BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2025-3059430
Office of Small Business Advocate	:	C-2026-3061591
Office of Consumer Advocate	:	C-2026-3061676
Kory Boothe	:	C-2026-3061698
Mary Hibbard	:	C-2026-3061790
Elizabeth Saxton	:	C-2026-3062281
Carol Buchalski	:	C-2026-3062957
	:	
v.	:	
	:	
UGI Utilities, Inc. – Electric Division	:	

RECOMMENDED DECISION

Before
Steven K. Haas
Administrative Law Judge

Chad L. Allensworth
Administrative Law Judge

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I. INTRODUCTION

UGI Utilities, Inc. ("UGI Utilities") is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania and a wholly owned subsidiary of UGI Corporation. UGI Utilities has two divisions – the Gas Division ("UGI Gas") and the Electric Division ("UGI Electric" or the "Company"). UGI Electric is a "public utility" and a "electric distribution company" as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code (Code), 66 Pa. C.S. §§ 102, 2803, subject to the regulatory jurisdiction of the Pennsylvania Public Utility Commission ("Commission"). UGI Electric provides electric distribution service to approximately 63,000 customers, located primarily in northeastern Pennsylvania.[1]

On March 27, 2026, UGI Electric filed Supplement No. 92 to UGI Electric Tariff – Pa. P.U.C. No. 6 with the Commission to become effective on June 1, 2026. UGI Electric's proposed tariffs would increase the Company's total annual base rate operating revenues by approximately $17.283 million, or 11.89% overall, based on a fully projected future test year (FPFTY) ending September 30, 2027. UGI Electric has previously filed for rate increases in 2018, 2021 and the last one in 2023.

During this proceeding, UGI Electric updated its proposal to an increase in its annual base rate operating revenues of $16.050 million as part of the Company's rebuttal testimony, which was a reduction from the $17.283 million increase the Company originally proposed in the initial filing.

Under the Company's original proposal, a typical residential default service customer using 1,000 kilowatt hours per month would see an increase in their monthly bill from $200.50 at current rates to $224.22, or by 11.8%. A typical small commercial

[1] UGI Electric St. No. 3, p. 2.

and industrial (C&I) customer using 1,000 kilowatt hours per month would see an increase in their monthly bill from $190.78 to $214.41, or by 12.4%. Under the rates recommended here, a typical residential default service customer using 1,000 kilowatt hours per month would see an increase in their monthly bill from $200.50 at current rates to approximately $215.15, or by approximately 7.31%. A typical small commercial and industrial (C&I) customer using 1,000 kilowatt hours per month would see an increase in their monthly bill from $190.78 to approximately $205.42, or approximately 7.68%.

Also, during the proceedings, UGI Electric and OSBA (Joint Settlement Parties) reached a non-unanimous settlement of all issues that further reduced the Company's proposed revenue increase to $10.70 million. All the other Parties including the Office of Consumer Advocate, the Commission's Bureau of Investigation and Enforcement, and the Commission on Economic Opportunity oppose the Settlement, and the three pro se Complainants did not join the Settlement. The purported impact on residential customers and small C&I customers would be lower under the 10.70 million increases agreed to in the non-unanimous settlement of all issues. The suspension period deadline in this case is January 1, 2027, and the last reasonable Public Meeting date is December 17, 2026.

Based on our review of the record evidence, we recommend an increase in UGI Electric's annual distribution revenues

II. LEGAL STANDARDS

A. Utility Monopoly Regulation

UGI Electric is an electric distribution company with an exclusive monopoly franchise. Customers who reside in its certificated service territory have no choice; if they want electric service, they must buy it from UGI Electric. Utility

regulation stems from the state's police power to protect the health, safety, morals, and general welfare of their citizens. States have the power to regulate the use of private property and the rates charged by certain private companies in industries "clothed with a public interest."[2] "[T]he regulation of utilities is one of the most important of the functions traditionally associated with the police power of the States."[3] The Code governing sales that are only rationally dealt in by a monopoly is a proper exercise of the state police power to regulate the health, safety, morals, and general welfare of citizens.[4] The Commission's comprehensive authority under the Code to oversee and regulate jurisdictional public utilities is a constitutional exercise of traditional state police powers as a reasonable exercise of police power by appropriate means for a legitimate end.[5]

B. Burden of Proof

The Company bears the full burden of proof to establish the justness and reasonableness of every element of its requested rate increase:

> Reasonableness of rates – In any proceeding upon the motion of the Commission, involving any proposed or existing rate of any public utility, or in any proceedings upon the complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.[6]

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2 *Munn v. Illinois*, 94 U.S. 113, 126 (1877).

