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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

September 18, 2026

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

Re: Pennsylvania Public Utility Commission v.
UGI Utilities, Inc. – Electric Division
Docket No. R-2025-3059430
I&E Reply Brief

Dear Secretary Homsher:

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

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

Sincerely,

Adam J. Williams
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 310019
(717) 787-8754
adawilliam@pa.gov

AJW/ac
Enclosures

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

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF
OF
THE BUREAU OF INVESTIGATION AND ENFORCEMENT

Adam J. Williams
Prosecutor
PA Attorney ID No. 310019

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

Dated: September 18, 2026

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I. INTRODUCTION

A. Procedural History

The history of this proceeding was addressed in the Commission's Bureau of Investigation and Enforcement's ("I&E") Main Brief ("I&E MB"), filed on September 8, 2026, and in the main briefs submitted by the various parties. The parties to this base rate case are UGI Utilities, Inc., Electric Division ("UGI Electric" or "Company"), I&E, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), and the Commission on Economic Opportunity ("CEO").

I&E now submits this Reply Brief ("I&E RB") in reply to the main briefs of UGI Electric ("UGI MB") and OCA ("OCA MB"), which were filed on September 8, 2026; and, in support of the arguments and recommendations made by the I&E witnesses, the record evidence presented, and I&E's MB. OSBA and CEO did not file main briefs in this matter. Though the UGI MB makes repeated references to the non-unanimous settlement reached by UGI Electric and OSBA, and the corresponding Joint Petition and Statements in Support, which were later filed on September 10, 2026, this I&E RB will not directly address or respond to any reference to the Joint Petition contained within the UGI MB. For a full response to the Joint Petition, please see I&E's Statement in Opposition of the Settlement, filed on September 18, 2026. Overall, the arguments made in the parties' main briefs have been raised consistently throughout the litigation process and have been addressed fully in I&E's direct, rebuttal and surrebuttal testimony, as well as in I&E's MB. This I&E RB will enhance I&E's ongoing arguments as necessary and reply to specific arguments made by UGI Electric and OCA as needed.

B. Burden of Proof

I&E fully addressed the applicable burden of proof in its Main Brief.[1]

I&E reiterates that UGI Electric has failed to meet its burden in this proceeding and therefore I&E respectfully requests that the ALJs and the Commission adopt the adjustments and the overall revenue requirement set forth in the record evidence presented by I&E as summarized in I&E's MB and in the Appendices attached thereto.

II. SUMMARY OF ARGUMENT

Reiterating the summary of its arguments from I&E's MB, I&E continues to assert that UGI Electric failed to present substantial credible record evidence to support its request for a $16.05 million revenue requirement increase. Further, based on I&E's direct, rebuttal and surrebuttal testimony and supporting exhibits, the evidence of record supports I&E's total recommended revenue requirement for the Company of $151,541,000. This recommended revenue requirement represents an increase of $6,082,000 to the Company's claimed present rate revenues of $145,459,000.

RATE BASE

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

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

[1] I&E MB pp. 3-4.

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

I&E recommends an allowance of $13,210,000, or a reduction of $84,000 ($13,294,000 - $13,210,000) to the Company's claim. I&E's recommendation is based on I&E's adjustments to cash-based O&M expenses as discussed in I&E's testimony. Finally, I&E noted that its cash working capital recommendation is not a final recommendation because all adjustments to the Company's claims must be continually brought together in the ALJ's Recommended Decision and again in the Commission's Final Order.

REVENUES

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

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

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

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

EXPENSES

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

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

TAXES

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

RATE OF RETURN

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

I&E Recommendation
UGI Gas of Pennsylvania, Inc.
Summary of Cost of Capital

Type of Capital	Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	50.00%	5.22%	2.61%
Common Equity	50.00%	9.69%	4.85%
Total	**100.00%**		**7.46%**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RATE STRUCTURE AND RATE DESIGN

A utility's rate structure implements the Commission's approved revenue increase to determine how the overall increase will be allocated among the utility's various rate classes. A

properly designed rate structure will not unduly burden one class of ratepayers to the benefit of another.

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

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

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

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

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

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

CUSTOMER SERVICE/QUALITY OF SERVICE

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

UNIVERSAL SERVICE PROGRAMS

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

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

CONCLUSION

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

III. I&E OVERALL POSITION ON RATE INCREASE REQUEST

As presented in I&E's MB, I&E's total recommended revenue requirement for the Company is $151,541,000[2]. This recommended revenue requirement represents an increase of $6,082,000 to the Company's claimed present rate revenues of $145,459,000. This total recommended allowance incorporates I&E adjustments made in I&E witness Getachew Bedasa's direct, rebuttal and surrebuttal testimony to O&M expenses,[3] and the recommended adjustments made in the direct and surrebuttal testimony of I&E witnesses DC Patel[4] and Ethan Cline.[5] Nothing submitted in the UGI MB or OCA MB has caused I&E to change its overall position.

