devin Ryan

DR/bfc
Enclosures

cc: The Honorable Steven K. Haas (*via email w/ enclosure*)
The Honorable Chad L. Allensworth (*via email w/ enclosure*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this filing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Date: September 18, 2026


Devin Ryan

PUBLIC VERSION

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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Dated: September 18, 2026

Counsel for UGI Utilities, Inc. – Electric Division

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	UGI UTILITIES, INC. – ELECTRIC DIVISION.....	2
B.	STATEMENT OF THE CASE.....	2
C.	LEGAL STANDARDS	3
II.	SUMMARY OF ARGUMENT	3
III.	OVERALL POSITION ON RATE INCREASE.....	6
IV.	RATE BASE.....	9
A.	ELECTRIC PLANT IN SERVICE.....	10
B.	ACCUMULATED DEPRECIATION.....	10
C.	ADDITIONS TO RATE BASE.....	11
D.	DEDUCTIONS FROM RATE BASE	11
V.	REVENUES.....	12
A.	OCA’S PROPOSAL TO DENY ANY RATE INCREASE SHOULD BE REJECTED	12
VI.	EXPENSES.....	19
A.	ARGO TRANSACTION	19
1.	The Argo Transaction Adjustment, Which I&E Concedes Is “Unusual” And “Not Perfect,” Wholly Lacks Merit	20
2.	I&E’s Proposed Argo Transaction Adjustment Conflicts with the Revenue Requirement Formula Presented in I&E’s Main Brief	24
3.	The ALJs and Commission Should Reject I&E’s New Request for Relief Premised on the Argo Transaction that I&E Inappropriately Raises for the First Time in its Main Brief	26
4.	The Settlement Appropriately Addresses the Argo Transaction, While Leaving the Merits of the Argo Transaction to Be Decided in the Joint Application Proceeding.....	27
B.	DEPRECIATION EXPENSE.....	27

PUBLIC VERSION

1.	OCA Fails to Accurately Identify Its Depreciation Expense Adjustment in Its Main Brief	27
2.	OCA Fails to Present Any Compelling Reasons for the Commission to Depart from Its Repeated Rejection of OCA’s Proposal to Switch from ELG to ALG.....	28
a.	In its Main Brief, OCA Does Not Address the Commission’s Recent Rulings in <i>Columbia Gas 2025 Order</i> and <i>PAWC 2026 Order</i> that Rejected OCA’s Same Proposal to Force a Switch from ELG to ALG.....	29
b.	ELG Is Not Accelerated Depreciation, as Contended by OCA	30
c.	The Continued Use of ELG, as UGI Electric Has Utilized for over 40 Years, Would Not Produce Unjust and Unreasonable or Unduly Discriminatory Rates	32
d.	OCA Incorrectly Claims that Switching to ALG Would Eliminate the Need to Perform Annual Updates to Its Remaining Lives and Would Allow Utilities to Wait More than 5 Years Between Depreciation Studies.....	34
e.	The Fact that Some Other Electric Distribution Companies Use ALG Is Irrelevant.....	35
3.	The Settlement Obviates the Need for a Ruling on This Contentious Issue	36
4.	OCA Mentions a “Net Salvage” Recommendation in its Main Brief but Fails to Explain What that Recommendation Is or Point to Any Part of the Record Where It Made a “Net Salvage” Recommendation	37
C.	RATE CASE EXPENSE	37
1.	OCA Errs in Stating that UGI Electric Proposed to Amortize Its Rate Case Expense over 2 Years.....	37
2.	I&E Inappropriately Proposes a Double Adjustment to Rate Case Expense Based on the Argo Transaction in its Main Brief.....	38
D.	VEGETATION MANAGEMENT EXPENSE.....	39
E.	MAJOR STORMS EXPENSE	41
F.	INCENTIVE COMPENSATION EXPENSE	42
G.	MEMBERSHIP DUES	43

PUBLIC VERSION

1.	OCA Overlooks UGI Electric’s Rejoinder Testimony and, Consequently, Bases Its Entire Disallowance on a Misassumption that Lobbying Expenses Are Included in the Company’s Claim for Membership Dues	43
VII.	TAXES.....	44
A.	INCOME TAXES	44
B.	TAXES OTHER THAN INCOME TAXES.....	44
C.	PA LOCAL USE TAX	45
D.	INTEREST SYNCHRONIZATION	45
VIII.	RATE OF RETURN	45
A.	PROXY GROUP	46
B.	CAPITAL STRUCTURE	46
1.	I&E’s Reliance on the <i>PAWC 2026 Order</i> in Support of Its Hypothetical Capital Structure Should Be Rejected	46
C.	COST OF LONG-TERM DEBT	49
D.	RETURN ON EQUITY	49
1.	OCA’s Proposed Denial of Any Rate Increase Would Produce Confiscatory Rates and Impose an Imputed Authorized ROE of 1.95%	50
2.	OCA’s Argument on ROE Conflicts with the Position of Its Own Witness, Who Has Advocated to Account for Gradualism When Imposing a Lower Authorized ROE	50
3.	I&E’s Approach to Determining the Authorized ROE Conflicts with Recent Commission Precedent	51
IX.	RATE STRUCTURE AND RATE DESIGN	52
A.	COST OF SERVICE STUDY	52
B.	REVENUE ALLOCATION	57
1.	Summary of Revenue Allocation Positions in Litigation and under the Settlement	57

PUBLIC VERSION

2.	The Revenue Allocations Presented by UGI Electric in Its Testimony and in the Settlement Are Reasonable and Supported by the Record.....	58
3.	OCA’s Recommendation on Universal Service Cost Allocation Lacks Merit and Is Reasonably Addressed by the Settlement	58
C.	RATE DESIGN AND CUSTOMER CHARGES	59
1.	Summary of Customer Charge Proposals in Litigation and under the Settlement	59
2.	I&E’s Arguments on the Proposed Customer Charges Are Largely Mooted by the Settlement and Should Be Rejected.....	60
3.	OCA’s Recommendations on the Proposed Customer Charges Should Be Rejected	61
D.	SCALE BACK.....	62
X.	CUSTOMER SERVICE AND QUALITY OF SERVICE	62
XI.	CUSTOMER ASSISTANCE PROGRAMS AND LOW-INCOME ISSUES	67
XII.	OTHER ISSUES.....	71
XIII.	CONCLUSION.....	72

TABLE OF AUTHORITIES

Cases

<i>Bell Atlantic-Pennsylvania, Inc. v. Pa. PUC</i> , 672 A.2d 352 (Pa. Cmwlth. 1995)	29, 52
<i>Lloyd v. Pa. PUC</i> , 904 A.2d 1010 (Pa. Cmwlth. 2006)	58
<i>Pa. Power & Light Co. v. Pa. PUC</i> , 311 A.2d 151 (Pa. Cmwlth. 1973)	29
<i>University of Pa. v. Pa. PUC</i> , 485 A.2d 1217 (Pa. Cmwlth. 1984)	11

Statutes

66 Pa. C.S. § 1316	43
66 Pa. C.S. § 1358(b)(3)	15

Regulations

52 Pa. Code § 5.408	26
52 Pa. Code § 56.94(1)	63
52 Pa. Code § 73.3(b)(1)	34
52 Pa. Code § 73.3(b)(6)(i)-(vii)	34
52 Pa. Code § 73.5(a)	35
52 Pa. Code § 73.5(a)(4)	35
52 Pa. Code Chs. 3, 5, 56.....	66

Commission Decisions

<i>Application of Aqua Pennsylvania, Inc. for Approval of the Right to: (1) Acquire Certain Water System Assets of Ulster Municipal Authority; and (2) Begin to Offer, Render, Furnish or Supply Water Service to the Public in a Portion of Ulster Township, Bradford County, Pennsylvania</i> , 2026 Pa. PUC LEXIS 282 (Order entered Aug. 27, 2026)	23
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PUBLIC VERSION

<i>Application of Peoples Natural Gas Co. LLC, for All of the Authority and the Necessary Certificates of Public Convenience to Merge PNG Gathering, LLC into Peoples Natural Gas Co. LLC,</i> 2026 Pa. PUC LEXIS 21 (Order entered Jan. 29, 2026)	23
<i>Enron Capital & Trade Res. Corp. v. Peoples Natural Gas Co.,</i> Docket No. R-00973928C0001, 1997 Pa. PUC LEXIS 178 (Nov. 13, 1997) (Recommended Decision), <i>affirmed</i> , 1998 Pa. PUC LEXIS 199 (Order entered Aug. 24, 1998)	26
<i>Joint Application of American Water Works Co., Inc. Essential Utilities, Inc., Aqua Pennsylvania, Inc. Aqua Pennsylvania Wastewater, Inc. Peoples Natural Gas Co. LLC and Alpha Merger Sub, Inc. for a Certificate of Public Convenience under Sections 1102(a)(3) and 2210(c) of the Public Utility Code and All Other Necessary Approvals to Effect a Change of Control of Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc. and Peoples Natural Gas Co. LLC,</i> 2026 Pa. PUC LEXIS 249 (Order entered Aug. 6, 2026)	23
<i>Pa. PUC v. Columbia Gas of Pa., Inc.,</i> Docket Nos. R-2020-3018835, <i>et al.</i> (Order entered Feb. 19, 2021)	<i>passim</i>
<i>Pa. PUC v. Columbia Gas of Pa., Inc.,</i> Docket Nos. R-2025-3053499, <i>et al.</i> (Order entered Dec. 9, 2025)	<i>passim</i>
<i>Pa. PUC v. Pa. Power and Light Co.,</i> Docket Nos. R-822169, <i>et al.</i> , 55 P.U.R.4th 185, 57 Pa. PUC 559, 596-97 (Order entered Aug. 19, 1983)	26
<i>Pa. PUC v. Pennsylvania-American Water Co.,</i> Docket Nos. R-2025-3057983, <i>et al.</i> (Order entered July 27, 2026)	<i>passim</i>
<i>Pa. PUC v. PPL Elec. Utils. Corp.,</i> 2010 Pa. PUC LEXIS 2001 (Order entered Dec. 21, 2010)	53, 56
<i>Pa. PUC v. PPL Elec. Utils. Corp.,</i> Docket Nos. R-2012-2290597, <i>et al.</i> (Order entered Dec. 28, 2012)	53
<i>Pa. PUC v. UGI Utils., Inc. – Elec. Div.,</i> Docket Nos. R-2017-2640058, <i>et al.</i> (Order entered Oct. 25, 2018)	16, 51, 54
<i>Pa. PUC v. UGI Utils., Inc. – Elec. Div.,</i> Docket Nos. R-2021-3023618, <i>et al.</i> (Order entered Oct. 28, 2021)	16
<i>Pa. PUC v. UGI Utils., Inc. – Elec. Div.,</i> Docket Nos. R-2022-3037368, <i>et al.</i> (Order entered Sept. 21, 2023)	16

PUBLIC VERSION

<i>Implementation of Act 11 of 2012,</i> Docket No. M-2012-2293611 (Order entered Sept. 21, 2016)	14
<i>Implementation of Act 11 of 2012,</i> Docket No. M-2012-2293611 (Order entered Oct. 27, 2022)	14
<i>Securities Certificate of Pennsylvania-American Water Co. for the Issuance of</i> <i>Promissory Notes in an Aggregate Outstanding Principal Amount Not to</i> <i>Exceed \$680,000,000,</i> 2025 Pa. PUC LEXIS 42 (Order entered Feb. 6, 2025)	22

I. INTRODUCTION

In this proceeding, UGI Utilities, Inc. – Electric Division (“UGI Electric” or the “Company”) proposed an increase in its annual base rate operating revenues of \$16.05 million based on the use of a Fully Projected Future Test Year (“FPFTY”) ending September 30, 2027 (“2026 Base Rate Case”). This requested increase of \$16.05 million was made as part of the Company’s rebuttal testimony and was a reduction from the \$17.283 million increase that the Company supported in its initial filing. However, UGI Electric has since filed a Joint Petition for Non-Unanimous Settlement of All Issues (“Joint Petition” or “Settlement”) with the Office of Small Business Advocate (“OSBA”), under which the Company’s proposed revenue increase is further reduced to \$10.7 million.¹

As explained herein, the proposed increase of \$16.05 million is fully supported by the facts and law and, consequently, so too is the revenue increase of \$10.7 million under the Settlement. In fact, to reach a revenue increase of \$10.7 million based on this evidentiary record, the Pennsylvania Public Utility Commission (“Commission”) would have to depart from well-established precedent on central issues like return on equity (“ROE”), capital structure, and depreciation, or adopt the Bureau of Investigation and Enforcement’s (“I&E”) unprecedented, mathematically unsound, and baseless 50% reduction of the overall increase in the revenue requirement due to the alleged impact of the Joint Application filed by UGI Utilities, Inc. and Argo Infrastructure Partners LLC (“Argo”) on June 25, 2026, at Docket Nos. A-2026-3063610, *et al.* (“Argo Transaction”). Such extreme positions are untethered from the law and the credible and substantial evidence in the record.

¹ Per the ALJs’ direction, UGI Electric and OSBA filed their Joint Petition, including their Statements in Support, on September 10, 2026. Comments on and objections to the Joint Petition are due by September 18, 2026.

PUBLIC VERSION

Furthermore, the justness and reasonableness of that revenue increase is bolstered by the Settlement's extensive provisions that address affordability concerns, including a waiver of reconnection fees for low-income customers who provide verification of household income, a Small Business Payment Arrangement Program, and an Expanded Arrearage Forgiveness Program, which will help active customers with income levels of 151% to 300% of the Federal Poverty Income Guidelines ("FPIG") maintain their service while reducing their past due balance by providing them with the option of a 24-month payment plan that, so long as they stay current on their bills, will result in forgiveness of 50% of their current arrears. In addition, the Settlement includes a \$10.00 reduction in the Company's proposed fixed, monthly residential customer charge as well as a \$5.00 reduction in the charge for small commercial customers.

For these reasons, and as more fully explained in UGI Electric's Main Brief, in this Reply Brief, and in the Company's Statement in Support of the Settlement, Administrative Law Judges Steven K. Haas and Chad L. Allensworth ("ALJs") and the Commission should reject the other parties' unfounded arguments and approve the Company's base rate filing as modified by the Settlement without modification.²

A. UGI UTILITIES, INC. – ELECTRIC DIVISION

UGI Electric incorporates Section I.A of its Main Brief by reference as though it were fully set forth herein.

B. STATEMENT OF THE CASE

UGI Electric incorporates Section I.B of its Main Brief by reference as though it were fully set forth herein. In addition, UGI Electric avers as follows:

² UGI Electric notes that in the following sections, the Company does not address certain adjustments, issues, or recommendations that either are undisputed or were rebutted in its Main Brief. Indeed, in this Reply Brief, the Company focuses on the arguments of I&E and Office of Consumer Advocate ("OCA") that were raised in their Main Briefs and that warrant further response by UGI Electric.

PUBLIC VERSION

On September 8, 2026, Main Briefs were filed by UGI Electric, I&E, and the Office of Consumer Advocate (“OCA”). OSBA filed a letter advising that it would not be filing a Main Brief.

On September 10, 2026, UGI Electric and OSBA filed the Joint Petition, attached to which were the parties’ Statements in Support and their Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs.

C. LEGAL STANDARDS

UGI Electric incorporates Section I.C of its Main Brief by reference as though it were fully set forth herein.

II. SUMMARY OF ARGUMENT

The ALJs and Commission should approve UGI Electric’s base rate case filing, as modified by the Settlement. The Company presented extensive testimony and arguments in support of its proposed base rate revenue increase of \$16.05 million. That amount was a reduction from UGI Electric’s original proposal for a \$17.283 million increase as part of the initial filing. In making that reduction, the Company voluntarily accepted more than \$1.23 million in operations and maintenance (“O&M”) expense adjustments, to recognize the affordability concerns raised by parties and to limit the issues in this proceeding. The Company also has given great attention to the affordability concerns in this proceeding, and under the Settlement, UGI Electric would receive an even more reduced base rate revenue increase of \$10.7 million. The Settlement also contains extensive provisions to address affordability, including, but not limited to, substantial reductions in the proposed customer charges for residential and small commercial customers, a new Expanded Arrearage Forgiveness Pilot Program, and provisions that are designed to help low-income

PUBLIC VERSION

customers receive exemptions from security deposits and reconnection fees and help them enroll in the Company's assistance programs.

Nonetheless, I&E and OCA oppose the Settlement, advocating for extreme adjustments to the proposed revenue increase. I&E continues to push for its Argo Transaction adjustment, which is an unprecedented and fundamentally defective adjustment that reduces I&E's calculated revenue increase of \$12.164 million by 50%. This adjustment has no credible support in the record and would mark a complete departure from well-established ratemaking principles.

As for OCA, it contends that UGI Electric should be denied a base rate revenue increase entirely due to affordability and economic concerns, but if that proposal is rejected, OCA argues that the Company should be awarded an increase no higher than \$5.128 million. OCA's arguments in support of a complete denial of the rate case have been repeatedly rejected by this Commission. Also, under the facts of this case, such a denial would produce confiscatory rates. Indeed, UGI Electric is projected to earn an ROE in the FPFTY of only 1.95%. Although the parties disagree on what the "reasonable" authorized ROE should be in this case, none of the expert witnesses recommended an ROE so low. And yet, OCA's proposal would effectively result in such an ROE being imposed on UGI Electric for the FPFTY, which would have severe negative impacts on the Company's finances, jeopardize its ability to attract capital at reasonable rates, and have a fair opportunity to earn a just and reasonable return on its reasonable and prudent investments to serve its customers. Also, due to the roll-in of the DSIC and resetting of the DSIC to 0%, OCA's proposal would amount to an overall decrease in total distribution revenues for the Company, which is completely unjustified.

Aside from these extreme positions taken by I&E and OCA, they continue to advocate for individual adjustments to components of the revenue requirement that lack support and, in the case

PUBLIC VERSION

of OCA's arguments on depreciation, have been repeatedly rejected by the Commission. They also contend that the Commission should impose their hypothetical capital structures and adopt their proposed ROEs, while failing to recognize how the evidentiary record undercuts their arguments, how longstanding precedent supports the Company's position on capital structure, and how the Company's position on capital structure and ROE is distinguishable from the facts in the *PAWC 2026 Order*. These considerations should be weighed when evaluating the justness and reasonableness of the revenue increase under the Settlement, especially when I&E's litigation position results in a revenue increase of \$12.164 million (i.e., \$1.464 million more than the \$10.7 million under the Settlement) before I&E's erroneous Argo Transaction adjustment.