3 *Ark. Elec. Coop. Corp. v. Ark. Pub. Serv. Comm'n*, 461 U.S. 375, 377 (1983).

4 *Relief Elec. Light, Heat & Power Co's. Petition*, 63 Pa. Super 1, 6-11, 1916 Pa. Super. LEXIS 89 (Pa. Super. 1916).

5 *Jenkins Twp. v. Pub. Serv. Comm'n*, 65 Pa. Super. 122, 1916 Pa. Super. LEXIS 30, **15-16 (Pa. Super. 1916).

6 66 Pa. C.S. § 315(a).

The evidence necessary to meet that burden must be substantial, legally credible, and cannot be a mere "suspicion" or "scintilla" of evidence.[7]

The party with the burden of proof has to show that the Commission may lawfully adopt its position.[8] Even where a party has established a *prima facie* case, the party with the burden must establish that "the elements of that cause of action are proven with substantial evidence which enables the party asserting the cause of action to prevail, precluding all reasonable inferences to the contrary."[9] Furthermore, it is well-established that the "degree of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of the evidence."[10] The burden of proof does not shift to parties challenging the rate increase, but rather must be met by the utility:

> It is well-established that in general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one and that burden remains with the public utility throughout the course of the rate proceeding. It has been held that there is no similar burden placed on other parties to justify a proposed adjustment to the utility's filing.[11]

In *Berner*, the Pennsylvania Supreme Court stated:

> [T]he appellants did not have the burden of proving that the plant additions were improper, unnecessary or too costly; on

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7 *Lower Frederick Twp. Water Co. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980); *Lansberry v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990) (*Lansberry*).

8 *Burleson v. Pa. PUC*, 461 A.2d 1234, 1236 (Pa. 1983) (*Burleson*).

9 *Id.*

10 *Lansberry* at 602.

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

> the contrary, that burden is, by statute, on the utility to demonstrate the reasonable necessity and cost of the installations and that is the burden which the utility patently failed to carry.[12]

The Commission recognizes in its rate determinations that the burden of proof will not shift to a complainant or intervener that is challenging the requested rate increase.[13] Thus, it is unnecessary for any complainant or intervenor to prove that the Company's proposed rates – including its proposed alternative ratemaking mechanism – are unjust, unreasonable, or not in the public interest. To prevail, a complainant or intervenor need only show *how* the Company failed to meet its burden of proof. This distinction shows that parties opposing a utility in a rate proceeding need only to shift the burden of going forward to prevail.

A public utility may elect to use a future test year (FTY) or a fully projected future test year (FPFTY) "in discharging its burden of proof."[14] However, the utility must provide evidence to support all estimates of increased costs in its FTY and FPFTY. The Code provides:

> Whenever a utility utilizes a future test year or a fully projected future test year in any rate proceeding and such future test year or a fully projected test year forms a substantive basis for the final rate determination of the commission, *the utility shall provide*, as specified by the commission in its final order, *appropriate data evidencing the accuracy of the estimates contained in the future test year or a fully projected future test year*, and the commission may after reasonable notice and hearing, in its discretion, adjust the utility's rates on the basis of such data.[15]

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12 *Berner* at 744.

13 *Pa. PUC v. Equitable Gas Co.*, 57 Pa. PUC 423, 471 (1983); *see also University of Pa. v. Pa. PUC*, 485 A.2d 1217 (Pa. Cmwlth. 1984); *Pa. PUC v. PPL Elec. Utils. Corp.*, 237 PUR4th 419 (PaPUC 2004) (Order entered Dec. 22, 2004).

14 66 Pa. C.S. § 315(e).

15 *Id.* (emphasis added).

