

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

PA Public Utility Commission, et al.
vs.
UGI Utilities, Inc. – Gas Division

Public Meeting of October 1, 2026
3059523-ALJ
Docket Nos. R-2025-3059523, et al.

STATEMENT OF VICE CHAIR KIMBERLY BARROW

Before us for consideration is the Recommended Decision of Administrative Law Judges (ALJs) F. Joseph Brady and Alphonso Arnold III, issued on July 31, 2026, in the above-captioned proceeding. Also, before us for consideration is the Joint Petition for Approval of Settlement of All Issues (Joint Petition or Settlement), filed by UGI Utilities, Inc. – Gas Division (UGI or Company), the Commission’s Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA) and the Retail Energy Supply Association (RESA) (collectively, Joint Petitioners) on July 6, 2026.¹

UGI proposed base rate changes that would have increased its total annual operating distribution revenues to produce \$99.368 million, or approximately 8.05%, based on a fully projected future test year (FPFTY) ending September 30, 2027.² In litigating the instant rate request, I&E proposed an overall annual increase of \$56.706 million³ while the OCA proposed an overall annual increase of \$15.8 million.⁴

UGI indicated that the principal reasons for its proposed base rate increase include: (1) continuing the accelerated replacement of aging gas plant infrastructure; (2) modernizing system segments and facilities; (3) serving new residential and commercial customers, including natural gas conversions; (4) upgrading information technology systems; and, most importantly, (5) ensuring the safety of the Company’s employees, customers, and its distribution system.⁵

¹ The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a letter indicating that it does not oppose the Settlement. CAUSE-PA initially requested that the Commission deny UGI’s rate increase in its entirety, claiming that the record evidence shows that it has sufficient revenue to earn a fair rate of return and provide safe and reliable service. CAUSE-PA St. No. 1 at 34. However, in its letter of non-opposition, CAUSE-PA avers that while it is unable to affirmatively support the \$65 million rate increase, it does not oppose the Settlement as it provides meaningful benefits to low- and moderate-income consumers. CAUSE-PA highlighted the stay-out provision contained in the Settlement, in which UGI agrees to not file for another base rate increase request until on or after January 15, 2029, and the two-year phase in of the overall revenue increase as part of its considerations.

² The requested increase included a proposed return on equity (ROE) of 10.75% and a capital structure of 54.25% common equity and 45.75% long-term debt. *See*, UGI St. No. 8 at 3; UGI Rebuttal Exhibit B, Schedule DWD-1R, page 1 of 36.

³ I&E’s proposed revenue increase included a ROE of 9.81% and the use of UGI’s capital structure. *See*, I&E St. No. 2 at 7; I&E St. No. 1-SR at 4.

⁴ OCA’s proposed revenue increase is based on a hypothetical capital structure of 51% debt and 49% equity, and an ROE of 8.8%. OCA St. 3 at 7.

⁵ UGI St. 1 at 5-6.

The Company stated that it expects to place in service \$468 million in new or replacement infrastructure during the FPFTY in this case.⁶

Including this case, UGI has filed four base rate increases within the past six years.

- Docket No. R-2024-3052716, *et al.* (Final Order entered September 11, 2025) resulting Settlement approved an increase of \$69.5 million, in lieu of the originally requested \$110.395 million increase, based upon a FPFTY ending September 30, 2026.⁷ UGI projected an increase of approximately \$786 million in gross plant compared to plant and base rate levels reflected in existing rates through the FPFTY ending September 30, 2026.⁸
- Docket Nos. R-2021-3030218, *et al.* (Opinion and Order entered September 15, 2022) resulting Settlement approved an increase of \$49.45 million, instead of the requested \$82.7 million, to be phased in through two steps. The first step permitted an increase of \$38 million, effective October 29, 2022; and the second step permitted an additional increase of \$11.45 million, effective October 1, 2023.⁹
- Docket Nos. R-2020-3015162, *et al.* (Opinion and Order entered October 8, 2020) resulting Settlement approved an increase of \$20 million, instead of the requested \$74.6 million, in a three-step, phased in method for implementing the rate increase.

In the instant Settlement filed on July 6, 2026, the Joint Petitioners agreed to an increase in annual distribution revenue of \$65 million or 5.3% to be accomplished over two steps: \$40 million in step 1, effective October 1, 2026, and \$25 million in step 2, effective October 1, 2027. Per the Settlement, the average monthly residential heating charge will increase \$6.45 or 5.7% from \$113.76 to \$120.21. The Settlement also increased the Company's customer charge for residential gas customers from \$16.25 to \$19.00, effective October 1, 2026; and to \$20.00, effective October 1, 2027.¹⁰

In their Recommended Decision, the ALJs recommend that the Commission approve the Settlement, without modification, because it is in the public interest and is supported by substantial evidence.¹¹

I acknowledge UGI's averment that, compared to its current plant and base rate levels reflected in existing rates, it will spend approximately \$468 million in infrastructure upgrades by the end

⁶ UGI Statement of Reasons at 1-2.