When it comes to cost of service, revenue allocation, and rate design, the Settlement adequately addresses the issues raised by the other parties, by presenting a reasonable compromise of the parties' competing positions. To be clear, UGI Electric fully supported its positions on these issues throughout this proceeding and demonstrated that I&E's and OCA's arguments should be rejected. Nevertheless, the record here provides substantial evidence for the concessions made by UGI Electric in the Settlement, including the reduction of the proposed residential customer charge from \$22.00 to \$12.00.

Finally, the record shows that UGI Electric provides strong customer service and reliability performance and that the Company continues to improve in increasing enrollment in its customer assistance programs. The Settlement, if approved, will build on those successes by expanding program offerings and implementing several changes that are designed to help customers afford their electric bills, stave off termination of service, and reconnect service after termination.

In sum, as explained further in this Reply Brief and in the Company's Main Brief and Statement in Support, the ALJs and Commission should approve UGI Electric's base rate case

filing as modified by the Settlement, because it is supported by substantial record evidence, will produce just and reasonable rates, and is reasonable and in the public interest.

III. OVERALL POSITION ON RATE INCREASE

The question before the ALJs and the Commission is whether the Settlement, which would reduce UGI Electric's base rate revenue increase from \$16.05 million to \$10.7 million, should be approved. Given that the Company's substantial evidence fully supports a \$16.05 million increase, and in light of the Settlement's provisions that directly address affordability concerns and other issues raised by the parties in this case, the answer should be a resounding yes.

Nevertheless, both I&E and OCA oppose the Settlement, including the \$10.7 million increase. Notably, I&E opposes the Settlement when its litigation position produces a revenue increase of \$12.164 million (i.e., approximately \$1.46 million more than the \$10.7 million under the Settlement) before its unsupported and unprecedented Argo Transaction adjustment. Meanwhile, OCA takes an extreme position in its Main Brief—that no rate increase should be awarded due to affordability and macroeconomic concerns—which the Commission has rejected multiple times, most recently in the *PAWC 2026 Order*.³ If the Commission were to award a rate increase, OCA avers that its evidence produces a rate increase of approximately \$5.128 million (utilizing an 8.70% ROE and a hypothetical capital structure of 42% equity and 58% long-term debt). The parties' overall positions on the rate increase can be summarized by the following table:

³ See OCA MB, pp. 15-27; *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2020-3018835, pp. 13-55 (Order entered Feb. 19, 2021) ("*Columbia Gas 2021 Order*"); *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2025-3053499, *et al.*, pp. 16-48 (Order entered Dec. 9, 2025) ("*Columbia Gas 2025 Order*"); *Pa. PUC v. Pennsylvania-American Water Co.*, Docket Nos. R-2025-3057983, *et al.*, pp. 20-46 (Order entered July 27, 2026) ("*PAWC 2026 Order*").

PUBLIC VERSION

UGI Electric Cost of Service Analysis	UGI Electric and OSBA Settlement	I&E Cost of Service Analysis	I&E Litigation Position	OCA Litigation Position	OCA Alternative Based on Flawed Cost of Service Analysis
\$16.05 Million⁴	\$10.7 Million⁵	\$12.164 Million⁶	\$6.082 Million⁷	\$0⁸	\$5.128 Million⁹

The Company originally asked for an increase of \$17.283 million but reduced its proposal to \$16.05 million in its rebuttal testimony. As part of that update, the Company voluntarily reduced its claimed O&M by more than \$1.23 million,¹⁰ which is more than the total remaining disputed expenses in the case (excluding I&E's Argo Transaction and OCA's repeatedly rejected depreciation adjustments that have no merit). Therefore, the revenue increase under the Settlement, which is \$5.35 million (or 33.33%) less than the \$16.05 million increase supported by UGI Electric's evidence and arguments, is more than reasonable.

As explained herein, and in the Company's Main Brief and Statement in Support, I&E and OCA commit fundamental errors that defy Commission precedent and conflict with sound regulatory and ratemaking policy, in their effort to oppose the revenue increase of \$16.05 million supported by UGI Electric's evidence and the revenue increase of \$10.7 million set forth in the Settlement.

First, I&E's final proposed revenue increase of \$6.082 million is not based on its cost-of-service analysis and is instead premised on an adjustment for the Argo Transaction, which I&E

⁴ UGI Electric St. No. 2-R, p. 2.

⁵ Settlement ¶ 29.

⁶ I&E St. No. 1-SR, pp. 3-4.

⁷ *Id.*

⁸ OCA MB, pp. 15-27.

⁹ OCA St. 2SR, p. 3; OCA Exhibits SR-DM-1 and SR-DM-2. At the Company's actual capital structure of 54.25% equity and 45.75% long-term debt, OCA averred that an ROE of 8.00% should be used instead of 8.70%. OCA St. 3, p. 3.

¹⁰ UGI Electric St. No. 1-RJ, p. 2.

applies after the cost-of-service analysis to reduce I&E's calculated revenue increase of \$12.164 million by 50%. Given the critical flaws with that adjustment identified here and in UGI Electric's Main Brief, which even I&E characterizes as "unusual" and "not perfect" in its Main Brief,¹¹ I&E's Argo Transaction adjustment, along with its opposition to the Settlement, should be rejected. Thus, when evaluating whether the revenue increase under the Settlement of \$10.7 million would produce just and reasonable rates, neither the ALJs nor the Commission should give any consideration to the Argo Transaction adjustment.

Second, if the Commission adopts OCA's position that no rate increase should be awarded, the Commission would produce confiscatory rates for UGI Electric by denying the Company a fair opportunity to earn a just and reasonable return on its investments to serve the public. OCA does not deny that UGI Electric has been underearning for several years and that the Company's ROE in the FPFTY would be 1.95% at present rates, a level that is well below the rate of inflation,¹² the yield on 10-year or 30-year Treasury bonds,¹³ and the ROE of 8.7% recommended by OCA's own expert witness,¹⁴ which OCA declares in its Main Brief is a "Reasonable Return on Equity for UGI."¹⁵ To adopt OCA's position would essentially impose an authorized ROE of 1.95% on UGI Electric, which is categorically unsupported by the record and would negatively affect the Company's ability to attract capital at reasonable rates and maintain its financial integrity. Moreover, the roll-in of UGI Electric's Distribution System Improvement Charge ("DSIC") into base rates is worth alone more than \$3 million (or approximately 58% of OCA's calculated revenue increase of \$5.128 million).¹⁶ Because the DSIC resets to 0% upon the effective date of new rates,

¹¹ I&E MB, pp. 16-17.

¹² OCA St. 1, pp. 10-11.

¹³ UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 26.

¹⁴ OCA St. 3, p. 2.

¹⁵ OCA MB, p. 62.

¹⁶ See UGI Electric Exhibit E, pp. 2-19.

OCA's proposal to deny any rate increase would produce an overall decrease in UGI Electric's distribution revenues. Such an extreme position is not justified by the law or the evidentiary record, especially when OCA did not challenge a single dollar of rate base investments in the FPFTY, including all of the DSIC-eligible capital costs that are being rolled into base rates. OCA's proposal of no increase in this case not only defies recent Commission precedent, but it rejects cost-of-service ratemaking and supports an outcome that violates the U.S. Constitution and Pennsylvania law.

For these reasons, and as explained further herein and in the Company's Main Brief and Statement in Support, the ALJs and Commission should approve the Company's base rate filing as modified by the Settlement, including the \$10.7 million base rate revenue increase set forth therein.

IV. RATE BASE

The Company's updated claimed rate base reflects the projected balance of approximately \$239.09 million as of the end of the FPFTY.¹⁷ The balance reflects Plant in Service, Accumulated Depreciation, Working Capital, Accumulated Deferred Income Taxes, Customer Deposits and Materials and Supplies projected as of the end of the FPFTY.¹⁸ The only proposed adjustments to the Company's rate base are derived from parties' adjustments to certain categories of O&M expenses, which should be rejected for the reasons stated in Section VI, *infra*. As such, the Company's claimed rate base is fully supported by the record in this proceeding. Further, the Joint Petition appropriately addresses the parties' positions relating to rate base.

¹⁷ UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1.

¹⁸ *See id.*

A. ELECTRIC PLANT IN SERVICE

The Company's claimed gross plant in service for the FPFTY is \$353.96 million.¹⁹ Less its depreciation reserve (i.e., accumulated depreciation), the Company's proposed net plant in service for the FPFTY is approximately \$251.64 million.²⁰ As confirmed by I&E's and OCA's Main Briefs, no party has proposed any adjustments to the Company's claimed gross plant in service.²¹ The only adjustments to net plant in service advanced in this proceeding are due to adjustments to the depreciation reserve proposed by OCA, which should be rejected for the reasons stated in Sections IV.B and VI.A, *infra*. Thus, the Company's claimed net and gross plant in service are fully supported by the record in this proceeding.

B. ACCUMULATED DEPRECIATION

The Company's depreciation reserve as of the end of the FPFTY was calculated by Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming").²² Consistent with accepted ratemaking practice and long-standing Commission precedent, the depreciation reserve is the book reserve brought forward from the book reserve approved by the Commission in the Company's last base rate proceeding.²³ The book reserve was projected generally using the straight-line remaining life method, with the Average Life Group ("ALG")²⁴ and Equal Life Group ("ELG") procedures, consistent with UGI Electric's decades long approach to depreciation.²⁵ The allocated book depreciation reserve as of September 30, 2027, was calculated to be \$102,322,767.²⁶

¹⁹ *Id.*

²⁰ *Id.*

²¹ See I&E MB, p. 11; OCA MB, p. 29.

²² See UGI Electric St. No. 6, pp. 1, 4-5.

²³ See *id.*, p. 5.

²⁴ ALG is also called the Average Service Life ("ASL") method.

²⁵ See UGI Electric St. No. 6, p. 10.

²⁶ See *id.*, p. 12.

UGI Electric addressed OCA's proposed adjustments to accumulated depreciation and depreciation expense, which defy long-standing and recently affirmed Commission precedent, in Sections IV.B and VI.B of its Main Brief. The Company further addresses OCA's arguments on depreciation in Section VI.B of this Reply Brief and reinforces why OCA's proposed adjustments should be rejected.

C. ADDITIONS TO RATE BASE

The Company's claimed addition to rate base for Materials and Supplies in the amount of approximately \$3.84 million is undisputed.²⁷ Also, in accordance with established precedent, the Company has claimed an allowance for Cash Working Capital ("CWC") in this proceeding.²⁸ The Company's final CWC claim in the amount of approximately \$13.29 million is fully justified by the record in this proceeding.²⁹ No party disputed the Company's methodology, and UGI Electric's final CWC claim amount reflected all adjustments and updates to various categories of O&M expenses accepted by the Company in its rebuttal testimony, as well as the rejection of certain unreasonable and inappropriate expense adjustments proposed by the other parties that were detailed in Section VI of the Company's Main Brief. Accordingly, the Company's final CWC claim is fully justified by the record in this proceeding.

D. DEDUCTIONS FROM RATE BASE

The Company also claimed deductions to its rate base associated with accumulated deferred income taxes ("ADIT") and customer deposits, which reduced rate base by approximately \$27.95 million and \$1.73 million, respectively.³⁰ The development of the Company's tax claims, including its claim for ADIT to reduce rate base, were explained in Section VII of UGI Electric's

²⁷ UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1.

²⁸ See *University of Pa. v. Pa. PUC*, 485 A.2d 1217, 1226-27 (Pa. Cmwlth. 1984) (citations omitted).

²⁹ UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedules A-1 and C-4.

³⁰ UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1; see also UGI Electric St. No. 9, pp. 4-10.

Main Brief. Although OCA argues that there should be an adjustment to the Company's ADIT of \$427,174 based on OCA's recommendations on depreciation,³¹ such adjustment should be rejected for the same reasons that OCA's depreciation recommendations should be denied. Similarly, the Company's claim to reduce rate base by the projected amount of customer deposits was not disputed by any party.³² Thus, these claimed reductions to rate base are fully justified by the record in this proceeding.

V. REVENUES

As explained in Section V of UGI Electric's Main Brief, the Company's proposed present rate revenues and methodology for determining the same are unopposed and fully justified by the record in this proceeding. However, the OCA has proposed a complete denial of UGI Electric's base rate increase in its Main Brief. In the following section, UGI Electric establishes that such a proposal should be denied, as it contravenes the record evidence and well-established legal precedent and would produce unjust and unreasonable rates.

A. OCA'S PROPOSAL TO DENY ANY RATE INCREASE SHOULD BE REJECTED

The financial analyses of OCA's expert witnesses establish a base rate revenue increase of \$5.128 million.³³ Such a position is flawed for several reasons as explained in UGI Electric's Main Brief, including, but not limited to, OCA's erroneous positions on ROE, capital structure, depreciation, and O&M (e.g., vegetation management expense, incentive compensation, etc.), which collectively result in an unreasonable \$5.128 million increase.³⁴ However, in its Main Brief,

³¹ OCA MB, p. 56.

³² UGI Electric St. No. 5, p. 15.

³³ OCA St. 2SR, p. 3.

³⁴ See *generally* UGI Electric MB, pp. 32-104.

PUBLIC VERSION

OCA takes a more extreme position, contending that no rate increase should be approved at all due to affordability and macroeconomic concerns.³⁵ This proposal should be denied.

By denying any rate increase under the facts of this case, the Commission would produce unconstitutional, confiscatory rates for UGI Electric by denying the Company a fair opportunity to earn a just and reasonable return on its investments to serve the public. As noted previously, OCA does not dispute that UGI Electric has been underearning for several years, despite Commission-approved base rate increases in 2018, 2021, and 2023, as summarized in Figure 1R from UGI Electric witness Rogers's rebuttal testimony³⁶:

UGI Utilities, Inc. - Electric Division Distribution Actual Earned Return on Equity Fiscal Years 2019 - 2025	
Fiscal Year	Actual Earned Return
2025	6.15%
2024	6.86%
2023	1.67%
2022	5.58%
2021	0.23%
2020	7.76%
2019	6.20%

The Company's projected ROE for the FPFTY would be 1.95% at present rates, with an overall rate of return only 3.426%.³⁷ No party, including OCA, disputed these figures.

Essentially, by advocating for no rate increase, OCA wants the Commission to set UGI Electric's authorized ROE at 1.95% or, at the very least, to deny the Company a fair opportunity

³⁵ OCA MB, pp. 15-27.

³⁶ UGI Electric St. No. 1-R, p. 19.

³⁷ UGI Electric St. No. 1, p. 8.

to earn an ROE above that level. Such a level is well below the rate of inflation,³⁸ the yield on 10-year or 30-year Treasury bonds,³⁹ and the ROE of 8.7% recommended by OCA's own expert witness.⁴⁰ Importantly, even OCA declares an ROE of 8.7% to be a "Reasonable Return on Equity for UGI" in the header for Section VIII.E of its Main Brief.⁴¹ To adopt OCA's position would essentially impose an authorized ROE of 1.95% on UGI Electric, which is categorically unsupported by the record and would negatively affect the Company's ability to attract capital at reasonable rates and maintain its financial integrity or even continue its operations without disruption.⁴² Even OCA witness Deupree confirmed at the hearing that it is not his view that "other factors should take primacy over the cost of service."⁴³ OCA's proposal to deny the rate increase entirely, on the facts of this case, would constitute a rejection of cost of service ratemaking.

In addition, if the Commission were to impose an authorized ROE of 1.95% on UGI Electric, it would severely and unreasonably limit the Company's ability to fund the repair and replacement of aged and aging infrastructure through its DSIC. The Commission-approved DSIC provisions in UGI Electric's retail tariff provide, "The cost of equity will be the equity return rate approved in the last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC."⁴⁴ This comports with the Commission's Model DSIC Tariff.⁴⁵ Therefore, for two years, UGI Electric would be stuck with an ROE for DSIC purposes of 1.95% unless it files another base rate case. By contrast, under the

³⁸ OCA St. 1, pp. 10-11.

³⁹ UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 26.

⁴⁰ OCA St. 3, p. 2.

⁴¹ OCA MB, p. 62.

⁴² See, e.g., UGI Electric St. No. 1, pp. 8-9; UGI Electric St. No. 3-R, pp. 5-7; Tr. 281.

⁴³ See Tr. 213.

⁴⁴ UGI Electric Exhibit F, Rider G, Rule A.5.2.

⁴⁵ See *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Appx. A (Order entered Sept. 21, 2016) ("*Supplemental Implementation Order*") (defining "Pre-tax return"); *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Appx. A (Order entered Oct. 27, 2022) ("*Second Supplemental Implementation Order*") (defining "Pre-tax return").

Settlement, the ROE established in the Commission’s Quarterly Earnings Reports (“QERs”), which was 10.05% for the Fourth Quarter of 2025⁴⁶ and 801 basis points higher than an ROE of 1.95%. Additionally, if the Company were to earn over its authorized rate of return in any quarter, the DSIC would be reset to zero.⁴⁷ Thus, if such a low authorized ROE were imposed, it would limit and discourage the Company’s use of the DSIC and, in fact, encourage UGI Electric to file its next base rate case sooner.

Also, the Commission has repeatedly rejected this proposal. The Commission first did so in Columbia Gas of Pennsylvania, Inc.’s (“Columbia Gas”) 2020 rate case,⁴⁸ where OCA contended that no rate increase should be awarded to the economic situation caused by the COVID-19 pandemic.⁴⁹ The Commission soundly rejected OCA’s proposal, reasoning that the “pandemic does not change the continued application” of the “constitutional standards established in *Bluefield* and *Hope Natural Gas*” and that “the continued use of traditional ratemaking methodologies during this pandemic is consistent with the setting of just and reasonable rates.”⁵⁰ The Commission also noted that Columbia Gas’s ROE at existing rates of 6.53% in the FPFTY was below the ROE recommendations of every expert witness in the proceeding, including OCA’s expert whose analysis produced an ROE of 8.5%.⁵¹

More recently, in the *PAWC 2026 Order*, OCA recommended that the Commission deny Pennsylvania-American Water Company’s (“PAWC”) rate increase in its entirety due to affordability concerns and economic conditions, including inflation.⁵² The Commission rejected that request, finding it to be “inconsistent with the Commission’s obligations to weigh the record

⁴⁶ UGI Electric St. No. 1-R, p. 19.