Should the utility fail to prove that the projections relied upon in its FTY or FPFTY are accurate, the Commission may not accept those projections and may adjust the public utility's revenue requirement increase request to remove unsupported projections.[16]

C. Just and Reasonable and Not Unduly Discriminatory Rates

As a matter of law, a public utility's rates must be just and reasonable and in conformity with regulations or orders of the Commission.[17] A public utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment."[18]

The Commission "has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates."[19] The Commission's discretion to determine if a requested rate is just and reasonable includes the "power to make and apply policy" concerning the appropriate balance between rates charged to consumers and returns allowed to utility investors.[20] The Pennsylvania Supreme Court explained:

> There is ample authority for the proposition that the power to fix "just and reasonable" rates imports a flexibility in the exercise of a complicated regulatory function by a specialized decision-making body and that the term "just and reasonable"

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16 *Id.*

17 66 Pa. C.S. § 1301(a).

18 *City of Lancaster Sewer Fund v. Pa. PUC*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002) (*Lancaster 2002*).

19 *Popowsky v. Pa. PUC*, 683 A.2d 958, 961 (Pa. Cmwlth. Ct. 1996) (*Popowsky 1996*).

20 *Popowsky v. Pa. PUC*, 665 A.2d 808, 812 (Pa. 1995) (*Popowsky 1995*).

> *was not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulation but rather to confer upon the regulatory body the power to make and apply policy* concerning the appropriate balance between prices charged to utility customers and returns on capital to utility investors consonant with constitutional protections applicable to both.[21]

Moreover, the Commission has "recognized that [a public utility] is not automatically entitled to any level of rate increase simply by virtue of filing a request to increase its rates."[22] It has additionally noted that any public utility seeking a rate increase "faces a range of outcomes in the proceeding, including the possibility that the utility's entire increase may be denied."[23]

A utility's cost of providing service guides the ratemaking process.[24] Additional important ratemaking concerns include quality of service, rate gradualism, and rate affordability.[25]

The Commission must determine whether projected expenses "are reasonably necessary to provide service…" during the prospective period in which its rates will be in effect.[26] Only prudently incurred expenses are includable in expense claims; it is the burden of the public utility to prove that the expenses incurred are just

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21 *Id.* (citations omitted) (emphasis added).

22 *Pa. PUC v. Columbia Gas Co.*, Docket No. R-2025-3053499, at 31-34 (Opinion and Order entered Dec. 9, 2025) (*Columbia 2025*).

23 *Id.* (citing *Nat'l Utils., Inc. v. Pa. PUC*, 709 A.2d 972 (Pa. Cmwlth. 1998)).

24 *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006) (*Lloyd*).

25 *Pa. PUC v. Columbia Gas of Pa., Inc*., Docket No. R-2020-3018835 (Opinion and Order entered Feb. 19, 2021) (*Columbia 2021*), at 46-47 (citing 66 Pa. C.S. §§ 523, 526(a)) (citing also *Lloyd* at 1020 and *Pa. PUC v. Twin Lakes Util., Inc*., Docket No. R-2019-3010958 (Opinion and Order entered Mar. 26, 2020) (*Twin Lakes*), at 48, 80.

26 *Lancaster 2002* at 982.

and reasonable; and it is within the discretion of the Commission to exclude expenses as unreasonable.[27]

Additionally, rates must not be unduly discriminatory among customer groups.[28] The Commission has discretion to determine reasonable classification of service of rates as may be justified "by a variety of considerations including the quantity of service used, the nature of the use, the time of the use, the pattern of the use, differences of conditions of service or cost of service."[29]

D. Reasonable Opportunity to Earn a Fair Rate of Return

A public utility is entitled to no more than a reasonable opportunity to earn a fair rate of return on its investments dedicated to public service.[30] The United States Supreme Court held:

> The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to raise the money necessary for the proper discharge of public duties.[31]

The allowed rate of return should reflect:

> [A] return on the value of the [utility's] property which it employs for the convenience of the public equal to that being made at the same time on investments in other business

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[27] *Popowsky v. Pa. PUC*, 674 A.2d 1149, 1154 (Pa. Cmwlth. 1996) (*LP Water*) (internal citations omitted).

[28] 66 Pa. C.S. § 1304.

[29] *Zucker v. Pa. PUC*, 402 A.2d 1377, 1382 (Pa. Cmwlth. 1979) (*Zucker*).

[30] *Pennsylvania Gas & Water Co. v. Pa. PUC*, 341 A.2d 239, 251 (Pa. Cmwlth. 1975) (citations omitted).

[31] *Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of W.Va.*, 262 U.S. 679, 692-93 (1923) (*Bluefield*).