⁷ The increase in the Settlement resulted in an increase in the average monthly bills for residential customers from \$103.57 to \$110.51.

⁸ According to the Company, through its 3rd LTIP, it will invest approximately \$1.7 billion in infrastructure improvements between 2025 and 2029, which will strengthen and modernize distribution facilities, in part through its Commission-approved programmatic elimination of cast iron, bare steel and priority plastic mains on its system.

⁹ In that Settlement, the average monthly bill of a residential customer increased by approximately \$5.71 per month, or 6.2%, from a current bill of \$92.49 to \$96.93, effective October 29, 2022, and to \$98.21, effective October 1, 2023, compared to the company's as-filed increase of approximately \$9.39 or 9.5%.

¹⁰ UGI originally proposed to increase the monthly customer charge from \$16.25 to \$23.00, an increase of \$6.75 or 41.5%. OCA St. 1 at 61.

¹¹ R.D. at 1, 129, 134-135.

of the FPFTY. I commend the Company for making the necessary investments to its system.¹² Nevertheless, it is important to note that the last four rate cases by UGI have all been settlements.

Further, in my February 19, 2026 Statement in this matter, I urged the parties to take a critical look at the Company's requested rate of return and ROE as well as the capital structure to ensure reasonableness.¹³ I appreciate and acknowledge the averments of the Joint Petitioners in the Settlement addressing some of my concerns.¹⁴ The Joint Petitioners indicated that while the Settlement is a black box settlement and does not include an imputed capital structure or return on equity except for the ROE for plant placed in service and included in the DSIC, among other things, substantial record evidence was presented on these issues that demonstrates that the revenue requirement authorized by the Settlement is within the range of litigation positions advanced by the Parties regarding proposed capital structure and return on equity.¹⁵

Nevertheless, the instant Settlement is still a "black box" settlement, which means that it does not reflect a specific resolution of every element of the agreed-upon revenue increase and revenue requirement, including any specific rate of return, but instead represents the Joint Petitioners' agreed-upon final revenue increase amount based on their respective individual analyses of the various revenue and expense items. I wish to see more in depth analysis of cost of capital and capitalization ratios. This is especially important in this matter because UGI has been settling their rate cases as far back as 1995.

Further, I am very concerned about the increase in the monthly customer charge from \$16.25 to \$20.00 approved in the Settlement. I acknowledge that the impact of this increase on UGI's customers is somewhat mitigated by the fact that the rate design is premised upon a two-step rate increase from \$16.25 to \$19.00 in the first year, and then from \$19.00 to \$20.00 in the second year. However, the record also indicates that this increase places UGI's fixed customer charge well above the Pennsylvania average of \$16.66 per month and the regional average of \$17.25 per month charged by other investor-owned natural gas utilities.¹⁶

A two-step rate increase coupled with a two-year rate stay out is not, in my opinion, something to laud. Just as customers become accustomed to paying more, the rate increases the following year. Also, it is disingenuous to label this as a "stay out" when rates increase in October of 2026,

¹² UGI Statement of Reasons at 1-2.

¹³ VC Barrow Statement at 1.

¹⁴ In its Statement in Support of the Settlement, I&E indicated that the ROE produced by the Settlement is well below the Company's 10.75% ROE and is below the I&E's proposed ROE of 9.81%. I&E Statement in Support at 4-5.

¹⁵ UGI Gas Statement in Support at 45-46.

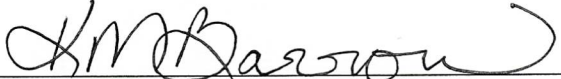
¹⁶ Prior to the Settlement, both the OCA and CAUSE-PA recommended the fixed customer charge not be increased. According to the OCA, UGI's current residential customer charge of \$16.25 is already close to the Pennsylvania investor-owned natural gas distribution companies average of \$16.66 per month. The OCA further highlighted the associated impact of this increase on per-customer costs for residential customers, on incentives to conserve energy and invest in energy efficiency, and on low-income customers. OCA St. 1 at 64, 69; CAUSE-PA St. No. 1 at 54-55.

again in October of 2027, and the Settlement provides that UGI can file for another increase as early as 2029.

There are some terms in the Settlement which I am glad to support. I am optimistic to see the benefits from the Expanded Arrearages Forgiveness Pilot Program, and the expansion to include written certifications from a domestic violence counselor or advisor to receive confidentiality protections. Additionally, I look forward to seeing the analysis from the Smart Remote Methane Detector Pilot Program and subsequent discussions during the technical conference.

This may or may not be a reasonable settlement of the issues, but it bears repeating that this is UGI's fourth rate increase in six years. In my opinion, the passage of time, changes in the economy, the changes in capital markets, and the overall impact of frequent rate filings on affordability point to the need for UGI to fully litigate its next rate proceeding.

October 1, 2026


Kimberly Barrow, Vice Chair