⁴⁷ 66 Pa. C.S. § 1358(b)(3).

⁴⁸ *Columbia Gas 2021 Order*, pp. 42-55.

⁴⁹ *Id.*, p. 14.

⁵⁰ *Id.*, p. 42.

⁵¹ *Id.*, pp. 53-54.

⁵² See *PAWC 2026 Order*, pp. 35-41.

evidence and to provide PAWC with a fair rate of return.”⁵³ Instead, the Commission “considered the issue of affordability in assessing issues such as rate structure and rate design” and “carefully balanced the competing customer and investor interests in setting an appropriate ROE, while reviewing the Company’s proposed capital expenditures with affordability in mind”⁵⁴ Ultimately, the Commission determined that PAWC’s ROE should be adjusted downward “to recognize the Company’s minimal regulatory lag and the associated reduced business risk, given its frequent filing of base rate cases and the affordability issues faced by PAWC’s customers.”⁵⁵ As the Commission reasoned, PAWC filed base rate cases frequently, with four base rate cases filed in a six-year period, and noted how concerns about regulatory lag could be minimized through PAWC’s use of the DSIC.⁵⁶

Here, the facts are stronger to deny OCA’s proposal. UGI Electric’s undisputed projected ROE at existing rates for the FPFTY is 1.95%,⁵⁷ which is significantly lower than: (1) the 6.53% and 7.63% ROEs at existing rates for the FPFTY in the *Columbia Gas 2021 Order* and the *PAWC 2026 Order*, respectively⁵⁸; and (2) the recommended authorized ROEs of every rate of return witness in this proceeding.⁵⁹ Also, the Company has not filed base rate cases as frequently as either *Columbia Gas* or *PAWC*.⁶⁰ UGI Electric also has fully utilized the DSIC.⁶¹

⁵³ *Id.*, p. 44.

⁵⁴ *Id.*, pp. 41-42.

⁵⁵ *Id.*, p. 45.

⁵⁶ *Id.*, pp. 211-12.

⁵⁷ UGI Electric St. No. 1, p. 8.

⁵⁸ See *Columbia Gas 2021 Order*, pp. 53-54; *PAWC 2026 Order*, pp. 22, 30, 44.

⁵⁹ See UGI Electric St. No. 8-R, p. 5; OCA St. 3SR, p. 15; I&E St. 2-SR, p. 3.

⁶⁰ See UGI Electric St. No. 1-R, pp. 15, 18; *Pa. PUC v. UGI Utils., Inc. – Elec. Div.*, Docket Nos. R-2022-3037368, *et al.* (Order entered Sept. 21, 2023); *Pa. PUC v. UGI Utils., Inc. – Elec. Div.*, Docket Nos. R-2021-3023618, *et al.* (Order entered Oct. 28, 2021); *Pa. PUC v. UGI Utils., Inc. – Elec. Div.*, Docket Nos. R-2017-2640058, *et al.* (Order entered Oct. 25, 2018).

⁶¹ See UGI Electric St. No. 1-R, p. 15.

PUBLIC VERSION

Moreover, UGI Electric has taken several steps to address affordability concerns in this proceeding,⁶² with the proposed Settlement's substantial reduction in revenue requirement and many provisions on affordability being the latest example.⁶³ Indeed, the Settlement would, among other things: (1) reduce the Company's proposed revenue increase to \$10.70 million (i.e., \$5.35 million less than the \$16.05 million revenue increase supported by the Company's cost of service analysis); (2) reduce UGI Electric's proposed residential customer charge from \$22.00 to \$12.00; (3) establish an Expanded Arrearage Forgiveness Pilot Program, which is modeled after the same pilot program pending approval at Docket Nos. R-2025-3059523, *et al.*, in the UGI Gas 2026 Rate Case Settlement, that will provide assistance to payment-troubled customers with income levels of 151% to 300% of the FPIG; and (4) establish a Small Business Payment Arrangement Program.⁶⁴ Those actions set UGI Electric apart from other utilities, for whom the Commission still granted base rate revenue increases.

Furthermore, UGI Electric presented extensive testimony responding to OCA's arguments on affordability, including how OCA's affordability and energy-burden analysis do not demonstrate the Company's proposed rates are unreasonable.⁶⁵ UGI Electric witness Fang also presented an expert analysis on the electric-burden for the Company's customers, which showed, among other things, that "the first quartile (25% of customers) has an electric burden of 1.6% or below, the median (50% of customers) is 2.7%, and the third quartile (75% of customers) is 4.2% prior to receiving any benefits from customer assistance programs."⁶⁶ Ms. Fang also performed an analysis looking at the electric-burden for customers enrolled in UGI Electric's Customer

⁶² See UGI Electric MB, p. 13.

⁶³ See UGI Electric Statement in Support, pp. 2, 5, 8, 10-13, 18, 28-29.

⁶⁴ See Settlement ¶¶ 29, 31, 34-35.

⁶⁵ See, e.g., UGI Electric St. No. 1-R, pp. 14-27; UGI Electric St. No. 11-R, pp. 51-81.

⁶⁶ UGI Electric St. No. 11-R, pp. 65-67.

Assistance Program (“CAP”), which found that “CAP benefits substantially reduce annual bills: the median annual bill declines from approximately \$2,025 pre-benefits to \$641 post-benefits (a reduction of approximately 68.3%), and the mean annual bill declines from approximately \$2,425 to \$793 (a reduction of approximately 68.3%).”⁶⁷ Although “affordability challenges remain for some households, the analysis indicates that targeted assistance mechanisms address those concerns more directly than across-the-board changes to otherwise cost-based rates.”⁶⁸ That is precisely what the Settlement would accomplish.

Finally, OCA’s position would deny UGI Electric recovery of capital investments that OCA has not disputed in this proceeding. As explained previously, the roll-in of the capital costs that are recovered through DSIC which are needed to repair and replace aged and aging infrastructure, is worth more than a \$3 million increase in base rates.⁶⁹ OCA’s argument for no base rate increase would deny the recovery of these costs through base rates or, because the DSIC resets to zero upon the effective date of new rates, through the DSIC. Therefore, OCA’s requested relief would produce an overall decrease in UGI Electric’s total distribution revenues for a utility that is already underearning, while simultaneously discouraging and denying the recovery of reasonable and prudent expenditures to provide reasonable, adequate, efficient, safe, and reliable service to customers.

In conclusion, on these facts, no one can reasonably dispute that denying the base rate increase and effectively imposing an authorized ROE of 1.95% on UGI Electric contravenes the evidence, the Public Utility Code, and the Company’s constitutional right to have a fair opportunity

⁶⁷ *Id.*, p. 71.

⁶⁸ *Id.*, p. 73.

⁶⁹ See UGI Electric Exhibit E, pp. 2-19.

to earn a just and reasonable return on its investment. Thus, the ALJs and the Commission should expressly reject OCA's proposal.

VI. EXPENSES

The Company's expenses claims, as updated as part of UGI Electric's rebuttal case, are reasonable and appropriate for the furnishing of service to customers and are fully supported by the record.⁷⁰ Nothing presented in the Main Briefs of I&E or OCA warrants further adjustment to the Company's expense claims, especially given that UGI Electric voluntarily reduced its claimed O&M expenses by more than \$1.23 million,⁷¹ which is more than the total remaining disputed expenses (excluding the unprecedented and improper Argo Transaction and repeatedly rejected depreciation adjustments). Therefore, as explained in the following sections and in the Company's Main Brief, I&E's and OCA's proposed adjustments to certain expense claims should be rejected.

A. ARGO TRANSACTION

I&E continues to advocate for its Argo Transaction adjustment, which would reduce I&E's calculated revenue increase of \$12.164 million by 50% (i.e., down to \$6.082 million).⁷² The Company explained the fundamental flaws and substantial problems with I&E's Argo Transaction adjustment in its Main Brief that render it unadoptable.⁷³ Although I&E admits in its Main Brief that the adjustment is an "unusual recommendation"⁷⁴ and is "not perfect,"⁷⁵ I&E continues to ask the Commission to adopt it.⁷⁶ As an alternative, I&E requests, for the first time in its Main Brief, that "the ALJs and Commission nonetheless consider the concerns raised by I&E when

⁷⁰ UGI Electric MB, pp. 26-70.

⁷¹ UGI Electric St. No. 1-RJ, p. 2.

⁷² See I&E MB, pp. 14-17.

⁷³ UGI Electric MB, pp. 27-32.

⁷⁴ I&E MB, p. 16.

⁷⁵ *Id.*, p. 17.

⁷⁶ See *id.*, pp. 14-17.

determining the final revenue increase for this matter, and make such adjustments as they feel are warranted to mitigate these uncertainties.”⁷⁷ Additionally, the Settlement sufficiently addresses I&E’s concerns about the Argo Transaction by binding the Company not to oppose a requirement that the purchaser of the Company be bound by the terms of this Settlement.⁷⁸ Therefore, I&E is free to make that recommendation in the Argo Transaction proceeding, and UGI Electric will not oppose it. The Company’s agreement to that provision is significant, given that the Settlement: (1) provides robust customer benefits; (2) regarding I&E’s concerns about Argo living up to the capital spending projected by UGI Electric, sets the utility plant account balance at the FPPTY amount of \$353,968,000 projected by UGI Electric at September 30, 2027, for purposes of determining when plant additions can be included in the DSIC; and (3) requires the submission of reports on actual capital expenditures, plant additions, and retirements for the Future Test Year (“FTY”) and FPPTY.⁷⁹

Thus, as explained in the following sections, the Commission should reject I&E’s “unusual” and “not perfect” recommendation⁸⁰ and its new and vague alternative requested relief and should approve the Settlement without modification.

1. The Argo Transaction Adjustment, Which I&E Concedes Is “Unusual” And “Not Perfect,” Wholly Lacks Merit

I&E tries to rehabilitate the fundamentally flawed proposal in its Main Brief, by contending that: (1) UGI Electric could have avoided the alleged “uncertainty” with its FPPTY claims by “conclud[ing] this rate case prior to the Application” or by “stat[ing] in the Application that the sale, if approved, will not take effect until after the end of the FPPTY of this base rate case”; (2)

⁷⁷ *Id.*, p. 17.

⁷⁸ Settlement ¶ 58.

⁷⁹ Settlement ¶¶ 47, 49.

⁸⁰ I&E MB, pp. 16-17.

the Essential Utilities, Inc. (“Essential”) and American Water Works Company, Inc. (“American Water”) merger is distinguishable because it involved the “merger of two existing Pennsylvania companies”; and (3) the transition services agreement required under the Joint Application “does not fully mitigate I&E’s concerns.”⁸¹ These arguments should be rejected.

First, the timing of UGI Electric’s base rate increase is driven by several factors, including the Company’s underearning for several years and its significant capital investments in the FPFTY.⁸² The Company cannot delay its proposed base rate increase simply because there is a pending proposal to sell the Company’s assets to Argo. Nor should the Company or Argo be forced, as apparently suggested by I&E witness Bedasa, to file another base rate case on the heels of the Argo Transaction “fail[ing] to transpire” or “in the event of the sale closing,”⁸³ especially at a time when the frequency of filing base rate cases is subject to scrutiny.⁸⁴ Moreover, as explained in UGI Electric’s Main Brief, nothing guarantees that the Commission will approve the Argo Transaction and, if it does, there is no guarantee that closing will take place by April 1, 2027, or even within the FPFTY.⁸⁵ As such, I&E’s attempt to tie the timing of these two unconsolidated cases is inappropriate. The proper approach, which, to UGI Electric’s knowledge, has been taken in every prior base rate case before this Commission where a merger or acquisition was pending, is to have each proceeding move forward and be evaluated on its own merits. Indeed, in the “appropriate forum” Joint Application proceeding, I&E will have a full and fair opportunity to investigate the merits of the proposed transaction and propose conditions on the Commission’s

⁸¹ *Id.*, pp. 15-17.

⁸² See UGI Electric St. No. 1-R, pp. 6-7, 9-10.

⁸³ I&E St. No. 1-SR, p. 8.

⁸⁴ See PAWC 2026 Order, p. 40 (“We cannot overlook the fact that, given PAWC’s history and cadence of frequent base rate increase requests, affordability is a growing issue, exacerbated by recent and current economic conditions, including increased inflation.”).

⁸⁵ See UGI Electric MB, pp. 28-29.

approval of the Joint Application that could resolve the concerns raised by I&E in this case.⁸⁶ Nevertheless, under the Settlement proposed in this case, UGI Electric would be prohibited from opposing a requirement that the purchaser of the Company be bound by the terms of this Settlement.⁸⁷ I&E would not be prevented from proposing additional conditions in the Joint Application proceeding.

Second, I&E's attempt to distinguish the pending Essential and American Water merger should be rejected. I&E hinges its distinction on Argo's incorporation in Delaware and the "indirect or minority ownership" interests Argo has in Pennsylvania utilities today.⁸⁸ However, I&E presented no evidence that an ultimate parent company's state of incorporation somehow makes the projected capital investments and expenses less reliable. Even if that fact had any relevance, which it does not, I&E fails to recognize that American Water, one of the two parent companies involved in the Essential-American Water merger, is incorporated in Delaware.⁸⁹ In that respect, both of the proposed mergers involve one parent company being incorporated in Pennsylvania (i.e., Essential in the former and UGI Corporation in the latter) and another parent company incorporated in Delaware (i.e., American Water in the former and WVE Investments LLC (managed by Argo) in the latter).⁹⁰ Furthermore, even if the "two existing Pennsylvania companies" mentioned by I&E in its Main Brief⁹¹ is intended to reference the public utilities involved in the merger, there are actually four utilities involved, i.e., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC ("Peoples"), and

⁸⁶ UGI Electric St. No. 1-R, p. 12.

⁸⁷ See Settlement ¶ 58.

⁸⁸ I&E MB, pp. 16-17.

⁸⁹ *Securities Certificate of Pennsylvania-American Water Co. for the Issuance of Promissory Notes in an Aggregate Outstanding Principal Amount Not to Exceed \$680,000,000*, 2025 Pa. PUC LEXIS 42, at *2 (Order entered Feb. 6, 2025) (stating that "American Water Works Company" is a "Delaware corporation").

⁹⁰ See, e.g., *id.*; UGI Electric Exhibit JRR-3RJ, pp. 4, 6; UGI Electric Book I, Response to Section 53.53 – I-B-1.

⁹¹ I&E MB, p. 17.

PAWC.⁹² There is simply no supportable reason to distinguish UGI Electric’s situation from Peoples and PAWC, the former of which still has a base rate case pending and the latter of which had a base rate case pending while the merger proceeding involving their parent companies has been pending before the Commission. In addition to the failure to align with the approaches taken in those other base rate cases, it is clear that I&E’s arguments wholly lack factual support.

Third, I&E’s arguments about the transition services agreement hold no weight. The default service period under the Transition Services Agreement (“TSA”) is 12 months from closing, which would be April 1, 2028, if the Argo Transaction were to close on April 1, 2027, and well beyond the end of the FPFTY on September 30, 2027.⁹³ As such, I&E’s position is based on three speculative assumptions: (1) UGI Electric would provide transition services to Argo at a cost less than the Company currently incurs for those same services; (2) the transition services would stop being provided by UGI Electric before the end of the FPFTY; and (3) the replacement services acquired by Argo would be less expensive than UGI Electric’s transition services. The record evidence in this proceeding shows that I&E’s assumptions are incorrect.⁹⁴ Again, to the extent I&E has concerns about the transition services, including their costs, I&E can fully investigate those issues in the Joint Application proceeding. However, this case, before the Argo Transaction

⁹² See PAWC 2026 Order, p. 9 (noting that “PAWC is a wholly-owned subsidiary of American Water Works Company, Inc. (American Water)”); *Application of Peoples Natural Gas Co. LLC, for All of the Authority and the Necessary Certificates of Public Convenience to Merge PNG Gathering, LLC into Peoples Natural Gas Co. LLC*, 2026 Pa. PUC LEXIS 21, at *5 n.1 (Order entered Jan. 29, 2026) (stating “Essential is the direct owner of LDC Funding LLC, which owns PNG Companies LLC, which is the parent company of Peoples and PNG Gathering”); *Application of Aqua Pennsylvania, Inc. for Approval of the Right to: (1) Acquire Certain Water System Assets of Ulster Municipal Authority; and (2) Begin to Offer, Render, Furnish or Supply Water Service to the Public in a Portion of Ulster Township, Bradford County, Pennsylvania*, 2026 Pa. PUC LEXIS 282, at *2 (Order entered Aug. 27, 2026) (noting that Aqua Pennsylvania, Inc. is “a subsidiary of Essential Utilities, Inc. and an affiliate of Aqua Pennsylvania Wastewater, Inc.”); see also *Joint Application of American Water Works Co., Inc. Essential Utilities, Inc., Aqua Pennsylvania, Inc. Aqua Pennsylvania Wastewater, Inc. Peoples Natural Gas Co. LLC and Alpha Merger Sub, Inc. for a Certificate of Public Convenience under Sections 1102(a)(3) and 2210(c) of the Public Utility Code and All Other Necessary Approvals to Effect a Change of Control of Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc. and Peoples Natural Gas Co. LLC*, 2026 Pa. PUC LEXIS 249 (Order entered Aug. 6, 2026).

⁹³ UGI Electric Exhibit JRR-3RJ, p. 30.

⁹⁴ UGI Electric St. No. 1-RJ, pp. 13-15.

is even approved, is not the appropriate proceeding to delve into these issues and fashion a remedy that arbitrarily reduces the revenue requirement to an insufficient and confiscatory amount.