> undertakings which are attended by corresponding risks and uncertainties.[32]

However, a fair return for public utility service is not equivalent to "profits such as are realized or anticipated in highly profitable enterprises or speculative ventures."[33] A fair rate of return "should be commensurate with returns on investments in other enterprises having corresponding risks" while being sufficient "to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital."[34] The Supreme Court noted, however, that:

> The rate-making process under the Act, i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests. Thus we stated…that *regulation does not insure that the business shall produce* ***net*** *revenues*."[35]

Consumers cannot readily negotiate with a utility and must "rely upon" the Commission to provide "a complete, permanent, and effective bond of protection from excessive rates and charges" of the public utility.[36] The Commission's "responsibilities include the protection of future, as well as present, consumer interests."[37] Rates adopted by the Commission that are within a "zone of reasonableness" can withstand constitutional scrutiny.[38] Moreover, "[r]ates which enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its

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32 *Bluefield* at 692.

33 *Id*. at 692-693.

34 *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (*Hope*).

35 *Id*. (emphasis added) (internal quotations omitted); *see also Pa. PUC v. Phila. Suburban Water Co.*, 71 Pa. PUC 593, 623 (1989) (*PSW 1989*) (citing *Pittsburgh v. Pa. PUC*, 69 A.2d 844 (Pa. Super. 1949)); *see also Duquesne Light Co. v. Barasch,* 488 U.S. 299, 310, 312 (1989) (*Duquesne Light*), *aff'd Barasch v. Pa. PUC*, 532 A.2d 325 (Pa. 1987).

36 *Permian Basin Area Rate Cases*, 390 U.S. 747, 794-95 (1968) (*Permian Basin*) (citing *Atlantic Ref. Co. v. Pub. Serv. Comm'n*, 360 U.S. 378, 388 (1959)).

37 *Permian Basin* at 797.

38 *Id*. at 797.

investors for the risks assumed certainly *cannot be condemned as invalid, even though they might produce only a meager return on the so-called 'fair value' rate base*."[39]

Cost of capital analyses are generally accepted by the Commission as a basis for determining a fair rate of return under the "just and reasonable" standard of the Code. In *PSW 1989*, the Commission defined an appropriate rate of return as:

> [T]he amount of money a utility earns, over and above operating expenses, depreciation expense, and taxes, expressed as a percentage of the legally established net valuation of utility property, the rate base. Included in the "return" are interest on long-term debt, dividends on preferred stock, and earnings on common equity. In other words, the return is the money earned from operations which is available for distribution among the various classes of contributors of money capital.[40]

Additionally, the Commission stated:

> A fair rate of return for a public utility, however, is not a matter which is to be determined by the application of a mathematical formula. It requires the exercise of informed judgment based upon an evaluation of the particular facts presented in each proceeding. There is no one precise answer to the question as to what constitutes the proper rate of return. The interests of the Company and its investors are to be considered along with those of the customers, *all to the end of assuring adequate service to the public* <u>*at the least cost*</u>, while at the same time maintaining the financial integrity of the utility.[41]

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39 *Hope*, 320 U.S. at 605 (emphasis added).

40 *PSW 1989* at 622-23 (quoting Paul J. Garfield & Wallace F. Lovejoy, *Public Utility Economics*, 116 (1964)).

41 *Pa. PUC v. Pa. Power Co*., 55 Pa. PUC 552, 579 (1982) (*Pa. Power*) (emphasis added); *see also Pa. PUC v. Nat'l Fuel Gas Dist. Corp*., 73 Pa. P.U.C. 552, 603-05 (1990) (*NFGD 1990*).

E. Due Consideration to the Interest of Consumers

As a matter of law, an increase in base rates involves a substantial property right, entitling ratepayers to notice and procedural due process.[42] Given that a utility's general rate increase request will substantially affect the interests of consumers, the Commission must "consistent with its other statutory responsibilities, take such action with due consideration to the interests of consumers."[43]

F. Joint Settlement Petition of UGI Utilities, Inc. – Electric Division and Office of Small Business Advocate

On September 10, 2026, UGI Electric and the OSBA filed a Joint Petition for Approval of Non-Unanimous Settlement of All Issues (Joint Petition) in this proceeding. In the Joint Petition, UGI Electric and OSBA indicated that they had reached an agreement on all issues in the proceeding. Among other things, the Joint Petitioners agreed on a distribution rate revenue increase of $10.70 million, or approximately $5.35 million less than the company's litigation position of $16.05 million. The Joint Petitioners also indicated agreement on other issues including rate design and revenue allocation, customer assistance and relations, DSIC and reporting, accounting and Universal Service Cost Recovery.