IV. RATE BASE

I&E noted in its MB that rate base, also known as measure of value, is the depreciated original cost of a utility's investment in plant a utility has in place to serve customers plus other additions and deductions that the Commission determines to be necessary in order to keep the utility operating and providing safe and reliable service to its customers.[6] Rate base is one part of the financial equation used by the Commission to determine the appropriate revenue that a utility is granted in a rate proceeding. For utility plant to be included in rates, the plant must be

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2 I&E MB, p. 10; I&E MB App. A.
3 *See* I&E St. No. 1; I&E St. No. 1-R; and I&E St. No. 1-SR.
4 *See* I&E St. No. 2; and I&E St. No. 2-SR.
5 *See* I&E St. No. 3; and I&E St. No. 3-SR.
6 I&E MB p. 10.

used and useful in the provision of utility service to the customers. Therefore, by definition, only plant currently providing or capable of providing utility service to customers or plant projected to be completed and in service by the end of the FPFTY is eligible to be reflected in rates.[7]

A. Electric Plant in Service

I&E recommended and continues to recommend that that the Company be required to provide I&E and the OCA with an update to UGI Electric Book IV, Exhibit A – Future, Schedule C-2, no later than February 1, 2027, under this docket number, which should include actual plant balances along with plant additions and retirements by month from October 1, 2025 through September 30, 2026 and an additional update to UGI Electric Book IV – Exhibit A – Fully Projected, Exhibit C-2, no later than February 1, 2028, which should likewise include actual plant balances, plant additions and retirements by month from October 1, 2026 through September 30, 2027.[8] The Company agreed with I&E's recommendation.[9] Given the stated value of the data and agreement by the Company, I&E's recommendation should be approved.

B. Accumulated Depreciation

I&E did not submit any testimony regarding the accumulated depreciation issue and did not address the issue in the I&E MB. I&E takes no position on this issue.

C. Additions to and Deductions from Rate Base

I&E recommend and continues to recommend a reduction of $84,000 to the Company's claimed Cash Working Capital ("CWC") as part of its rate base, reducing the proposed $13,294,000 to $13,210,000 based on updated adjustments to cash-based O&M expenses.[10]

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7 *Id.* at 10-11.
8 I&E MB p. 11.
9 UGI Electric St. No. 3, pp. 4-5.
10 I&E MB p. 13.

V. REVENUE

A. Overall Revenue Requirement

As noted in I&E's MB, the revenue requirement formula used in base rate cases is RR = E + D + T + (RB x ROR).[11] I&E's total recommended revenue requirement for UGI Electric is $151,541,000, or an increase of $6,082,000 to the Company's claimed present rate revenues of $145,459,000. Nothing in the UGI MB or OCA MB has led I&E to change its position. I&E recommends the Commission consider the impact of the proposed rate increase, particularly in light of recent comments from both PUC Vice Chair Barrow and Governor Shapiro.[12]

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

Responding to UGI MB, Section VI, Subsection A, pp. 27-32.

As detailed in I&E's MB, I&E recommends an adjustment to allow for one half, or 50% of I&E's otherwise overall revenue calculation of $12,164,000, resulting in the final recommendation of $6,082,000. This recommendation is based on the recent filing of a Joint Application by UGI and Argo at Docket A-2026-3063610, in which UGI and Argo have petitioned the Commission to allow the full transfer of ownership and operation of all UGI electric utility operations to Argo. Per the Joint Application, UGI has requested expedited consideration and approval by the Commission on or before April 2027.[13] Due to the concerns highlighted in I&E's MB, I&E recommends that, as an April 2027 sale would be roughly 50% into the FPFTY, that the Commission accept I&E's adjustment of a 50% reduction, as this filing and all FPFTY data and calculations are being provided by UGI Electric, not by Argo, and UGI Electric's parent corporation, UGI Corporation, has stated an intent to no longer own and control

[11] I&E MB p. 13.
[12] *See* I&E Exhibit No. 2, Schedule 2, pp. 1-5, 8-15.
[13] UGI Electric Exhibit JRR-3RJ, p. 37.

UGI Electric, but rather for Argo to control UGI Electric as of April 2027.[14] I&E's adjustment simply reflects the reality that UGI Corporation intends that approximately one half of the FPFTY occur under a different owner, who has provided no data, testimony, or commitments in this proceeding. Ultimately, UGI Electric and its parent company created this uncertainty, and I&E's intention is to ensure the ratepayers are not potentially punished based on uncertain data.

The UGI MB cites six points of contention with I&E's adjustment, which shall be addressed below.[15] However, each of these points fails to address the core problem, which is that UGI Electric's parent company does not intend to own this system during the second half of the FPFTY.

First, UGI Electric criticizes the adjustment because it presupposes Commission approval of the Joint Application.[16] While there is no guarantee that the Application will be approved, I&E maintains that, since UGI Electric and its parent company, UGI Corporation dictated the sequence of these filings, any uncertainty created by the possibility of the Joint Application being approved on UGI Corporation's proposed timeline should not be put on the ratepayers. Rather, I&E proposes that this uncertainty be resolved by allowing an increase in revenue to UGI Electric consistent with the period of time for which UGI Corporation proposes to continue to own UGI Electric.