2. I&E's Proposed Argo Transaction Adjustment Conflicts with the Revenue Requirement Formula Presented in I&E's Main Brief

I&E's proposal should be denied because it is a departure from the well-established ratemaking formula that I&E itself recites in its Main Brief.⁹⁵ Under that formula, the revenue requirement is determined as follows:

$$RR = E + D + T + (RB \times ROR)^{96}$$

Where:

RR = Revenue Requirement

E = Expenses

D = Depreciation

T = Taxes

RB = Rate Base

ROR = Rate of Return

Instead of calculating the revenue requirement pursuant to this formula, however, I&E's Argo Transaction adjustment would reduce the incremental increase in the revenue requirement by 50%. In other words, I&E's ratemaking formula employed in this case adds a new variable (the Argo Transaction adjustment) represented as "A" in the following formula:

$$RR = E + D + T + (RB \times ROR) - A$$

Assuming *arguendo* that I&E had credibly identified individual aspects of the Company's operating expenses, depreciation, taxes, rate base, or rate of return that should be adjusted due to

⁹⁵ See I&E MB, p. 5.

⁹⁶ *Id.*

the Argo Transaction, such an approach would have comported with the Commission's long-established method for determining a utility's revenue requirement at existing and proposed base rates.⁹⁷ I&E did not do that. In fact, in its testimony, I&E only identified two specific categories of expenses—corporate allocations and shared services—that would, from I&E's perspective, be potentially impacted by the Argo Transaction.⁹⁸ As explained in UGI Electric's Main Brief, reducing the claim for those expenses by 50% would only amount to a reduction in the revenue requirement by \$1.25 million.⁹⁹ However I&E's proposal would reduce the Company's revenue requirement by more than three times that amount. Further, I&E's proposal suggests that the revenue requirement is only justified based on a specific owner, when it is readily apparent that the utility—no matter who owns it—must continue to provide safe and reliable service to the public, which necessarily entails the incurrence of the costs reflected through the ratemaking formula. Finally, as shown in UGI Electric's testimony and Main Brief, I&E's adjustment does not even mathematically accomplish what it claims to do and instead would cause UGI Electric to under-recover its costs, no matter if or when that divestiture actually occurs.¹⁰⁰ Thus, I&E's Argo

⁹⁷ As the Commission recognized in the *Columbia Gas 2021 Order*:

[T]he traditional ratemaking methodologies permit consideration of evidence presented regarding the risks, uncertainties, and impact of the COVID-19 global pandemic in determining various components of a utility's cost of service, or revenue requirement. As explained further below, such components include, for example, a fair rate of return, projected expenses, and projected capital spending.

Columbia Gas 2021 Order, p. 48. In keeping with this precedent, an across-the-board reduction in the revenue requirement is inappropriate. To the extent that there were justifiable concerns with the Company's base rate increase amount in light of the Argo Transaction, which there are none, then the only appropriate adjustments that could be proposed are to individual components that make up the revenue requirement.

⁹⁸ UGI Electric notes that for the first time in its Main Brief, I&E argues that the Argo Transaction creates uncertainty in the Company's rate case expense claim, which was developed based on a 2-year normalization of UGI Electric's rate case expenses. See I&E MB, p. 19. As explained in Section VI.C, *infra*, I&E inappropriately raises this argument for the first time in its Main Brief, and it should be disregarded for that reason alone. Moreover, I&E's position, if adopted, would essentially result in an improper double adjustment to the Company's rate case expense.

⁹⁹ UGI Electric MB, pp. 16, 31.

¹⁰⁰ See, e.g., UGI Electric MB, pp. 16, 30.

Transaction adjustment contravenes well-established ratemaking practices and precedent and should be rejected.¹⁰¹

3. The ALJs and Commission Should Reject I&E's New Request for Relief Premised on the Argo Transaction that I&E Inappropriately Raises for the First Time in its Main Brief

I&E, apparently recognizing the failings with its proposed Argo Transaction adjustment, makes a new request for relief in its Main Brief: that “the ALJs and Commission nonetheless consider the concerns raised by I&E when determining the final revenue increase for this matter, and make such adjustments as they feel are warranted to mitigate these uncertainties.”¹⁰²

It is well-established that parties cannot introduce new adjustments or arguments for the first time at the briefing stage.¹⁰³ Because I&E presented this request for relief for this first time in its Main Brief, I&E denied UGI Electric an opportunity to present evidence in response to I&E's proposal. Therefore, I&E's actions have prejudiced UGI Electric, and this new argument should

¹⁰¹ As explained in UGI Electric's Main Brief, I&E's adjustment is flawed because it is premised on the Company no longer owning the assets by April 1, 2027, even though nothing guarantees that: (1) the Commission will rule on the Joint Application by that date; (2) the Commission will approve the Joint Application without conditions or with conditions acceptable to Argo and UGI Utilities, Inc. (“UGI Utilities”) by that date; and (3) Argo and UGI Utilities will close on the transaction by that date. UGI Electric MB, pp. 28-29. Notably, on September 18, 2026, the prehearing conference in the Argo Transaction proceeding was held. The litigation schedule adopted at the prehearing conference would have Reply Briefs due by February 25, 2027, with no prescribed deadlines for the Recommended Decision or the Commission's Final Order. This litigation schedule shows that barring a settlement being reached by the parties that enables an earlier ruling on the Joint Application, closing on the transaction will not take place by April 1, 2027, unless the issuance of a Recommended Decision, the filing of any Exceptions and Replies thereto, and the entry of the Final Order are all accomplished within 34 days. Thus, I&E's reliance on the April 1, 2027 date for purposes of determining the percentage reduction of the incremental revenue requirement remains seriously flawed. To the extent necessary, UGI Electric respectfully requests that the ALJs and Commission take official notice of these facts pursuant to 52 Pa. Code § 5.408, as they are highly relevant and were not available at the time the Company presented its testimony or submitted its Main Brief. Given that I&E is a party to the Joint Application proceeding and was present during the prehearing conference, I&E is already aware of these facts.

¹⁰² *Id.*, p. 17.

¹⁰³ See, e.g., *Pa. PUC v. Pa. Power and Light Co.*, Docket Nos. R-822169, *et al.*, 55 P.U.R.4th 185, 57 Pa. PUC 559, 596-97 (Order entered Aug. 19, 1983) (“Merits aside, it is highly inappropriate for a party to propose a completely new adjustment for the first time in its brief.”); *Enron Capital & Trade Res. Corp. v. Peoples Natural Gas Co.*, Docket No. R-00973928C0001, 1997 Pa. PUC LEXIS 178, at *10-11 (Nov. 13, 1997) (Recommended Decision) (“Enron cannot be permitted to introduce an argument at the briefing stage which it did not introduce in the evidentiary phase of this proceeding . . . Imposing [the alternative proposal] without the other parties having notice and an opportunity to be heard would violate their due process rights.”), *affirmed*, 1998 Pa. PUC LEXIS 199 (Order entered Aug. 24, 1998).

be disregarded entirely. I&E's prayer for relief lacks any foundation in evidence and is, essentially, an acknowledgment by I&E that it has failed to carry its burden in this proceeding. As such, it should be rejected for the same fundamental reasons that I&E's Argo Transaction adjustment should be denied.

4. The Settlement Appropriately Addresses the Argo Transaction, While Leaving the Merits of the Argo Transaction to Be Decided in the Joint Application Proceeding

UGI Electric also notes that the Settlement reasonably addresses the Argo Transaction, while still allowing the merits of the Joint Application to be adjudicated in that proceeding. Specifically, the Settlement provides that UGI Electric will not oppose a requirement that the purchaser of the Company be bound by the terms of this Settlement.¹⁰⁴ As explained in UGI Electric's Statement in Support, this provision directly responds to I&E's concern that the new owner may not be bound by UGI Electric's existing commitments and obligations, including the substantial capital investment commitments reflected in the FPPTY.¹⁰⁵

For these reasons, I&E's proposed Argo Transaction adjustment wholly lacks merit, and the ALJs and Commission should give it no credence when ruling on the proposed base rate increase as modified by the Settlement.

B. DEPRECIATION EXPENSE

1. OCA Fails to Accurately Identify Its Depreciation Expense Adjustment in Its Main Brief

In its Main Brief, OCA repeatedly asserts that the Company's annual depreciation expense and associated accumulated depreciation should be decreased by approximately \$1.8 million.¹⁰⁶ However, in the Company's rebuttal testimony, UGI Electric pointed out that his recommended

¹⁰⁴ Settlement ¶ 58.

¹⁰⁵ See, e.g., I&E St. No. 1, p. 7; UGI Electric St. No. 1, p. 6.

¹⁰⁶ See OCA MB, pp. 12, 29, 31; OCA MB, Appx B, p. 6.

depreciation expense claim is based on the FTY balance, rather than the FPFTY balance.¹⁰⁷ In response, Mr. Garren clarified in his surrebuttal testimony that the \$1,587,004 figure is the adjustment for the FPFTY ended September 30, 2027, while his direct testimony described the amount as of the end of the FTY ended September 30, 2026.¹⁰⁸ At no point in its Main Brief does OCA acknowledge this clarification and, instead, claims that the Company's depreciation expense and accumulated depreciation should be reduced by approximately \$1.8 million.¹⁰⁹ Thus, to the extent the Commission gives any credence to OCA's argument on depreciation, which it should not, the correct figure is \$1,587,004 as stated in Mr. Garren's surrebuttal testimony,¹¹⁰ not the \$1.8 million figure repeatedly identified in OCA's Main Brief.¹¹¹

2. OCA Fails to Present Any Compelling Reasons for the Commission to Depart from Its Repeated Rejection of OCA's Proposal to Switch from ELG to ALG

In the Company's Main Brief, UGI Electric extensively addressed why the Commission should reject OCA's depreciation adjustments, which are based on OCA's proposal to switch from the ELG to ALG method and recommended survivor curves for certain accounts.¹¹² In this Reply Brief, UGI Electric further addresses OCA's flawed recommendation that the Company be forced to switch from ELG to ALG, focusing on the arguments raised in OCA's Main Brief that were not fully addressed in the Company's Main Brief. Furthermore, under the Settlement, the Commission would not need to rule on this contentious issue. However, if the Commission were to modify the

¹⁰⁷ See UGI Electric St. No. 6-R, p. 26.

¹⁰⁸ See OCA St. 4SR, p. 9.

¹⁰⁹ See OCA MB, pp. 12, 29, 31; OCA MB, Appx B, p. 6.

¹¹⁰ See OCA St. 4SR, p. 9.

¹¹¹ Table I in OCA's Rate Case Tables also shows a depreciation adjustment of \$1,587,695. See OCA MB, Appx. A, Table I. Although the difference is small, OCA does not explain the difference between that amount and the \$1,587,004 figure utilized by OCA witness Mugrace. See OCA Exhibit SR-DM-16.

¹¹² See UGI Electric MB, pp. 32-52.

Settlement, and such a ruling on the merits became necessary, for the third time in less than a year, the Commission should once again reject OCA's proposal to switch from ELG to ALG.

a. In its Main Brief, OCA Does Not Address the Commission's Recent Rulings in *Columbia Gas 2025 Order* and *PAWC 2026 Order* that Rejected OCA's Same Proposal to Force a Switch from ELG to ALG

Despite referencing the *Columbia Gas 2025 Order* and *PAWC 2026 Order* elsewhere in its Main Brief, OCA fails to identify or attempt to distinguish these relevant, precedential outcomes in its Main Brief.¹¹³ The omission is notable, given that OCA essentially re-raises here all the same arguments it put forward in those proceedings, and the Commission rejected all of them in those cases.¹¹⁴ OCA nevertheless asserts that “[c]ase law does not prohibit the adoption of ALG” and that “[a]lthough the PUC may be guided by its finding of accrued and annual depreciation in a prior case or cases, in determining such items in a rate case currently before it, such prior findings are not res judicata.”¹¹⁵

Although the Commission is not strictly bound by the rule of *stare decisis*, the Commission must still render consistent opinions and should either follow, distinguish, or overrule its own precedent.¹¹⁶ In this case, nothing in OCA's Main Brief, or otherwise presented in OCA's testimony in this proceeding, warrants the Commission departing from its recent decisions on this issue. Accordingly, the Commission should follow its recent rulings in *Columbia Gas 2025 Order* and *PAWC 2026 Order* and reject OCA's proposal.

¹¹³ See OCA MB, pp. 29-41.

¹¹⁴ Compare OCA MB, pp. 29-41, with *Columbia Gas 2025 Order*, pp. 74-78, 97-111, and *PAWC 2026 Order*, pp. 54-57, 154-66.

¹¹⁵ OCA MB, pp. 35-36 (quoting *Pa. Power & Light Co. v. Pa. PUC*, 311 A.2d 151, 158 (Pa. Cmwlth. 1973) (“PP&L”).)

¹¹⁶ See *Bell Atlantic-Pennsylvania, Inc. v. Pa. PUC*, 672 A.2d 352, 354 (Pa. Cmwlth. 1995).

b. ELG Is Not Accelerated Depreciation, as Contended by OCA

A common refrain in OCA's Main Brief is that the Company should be forced to switch from ELG to ALG because ELG is a form of "accelerated depreciation."¹¹⁷ That characterization is incorrect and should play no role in the Commission's evaluation of UGI Electric's continued use of ELG.

As UGI Electric witness Wiedmayer explained, ELG is not a form of accelerated depreciation; rather, it "is simply a depreciation system that more accurately reflects the actual retirement patterns of assets."¹¹⁸ The ELG method uses a straight-line approach to allocate cost over the service life of a group of assets based on expected retirements.¹¹⁹ It does not accelerate depreciation like known accelerated methods do, such as sum-of-the-years' digits or declining balance methods.¹²⁰ Instead, ELG provides a systematic, rational allocation of cost that matches asset usage and retirements over time using the straight-line method.¹²¹ By contrast, under the ALG procedure, the longer lived assets are depreciated at a higher rate than what their service life indicates, and this is done to make up for the under-recovery related to the shorter lived assets.¹²² As an example, "ALG uses one average service life while ELG uses 90 different service lives based on the range of service lives contemplated by the survivor curve selected for Account 368.1, Transformers."¹²³ Therefore, "ALG is most appropriately thought of as deferring the recovery of short-lived assets because it relies on the *average* service life of the assets."¹²⁴ Because the shorter-lived assets are not fully recovered when they are retired, the under-recovery must be made up by

¹¹⁷ OCA MB, pp. 29-37.

¹¹⁸ UGI Electric St. No. 6-R, p. 13.

¹¹⁹ *Id.*, p. 5.

¹²⁰ *Id.*

¹²¹ *Id.*

¹²² *Id.*, p. 6.

¹²³ UGI Electric St. No. 6-RJ, p. 12 (emphasis in original).

¹²⁴ *Id.*

over-recovering on longer-lived assets.¹²⁵ For these reasons, a switch to ALG would shift costs from current customers to future customers by deferring recovery until the maximum life is reached.¹²⁶

In addition, OCA witness Garren claimed the ELG procedure is an accelerated method of depreciation because it results in higher depreciation expense than the ALG procedure.¹²⁷ Mr. Garren based this conclusion on his comparison of the higher depreciation expense from the ELG procedure to the results of the ALG procedure, using the ALG procedure from his perspective as the de facto benchmark.¹²⁸ That approach was in error. The ELG procedure is more precise and has been referred to by experts as the only mathematically correct depreciation procedure.¹²⁹ Thus, if there were a benchmark, it would be based on the ELG, not the ALG.¹³⁰ Moreover, if the situation were reversed, and the ALG's depreciation expense were compared the depreciation expense calculated by the ELG procedure, one could argue that ALG procedure decelerates depreciation and defers full capital recovery until the oldest unit in the group is retired.¹³¹

The Commission also considered and ultimately rejected OCA's contention in both the *Columbia Gas 2025 Order* and the *PAWC 2026 Order*. Specifically, in the Columbia Gas rate case, "[t]he OCA maintain[ed] that Columbia's use of the ELG depreciation procedure unjustly accelerates cost recovery and inflates current rates, resulting in intergenerational inequity."¹³² Similarly, in the PAWC rate case, "[t]he OCA submit[ted] that the ALJs' recommendation was not supported by substantial evidence because PAWC's continued use of ELG allegedly produces

¹²⁵ *Id.*, pp. 12-13.

¹²⁶ UGI Electric St. No. 6-R, p. 6.

¹²⁷ *Id.*, p. 24.

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Columbia Gas 2025 Order*, p. 104.

unjust and unreasonable rates by accelerating depreciation recovery and causing current customers to pay nearly \$60 million more per year than they would under ALG.”¹³³ The Commission denied OCA’s Exceptions to the Recommended Decisions in both of these cases and upheld the utilities’ continued use of ELG.¹³⁴ As the Commission reasoned in the *PAWC 2026 Order*:

The central flaw in the OCA’s Exception No. 1 is that it treats the near-term reduction in depreciation expense from switching to ALG/ASL as sufficient proof that ALG/ASL is the more reasonable procedure. We are not persuaded. The OCA’s evidence showed that, using the same service life parameters as PAWC’s depreciation study, the OCA’s witness, Mr. Garrett, calculated that moving from ELG to ALG/ASL would reduce annual depreciation accruals by approximately \$50.1 million in 2025, \$50.2 million in 2026, and \$49.9 million in 2027. R.D. at 204-06, 215-16; OCA Exc. at 2-5. Those short-term reductions, however, arise from the transition from one procedure to another, not necessarily from the inherent superiority of the ALG/ASL procedure. As PAWC explained, and as the ALJs recognized, a change to ALG/ASL would lower accumulated depreciation, increase rate base, and increase return on rate base over time. PAWC R. Exc. at 7-9; R.D. at 221-23.¹³⁵

Further, as the Commission declared in the *Columbia Gas 2025 Order*, “OCA fails to acknowledge that any benefit to current customers from” OCA’s “proposal to use ASL depreciation rates only results from the change from ELG to ASL procedure, not from the overall use of the ASL procedure itself.”¹³⁶ Therefore, the Commission should reject OCA’s arguments in keeping with its *Columbia Gas 2025 Order* and *PAWC 2026 Order*.

c. The Continued Use of ELG, as UGI Electric Has Utilized for over 40 Years, Would Not Produce Unjust and Unreasonable or Unduly Discriminatory Rates

UGI Electric has, like Columbia Gas and PAWC, used ELG for over 40 years.¹³⁷

Nonetheless, OCA presses for a switch to ALG on the grounds that a failure to switch to ALG now

¹³³ *PAWC 2026 Order*, pp. 159-60.