Both I&E and OCA vigorously oppose the settlement and request that it be rejected by the Commission. I&E states:

> Following extensive review of the testimony and exhibits filed in this matter as well as the Joint Petition, I&E is of the opinion that, while some of the terms and conditions of the Joint

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[42] *McCloskey v. Pa. PUC*, 195 A.3d 1055, 1068 (Pa. Cmwlth. Ct. 2018) (*McCloskey 2018*) (citing *Barasch v. Pa. PUC*, 546 A.2d 1296, 1305-06 (Pa. Cmwlth. 1988) (*Barasch 1988*); citing also U.S. Const. amend. XIV, § 1).

[43] 71 P.S. § 309-5.

> Petition are reasonable, granting the Joint Petition in full would not be in the public interest, and the terms of the Joint Petition as a whole are not supported by substantial evidence of the record. As this matter has been fully litigated and all parties were given ample opportunity to submit briefs in this matter describing their litigation positions and opposing other parties' litigation positions in full, I&E recommends that Administrative Law Judges Steven K. Haas and Chad L. Allensworth ("The ALJs") reject the Settlement and instead issue a Recommend Decision ("RD") based on the full available evidence of record.

I&E Comments to Joint Petition, p.2

In summarizing its opposition to the proposed settlement, the OCA states:

> The terms of Non-Unanimous Settlement may be a compromise for the parties who joined the agreement but are inadequate on their face and are not supported by substantial evidence. The Joint Petitioners' failure to support the Non-Unanimous Settlement from an evidentiary standpoint is further compounded because they also have not demonstrated that the terms are in the public interest. As explained above, many of the terms have no supporting basis whatsoever from parties other than UGI.

OCA Comments to Joint Petition, p. 70.

The Joint Petition was filed in this proceeding following the completion of evidentiary hearings and the filing of main briefs. The parties to this proceeding addressed the various issues in the case and attempted to fully support their arguments based on the record evidence and their interpretation of relevant legal citations. The settlement set forth in the Joint Petition, however, represents a "black box" settlement, where the agreements reached on various issues were set forth without a full review and itemization of the individual components of those issues, or reference to substantial record evidence sufficient to support approval of the various settlement terms. We are in

agreement with I&E and OCA that the Joint Petition should be denied and the case determined based on a full review of all issues and all record evidence.

III. HISTORY OF THE PROCEEDING

A. Filings/Hearings

On March 31, 2026, the Bureau of Investigation and Enforcement ("I&E") filed a Notice of Appearance.

On April 7, 2026, the Office of Small Business Advocate ("OSBA") filed a Formal Complaint at C-2026-3061591.

Also, on April 7, 2026, consumer Mary Hibbard filed a Formal Complaint at Docket No. C-2026-3061790.

On April 8, 2026, the Office of Consumer Advocate ("OCA") filed a Formal Complaint at Docket No. C-2026-3061676.

Also, on April 8, 2026, the Commission on Economic Opportunity ("CEO") filed a Petition to Intervene.

On April 9, 2026, consumer Kory Boothe filed a Formal Complaint at Docket No. C-2026-3061698.

On April 16, 2026, the Commission issued an order, pursuant to 66 Pa. C.S. §1308(d), that suspended the filing by operation of law until January 1, 2027, unless otherwise directed by Order of the Commission, and directed that an investigation be

instituted to determine the lawfulness, justness, and reasonableness of the rates, rules and regulations contained in the proposed Supplement.

On May 6, 2026, consumer Elizabeth Saxton filed a Formal Complaint at Docket No. C-2026-3062281.

On April 23, 2026 and April 24, 2026, a Prehearing Conference Order and a Prehearing Conference Notice were issued, respectively, scheduling a telephonic Prehearing Conference for May 7, 2026, and we were assigned as the Administrative Law Judges ("ALJs") to preside over this matter.

On May 7, 2026, the Prehearing Conference convened as scheduled. Counsels for UGI Electric, I&E, OCA, OSBA and CEO (collectively referred to as "the Parties") were in attendance.