Second, UGI Electric criticizes the adjustment based on a presumption that upon divestiture, UGI Electric will stop its operations and infrastructure investment.[17] The UGI MB cites to cross examination testimony from I&E witness Bedasa wherein he notes that the new owner may or may not need to continue to make capital investments, and the ceasing of capital

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14 *See generally* I&E MB pp. 14-17.
15 UGI MB pp. 28-32.
16 *Id.* at 28-29.
17 *Id.* at 29.

investments could create issues for service provision.[18] While this may be true, Mr. Bedasa's testimony again highlights the uncertainty that the timing of these filings has created, and that timing was entirely within the control of UGI Electric and its parent company. UGI Electric notes that the "cost of service proffered in this proceeding reflects the appropriate level of operating costs" to accomplish an adequate level of service.[19] More specifically however, the cost of service proffered in this proceeding reflets the appropriate level of operating costs to accomplish this in the opinion of UGI Electric. UGI Electric has not and cannot definitely state that all data and calculations for the FPFTY in this case are identical to those that Argo would reach. While I&E's proposal is severe, in that it proposes to disallow revenue rather than adjust the revenue calculations, this is because there is insufficient data on which to base such adjustments, as Argo is not a party to this case and has presented no testimony in this proceeding. At this time, there is simply no definitive information about what type of operations and infrastructure investment that Argo would undertake, nor has any evidence been submitted proving that Argo would be bound by any commitments to a rate case to which it was not a party.

Third, UGI Electric criticizes the adjustment due to I&E witness Bedasa's concession that, in general, the Joint Application proceeding is the appropriate forum to address ongoing investments and existing regulatory commitments.[20] However, this concession does not address the overall uncertainty created by the timing of these filings. UGI Electric can propose as many hypotheticals as they like regarding what will or will not occur during the Joint Application proceeding, but no party can definitively state what will or will not occur at that proceeding.

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18 *Id.*
19 *Id.*
20 *Id.* at 29-30.

While any FPFTY calculations involve a degree of speculation, the timing of these filings by UGI Electric and its parent company have created a dramatic additional degree of uncertainty in the FPFTY calculations, and as that is the subject of this proceeding, that is the focus of I&E's adjustment. Given that this uncertainty was created solely by UGI Electric and its parent company, I&E feels the appropriate response is to adjust its overall revenue recommendation based on the fact that, per the stated intent of UGI Corporation, the FPFTY projections may be significantly less reliable after April 2027.

Fourth, UGI Electric criticizes the proposal due to a perceived mathematical issue, as I&E's adjustment would not reflect in rates the cost of service I&E supports for the first six months of the FPFTY.[21] However, I&E's proposed $6,082,000 revenue increase would provide sufficient capital for the first six months of the FPFTY, which is the period during which ownership of UGI Electric is not at issue. While I&E admits this proposal is not perfect from the perspective of rate design, UGI Electric's argument that costs are evenly split over twelve months[22] is likewise flawed. UGI Electric argues that they would underearn for the first six months of the FPFTY, October 2026 – March 2027, prior to divestiture.[23] However, costs would arguably be lower during this period, as water usage is generally lower, so treatment costs and associated costs, like electricity, would be lower. Construction costs such as main replacements would likewise be lower during these winter months due to lower temperatures and the difficulty of doing full restoration, but rather engaging in patch repairs, which would cost less.

Fifth, UGI Electric criticizes the proposal by inaccurately stating that I&E witness Bedasa's only basis for concern about post-acquisition expenditures are corporate allocations and

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21 *Id.* at 30.
22 UGI Electric St. No. 1-RJ, p. 18.
23 *Id.*

shared services expenses, thus the only reduction should be that category of costs.[24] While the allocations and shared services were major areas of concern cited by Mr. Bedasa, I&E also summarized additional areas of concern in the I&E MB, including uncertainty as to rate of return and rate base claims, uncertainty as to whether Argo will honor all of UGI Electric's commitments, plans, policies, projections and calculations that are built into the FPFTY ratemaking claims in this filing, and to what extent Argo will prudently incur or expend fully the FPFTY claimed expenses and costs that UGI Electric propose in this case.[25] This UGI Electric critique ultimately fails for the same reason as their second critique, as UGI Electric states that their case in rebuttal reflects "the best available evidence as to the expenses and capital that must be reflected in rates for a full year of operations."[26] However, UGI Electric's opinion on the expenses and capital necessary to run the utility becomes irrelevant or significantly less relevant if UGI Electric no longer controls the operations as of April 2027. Regardless of the relative accuracy of UGI Electric's FPFTY calculations, they simply cannot definitively state that Argo's calculations will be identical. While UGI points to a contemplated post-transaction period where UGI Utilities and UGI Corporation will provide shared services and corporate functions to Argo[27], this does not adequately address I&E's concerns in this matter. As detailed in the I&E MB, any proposed agreement cannot be reviewed at the time of this proceeding as it was not provided, the Application does not make any commitment that the agreement will be exclusive, nor does the Application state that the cost of providing those services will be identical, meaning the FPFTY calculations after April 2027 remain significantly uncertain.[28]

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[24] UGI MB pp. 31-32.
[25] I&E MB p. 15.
[26] UGI MB p. 32.
[27] *Id.* at 31-32.
[28] I&E MB pp 15-16.