¹³⁴ See *Columbia Gas 2025 Order*, pp. 103-11; *PAWC 2026 Order*, pp. 159-66.

¹³⁵ *PAWC 2026 Order*, p. 163.

¹³⁶ *Columbia Gas 2025 Order*, p. 108.

¹³⁷ UGI Electric St. No. 6-R, p. 26; *Columbia Gas 2025 Order*, pp. 105; *PAWC 2026 Order*, p. 160.

would produce unjust, unreasonable, and unduly discriminatory rates in violation of Sections 1301 and 1304 of the Public Utility Code.¹³⁸ OCA alleges that “UGI’s current customers are being unreasonably disadvantaged because they are subject to UGI’s preferred depreciation procedure which benefits UGI and not ratepayers.”¹³⁹

OCA’s argument has no merit. The Commission recently rejected the same argument in the *PAWC 2026 Order* less than two months ago, declaring the following:

[W]e reject the OCA’s contention that PAWC’s continued use of ELG results in discriminatory or unjust and unreasonable rates under the Code. The OCA’s discrimination argument rests principally on the assertion that current customers pay a higher depreciation expense under ELG than they would under ALG/ASL. See OCA Exc. at 6-8. However, the record also shows that customers have benefited from a lower rate base under ELG than would have existed had PAWC used ALG/ASL over the past several decades, and that a switch to ALG/ASL would increase rate base relative to continued ELG use. See PAWC R. Exc. at 7-9; R.D. at 221-23. On this record, we cannot conclude that ELG results in unreasonable discrimination or excessive depreciation charges merely because ALG/ASL would produce a lower depreciation expense during the transition period.¹⁴⁰

Here, the record likewise establishes that customers have benefited from a lower rate base under ELG than would have existed if UGI Electric utilized ALG over the last 44 years and that switching to ALG now would increase rate base relative to ELG’s continued use.¹⁴¹ Consequently, the ALJs and Commission should reject OCA’s claim that the continued use of ELG would produce unjust, unreasonable, and unduly discriminatory rates.

¹³⁸ See, e.g., OCA MB, pp. 32, 37.

¹³⁹ *Id.*

¹⁴⁰ *PAWC 2026 Order*, pp. 165-66.

¹⁴¹ See UGI Electric St. No. 6-R, pp. 25-26, 43.

d. OCA Incorrectly Claims that Switching to ALG Would Eliminate the Need to Perform Annual Updates to Its Remaining Lives and Would Allow Utilities to Wait More than 5 Years Between Depreciation Studies

OCA asserts that by switching from ELG to ALG, it would “eliminate the need to perform annual updates to the company’s remaining lives, and utilities can wait intervals of five years or more between depreciation studies which will in turn reduce costs to ratepayers over time.”¹⁴² Like OCA’s other arguments, this contention should be rejected as well.

Even with the switch to ALG, UGI Electric would be required to perform annual updates to its depreciation rates in compliance with 52 Pa. Code § 73.3. That regulation provides that electric utilities, like the Company, must file an annual depreciation report (“ADR”) on or before June 30 every year.¹⁴³ Such ADR must contain, among other items, a “summary of the depreciation calculation at the end of the calendar year by function or account,” including: (1) original cost balance; (2) book reserve; (3) net original cost; (4) average service life and survivor curve; (5) remaining life, for utilities using that method; (6) annual accrual; and (7) annual accrual rate.¹⁴⁴ As UGI Electric witness Wiedmayer explained, these requirements “are unique to Pennsylvania and were developed, in part, over 40 years ago to address the same concerns regarding the ELG procedure that [OCA witness] Garren raise[d] in this case.”¹⁴⁵ The ADRs provide the Commission with “timely information each year and allow for effective monitoring of utility depreciation practices in Pennsylvania.”¹⁴⁶ Therefore, the Company must provide, every year, updated data on the remaining lives for each function or account, regardless of whether it

¹⁴² OCA MB, p. 34.

¹⁴³ 52 Pa. Code § 73.3(b)(1).

¹⁴⁴ *Id.* § 73.3(b)(6)(i)-(vii).

¹⁴⁵ UGI Electric St. No. 6-R, p. 25.

¹⁴⁶ *Id.*

uses ALG or ELG, and OCA's claim that such obligation would be eliminated through its proposal lacks merit.

In the same vein, OCA's claim that a utility can wait more than 5 years between depreciation studies under its proposal is incorrect. Section 73.5 of the Commission's regulations mandates electric utilities, like UGI Electric, to file a service life study report every 5 years, regardless of what depreciation methodology they utilize.¹⁴⁷ These service life studies must "be based upon the same body of historic data used in the annual depreciation reports."¹⁴⁸ As such, a switch by UGI Electric from ELG to ALG would not permit the Company to wait longer than 5 years to submit its service life studies to the Commission.

e. The Fact that Some Other Electric Distribution Companies Use ALG Is Irrelevant

In its Main Brief, OCA cites OCA witness Deupree's testimony at the hearing to support a claim that "most major" electric distribution companies ("EDCs") use ALG.¹⁴⁹ At the outset, the Company notes that OCA failed to substantiate for the record its assertion that "most major" EDCs in Pennsylvania use the ALG method. Rather, Mr. Deupree testified, "I believe that many of the largest electric utilities operating in Pennsylvania are currently using the ALG method," without specifying which companies.¹⁵⁰ Mr. Deupree also was careful to note that he would not "speak to when the periods were" that those companies used ALG.¹⁵¹

Regardless, the fact that some other EDCs use ALG is irrelevant to whether UGI Electric should be forced to switch from ELG to ALG. What matters is the consistent use of a depreciation methodology over time. Here, the Company has used ELG for over 40 years.¹⁵² As UGI Electric

¹⁴⁷ 52 Pa. Code § 73.5(a).

¹⁴⁸ *Id.* § 73.5(a)(4).

¹⁴⁹ OCA MB, p. 29 (citing Tr. 340-41).

¹⁵⁰ Tr. 341.

¹⁵¹ Tr. 340-41.

¹⁵² UGI Electric St. No. 6-R, p. 20.

witness Wiedmayer testified, “it has been in customers’ interest, not only to use ELG but also to use it consistently.”¹⁵³ Indeed, “[c]ustomers today pay lower customer rates than if [ALG] had been used during the years since ELG’s adoption,” and “[o]ver time ALG will result in higher customer rates than ELG.”¹⁵⁴ Further, nothing in the record establishes that these other EDCs switched from ELG to ALG, as OCA advocates for in this case. Therefore, the ALJs and Commission should give more weight to the need to employ a depreciation methodology consistently over time, as opposed to comparing one utility’s use of ELG to another’s utilization of ALG.

3. The Settlement Obviates the Need for a Ruling on This Contentious Issue

As noted in UGI Electric’s Statement in Support, the Settlement obviates the need for the Commission to rule on this contentious issue.¹⁵⁵ Paragraph 52 of the Joint Petition provides that for the Company’s accounting purposes, UGI Electric’s as-filed depreciation rates are accepted.¹⁵⁶ The Settlement also recognizes that the parties to this proceeding disagree about the appropriate depreciation method to be used by UGI Electric for ratemaking purposes, and states that the Settlement should not be construed as agreement to any party’s methodology.¹⁵⁷ Under the Settlement, all parties’ rights would be reserved to address the depreciation methodology used for ratemaking purposes in any future base rate proceeding.¹⁵⁸

UGI Electric continues to maintain that OCA’s proposal for the Company to switch from ELG to ALG is severely flawed, as the Commission itself has recognized when rejecting it in the *Columbia Gas 2025 Order* and the *PAWC 2026 Order*. Nevertheless, the Settlement would

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ See UGI Electric Statement in Support, pp. 29-30.

¹⁵⁶ Settlement ¶ 52.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

provide a reasonable off-ramp for OCA on this issue, by allowing the Commission to approve the Settlement without addressing OCA's unfounded arguments on the merits, while preserving OCA's rights to raise its arguments in the future. Thus, the Settlement is reasonable and in the public interest and should be approved.

4. OCA Mentions a “Net Salvage” Recommendation in its Main Brief but Fails to Explain What that Recommendation Is or Point to Any Part of the Record Where It Made a “Net Salvage” Recommendation

OCA mentions a “net salvage” recommendation in the header for Section IV.B.3 of its Main Brief, the section in which OCA argues that its adjustments to the service lives for three accounts should be adopted.¹⁵⁹ UGI Electric is unaware of any proposed adjustments to the Company's annual amortization of negative net salvage of \$1,632,105, which is included for recovery as part of the Company's depreciation expense, in this proceeding.¹⁶⁰ OCA does not provide any further detail or clarification about the vaguely referenced “net salvage” recommendation in its Main Brief. Thus, to the extent that OCA is making a recommended adjustment to net salvage inappropriately for the first time in its Main Brief, such adjustment should be rejected.

C. RATE CASE EXPENSE

1. OCA Errs in Stating that UGI Electric Proposed to Amortize Its Rate Case Expense over 2 Years

In its Main Brief, OCA repeats a misstatement by OCA witness Mugrace that the Company proposed to amortize its rate case expense of \$1,071,000 over two years.¹⁶¹ As explained in UGI Electric's rebuttal testimony, the Company made no such claim for amortization. Rather, UGI Electric proposed normalizing its rate case expense claim using a two-year normalization period.¹⁶²

¹⁵⁹ See OCA MB, p. 41.

¹⁶⁰ UGI Electric St. No. 6-R, pp. 25-26.

¹⁶¹ OCA MB, p. 49.

¹⁶² UGI Electric St. No. 2-R, p. 9.

2. I&E Inappropriately Proposes a Double Adjustment to Rate Case Expense Based on the Argo Transaction in its Main Brief

UGI Electric explained in its Main Brief that its rate case expense claim of \$536,000 should be adopted and that I&E's and OCA's proposed reductions to \$389,000 and \$357,000, respectively, should be rejected.¹⁶³ The Company will not repeat those arguments in this Reply Brief.

However, in I&E's Main Brief, I&E introduces a new argument in support of its rate case expense adjustment that is premised on the Argo Transaction.¹⁶⁴ Specifically, I&E asserts that the Company's "expectation of future base rate case filings . . . become[s] even more speculative when considering the possibility that Argo could own UGI Electric before the 24 month period has passed, and neither UGI Electric nor Argo has provided any evidence in this proceeding as to Argo's expectation of future base rate case filings."¹⁶⁵

I&E's argument amounts to a double adjustment to rate case expense based on the Argo Transaction. First, I&E wants the rate case expense to be reduced due to speculation that Argo may file the next base rate case at a different time than UGI Electric plans to do so. Second, I&E reduces 50% of the entire revenue requirement increase, of which rate case expense is a component, through the Argo Transaction adjustment. The ultimate effect is that UGI Electric's rate case expense is being adjusted twice (first to \$389,000 and then to \$194,500) due to I&E's concerns about "uncertainty" surrounding the Company's expenses in the FPFTY (assuming the Argo Transaction closes within the FPFTY).¹⁶⁶

¹⁶³ See UGI Electric MB, pp. 52-54.

¹⁶⁴ UGI Electric notes that this argument should be rejected not only on the merits, but on the fact that I&E raised this ground for its adjustment for the first time in its Main Brief. See note 103, *supra*.

¹⁶⁵ I&E MB, p. 19.

¹⁶⁶ Also, given that I&E's proposed reduction to \$389,000 is premised on a 33-month normalization period, it can be viewed that the collective reduction in UGI Electric's rate case expense to \$194,500 amounts to a 66-month normalization period, which is well beyond the normalization period calculated and supported by I&E in this case. See I&E St. No. 1, pp. 9-10.

This line of argument also exposes the fundamental flaws with I&E's Argo Transaction adjustment. Rather than focusing on specific components of the FPFTY capital costs and expenses that I&E believes lack support in light of the Argo Transaction, I&E proposes to reduce the entirety of its calculated revenue increase by 50%. On top that, as evidenced here, I&E wants to use the Argo Transaction to support adjustments to an individual component of the revenue requirement (i.e., rate case expense) before it even applies the Argo Transaction adjustment. I&E cannot have it both ways. Therefore, the ALJs and Commission should reject the Argo Transaction adjustment and I&E's proposed adjustment to UGI Electric's rate case expense claim.

Beyond the double counting, I&E's argument is replete with errors. First, presenting an adjustment based on this new ground for the first time in its Main Brief is procedurally improper.¹⁶⁷ Second, I&E's argument that Argo has failed to provide evidence in this proceeding is illogical, as Argo is not a party to this proceeding. Third, I&E's initial litigation position was based on a backward analysis of the historic pace of rate cases, not a forward-looking forecast as to the need for future rate cases based on the pace of spend. Thus, the timing of any rate case filed by Argo is not applicable to I&E's own chosen methodology and should be rejected.

Finally, the Settlement makes I&E's arguments moot, as Paragraph 53 provides that for accounting purposes the rate case expense will be normalized over a three-year period, which is longer than what I&E has proposed in their Main Brief and is, instead, identical to the period proposed by OCA.

D. VEGETATION MANAGEMENT EXPENSE

UGI Electric established in its Main Brief that its vegetation management expense claim of \$4,141,000 is supported by the record and that I&E's and OCA's proposed downward

¹⁶⁷ See note 103, *supra*.

adjustments of \$469,000 and \$530,000 should be denied.¹⁶⁸ However, in their Main Briefs, I&E and OCA contend that their proposed disallowances should be adopted.¹⁶⁹ In particular, I&E alleges that the data presented in UGI Electric witness DeGiusto’s rejoinder testimony shows that “UGI Electric’s budgeted amounts do in fact fluctuate on multiple levels, and therefore an average of historic costs is the more prudent and appropriate method for ratemaking purposes.”¹⁷⁰ Meanwhile, OCA argues that “vegetation management is uncontrolled in nature and unplanned in advance,” so “normalizing these types of costs better reflect the level of recovery based upon prior cost levels.”¹⁷¹ These arguments should be rejected.

First, although UGI Electric’s historical spend on vegetation management may fluctuate slightly, I&E’s position fails to account for two key facts: (1) the Company’s new contract with its external on-property line clearance contractor for the period of January 1, 2025, through December 31, 2028, which will drive a **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED] **[END HIGHLY CONFIDENTIAL]** per year increase in the average external labor costs¹⁷²; and (2) UGI Electric consistently exhausting its spending on vegetation management since 2022.¹⁷³ These facts directly undercut I&E’s strict reliance on the historical costs and bolster the support for the Company’s expense claim, which is based on UGI Electric’s projected budget for the FPFTY.

Second, UGI Electric disagrees with OCA’s characterization of vegetation management as being “uncontrolled in nature and unplanned in advance.” UGI Electric sets a budget for vegetation management activities and has consistently exhausted that budget since 2022, as noted previously. Moreover, the Company’s budget for the FPFTY is necessary to proactively manage

¹⁶⁸ UGI Electric MB, pp. 57-62.

¹⁶⁹ See I&E MB, pp. 20-21; OCA MB, pp. 51-52.

¹⁷⁰ I&E MB, pp. 20-21.

¹⁷¹ OCA MB, p. 52.

¹⁷² UGI Electric St. No. 3-R, pp. 4, 6.

¹⁷³ UGI Electric St. No. 3-RJ, p. 4.

the threat of off-right-of-way trees, which are the “most difficult and expensive to access and maintain and are the primary culprit with respect to outages and damage to electric infrastructure.”¹⁷⁴ UGI Electric also has been accelerating its trim cycle, which “will eventually reduce the average system trim cycle from 5.83 [years] to an optimum goal of four (4) to five (5) years.”¹⁷⁵ Therefore, the Company knows the work that needs to be done, including the management of off-right-of-way trees supported by Chairman DeFrank,¹⁷⁶ and has built the associated costs into its FPFTY budget.

Lastly, both I&E and OCA advance recommended budgets that are less than the Company currently spends and are less than UGI Electric’s distribution vegetation management budget since 2023, without even taking into consideration the known increases in cost that will occur in Fiscal Year 2027.¹⁷⁷ These positions ignore both: (1) the importance of vegetation management to safe and reliable service; and (2) the facts plainly laid out in the record in this case justifying the Company’s level of expense.

E. MAJOR STORMS EXPENSE

In its Main Brief, OCA requests that “the Commission normalize UGI’s major storms expense over a five-year period,” which OCA posits would decrease the expense claim by \$23,000.¹⁷⁸

To clarify, there is no dispute over the Company’s major storms expense claim. In UGI Electric’s rebuttal testimony, the Company voluntarily accepted OCA’s proposed adjustment as a means to limit the issues to be decided in this case.¹⁷⁹ As such, UGI Electric’s updated revenue

¹⁷⁴ UGI Electric St. No. 3-R, p. 5.

¹⁷⁵ *Id.*, p. 6.

¹⁷⁶ *See* UGI Electric St. No. 3-RJ, pp. 2-3.

¹⁷⁷ *See* UGI Electric MB, pp. 59-61.

¹⁷⁸ OCA MB, pp. 52-53.

¹⁷⁹ *See* UGI Electric St. No. 2-R, pp. 3-4.

requirement increase of \$16.05 million that was presented in its rebuttal testimony already incorporated a \$23,000 reduction in major storms expense.¹⁸⁰ Thus, there should be no further reduction in the Company's revenue requirement due to major storms expense.

F. INCENTIVE COMPENSATION EXPENSE

The only remaining dispute over the Company's incentive compensation expense is OCA's proposed disallowance of **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]** associated with the Growth Metric portion of the Company's UGIU Management Incentive Plan.¹⁸¹ OCA claims that "[i]t 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 [service]."¹⁸² OCA also points to the Commission's holding in the *PAWC 2026 Order* that "ratepayers should not be required to exclusively fund the payout of financial metrics."¹⁸³ However, as explained in UGI Electric's Main Brief, the Growth Metric provides benefits to UGI Electric's ratepayers.¹⁸⁴ Therefore, consistent with the Commission's *PAWC 2026 Order*, these expenses are properly included in the Company's claim, and OCA's proposed disallowance should be rejected.

¹⁸⁰ *See id.*

¹⁸¹ OCA St. 2SR, p. 9; OCA Exhibit SR-DM-9.

¹⁸² OCA MB, p. 48.

¹⁸³ *Id.*, p. 47 (quoting *PAWC 2026 Order*, p. 114).