On May 20, 2026, consumer Carol Buchalski filed a Formal Complaint at Docket No. C-2026-3062957.

On May 29, 2026, a Prehearing Order was entered consolidating the complaints of the statutory advocates and individual complainants and providing guidance on requirements for briefs and reply briefs. In addition, the Petition to Intervene filed by CEO was granted and a litigation schedule was established.

On May 29, 2026, UGI Electric filed a Motion for a Protective Order.

On June 10, 2026 and June 11, 2026, in-person and telephonic public input hearings were held, respectively.

On June 22, 2026, an Order was issued granting the Motion for a Protective Order.

On July 9, 2026, an Initial In-Person Hearings Notice was issued scheduling in-person evidentiary hearings for this matter from August 12, 2026 to August 14, 2026.

On August 10, 2026, OCA filed a Motion to Strike in the Form of a Motion in Limine regarding the Surrebuttal Testimony of Cynthia S. Fang submitted by UGI Electric.

On August 12, 2026, the in-person evidentiary hearings convened as scheduled. During the hearing, the OCA Motion to Strike in the Form of a Motion in Limine was denied.[44] Also, during the hearing, I&E objected to and moved to strike the appendixes attached to the Rejoinder Testimony for Jessica Rogers submitted by UGI Electric. UGI Electric did not oppose striking the appendixes. Thus, the motion was granted and the Rejoinder Testimony of Jessica Rogers was admitted without the appendixes.[45]

On August 13, 2026, the evidentiary hearing concluded and the scheduled August 14, 2026 hearing date was cancelled. No individual Complainants attended the evidentiary hearing.

The following Statements and Exhibits were admitted into the evidentiary record at the hearing:

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[44] Tr. 158.

[45] Tr. 158-160.

PARTY	STATEMENTS/EXHIBITS
UGI Electric	Book One – Index of filing, Index of direct testimony, statement of reasons, Section 53.52 filing requirements, General filing information, Primary statement of rate base and operating income, Rate of return rate structure and cost allocation, Plant and depreciation supporting data, Unadjusted comparative balance sheets and Operating income statements and Index of contents on the one direct site that the Company established
	Book Two – UGI Electric Statement Number 1 - Direct testimony of Jessica Rogers with UGI Electric Exhibit JRR-1, UGI Statement Number 2 - Direct testimony of Tracy A. Hazenstab with UGI Electric Exhibits TAH-1 and TAH-2, UGI Electric Statement Number 3 - Direct testimony of Vincent A. DeGiusto with UGI Electric Exhibits VAD-1 and VAD-2, UGI Electric Statement Number 4 - Direct testimony of the Vivian K. Ressler with UGI Electric Exhibit VKR-1, UGI Electric Statement Number 5 - Direct testimony of Amy M. Keller, with UGI Electric Exhibit AMK-1 and UGI Electric Statement Number 6 - Direct testimony of John F. Wiedmayer
	Book Three - UGI Electric Statement Number 7 - Direct testimony of Vicky A. Schappell with UGI Electric Exhibits VAS-1 and VAS-2, UGI Electric Statement Number 8 - Direct testimony of Dylan W. D'Ascendis with UGI Electric Exhibit DWD-1, UGI Electric Statement Number 9 - Direct testimony of Darren T. Espigh with UGI Electric Exhibits DTE-1 and DTE-2, UGI Electric Statement Number 10 - Direct testimony of Sherry A. Epler with UGI Electric Exhibits SAE-1 through SAE-6. UGI Electric Statement Number 11 - Direct testimony of Cynthia S. Fang, attached with UGI Electric Exhibit CSF-1, UGI Electric Statement Number 12 - Direct testimony of Brian J. Meilinger with UGI Electric Exhibit BJM-1
	Book Four - UGI Electric Exhibit A, fully projected future, UGI Electric Exhibit A future and UGI Electric Exhibit A, historic as well as UGI Electric Exhibit B, rate of return. And UGI Electric Exhibit E proof of revenue
	Book Five – UGI Electric Exhibit C, depreciation study for the fully projected future test year
	Book Six – UGI Electric Exhibit C, depreciation study for future test year
	Book Seven – UGI Electric Exhibit C, depreciation study historic temperature
	Book Eight - UGI Electric Exhibit D, allocated cost of service study
	Book Nine – UGI Electric Exhibit F, current tariffs
	Book Ten – UGI Electric Exhibit F, proposed supplement number 92