Finally sixth, UGI Electric criticizes I&E's proposal due to a lack of precedent cited.[29] While it is accurate that I&E has not proposed a similar reduction in recent base rate cases with a pending merger such as the recent PAWC or pending People's Natural Gas cases, this case is distinguishable from those cases, and is to an extent, unprecedented. As noted in the I&E MB, the Joint Application in this matter is not a proposed merger of two existing Pennsylvania companies, each with established, reliable structures, methodologies and experience though numerous prior filings before this Commission, but rather is a proposal to transfer 100% of the membership interests in UGI's electric division to an entity controlled by Argo, a Delaware limited liability company headquartered in New York City, who does not appear to have had any direct business with this Commission and has limited, questionable experience in utility management.[30] The lack of precedent cited by I&E is simply a result of an unprecedented proposal by UGI Electric and its parent company. I&E maintains that its recommendation in this matter, however unusual, is an appropriate response to the unusual and uncertain situation created solely by UGI Electric and its parent corporation due to the timing of these filings and the uncertain experience of the proposed buyer.

Overall, I&E recognizes the unusual and severe nature of this proposed adjustment. However, I&E maintains its position that this adjustment is appropriate given the unusual nature of this situation and the uncertainty created by UGI Electric and its parent company regarding the FPFTY calculations in this case. Due to the nature of this uncertainty and the lack of evidence from Argo in this proceeding, there is simply insufficient data available on which to make appropriate adjustments. I&E has therefore recommended a severe but appropriate adjustment to disallow the portion of revenue during the time UGI Electric is proposed to be

[29] UGI MB p. 32.
[30] I&E MB p. 17.

under the control of a different entity than that which filed this base rate case. I&E's recommended adjustment protects ratepayers from the uncertainty introduced by UGI Electric and its parent corporation, and corresponds to the period in which UGI Electric's parent company asserts it will continue to own and operate the system. Should the ALJs or the Commission determine that the mechanics of I&E's exact proposal are not appropriate, I&E would request that the ALJs and the Commission nonetheless consider the concerns raised by I&E when determining the final revenue increase for this matter, and make such adjustments as they feel are warranted to mitigate these uncertainties.

C. Forfeited Discounts

As detailed in I&E's MB, I&E recommended an increase in the forfeited discount revenue claim by the same percentage as the overall base rate increase that is granted in this proceeding.[31] The Company, in its rebuttal testimony, adjusted the amount as recommended by I&E, resulting in a revised claim of $696,000.[32] I&E recommends that this revised claim be accepted by the Commission.

VI. EXPENSES

It is well settled that a utility is entitled to recover its reasonably and prudently incurred expenses.[33] Operating and maintenance expenses, if properly and prudently incurred, are allowed as part of the overall base rate computation. As such, a public utility is entitled to recover all reasonable and normal operating and maintenance expenses incurred by providing regulated service.[34] To the extent that expenses are not incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable

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31 I&E MB pp. 17-18.
32 UGI Electric St. No. 2-R, pp. 4-5.
33 *UGI Corp. v. Pa. P.U.C.*, 410 A.2d 923, 932 (Pa. Commw. 1980).
34 *Western Pennsylvania Water Company v. Pa. P.U.C.*, 422 A.2d 906 (Pa. Commw. 1980).

through rates. The public utility requesting a rate increase and seeking to recover expenses has the burden of showing that the rate requested, including all claimed expenses, is just and reasonable.[35]

A. Rate Case Expense

Responding to UGI MB, Section VI, subsection C, pp. 52-54

I&E in its Main Brief argued for an allowance of $389,000 or a reduction of $147,000 ($536,000 - $389,000) to the Company's claim, to be amortized over 33 months for rate making purposes [($1,071,000 ÷ 33 months) x 12].[36] UGI Electric in their brief continues to argue for the use of a 24-month normalization period based on their assessment of future capital requirements and planned system improvements.[37] However, UGI Electric's proposal remains speculative and is not supported by their historic filing frequency, nor does their proposal account for the possibility that Argo could be in control future base rate filings as early as April 2027. Given the additional uncertainties in this case, it is all the more appropriate to utilize the historic filing frequency of 33 months. I&E therefore continues to recommend an allowance of $389,000 or a reduction of $147,000, to be normalized over 33 months for rate making purposes.

B. Vegetation Management Contractor Costs

Responding to UGI MB Section VI, Subsection F, pp. 57-62

I&E in its Main Brief, argued for an allowance of $3,469,000 for vegetation management contractor costs, or a reduction of $469,000 to the Company's claim of $3,938,000, based on an average of the most recent three years of expenditure, due to the historic fluctuation of spending in this category.[38] UGI Electric, in their brief, argues that based on a labor increase under a new

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35 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).
36 I&E MB pp. 19-20.
37 UGI MB p. 5.
38 I&E MB pp. 20-21.

contract and the Company's historic trend of fully spending their vegetation management budget, this expense should not be normalized.[39]

Though I&E does not dispute that the total amount of vegetation management has generally increased in recent years, I&E maintains that the fluctuation in spending in this expense warrants a historic average approach. I&E's proposal takes the average of the most recent three years of expenditure, thus accounting for the period when UGI Electric has generally (though not consistently) increased their total spending. Though UGI Electric cited to proposals intended to account for additional spending through the FPFTY and beyond,[40] these proposals do not account for the possibility that another entity could be controlling UGI Electric operations as early as April 2027, making these future proposals unreliable. I&E therefore continues to recommend a historic average be used for this expense, resulting in a reduction of $469,000 to the Company's claim of $3,938,000 for vegetation management contractor costs, for a total allowance of $3,469,000.

VII. TAXES

I&E's only proposal related to taxes was mitigated by the Company in rebuttal testimony and ultimately withdrawn by I&E.[41] I&E takes no position on other tax adjustments raised in this proceeding.