¹⁸⁴ *See* UGI Electric MB, pp. 65-66.

G. MEMBERSHIP DUES

1. OCA Overlooks UGI Electric's Rejoinder Testimony and, Consequently, Bases Its Entire Disallowance on a Misassumption that Lobbying Expenses Are Included in the Company's Claim for Membership Dues

In its Main Brief, OCA contends that the Company's claim for membership dues should be reduced further by \$48,430 on the grounds that OCA believes lobbying expenses, which are barred from recovery in rates per 66 Pa. C.S. § 1316, are included in UGI Electric's claim.¹⁸⁵

Nothing in the record supports OCA's adjustment. As part of the Company's rejoinder testimony, UGI Electric provided a detailed breakdown of the Edison Electric Institute ("EEI") and Energy Association of Pennsylvania ("EAP") membership dues and even attached copies of the most recent EAP and EEI invoices (see UGI Electric Exhibit VKR-1RJ), which demonstrate that the Company excluded all the lobbying costs from the membership dues claim.¹⁸⁶ At no point in its Main Brief does OCA address these facts. Indeed, OCA never even references UGI Electric's submission of rejoinder testimony on this topic in its Main Brief. Nonetheless, OCA continues to argue in its Main Brief that the Company's claim should be reduced due to OCA's belief that lobbying expenses are included in the claim. The record evidence clearly establishes otherwise, rendering OCA's proposed disallowance without merit.

¹⁸⁵ OCA MB, pp. 54-56. As noted in OCA's Main Brief, UGI Electric already accepted OCA's proposed disallowance of \$3,340 related to the PA Chamber of Commerce. *See id.*, p. 55. However, when restating its position on this expense category in its Main Brief, OCA "requests the Commission disallow all expenses related to EEI, EA PA, and the Chamber of Commerce resulting in a revenue requirement decrease of \$51,770." *Id.*, p. 56. As the Company already incorporated the downward adjustment of \$3,340 for the PA Chamber of Commerce dues as part of its updated revenue increase of \$16.05 million in its rebuttal testimony (see UGI Electric St. No. 2-R, p. 3), there should be no further decrease in the revenue requirement due to the PA Chamber of Commerce. Otherwise, the adjustment would be improperly counted twice.

¹⁸⁶ UGI Electric St. No. 4-RJ, pp. 3-4.

Based on the foregoing and as explained in the Company's Main Brief, UGI Electric's updated membership dues expense claim of \$55,110, which includes the \$48,430 for the EEI and EAP membership dues, is fully supported by the record.

VII. TAXES

A. INCOME TAXES

The Company's claim to recover federal and state income taxes was addressed in Section VII.A of its Main Brief. No party challenged the Company's method for calculating federal and state income taxes during the FPFTY and, therefore, the record supports that the authorized federal and state income tax amounts should be calculated as proposed by the Company.

B. TAXES OTHER THAN INCOME TAXES

UGI Electric addressed its FPFTY taxes other than income taxes ("TOTI") in its Main Brief.¹⁸⁷ Although OCA witness Mugrace recommended a downward adjustment of \$1,054,100 to the Company's TOTI to incorporate his underlying adjustments,¹⁸⁸ OCA does not address this adjustment in its Main Brief.¹⁸⁹ Therefore, this proposed adjustment has been waived by OCA.¹⁹⁰ Moreover, as noted in UGI Electric's rebuttal testimony, the Company decreased payroll taxes by \$4,000 and increased the forfeited discount revenue by the percentage of the rate increase, which increases gross receipts tax by \$4,000.¹⁹¹ The Commission should not make any further adjustments to TOTI because they are derived from the other OCA adjustments, which should be

¹⁸⁷ UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule D-31.

¹⁸⁸ See OCA St. 2, p. 51.

¹⁸⁹ In fact, the only tax adjustment addressed in Section VII of OCA's Main Brief is ADIT. See OCA MB, p. 56.

¹⁹⁰ See note 103, *supra*.

¹⁹¹ UGI Electric St. No. 2-R, pp. 13-14.

rejected for the reasons set forth in Section VI of UGI Electric's Main Brief and as set forth in Section VI of this Reply Brief, *supra*.¹⁹²

C. PA LOCAL USE TAX

No party has disputed the Company's adjustment to its claim for Pennsylvania Local Use Tax, which reduced the claim by \$34,000.¹⁹³ Therefore, as explained in Section VII.C of UGI Electric's Main Brief, this corrected claim is supported by the record.

D. INTEREST SYNCHRONIZATION

As explained in Section VII.D of UGI Electric's Main Brief, the Company's tax expense claims reflect amounts related to the synchronization of debt interest.¹⁹⁴ Further, the only proposed adjustments to debt interest expense synchronization are connected to OCA's proposed use of a hypothetical capital structure and OCA's proposed rate base adjustments connected to certain depreciation adjustments.¹⁹⁵ Given that OCA's proposals regarding capital structure and depreciation should be rejected,¹⁹⁶ OCA's proposed adjustments to state and federal income taxes related to the synchronization of debt interest expense should be denied as well.¹⁹⁷

VIII. RATE OF RETURN

As noted in Section V, *supra*, OCA's position that the Company be denied any base rate increase contravenes over 100 years of legal precedent and would produce confiscatory rates in violation of the U.S. Constitution, as such rates would prohibit UGI Electric from having a fair

¹⁹² *Id.*, p. 14. UGI Electric also notes that while I&E made a recommended adjustment to TOTI in its direct testimony based on its adjustment to vacancy rates, UGI Electric's subsequent adjustment made I&E's TOTI adjustment moot. Therefore, no TOTI issue exists as to I&E.

¹⁹³ *Id.*, p. 3.

¹⁹⁴ *See* UGI Electric St. No. 2-R, pp. 14-15.

¹⁹⁵ *See* OCA St. 2SR, pp. 51-52; OCA Schedule DM-18. Notably, I&E did not make an interest synchronization adjustment to its tax expenses, despite proposing a hypothetical capital structure.

¹⁹⁶ *See* Section VIII, *infra*.

¹⁹⁷ *See* UGI Electric St. No. 2-R, pp. 14-15.

opportunity to earn a just and reasonable return on its investments to serve the public. As explained in this section, I&E and, to a greater extent, OCA propose rates of return that are unjust, unreasonable, and unsupported by the record and Commission precedent, including in recent rulings in the *Columbia Gas 2025 Order* and the *PAWC 2026 Order*.

A. PROXY GROUP

The Company established in its Main Brief that the ALJs and Commission should utilize UGI Electric's Electric Utility Proxy Group, which was adopted by OCA witness Garrett, and disregard the proxy group compiled by I&E witness Patel.¹⁹⁸ I&E has failed to raise anything in its Main Brief that warrants further discussion on the issue, and the Company will not repeat the arguments from its Main Brief here.

B. CAPITAL STRUCTURE

The Company, in its Main Brief, presented extensive arguments: (1) in support of UGI Electric's proposal to use its actual capital structure in determining the weighted average cost of capital, consistent with well-established precedent; (2) in opposition to I&E's proposal to impose a hypothetical capital structure of 50.00% common equity and 50.00% long-term debt; and (3) in opposition to OCA's more extreme proposal to utilize a hypothetical capital structure of 42.00% common equity and 58.00% long-term debt.¹⁹⁹ Nonetheless, I&E makes certain arguments in its Main Brief that necessitates a response by the Company.

1. I&E's Reliance on the PAWC 2026 Order in Support of Its Hypothetical Capital Structure Should Be Rejected

In its Main Brief, I&E tries to rely on the *PAWC 2026 Order* in support of its hypothetical capital structure of 50.00% common equity and 50.00% long-term debt.²⁰⁰ I&E avers that UGI

¹⁹⁸ See UGI Electric MB, pp. 76-78.

¹⁹⁹ See *id.*, pp. 78-85.

²⁰⁰ See I&E MB, pp. 28-29.

Electric’s actual equity ratio of 54.25% would be higher than the 5-year average equity ratios of I&E’s proxy group and UGI Electric’s proxy group (i.e., 42.48% and 40.36%, respectively) and the highest 5-year average common equity ratio of any utility in either proxy group (i.e., 53.36% and 53.38%, respectively).²⁰¹ Because “the Company’s proposed 54.25% equity [ratio] is above” the “highest average equity ratio of any I&E or UGI Electric proxy group utility,” I&E contends that the Commission should impose a hypothetical capital structure as it did in the *PAWC 2026 Order*.²⁰²

The ALJs and Commission should reject I&E’s arguments. In the *PAWC 2026 Order*, the Commission did not adopt a hypothetical capital structure due to a comparison of PAWC’s actual equity ratio to the proxy group’s 5-year average equity ratio. Rather, the Commission examined, among other things: (1) PAWC’s actual equity ratio as compared to the “high end of the five-year average range of the common equity ratios”; (2) PAWC’s actual equity ratio as compared to the “range of the proxy group companies’ individual common equity ratios for 2024”; and (3) “the substantial evidence on the record regarding the affordability issues that are present in PAWC’s service territory.”²⁰³ On the first consideration, the Commission observed that PAWC’s actual common equity ratio of 56.31% for its water operations was “only 0.70% above the high end of the five-year average range of the common equity ratios.”²⁰⁴ As for the second, the Commission explained that “PAWC’s proposed actual common equity ratio fits squarely within the range of the proxy group companies’ individual common equity ratios for 2024.”²⁰⁵ Thus, when considering these facts and the affordability issues in PAWC’s service territory, the Commission

²⁰¹ *Id.*, p. 28.

²⁰² *Id.*, p. 29.

²⁰³ *PAWC 2026 Order*, pp. 184-85 (emphasis added).

²⁰⁴ *Id.*, p. 185.

²⁰⁵ *Id.*, p. 185.

“only slightly reduce[d] PAWC’s proposed common equity ratio of 56.31%” and applied I&E’s proposed hypothetical capital structure of 55.00% common equity, 0.01% preferred stock, and 44.99% long-term debt for PAWC’s water operations.²⁰⁶

Here, UGI Electric has proposed an equity ratio of 54.25%, which is not only much lower than PAWC’s proposed equity ratio of 56.31% but, like in the *PAWC 2026 Order*, is only slightly higher than the “high end of the five-year average range of the common equity ratios.”²⁰⁷ Specifically, UGI Electric’s proposed equity ratio of 54.25% is only 87 basis points higher than the highest 5-year average equity ratio in the Company’s proxy group²⁰⁸ and only 89 basis points higher than the highest 5-year average equity ratio in I&E’s proxy group. Also, UGI Electric’s equity ratio falls well within the equity ratios for the proxy group’s subsidiary operating companies for 2025, which range from 39.28% to 63.08%.²⁰⁹ The Company also has fully addressed the affordability concerns raised by parties in this proceeding, including through the proposed Settlement, which distinguish UGI Electric from PAWC.

For these reasons, the *PAWC 2026 Order* does not support I&E’s argument that a hypothetical capital structure should be imposed and certainly not one consisting of 50.00% common equity and 50.00% long-term debt, when the Commission adopted a much more conservative adjustment to PAWC’s capital structure by reducing the equity ratio from 56.31% to 55.00%.

²⁰⁶ *Id.*, pp. 185-86.

²⁰⁷ *Id.*, p. 185.

²⁰⁸ See UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 5.

²⁰⁹ See *id.*, p. 6.

C. COST OF LONG-TERM DEBT

In their Main Briefs, no party challenged the Company's long-term debt cost rate.²¹⁰ Thus, the Company's cost of long-term debt of 5.22% is undisputed and should be utilized, if necessary, for purposes of calculating UGI Electric's authorized rate of return.²¹¹ However, as noted above, I&E and OCA continue to advocate for the Commission to impose hypothetical capital structures of 50.00% common equity and 50.00% long-term debt and 42.00% common equity and 58.00% long-term debt, respectively. UGI Electric explained in its Main Brief that the cost of long-term debt of 5.22% does not account for the costs associated with the level of debt assumed by those hypothetical capital structures, which is necessarily more than the debt outstanding for the Company.²¹² Further, the 5.22% cost of debt assumes the Company's existing credit rating at its existing capital structure, not the higher cost of debt that would result from a capital structure with more debt.²¹³

D. RETURN ON EQUITY

In UGI Electric's Main Brief, the Company addressed, at length, the issue of the authorized ROE that is supported by the record in this proceeding, including why the positions of I&E and OCA are unreasonable and should be rejected.²¹⁴ In fact, the Company demonstrated that its proposed ROE of 10.85% is market-based, reasonable, and necessary to provide the Company with a fair opportunity to earn a just and reasonable return on its investments to provide electric service.²¹⁵ Yet, I&E and OCA continue to push for their proposed ROEs, and certain of their

²¹⁰ See I&E MB, p. 62; OCA MB, p. 29.

²¹¹ UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 1; UGI Electric St. No. 2-R, p. 2.

²¹² See UGI Electric MB, p. 84.

²¹³ See UGI Electric St. No. 8, p. 61; UGI Electric St. No. 8-R, p. 6;

²¹⁴ See *id.*, pp.85-104.

²¹⁵ See *id.*, pp. 87-96.

arguments require direct response in this Reply Brief. For the reasons set forth in the following sections and in UGI Electric's Main Brief, the other parties' arguments on ROE should be rejected.

1. OCA's Proposed Denial of Any Rate Increase Would Produce Confiscatory Rates and Impose an Imputed Authorized ROE of 1.95%

As noted previously in Section V.A, *supra*, OCA's recommendation that the Commission deny any base rate increase would, on the facts of this case, produce confiscatory rates and effectively impose an authorized ROE of 1.95% on the Company. UGI Electric also notes that OCA's position on ROE conflicts with the financial analysis of its own expert witness, OCA witness Garrett, who testified that a reasonable ROE for the Company is 8.7%.²¹⁶ Although UGI Electric maintains that Mr. Garrett's analysis is faulty and produces an unreasonably low ROE, his analysis still shows that, at the very least, the Company's ROE at existing rates for the FPFTY is significantly deficient and would not provide UGI Electric with a fair opportunity to earn a just and reasonable return on its investments.

2. OCA's Argument on ROE Conflicts with the Position of Its Own Witness, Who Has Advocated to Account for Gradualism When Imposing a Lower Authorized ROE

Whether the ROE that OCA seeks to impose is the unreasonable 8.7% or the extremely unjustifiable 1.95%, neither ROE accounts for the testimony of OCA witness Garrett at the evidentiary hearing about how he has advocated for upward adjustments to ROEs to account for gradualism.²¹⁷ Specifically, Mr. Garrett stated that the few times a regulatory commission has adopted his position on an authorized ROE were when he proposed upward adjustments to the ROE results of his analysis to account for gradualism.²¹⁸ As Mr. Garrett testified, "I was recommending an authorized ROE on the basis of gradualism and just taking into account all

²¹⁶ OCA St. 3SR, p. 15.

²¹⁷ Tr. 372-74.

²¹⁸ Tr. 372-73.

relevant factors that arguably would have been unfair for those utilities to have such a huge drop in their authorized ROE in one case.”²¹⁹

Here, UGI Electric’s last authorized ROE from a litigated rate case was 9.85%, consisting of an unadjusted Discounted Cash Flow (“DCF”) common equity rate of 9.80% plus 0.05% for management effectiveness.²²⁰ If OCA’s primary or alternative recommendation is adopted, UGI Electric would see a significant drop from the 9.85% ROE authorized in the 2018 rate case to an authorized ROE of 1.95% or 8.7%. Such a huge drop in the Company’s authorized ROE would be unfair and fail to incorporate the gradualism concerns raised by OCA witness Garrett in other matters. Thus, the ALJs and Commission should reject OCA’s arguments.

3. I&E’s Approach to Determining the Authorized ROE Conflicts with Recent Commission Precedent

UGI Electric continues to support the use of multiple methods to reach a conclusion on the authorized ROE. However, the positions taken by I&E and OCA are flawed for the reasons set forth in this Reply Brief and in the Company’s Main Brief.²²¹ Additionally, UGI Electric observes that I&E’s ROE recommendation does not comport with the Commission’s approach in recent fully litigated rate cases to average the DCF and Capital Asset Pricing Model (“CAPM”) results.²²² If I&E had done that here, instead of including the “National Average of Electric Distribution Authorized Return on Equity (ROE) Complied [sic] by S&P Global,” which UGI Electric established should not be done,²²³ the resulting authorized ROE would be 9.75% (i.e., 10.18% +

²¹⁹ Tr. 373.

²²⁰ *Pa. PUC v. UGI Utils., Inc. – Elec. Div.*, Docket Nos. R-2017-2640058, *et al.*, p. 119 (Order entered Oct. 25, 2018).

²²¹ See UGI Electric MB, pp. 97-103.

²²² See, e.g., *PAWC 2026 Order*, pp. 209-10 (“[T]he Commission determined in *PAWC 2024* and *Columbia Gas 2025* that taking an average of I&E’s DCF and CAPM produces a reasonable ROE, and we see no reason to deviate from this recent precedent in this instant proceeding.”).

²²³ See UGI Electric MB, pp. 100-01.

9.32% ÷ 2 = 9.75%).²²⁴ The resulting authorized ROE would be an even higher 10.44%, after accounting for the errors with I&E witness Patel's DCF and CAPM analyses that were identified by UGI Electric witness D'Ascendis and, if corrected, were shown to produce ROEs of 10.60% under the DCF and 10.27% under the CAPM (i.e., 10.18% + 10.27% ÷ 2 = 10.435%).²²⁵ Both of these results are higher than I&E's recommended ROE of 9.69%.²²⁶

IX. RATE STRUCTURE AND RATE DESIGN

A. COST OF SERVICE STUDY

UGI Electric's Allocated Cost of Service Study ("ACOSS") was fully supported in the Company's Main Brief.²²⁷ The Company also rebutted OCA's criticisms of the ACOSS, including the Company's reliance on the Minimum System Study ("MSS") to allocate primary and secondary distribution plant assets.²²⁸ Although the Company will not repeat all its arguments in this Reply Brief, there are certain claims in OCA's Main Brief that warrant further response.