VIII. RATE OF RETURN

A. Introduction - Rate of Return Standards

Following an updated cost of equity analysis presented by UGI Electric in rebuttal testimony, the Company claimed the following rate of return:[42]

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39 UGI MB pp. 57-61.
40 *Id.*
41 I&E St. No. 1-SR, pp. 15-17.
42 I&E St. No. 2-SR, p. 4-5, citing UGI Electric Rebuttal Exhibit B, Schedule DWD 1-R, p. 1.

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

I&E, after updating using the Company's updated cost of long-term debt as presented in rebuttal testimony, recommended the following rate of return for the Company:[43]

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

Per the I&E MB, I&E's recommended return on equity is 9.69% based on the calculated average of the results of a DCF analysis, the average of two variations of the CAPM method, and the recent national average authorized return on equity for rate cases involving electric distribution utilities[44], as shown in the table below:

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

[43] I&E St. No. 2-SR, p. 5.
[44] I&E MB pp. 22-23.

The Commission has the authority to determine the fair revenue requirement and rate of return, which the utility has the opportunity to earn, but not a guarantee to earn.[45] Per the standards established by the Supreme Court in *Bluefield* and *Hope*[46], as well as procedure and precedent consistently followed by the Commission, a fair and reasonable overall rate of return is one that will allow the utility an opportunity to recover those costs prudently incurred by all classes of capital used to finance the rate base during the prospective period in which its rates will be in effect.[47] As detailed in I&E's MB and below, the I&E recommendation modifies UGI Electric's proposed capital structure due to the fact that UGI Electric's proposed capital structure is atypically high on equity, and UGI Electric's unreasonably inflated cost of common equity ("ROE") due to inappropriate proxy groups and cost of equity methods used.

B. Proxy Group

Responding to UGI MB Section VIII, Subsection B, pp. 76-78

Per the I&E MB, I&E disagrees with the Company's selection of proxy group companies, specifically the inclusion of six companies that operate in states which do not have a deregulated electric utility market, meaning one in which the utility is responsible only for the distribution of electricity, not the generation.[48] Contrary to UGI Electric's assertion in its MB that this difference is not material for ROE or capital structure purposes,[49] I&E maintains this is a significant difference, as it can place such utilities in a substantially different risk profile based on the types and ages of generation plant owned and operated.[50] I&E continues to recommend the Commission utilize I&E's proxy group, as it more appropriately reflects the risk profile of

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45 *Id.*

46 *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia, 292 U.S. 679, 692-93 (1923); Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944);* I&E MB p. 24.

47 I&E MB p. 23-24.

48 I&E MB p. 26.

49 UGI MB p. 78.

50 I&E MB p. 26.

utilities in deregulated markets such as Pennsylvania, which is one of the crucial elements of any proxy group.

C. Capital Structure

Responding to UGI MB Section VIII, Subsection C, pp. 78-85

As detailed in I&E's MB, I&E recommends using a hypothetical capital structure of 50.00% long-term debt and 50.00% common equity for this case.[51] UGI Electric, in its MB, provides a wealth of ultimately immaterial arguments by referring to previous cases in which I&E witness Patel did not recommend a hypothetical capital structure, mischaracterizing Mr. Patel's surrebuttal testimony, and making irrelevant comparisons to the recently settled UGI Gas base rate case,[52] while ignoring the plain fact that every case requires an individual analysis. The use of a hypothetical capital structure is well supported in this case based on the extensive testimony of Mr. Patel and the precedent of the recent PAWC base rate case.[53]

UGI Electric's attempts to discredit I&E witness Patel are unwarranted, unreasonable and paper-thin. As plainly described in his hearing testimony in this matter, there are multiple factors that went into his recommendation for a hypothetical capital structure in this case.[54] Comparisons to his testimony in previous cases are irrelevant, unless UGI Electric is proposing that all financial metrics in those prior cases are identical to this case, which is simply untrue. Of particular irrelevance is the attempt to compare this case to the recent UGI Gas base rate case, as (1) that case was settled, meaning the Commission did not review the full analysis of metrics as they can here, (2) that case represents a different utility market and numerous different financial metrics, and (3) testimony in the UGI Gas case was not written by Mr. Patel.[55] UGI Electric

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51 *Id.* at 27.
52 UGI MB pp. 82-83.
53 *See* I&E MB pp. 27-29.
54 Hrg. Tr. P. 402-403.
55 *See generally* Docket R-2025-3059523, I&E St. No. 2, Direct Testimony of Drew Bruening.

argues that "nothing in the record justifies treating UGI Gas different than UGI Electric on this issue,"[56] yet cites to nothing in support of the idea that the financial metrics for the two cases are the same. I&E's reasoning presented in this case is complete and based on the information and metrics related to UGI Electric. The comparison to the recent PAWC base rate case, on the other hand, is relevant (though not wholly dispositive), since, as detailed in the I&E MB, the equity ratio proposed by PAWC was similarly above even the highest average equity ratio of any I&E or Company proxy group utility.[57] While a hypothetical capital structure is thus appropriate under the logic of the PAWC base rate case, the difference in average equity ratio is even more significant here, thus contributing to I&E's stronger recommend adjustment in this matter.[58]

UGI Electric's most ludicrous attempt to discredit I&E witness Patel comes in the form of an isolated production of one sentence of his surrebuttal testimony.[59] Below is that sentence, along with the sentence immediately preceding it:

> The Company can maintain whatever capital structure on its Balance Sheet that it sees fit for running its business operations and meeting its short-term and long-term funding requirements for capital investments. To be clear, I am recommending a hypothetical capital structure for ratemaking purposes only in order to reduce the impact of an equity heavy/rich capital structure on ratepayers.[60]

UGI Electric, by producing only the second sentence, attempts to portray Mr. Patel's recommendation for a hypothetical capital structure as driven by the singular, narrow consideration of reducing the impact of an equity heavy/rich capital structure on ratepayers. This is a clear misinterpretation. In the context of the sentence before it and the numerous additional

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56 UGI MB p. 82.
57 I&E MB p. 29, citing *PA PUC et al. v. Pennsylvania-American Water Company*, Docket No. R-2025-3057983 (Order Entered July 27, 2026), pp. 182-183.
58 I&E MB p. 29.
59 UGI MB p. 83.
60 I&E St. No. 2-SR, p. 11.

reasons for the hypothetical capital structure provided by Mr. Patel in both his written[61] and hearing[62] testimony, it is obvious that the word "only" above is used contextually in the phrase "for ratemaking purposes only," and that Mr. Patel is proposing this hypothetical structure solely for the purpose of ratemaking in this proceeding. Mr. Patel explicitly acknowledges that for its own business operations, the Company is free to maintain any capital structure it chooses. That Mr. Patel reiterates only one of the multiple reasons he provided earlier in his testimony to complete the sentence quoted above is irrelevant, as the tenor of his testimony has been clear throughout this proceeding, as has been his thorough analysis.

That UGI Electric can only muster vague or misleading arguments against I&E's position on this point is telling, but understandable, as UGI Electric's proposed equity-heavy structure is plainly atypical and heavily equity weighted, which are the precise circumstances in which the Commission can and has exercised its discretion to impose a hypothetical capital structure.[63] Under both Commission precedent and per the scholarly works cited by UGI Electric in this case, UGI Electric's proposed capital structure is substantially different from those of other utilities in the industry.[64] Throughout this proceeding, I&E has provided multiple examples of this difference, from the extreme difference in the Company's requested 54.25% equity ratio from the five year average of both I&E and UGI Electric proxy groups (11.77% above I&E's group average, 13.89% above UGI Electric's utility group average), to the fact that the requested 54.25% equity ratio is higher than the highest average common equity of any utility during the same period, under either I&E or UGI Electric's utility proxy groups (53.36% and 53.38%,

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61 I&E St. No. 2-SR, pp. 7-11.
62 Hrg. Tr. P. 402-403.
63 *PA PUC et al. v. Pennsylvania-American Water Company*, Docket No. R-2025-3057983 (Order Entered July 27, 2026), p. 184.
64 *See* I&E MB pp. 28-29.

respectively).[65] Additionally, I&E's recommendation for a 50/50 hypothetical capital structure is consistent with the recent national authorized equity ratio for electric distribution companies, which was 50.42% from 2025 – Q1 2026.[66] Finally, I&E's proposed hypothetical capital structure takes into account the affordability concerns raised by both Commission Vice Chair Kimberly Barrow and Gov. Shapiro's Special Counsel for Energy Affordability Mark Szybist.[67]

I&E recommends that the Commission reject UGI Electric's attempts to distract from the plain fact that these circumstances more than meet the conditions necessary for the Commission to exercise its discretion and impose a hypothetical capital structure. Just as in the PAWC base rate case, a hypothetical structure is warranted due to the atypically high equity ratio, which in this case is even more atypical than in PAWC, thus warranting a stronger adjustment.

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

I&E continues to recommend using the Company's FPFTY claimed long-term debt cost rate of 5.22%, as it is within appropriate metrics.[68]

E. Cost of Common Equity

Responding to UGI MB Section VIII, Subsection E, pp. 97-104

As detailed in the I&E MB, I&E's cost of common equity recommendation in this case is based on an average of multiple analyses, including the DCF method, the average of two variations of the CAPM, and the recent national average authorized return on equity for electric distribution cases in the U.S. for cases concluded in 2025 through March of 2026.[69] While I&E has in previous cases often made a final recommendation solely on the DCF method, the decision to utilize multiple methods in this and other recent cases is based on numerous factors, including

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65 *Id.*
66 *Id.* at 29.
67 *Id.* at 27-28.
68 I&E MB p. 29.
69 *Id.* at 30.

but not limited to, recent Commission precedent as well as the historic principles of the *Hope* and *Bluefield* cases.[70] Ultimately, every case requires an individual analysis, and UGI Electric's further attempts to discredit I&E witness Patel despite his thoroughly explained rationale for the change in ROE methodology are baseless and wildly inappropriate.

I&E continues to recommend use of the DCF method, as it contains the most up-to-date projected information of any model and is the preferred method for determining rate of return for the current economic market, as it measures the cost of equity directly.[71] UGI Electric's arguments, in testimony and the UGI MB[72], that I&E's DCF analysis is biased due to a failure to exclude a low growth rate should be rejected, as Mr. Patel explained in testimony the degree of difference from the overall average for the two excluded rates is higher than the difference for the rate cited by Mr. D'Ascendis, a difference that Mr. Patel considered significant enough to exclude two but not the third.[73]

I&E also utilized two versions of the CAPM due in part to recent Commission decisions which incorporated the use of CAPM in addition to DCF.[74] Although I&E continues to endorse the DCF method, as it more accurately reflects changes in the utility industry, the CAPM does include inputs that allow it to be specific to the utility industry, and changes in the market can affect the outcome of each method in different ways.[75] I&E's traditional CAPM result appropriately used the projected yield on 10-year treasury notes for the risk free rate as a balancing measure, as the volatility of short-term T-bills and the maturity risk of 30-year treasury

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70 *Id.*
71 *Id.*
72 UGI MB p. 97.
73 I&E St. No. 2-SR, pp. 12-14.
74 *See PUC v. Aqua Pennsylvania, Inc.,* Docket Nos. R-2021-3027385 & R-2021-3027386, pp. 154 and 178 (Order Entered May 16, 2022)*, Pa. PUC v. Columbia Water Company,* Docket No. R-2023-3040258, p. 105 (Order Entered January 18, 2024)*, Pa. PUC v. Pennsylvania-American Water Company,* Docket Nos. R-2023-3043189 & R-2023-3043190, p. 194 (Order Entered July 22, 2024*), and Pa. PUC v. Columbia Gas of Pennsylvania, Inc.,* Docket No. R-2025-3053499 (Order Entered December 9, 2025), pp. 226 and 234.
75 I&E MB p. 31.

bonds make them less desirable options.[76] Though UGI Electric refers to I&E's use of the 10 year treasury note rather than the 30 year treasury bond a "flaw" in its analysis,[77] such an argument goes against significant recent and historical Commission precedent, as the 10-year treasury note has repeatedly and consistently been recognized as an appropriately balanced choice which mitigates the issues of other options.[78] Accordingly, UGI Electric's criticism of I&E's CAPM result should be rejected based on Commission precedent.

Finally, I&E utilized data from the S&P Global Market Intelligence to find the national average authorized ROE for electric distribution companies across the U.S. for rate cases decided in 2025 and early 2026, that result being 9.56%[79] This input is based on the principles of the *Hope* and *Bluefield* cases that a utility is entitled to earn a return similar to that of other enterprises with corresponding risks and uncertainties.[80] Though UGI Electric criticizes this input, arguing that authorized ROE's are a lagging indicator of investor-required returns,[81] this is accounted for by making this input only one of three factors in I&E's overall recommendation. I&E's overall recommendation of 9.69% remains above the national average.

In the UGI MB, UGI Electric again desperately attempts to discredit I&E witness Patel, implying that his decision to utilize multiple methods to determine an appropriate ROE, just as the Commission has recently done, and just as UGI Electric has done in this case, is designed to

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76 *Id.*

77 UGI MB p. 98.

78 I&E St. No. 2, p. 34, citing *Pa. PUC v. UGI Utilities, Inc. - Electric Division*, Docket No. R-2017-2640058 (Order Entered October 25, 2018). *See generally* Disposition of Capital Asset Pricing Model (CAPM), p. 99; *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket Nos. R-2021-3027385 & R-2021-3027386, p. 154 (Order Entered May 16, 2022); *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258 (Order Entered January 18, 2024). *See generally* Disposition of Cost of Common Equity, pp. 107-108; *Pa. PUC v. Pennsylvania-American Water Company*, Docket Nos. R-2023-3043189 & R-2023-3043190 (Order Entered July 22, 2024). *See generally* Disposition of Capital Asset Pricing Model (CAPM), pp. 171-172, and *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.,* Docket No. R-2025-3053499 (Order Entered December 9, 2025). See generally Rate of Return on Common Equity - Disposition, p. 234.

79 I&E MB p. 32.

80 *Id.*

81 UGI MB p. 100.

"deflate the result of I&E's DCF analysis and produce a lower overall ROE recommendation."[82] This argument is of course groundless, as I&E has provided numerous reasons for its decision to include metrics beyond the DCF, and ultimately meaningless, as the exact argument could be leveled against UGI Electric, i.e. that they only seek to endorse I&E's DCF result in this case because it produces a higher ROE recommendation.

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

Responding to UGI MB Section VIII, Subsection E, pp. 85-96

As detailed in the I&E MB, UGI Electric's cost of equity analysis gives improper weight to less reliable models, relies on the 30-year treasury bond, uses an inappropriate proxy group of non-price regulated companies, and includes unreasonable business risk and flotation cost adjustments.[83]

I&E continues to reject the usage of the ECAPM, RP, PRPM and CE methodologies used by UGI Electric in this case. The arguments presented in the UGI MB do not adequately address the concerns of I&E in this case, as these methods additional methods are less reliable, more subjective, and are inconsistent with Commission precedent.[84]

I&E continues to reject the use of the 30-year treasury bond, as the 10-year treasury note recommended by I&E appropriately balances the shortcomings of short-term T-Bill and the 30-year treasury bond.[85]

I&E continues to reject the use of a proxy group containing non-price regulated companies, as these businesses are not comparable to utilities due to the highly dissimilar business and financial risk due to the differences in their markets, most notably the competitive

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82 UGI MB p. 101.
83 I&E MB pp. 32-36.
84 *Id.*
85 *Id.* at 35.

nature of non-price regulated markets where an effective monopoly is not possible as it is with utilities.[86] The Commission has historically and appropriately rejected the use of such wildly disparate companies as Coca Cola and Walmart, and should continue to do so in this case.