First, although UGI Electric recognizes that the Commission's prior use of the MSS to allocate primary and secondary distribution plant assets, including in the Company's last fully litigated base rate case in 2018, does not bind the Commission under the rule of *stare decisis*. Rather, the Commission would still need to justify any decision to deviate from its well-established reliance on that methodology.²²⁹ Otherwise, the Commission would violate the binding precedent set by the Commonwealth Court.

²²⁴ I&E St. No. 2, p. 7.

²²⁵ See UGI Electric MB, pp. 97-100.

²²⁶ See I&E St. No. 2, p. 7.

²²⁷ See UGI Electric MB, pp. 107-13.

²²⁸ *Id.*, pp. 110-13.

²²⁹ See *Bell Atlantic-Pennsylvania, Inc. v. Pa. PUC*, 672 A.2d 352, 354 (Pa. Cmwlth. 1995).

Second, nothing presented by OCA in its testimony or in its Main Brief warrants a departure from the MSS methodology. Indeed, OCA takes diverging approaches when trying to justify its opposition to the MSS methodology, as compared to how it tries to support the switch from ELG to ALG. As noted previously, OCA points to how some of the major EDCs in Pennsylvania utilize ALG and claims that fact supports its position on the depreciation methodology that should be adopted.²³⁰ Here, OCA apparently disregards UGI Electric witness Fang’s testimony that PPL Electric Utilities Corporation (“PPL Electric”) and three of the former FirstEnergy Companies (i.e., Metropolitan Edison Company, Pennsylvania Electric Company, and West Penn Power Company) have used the MSS approach.²³¹ However, as the Company explained with respect to depreciation, the more important consideration is a consistent use of a methodology over time. In fact, when the Commission approved the use of the MSS methodology in PPL Electric’s 2010 rate case and rejected OCA’s arguments in opposition, the Commission declared as follows:

We have reviewed the OCA’s position and Exceptions on this issue and find them to be contrary to prior Commission action in PPL’s 2004 and 2007 base rate proceedings and inconsistent with recommended COSS principles as outlined in the NARUC Manual. We conclude that that [sic] PPL has carried it [sic] burden of proof on this issue and we shall adopt the ALJ’s recommendation that PPL’s COSS JMK-2A is reasonable. Accordingly, the Exceptions of the OCA are denied.²³²

The Commission followed suit in PPL Electric’s 2012 rate case and rejected OCA’s arguments on the same or similar grounds.²³³ Then, in UGI Electric’s 2018 rate case, the Commission rejected

²³⁰ See OCA MB, p. 29.

²³¹ UGI Electric St. No. 11-RJ, p. 3.

²³² *Pa. PUC v. PPL Elec. Utils. Corp.*, 2010 Pa. PUC LEXIS 2001, at *57-58 (Order entered Dec. 21, 2010).

²³³ *Pa. PUC v. PPL Elec. Utils. Corp.*, Docket Nos. R-2012-2290597, *et al.*, p. 113 (Order entered Dec. 28, 2012).

OCA's arguments against the MSS study once again, relying on its past decisions in the 2010 and 2012 rate cases, stating:

We have reviewed the OCA's position and Exceptions on this issue and are not persuaded by the arguments it presented in support of its recommended alternative ACOSS methodology. As UGI and the OSBA pointed out, the OCA has presented its alternative ACOSS methodology in prior Commission proceedings and we have rejected it, including in our *2012 PPL Order*. The record indicates that on all major issues, UGI's ACOSS was performed in accordance with PPL's cost of service study methodology in its 2012 rate case and approved in our *2012 PPL Order*. The record also indicates that UGI's witness Mr. Taylor performed both the PPL cost of service study in that proceeding and that of UGI in the instant proceeding. UGI M.B. at 135. We conclude that the OCA has not presented convincing arguments in this proceeding that would cause us to re-evaluate our determination in our *2012 PPL Order*.

Additionally, as UGI and the OSBA both highlighted, the Commission has affirmed the use of the "minimum system method" as the accepted approach to classify and allocate distribution system costs in several proceedings. See *2012 PPL Order, supra*; see also, *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2010-2161694, (Order entered December 21, 2010) (*2010 PPL Order*). Further, we find that UGI's ACOSS is consistent with the NARUC Manual and more accurately reflects cost-causation principles than the ACOSS methodology proposed by the OCA. Accordingly, we shall deny the Exceptions of the OCA.²³⁴

Therefore, the Commission has recognized the importance of consistent rulings on cost of service methodologies and has repeatedly rejected OCA's arguments against the MSS approach. The Commission should, therefore, find once again that OCA has failed to present "convincing arguments" that would "cause" the Commission "to re-evaluate" its prior rulings, including in UGI Electric's 2018 rate case.

²³⁴ *Pa. PUC v. UGI Utils., Inc. – Elec. Div.*, Docket Nos. R-2017-2640058, *et al.*, p. 160 (Order entered Oct. 25, 2018).

Third, OCA errs in relying on the *Columbia Gas 2025 Order* as alleged support for its opposition to the MSS methodology. OCA quotes the Commission’s statement that it “remain[s] of the opinion that although mains serve customers, it is the throughput that determines the type of main investment because it is the load that determines the main investment, not the number of customers served.”²³⁵ OCA then avers, without any record support, that “[t]he same principle applies in the electric distribution context.”²³⁶ However, in the *Columbia Gas 2021 Order*, the Commission expressly rejected that line of argument, based on OCA’s own Main Brief in that case, and recognized a clear distinction in the appropriate cost of service methodologies that should be used for electric and natural gas utilities:

Although it is true that we approved an ACCOSS in these PPL Electric proceedings that included both a customer component and a peak demand component of distribution plant, we are not persuaded that it is appropriate in this natural gas proceeding. **As the OCA noted in its Main Brief, comparing an electric distribution company (EDC) with a natural gas distribution company (NGDC) “is an apples-to-oranges comparison, [because] cost causation for EDCs and NGDCs are different.”**²³⁷

Now, approximately 5 years after the *Columbia Gas 2021 Order*, OCA takes the opposite position, all in a failed attempt to counter UGI Electric’s MSS methodology.

Fourth, the *Columbia Gas 2025 Order* and *Columbia Gas 2021 Order* provide further support for UGI Electric’s use of the MSS method. In the *Columbia Gas 2025* rate case, Columbia Gas utilized the Peak and Average (“P&A”) method as the “primary guide to allocate the requested revenue increase . . . in recognition of the Commission’s Order in *Columbia Gas 2021*.”²³⁸ In the *Columbia Gas 2021 Order*, the Commission held that the P&A method should be used “[b]ased

²³⁵ OCA MB, p. 76 (quoting *Columbia Gas 2025 Order*).

²³⁶ *Id.*

²³⁷ *Columbia Gas 2021 Order*, pp. 214-15 (emphasis added).

²³⁸ *Columbia Gas 2025 Order*, p. 245.

on [the Commission's] prior determinations on [its] preferred ACCOSS in natural gas proceedings."²³⁹ Applying that same principle here, the Commission's overwhelming adoption of the MSS methodology in electric utilities' rate cases²⁴⁰ should result in the rejection of OCA's argument.

Finally, OCA relies on an unfounded hypothetical presented by OCA witness Deupree in alleged support of its opposition to the MSS methodology. OCA describes that hypothetical as follows in its Main Brief: "if a no-load customer were interconnected to the distribution system, UGI would not need to invest in additional, upstream distribution plant to serve that customer, only in the customer's meter and services to connect them to the existing system."²⁴¹ However, even if that situation were to exist on UGI Electric's distribution system, which there are no facts in the record to suggest that there is, the hypothetical would not justify treating all the primary and secondary plant assets in Accounts 364-368 as demand-related, as Mr. Deupree recommends.²⁴² Those plant assets, including poles and conductors, are still needed to, at any given time, provide electric service to that "no-load customer." Although the customer may not cause an incremental addition to those accounts under the hypothetical scenario, the Company needs to plan as though the customer would use those assets at some point, given the customer's decision to interconnect with the distribution system under Mr. Deupree's hypothetical. Thus, from the Company's perspective, it must plan for the customer to rely on those assets to receive electric service, if and when they choose to use electricity.

²³⁹ *Columbia Gas 2021 Order*, p. 213.

²⁴⁰ *See, e.g., Pa. PUC v. PPL Elec. Utils. Corp.*, 2010 Pa. PUC LEXIS 2001, at *57-58 (Order entered Dec. 21, 2010).

²⁴¹ OCA MB, p. 74 (citing Tr. 242-44).

²⁴² OCA St. 1, p. 29; OCA St. 1SR, pp. 11-12.

PUBLIC VERSION

For these reasons, and as explained further in UGI Electric’s Main Brief, OCA’s arguments on the ACOSS should be rejected.

B. REVENUE ALLOCATION

1. Summary of Revenue Allocation Positions in Litigation and under the Settlement

The following tables present the parties’ proposed revenue allocations, along with the revenue allocation proposed under the Settlement²⁴³:

Table 2R - Comparison of Revenue Increase by Class Among Parties

Rate Classes	UGI Electric		OCA		OSBA	
	Proposed Revenue Increase	% Increase Allocation	Proposed Revenue Increase	% Increase Allocation	Proposed Revenue Increase	% Increase Allocation
Residential	\$ 15,383	89.01%	\$ 12,875	74.50%	\$ 15,619	90.37%
General Service	1,181	6.84%	763	4.42%	946	5.47%
General Service - 4	314	1.81%	1,646	9.52%	314	1.82%
Flood Control Power	2	0.01%	6	0.04%	2	0.01%
Large Power	331	1.92%	1,992	11.53%	331	1.92%
Lighting	71	0.41%	-	0.00%	71	0.41%
Total	17,283	100.00%	17,283	100.00%	17,283	100.00%

UGI Utilities, Inc. - Electric Division
Allocation of Settlement Revenue Increases
(revenue shown in thousands)

Rate Class	As Filed Revenue Increase	As Filed Allocations	Settled Revenue Increase	Settled Allocations
Rate R/RT	\$ 15,384	89.0%	\$ 9,470	88.5%
Rate GS-1	\$ 1,148	6.6%	\$ 675	6.3%
Rate GS-4	\$ 313	1.8%	\$ 200	1.9%
Rate GS-5	\$ 34	0.2%	\$ 17	0.2%
Rate FCP	\$ 2	0.0%	\$ 2	0.0%
Lighting	\$ 71	0.4%	\$ 71	0.7%
Rate LP	\$ 332	1.9%	\$ 265	2.5%
	\$ 17,284		\$ 10,700	

²⁴³ UGI Electric St. No. 11-R, p. 17; Settlement, Appx. B.

2. The Revenue Allocations Presented by UGI Electric in Its Testimony and in the Settlement Are Reasonable and Supported by the Record

UGI Electric explained in its Main Brief that the revenue allocation in its testimony is fully supported by the record and comports with the Commonwealth Court’s *Lloyd* decision,²⁴⁴ by moving all customer classes toward their cost of service.²⁴⁵ Further, in its Main Brief, UGI Electric established that OCA’s revenue allocation should be rejected because it is based on OCA’s flawed alternative ACOSS and would violate *Lloyd* by failing to move all customer classes toward parity.²⁴⁶ Also, in the Company’s Statement in Support, UGI Electric demonstrated that the proposed revenue allocation under the Settlement would produce just and reasonable rates, is supported by substantial evidence, and represents a reasonable compromise of the parties’ competing positions on revenue allocation.²⁴⁷

UGI Electric continues to request that the ALJs and Commission approve the Settlement, including the revenue allocation attached to the Settlement as Appendix B, without modification. As shown above, the revenue allocation strikes an appropriate balance between the parties’ positions by allocating less of the rate increase to Rates R/RT and GS-1 and more to Rates GS-4, Lighting, and LP than the Company original proposed. In so doing, the revenue allocation under the Settlement also helps address affordability concerns for customers in Rates R/RT and GS-1.

3. OCA’s Recommendation on Universal Service Cost Allocation Lacks Merit and Is Reasonably Addressed by the Settlement

As explained in UGI Electric’s Main Brief, OCA’s proposal for CAP costs to be allocated among all customer classes on a flat fee basis should be denied.²⁴⁸ However, the Company observes that the Settlement reasonably addresses the issue of universal service cost allocation.

²⁴⁴ See *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006) (“*Lloyd*”).

²⁴⁵ See UGI Electric MB, pp. 113-17.

²⁴⁶ See UGI Electric MB, pp. 105, 116.

²⁴⁷ See UGI Electric Statement in Support, pp. 8-9.

²⁴⁸ See UGI Electric MB, pp. 117-18.

Specifically, the Settlement further commits the Company to include a DSIC and universal service cost contribution proposal every time it enters into negotiations with a Rate HTP customer.²⁴⁹ Although the Company currently has no customers that take service under Rate HTP, UGI Electric believes that it is prudent to establish the appropriate framework that would allow large load customers to contribute to the overall health of the system and the affordability of distribution service.²⁵⁰ Therefore, the Settlement would provide a significant step toward having large customers contribute to universal service costs and, as such, reducing the universal service costs allocated to residential customers.

C. RATE DESIGN AND CUSTOMER CHARGES

1. Summary of Customer Charge Proposals in Litigation and under the Settlement

The table below summarizes the current customer charges, along with the customer charge proposals from the parties' testimony and under the Settlement:

²⁴⁹ Settlement ¶ 56.

²⁵⁰ UGI Electric St. No. 1, p. 10.

PUBLIC VERSION

Rate Schedule	Current Charges²⁵¹	UGI Electric's Litigation Position²⁵²	UGI Electric and OSBA Settlement²⁵³	I&E's Litigation Position²⁵⁴	OCA's Litigation Position²⁵⁵	CEO's Litigation Position²⁵⁶
Rate R	\$10.75	\$22.00	\$12.00	\$13.30	\$10.75	\$10.75
Rate GS-1	\$17.00	\$30.00	\$25.00	\$21.10	\$17.00	No Position
Rate GS-5	\$10.75	\$22.00	\$12.00	\$16.00	\$10.75	No Position
Rate FCP	\$6.03	\$13.50	\$13.50	\$7.50	\$6.03	No Position
Rate GS-4	\$18.00	\$45.00	\$45.00	\$22.30	\$18.00	No Position
Rate LP	\$135.80	\$150.00	\$150.00	\$150.00	\$135.80	No Position

2. I&E's Arguments on the Proposed Customer Charges Are Largely Mooted by the Settlement and Should Be Rejected

As seen in the table above, the Settlement would reduce the Company's proposed customer charges for Rates R and GS-5 to amounts that are lower than the levels advocated by I&E. Regarding Rate GS-1, the Settlement prescribes a customer charge of \$25.00, which is approximately midway between UGI Electric's and I&E's litigation positions. Moreover, OSBA, which is charged with representing the interests of small business customers, supports the Settlement. That support provides strong evidence that the Settlement is reasonable and in the public interest. Also, the other customer charges should be approved because they are fully

²⁵¹ UGI Electric St. No. 11, p. 46.

²⁵² *Id.*; UGI Electric St. No. 1-R, p. 29 (explaining the updated proposal to match the Rate GS-5 customer charge to the Rate R customer charge).

²⁵³ Settlement ¶ 31.

²⁵⁴ I&E St. No. 3, pp. 9-10.

²⁵⁵ OCA St. 1, p. 5. In his testimony, OCA witness Deupree recommended that "the Commission reject the Company's proposed increase in residential and small general service customer charges." *Id.*; see OCA St. 1SR, p. 16. He went on to state that "[t]he Commission should keep the Company's current customer charges for all customers," apparently broadening his recommendation as applying to all customer classes. OCA St. 1, p. 5; see OCA St. 1SR, p. 16 (stating the same). Yet, in its Main Brief, OCA only argues that the Company's proposed increase in the Rate R customer charge to \$22.00 should be denied. See OCA MB, pp. 78-82.

²⁵⁶ CEO St. No. 1, p. 7. UGI Electric clarifies that the Commission on Economic Opportunity ("CEO") did not take a position on the small general service customer charges, contrary to UGI Electric's statement to that effect on page 106 of its Main Brief.

supported by the Company's customer cost analysis.²⁵⁷ To the extent that I&E still has concerns about gradualism, the ALJs and Commission should recognize that the Settlement's revenue allocation, as compared to UGI Electric's litigation position, would result in less revenue being allocated to Rates GS-4 and LP and the same revenue being allocated to Rates FCP and Lighting. Thus, the customer charges under the Settlement would produce just and reasonable rates for all customer classes and are supported by substantial evidence in the evidentiary record.

3. OCA's Recommendations on the Proposed Customer Charges Should Be Rejected

In his testimony, OCA witness Deupree recommended that "the Commission reject the Company's proposed increase in residential and small general service customer charges."²⁵⁸ He went on to state that "[t]he Commission should keep the Company's current customer charges for all customers," apparently broadening his recommendation as applying to all customer classes.²⁵⁹ However, in its Main Brief, OCA only argues that the Company's proposed increase in the Rate R customer charge to \$22.00 should be denied.²⁶⁰ As explained in UGI Electric's Main Brief, OCA's arguments regarding the Company's litigation on the customer charges should be rejected. Further, as set forth in UGI Electric's Statement in Support and in the preceding section of this Reply Brief, the customer charges under the Settlement represent a reasonable compromise of the parties' competing positions, would produce just and reasonable rates, and are supported by substantial evidence.

Additionally, the ALJs and Commission should not evaluate the customer charges under the Settlement in isolation. As OCA witness Deupree acknowledged at the hearing, customers pay

²⁵⁷ UGI Electric St. No. 11, p. 44.

²⁵⁸ OCA St. 1, p. 5; *see* OCA St. 1SR, p. 16.

²⁵⁹ OCA St. 1, p. 5; *see* OCA St. 1SR, p. 16 (stating the same).

²⁶⁰ *See* OCA MB, pp. 78-82.

bills, not individual rates.²⁶¹ Therefore, the ALJs and Commission should consider the overall reduction in the bill impacts for customers under the Settlement as compared to UGI Electric's litigation position. As shown in Appendix C of the Settlement, the Settlement would produce an 8.5% increase in an average residential customer's bill, whereas the Company's litigation position would have increased that customer's bill by 11.8%.²⁶²

D. SCALE BACK

In its Main Brief, UGI Electric addressed the parties' positions on a scale back of rates if the Commission grants a revenue increase less than the \$16.05 million proposed by the Company in its testimony.²⁶³ The Company notes that no further scale back of rates is required if the ALJs and Commission approve UGI Electric's base rate case filing as modified by the Settlement. Indeed, the volumetric charges have already been designed to reflect the revenue increase of \$10.7 million, the allocation of such revenue increase to the various rate classes, and the customer charges set forth in the Settlement.²⁶⁴

X. CUSTOMER SERVICE AND QUALITY OF SERVICE

The Company addressed the customer service and quality of service issues in Section X of its Main Brief.²⁶⁵ As explained therein, UGI Electric has demonstrated strong performance in customer service and in providing safe and reliable electric service to its customers. The Company also addressed recommendations by OCA on this topic and explained why those recommendations should be rejected. Additionally, as set forth in the Company's Statement in Support, the Settlement adequately addresses OCA's issues and recommendations on these topics. The

²⁶¹ Tr. 244-45.

²⁶² Settlement, Appx. C, pp. 1-2.

²⁶³ See UGI Electric MB, pp. 128-29.

²⁶⁴ See, e.g., Settlement, Appx. A, pp. 1-19; Settlement, Appx. C, pp. 1-4.

²⁶⁵ See UGI Electric MB, pp. 129-36.

PUBLIC VERSION

following table shows the provisions in the Settlement that address the major recommendations of OCA related to customer service and quality of service:

Recommendations in OCA’s Main Brief	Settlement Provisions
Call Center Performance – “UGI should be required to meet its 2024-2025 call center performance standards.” ²⁶⁶ “The Commission should require UGI to maintain its performance of calls answered within 30 seconds and to improve the call abandonment rate to equal its 2024 performance, particularly focusing on the months where there has been deterioration.” ²⁶⁷	“44. <u>Customer Service.</u> a. During the rate effective years UGI Electric will make efforts to maintain its call center performance at levels consistent with its average 2025-2026 (through May) performance as reported to the Commission. In working to maintain a quality level of service, UGI Electric will meet with the parties at least annually to discuss areas of challenge and the Company’s plans to address the challenges. b. UGI Electric has adopted internal performance and compliance-related performance indicators for its third party call contractors. UGI Electric will report on these performance indicators in the meetings identified in subpart (a) and will include them in the direct testimony in its next base rate proceeding.” ²⁶⁸
Field Agent Training – “UGI should be required to develop and implement field agent training and compliance oversight to implement Chapter 56 protections and requirements related to termination of service.” ²⁶⁹ “The Commission should require UGI to develop proper agent training and compliance related documents and solicit input from relevant stakeholders prior to any implementation of those documents.” ²⁷⁰	“42. <u>Field Conduct.</u> a. UGI Electric will develop a field training manual that sets forth the conditions that would require its field employees to not proceed with termination under the Commission’s regulations at 52 Pa. Code § 56.94(1). UGI Electric will submit a draft of this field training manual to its USAC within 90 days of the date of entry of a final order approving this Settlement.

²⁶⁶ OCA MB, p. 86.

²⁶⁷ *Id.*, p. 88.

²⁶⁸ Settlement ¶ 44.

²⁶⁹ OCA MB, p. 88.

²⁷⁰ *Id.*

PUBLIC VERSION

Recommendations in OCA’s Main Brief	Settlement Provisions
	b. UGI Electric agrees that, beginning in the FPFTY, it will provide a dedicated reporting process for field workers to report customers identified as potentially being in distress or in need of assistance so that appropriate Company or community partners can conduct outreach. Beginning in the FPFTY and on an annual basis, UGI Electric will conduct mandatory training for all field employees to inform them of the program. The training will instruct employees on how to recognize observable indicators, including health concerns, confusion or disorientation, and unsafe home or equipment conditions, as well as the appropriate procedures for referring customers through the dedicated reporting process.”²⁷¹
Website – “UGI should be required to create a more distinctive section of its website for its electric service customers.”²⁷²	“36. <u>Website Information.</u> UGI Electric will include OSBA’s and OCA’s contact information and a description of their services on the Company’s website. The Company will also include a link to the Pennsylvania Bar Association’s free legal answers. The information should be included at a prominent location on the relevant customer service page of the website. In addition, on or before October 1, 2027, the Company will implement a more distinctive section of its website to provide a targeted set of information for electric service customers.”²⁷³
Shopping Communications and Bill Presentation – “UGI should be required to provide additional electric supply shopping information to its residential customers.”²⁷⁴	“43. <u>Targeted Customer Communications.</u> UGI Electric will convene a collaborative of interested stakeholders, including the parties to this proceeding, to discuss the development of customer communications regarding electric supply shopping within 60 days of the entry of an order approving the settlement.”²⁷⁵

²⁷¹ Settlement ¶ 42.

²⁷² OCA MB, p. 91.

²⁷³ Settlement ¶ 36.

²⁷⁴ OCA MB, p. 91.

²⁷⁵ Settlement ¶ 43.

PUBLIC VERSION

Recommendations in OCA’s Main Brief	Settlement Provisions
Social Security Numbers – “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.” ²⁷⁶	“33. <u>Social Security Numbers</u> . UGI Electric agrees to undertake a study that will identify the feasibility of ceasing use of customer social security numbers, any associated policy/system changes required and the cost thereof, and the timeline for implementation. UGI Electric agrees to provide the results of the study to the parties to this proceeding on or before October 1, 2027.” ²⁷⁷

As demonstrated by the table above and explained in UGI Electric’s Statement in Support, the Settlement reasonably addresses (and, in certain respects, incorporates) OCA’s recommendations. Also, UGI Electric’s inclusion of commitments on call center performance and field agent training is a significant compromise by the Company, given that the Commission rejected similar recommendations made by OCA with respect to: (1) call center performance and field agent training in the *Columbia Gas 2025 Order*; and (2) call center performance in the *PAWC 2026 Order*.²⁷⁸ Therefore, the Settlement, as a whole, reflects a reasonable compromise of the parties’ litigation positions on several issues, including customer service and quality of service, and should be approved without modification.

In addition to these provisions in the table above that directly respond to these recommendations in OCA’s Main Brief, the Settlement contains further provisions to address customer service and quality of service, including: (1) implementing a Small Business Payment Arrangement Program; (2) updating the protections for victims of domestic violence; (3) screening for electric resistance space heating customers; (4) developing and implementing the findings of a

²⁷⁶ OCA MB, p. 137. UGI Electric notes that OCA discussed this recommendation in Section XI of its Main Brief, dealing with Customer Assistance Programs and Low-Income Issues. However, the Company believes this recommendation is more appropriately considered under this section of the Common Briefing Outline, which deals with Customer Service and Quality of Service.

²⁷⁷ Settlement ¶ 33.

²⁷⁸ *Columbia Gas 2025 Order*, pp. 311-12, 325-26; *PAWC 2026 Order*, pp. 387-90.

Root Cause Analysis of customer complaints; and (5) implementing a plan for targeted reliability improvements.²⁷⁹ Thus, the Settlement contains a suite of initiatives that are designed to maintain or improve on the Company's strong customer service and electric reliability performance.

The only other recommendation identified in OCA's Main Brief on this subject concerns the written confirmations of customer payment arrangements.²⁸⁰ In its Main Brief, OCA argues that UGI Electric should be required to "further revise the written communication it provides to customers when confirming a payment arrangement to provide better protections to its customers."²⁸¹

This recommendation should be rejected. OCA's recommendation hinges on OCA witness Alexander's belief that the Company's "written confirmation of a payment arrangement" is "defective" unless it includes a "notice of customer rights."²⁸² Nothing in OCA's testimony or its Main Brief identifies any regulatory or legal requirement that the Company's written confirmation of a payment arrangement must include that information. The only basis OCA provides to justify this change is the thin claim that it will notify customers that their rights continue to apply while on a payment arrangement. OCA has not provided any evidence that this is an issue for customers. Further, customers already can access the Company's Commission-approved tariff, which contains provisions generally protecting customers against termination of service due to nonpayment of disputed billed amounts,²⁸³ as well as Chapters 3, 5, and 56 of the Commission's regulations, which provide information on the informal and formal complaint procedures and the customer protections that exist for customers who initiate a dispute or filing a complaint.²⁸⁴

²⁷⁹ See, e.g., Settlement ¶¶ 37, 41, 45-46.

²⁸⁰ OCA MB, pp. 90-91.

²⁸¹ *Id.*, p. 90.

²⁸² OCA St. 5, p. 19.

²⁸³ See, e.g., UGI Electric Exhibit F, Rule 3-c(i) and 14-a.

²⁸⁴ See 52 Pa. Code Chs. 3, 5, 56.

For these reasons, and as explained in UGI Electric’s Main Brief and Statement in Support, OCA’s arguments and recommendations related to customer service and quality of service should be rejected, including the proposals that are the same as or similar to the ones the Commission rejected in its *Columbia Gas 2025 Order* and *PAWC 2026 Order*, and the ALJs and Commission should instead approve the Settlement without modification.

XI. CUSTOMER ASSISTANCE PROGRAMS AND LOW-INCOME ISSUES

UGI Electric responded to OCA’s and CEO’s recommendations on customer assistance programs and low-income issues in Section XI of its Main Brief, including proposals related to the identification of low-income customers, deposit exemptions, CAP, and the Low Income Usage Reduction Program (“LIURP”).²⁸⁵ The Company has further established, through this Reply Brief and UGI Electric’s Main Brief and Statement in Support, that the Company places a keen focus on affordability and has taken several steps, including through the provisions of the Settlement, to address parties’ affordability concerns.²⁸⁶

In fact, the table below compares recommendations made by OCA in its Main Brief to the Settlement provisions on customer assistance programs and low-income issues:

Recommendations in OCA’s Main Brief	Settlement Provisions
Universal Service Cost Allocation – “[T]he Commission should allocate costs for CAP according to each group’s share of the utility’s overall distribution costs/revenue requirement, rather than trying to use peak electricity demand to allocate the costs.” ²⁸⁷	“55. UGI Electric’s proposal to assign universal service costs to Rate HTP on a negotiated basis is accepted as filed.” ²⁸⁸

²⁸⁵ See UGI Electric MB, pp. 136-44.

²⁸⁶ See UGI Electric MB, pp. 13-15; UGI Electric Statement in Support, pp. 2, 5, 8, 10-13, 18, 29; see, e.g., Sections I, III, V.A, IX.B, IX.C, *supra*.

²⁸⁷ OCA MB, p. 121.

²⁸⁸ Settlement ¶ 55.

Recommendations in OCA’s Main Brief	Settlement Provisions
	“56. UGI Electric agrees to include a proposal for universal service and DSIC contributions each time it enters into contract negotiations with a Rate HTP customer beginning on the first day of the first month after the Commission enters an order approving the Settlement.”²⁸⁹
CAP Enrollment – “[C]ustomers 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.”²⁹⁰ “To help, Mr. Colton recommends that UGI use something like a COMPASS screenshot to confirm low-income status and tag the customer for protections related thereto.”²⁹¹ “Mr. Colton recommends that UGI Electric provide a stand-alone written Plain Language notice to (1) Confirmed Low-Income customers who are negotiating a Deferred Payment Agreement (DPA) with the Company and (2) customers for whom the Company has information placing them within an income tier of 0% to 150% of the Federal Poverty Level (FPL).”²⁹² “The notice should explain that, rather than entering into a DPA to repay arrearages over time, the customer may have the option to enroll in CAP if the customer satisfies CAP’s income-eligibility requirements.”²⁹³ “Accordingly, Mr. Colton recommends that a Confirmed Low-Income customer should not be placed into a DPA without first being informed of the potential CAP alternative.”²⁹⁴	“39. <u>Low-Income Screening</u>. a. UGI Electric will inform all new and moving customers that UGI Electric has reduced billed rates for income eligible households. UGI Electric will inquire whether these customers would like to provide their income to learn if they qualify. If a customer wants more information, UGI Electric will provide additional information on the program and eligibility. b. UGI Electric will ask all non-emergency callers at the outset of the call whether as part of the call they would like to hear information regarding customer programs that provide reduced billed rates for income eligible households. c. UGI Electric customers identified as low income through these regular screening processes will be offered an opportunity to enroll in the Company’s CAP at that time and, if they are not able to be enrolled shall be referred for enrollment in CAP and other universal service programs – as well as the Low Income Home Energy Assistance Program (‘LIHEAP’).”²⁹⁵

²⁸⁹ Settlement ¶ 56.

²⁹⁰ OCA MB, p. 131.

²⁹¹ *Id.*, p. 132.

²⁹² *Id.*, p. 134.

²⁹³ *Id.*

²⁹⁴ *Id.*

²⁹⁵ Settlement ¶ 39.

Recommendations in OCA’s Main Brief	Settlement Provisions
Security Deposits – “UGI Electric should be directed to modify its processes and procedures regarding the low-income exemption from deposits.”²⁹⁶ “Specifically, [Mr. Colton] 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.”²⁹⁷ Mr. Colton recommends 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.”²⁹⁸ To the extent UGI Electric holds a cash security deposit for a Confirmed Low-Income customer, Mr. Colton recommends that the deposit be refunded consistent with Commission precedent.”²⁹⁹	“38. <u>Security Deposit Refunds</u>. UGI Electric will initiate a quarterly review of security deposits and refund all security deposits being held from accounts designated as income verified low income to the customer within 30 days. a. UGI Electric will amend Tariff Rule 3.3 (f) to clarify that customers are exempt from security deposits once they “<u>are confirmed to be eligible</u> for the Company’s Customer Assistance Program”. b. UGI Electric will modify its processes and procedures regarding the low-income exemption from deposits. UGI Electric will accept <u>any</u> information beyond information on income and household size that would ‘attest to’ the household’s eligibility for a state benefit that is consistent with CAP income requirements. The Company will meet in a collaborative within 90 days of a final order in this proceeding to discuss with interested parties how COMPASS information may be used to confirm low-income customer exemption from deposits.”³⁰⁰

As shown in the table above, the Settlement contains several provisions that pointedly address OCA’s recommendations in a reasonable way.

The Settlement also contains commitments designed to improve customer assistance program offerings and help improve the service provided to low-income customers and help them afford their electric bills, including: (1) a reduction in the overall base rate revenue increase from the \$16.05 million supported by UGI Electric’s evidence to \$10.7 million; (2) a reduction in the

²⁹⁶ OCA MB, p. 135.

²⁹⁷ *Id.*

²⁹⁸ *Id.*, p. 136.

²⁹⁹ *Id.*

³⁰⁰ Settlement ¶ 38.

proposed residential customer charge from \$22.00 to \$12.00, which would only be a \$1.25 increase from the existing charge of \$10.75; (3) a revenue allocation that allocates a smaller percentage of the base rate revenue increase to residential customers than under the Company's litigation position; (4) an Expanded Arrearage Forgiveness Pilot Program that will be available to customers with income levels of 151% to 300% of the FPIG and will provide those customers with the option of a 24-month payment plan on 50% of their current arrears; and (5) the waiver of reconnection fees for low-income customers, in accordance with the terms of the *pro forma* tariff supplement attached to the Settlement as Appendix G.³⁰¹

Notwithstanding, OCA continues to oppose the Settlement and advocate for implementation of its recommendations on the subjects of customer assistance programs and low-income issues.³⁰² UGI Electric has addressed these recommendations in its Main Brief, through the Settlement, or both. However, the Company would like to respond to certain arguments raised in OCA's Main Brief regarding CAP notices.

In particular, OCA recommends that the Commission require the Company to provide plain-English CAP notices to: (1) confirmed low-income customers who are negotiating a DPA with the Company; and (2) customers for whom the Company has information placing them within an income tier of 0% to 150% of FPIG."³⁰³ As to the former recommendation, OCA argues that "providing this notice is important because CAP and DPA have materially different financial consequences for eligible low-income customers."³⁰⁴ OCA witness Colton based the latter

³⁰¹ See, e.g., Settlement ¶¶ 29, 31-32, 34, 40.

³⁰² See OCA MB, pp. 117-37.

³⁰³ OCA MB, p. 134.

³⁰⁴ *Id.*

recommendation on his belief that UGI Electric “continues to substantially under-enroll low-income customers in CAP.”³⁰⁵

However, OCA’s stance ignores the significant progress the Company has made in increasing its CAP enrollment, as described in the Company’s Main Brief and in the testimony of UGI Electric witness Meilinger.³⁰⁶ This clear, measurable progress shows that the Company’s current efforts to increase its CAP enrollment are working. Moreover, as explained by UGI Electric witness Meilinger, CAP enrollment is voluntary, and there are valid reasons beyond the Company’s control when a customer decides to decline CAP assistance.³⁰⁷ Nevertheless, UGI Electric supports well-designed efforts to increase CAP enrollment, which is reflected in the Settlement.³⁰⁸ Thus, in light of the evidentiary record and the Settlement’s provisions on CAP enrollment, OCA’s recommendation should be rejected.

As for the notice to customers who are negotiating a DPA, UGI Electric witness Meilinger explained that call center representatives already discuss CAP with customers attempting to negotiate DPAs.³⁰⁹ Therefore, expending additional resources on communications that would be effectively redundant is unnecessary, and the Commission should not adopt this recommendation.

XII. OTHER ISSUES

UGI Electric fully addressed the public input hearing testimony in Section XII of its Main Brief. All other issues were addressed in the other sections of the Company’s Main Brief and in this Reply Brief.

³⁰⁵ OCA Main Brief, p. 130; OCA St. 6, p. 44.

³⁰⁶ UGI Main Brief, p. 142; UGI Electric St. No. 12-RJ, p. 2.

³⁰⁷ See UGI Electric St. No. 12-R, p. 12.

³⁰⁸ See Settlement ¶ 39.

³⁰⁹ UGI Electric St. No. 12-R, p. 15.

XIII. CONCLUSION

For these reasons, and as explained in the Company's Main Brief, UGI Electric's claims in support of its proposed base rate revenue increase of \$16.05 million are fully supported by the record, and the other parties' arguments in opposition are flawed and should be rejected. Additionally, as explained in the Company's Statement in Support, the Settlement reached by UGI Electric and OSBA, under which the Company's revenue increase would be reduced to \$10.7 million, represents a fair and reasonable compromise of all legitimate and cost-of-service based revenue requirement-related issues in this matter and is completely justified based on the record evidence in this proceeding.

Respectfully submitted,



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