I&E continues to reject UGI Electric's recommendation of a 40 basis point addition based on UGI Electric's size and a 12 basis point addition based on flotation costs.[87] UGI Electric presented no significant evidence to support application of a non-utility study regarding a size adjustment for risk to a utility setting, and their further arguments are not persuasive in the face of Commission precedent.

G. Conclusion - Overall Rate of Return

In consideration of the above and the record evidence presented, I&E recommends that the Company should be afforded the opportunity to earn an overall rate of return of 7.46%. I&E's recommended return on common equity of 9.69% is higher than the average return on equity of electric utilities granted in 2025 and early 2026.

IX. RATE STRUCTURE AND RATE DESIGN

A. Cost of Service Study

I&E did not present testimony in opposition to the Company provided ACOSS and does not oppose its general use in this proceeding except as detailed below.

B. Revenue Allocation

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

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[86] *Id.* at 33-34.
[87] *Id.* at 34-36.

C. Rate Design and Customer Charges

Responding to UGI MB, Section IX, Subsection C, pp. 122-123

As detailed in the I&E MB, I&E' recommendation in this case is to limit all increases to customer charges to 24%, or approximately two times the overall system average increase of 12%.[88] This based primarily on the principle of gradualism, a significant ratemaking factor which would be violated if the Company proposed increases of more than 100% were allowed. Though the Company continues to oppose I&E's recommendation in the UGI MB, I&E is not persuaded by UGI Electric's argument that a greater than 100% increase in customer charge can reasonably be called "a measured step towards cost-based recovery".[89] I&E continues to recommend the Commission take a more gradual approach in considering an increase in customer charges.

D. Scale Back of Rate

Responding to UGI MB, Section IX, Subsection D, pp. 128-129

If the Commission grants an increase less than the amount requested by the Company, I&E continues to recommend that all proposed increases to customer charges and usage rates be scaled back proportionately based on the ACOSS that is ultimately approved by the Commission.[90] I&E is unpersuaded by UGI Electric's specific opposition to scale back of residential and GS-1 customers, and proportionate reduction of all classes would be consistent with Commission precedent.

X. CUSTOMER SERVICE / QUALITY OF SERVICE

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

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88 I&E MB pp. 38-39.
89 UGI MB p. 123.
90 I&E MB pp. 39-40.

XI. CUSTOMER ASSISTANCE PROGRAMS AND LOW-INCOME ISSUES

A. Low Income Usage Reduction Program (LIURP)

CEO did not file a Main Brief in this proceeding. As detailed in the I&E MB, I&E continues to recommend that no increase in the budgeted LIURP amount be approved in this proceeding, and that any potential increase should addressed in the Company's Universal Service and Energy Conservation Plan ("USECP") proceedings.[91]

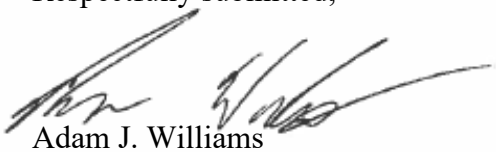
XII. OTHER ISSUES

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

XIII. CONCLUSION

I&E respectfully submits that for all the reasons presented in this I&E Main Brief, UGI Electric has not met its burden of proof as the record evidence presented by UGI Electric does not substantiate a revenue increase of $16,050,000. Instead, based on the weight of the record evidence, The ALJs and the Commission should only grant UGI Electric the I&E recommended revenue increase of $6,082,000 in accordance with the record evidence presented by I&E and summarized in this I&E Main Brief and the appended I&E Tables.

Respectfully submitted,



Adam J. Williams
Prosecutor
PA Attorney ID No. 310019

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

Dated: September 18, 2026

[91] *Id.* at 40-41.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Reply Brief** dated September 18, 2026, in the manner and upon the persons listed below.

Served via Electronic Mail Only

Devin T. Ryan, Esq.
Emily S. Grecu, Esq.
Post & Schell, P.C.
One Oxford Centre
301 Grant Street, Suite 3010
Pittsburgh, PA 15219
dryan@postschell.com
egrecu@postschell.com

David B. MacGregor, Esq.
Lindsay A. Berkstresser, Esq.
Garrett P. Lent, Esq.
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
dmacgregor@postschell.com
lberkstresser@postschell.com
glent@postschell.com

Candis A. Tunilo, Esq.
UGI Corporation
1 UGI Drive
Denver, PA 17517
tuniloc@oneugi.com

Steven C. Gray, Esq.
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101
sgray@pa.gov

Michael S. Swerling, Esq.
UGI Corporation
500 North Gulph Road
King of Prussia, PA 19406
swerlingm@ugicorp.com

Jessica Rogers
UGI Utilities, Inc.
1 UGI Drive
Denver, PA 17517
rogersj@ugi.com

Joseph L. Vullo, Esq.
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@bvrrlaw.com

Christy M. Appleby, Esq.
Jacob D. Guthrie, Esq.
Katherine M. Kennedy, Esq.
Johnathan M. Longhurst, Esq.
Crystal M. Zook, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
OCAUGIElec26BRC@paoca.org

Adam J. Williams
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 310019
(717) 787-8754
adawilliam@pa.gov