PARTY	STATEMENTS/EXHIBITS
	UGI Electric Statement Number 1-R, testimony of Jessica R. Rogers
	UGI Electric Statement Number 2-R, rebuttal testimony of Tracy A. Hazenstab with UGI Electric Exhibits TAH-1R and TAH-2R and TAH-3R (confidential)
	UGI Electric Statement Number 3-R, rebuttal testimony of Vincent A. DiGusto
	UGI Electric Statement Number 4-R, rebuttal testimony of Vivian K. Ressler with UGI Electric Exhibits VKR-1R and VKR-4R
	UGI Electric Statement Number 5-R, rebuttal testimony of Amy M. Keller
	UGI Electric Statement Number 6-R, rebuttal testimony John F. Wiedmayer with UGI Electric Exhibit JFW-1R
	UGI Electric Statement Number 7-R, rebuttal testimony of Vicky A. Schappell
	UGI Electric Statement Number 8-R, rebuttal testimony of Dylan W. D'Ascendis with UGI Electric Rebuttal Exhibit B and contained scheduled DWD-1R through DWD-12R
	UGI Electric Statement Number 9-R, rebuttal testimony of Jeane J. Kim with JJK-1R
	UGI Electric Statement Number 11-R, rebuttal testimony of Cindy S. Fang with UGI Electric Exhibit CSF-1R
	UGI Electric Statement Number 12-R, rebuttal testimony of Brian J. Meilinger with UGI Electric Exhibits BJM-1R through BJM-7R, BJM-8R (confidential), BJM-9R, BJM-10R and BJM-11R (confidential)
	UGI Electric Statement Number 13-R, rebuttal testimony of Daniel V. Adamo with UGI Electric Exhibits DBA-1R through DBA-3R
	UGI Electric Statement Number 1-RJ, rejoinder testimony of Jesscia R. Rogers with UGI Electric Exhibits JRR-1RJ through JRR-3RJ (without appendixes)
	UGI Electric Statement Number 3-RJ, rejoinder testimony of Vincent A. DiGiusto with UGI Electric Exhibit VAD-1RJ (highly confidential)
	UGI Electric Statement Number 4-RJ, rejoinder testimony of Vivian K, Ressler with UGI Electric Exhibit VKR-1RJ
	UGI Electric Statement Number 6-RJ, rejoinder testimony of John F. Wiedmayer with UGI Electric Exhibit JFW-1RJ
	UGI Electric Statement Number 8-RJ, rejoinder testimony of Dylan W. D'Ascendis
	UGI Electric Statement Number 11-RJ, rejoinder testimony of Cynthia S. Fang
	UGI Electric Statement Number 12-RJ, rejoinder testimony of Brian J.

PARTY	STATEMENTS/EXHIBITS
	Meilinger
	UGI Electric Statement Number 13-RJ, rejoinder testimony of Daniel V. Adamo
OCA	OCA Hearing Exhibit 1 – List of Testimonies and Exhibits
	OCA Statement Number 1, corrected direct testimony of Michael Deupree with OCA Exhibits MWD-1 through MWD-8
	OCA Statement Number 1-SR, surrebuttal testimony of Michael Deupree
	OCA Statement Number 2, corrected direct testimony of Dante Mugrace with OCA Appendix A, OCA Exhibits DM-1 through DM-31
	OCA Statement Number 2-SR, surrebuttal testimony of Dante Mugrace with OCA Exhibits SR-DM1 through SR-DM18 (highly confidential)
	OCA Statement Number 3, direct testimony of David Garrett with OCA Appendixes A & B and OCA Exhibits DJG-1 through DJG-16
	OCA Statement number 3-SR, surrebuttal testimony of David Garrett
	OCA Statement Number 4, direct testimony of James Garren with OCA Exhibits JSG-1 though JSG-3
	OCA Statement Number 4-SR, surrebuttal testimony of James Garren
	OCA Statement Number 5, direct testimony of Barbara R. Alexander with OCA Exhibits BA-1 though BA-7
	OCA Statement Number 5-SR, surrebuttal testimony of Barbara R. Alexander with OCA Exhibit BA-8
	OCA Statement Number 6, direct testimony of Roger D. Colton with OCA Exhibit RDC-1
	OCA Statement Number 6-SR, surrebuttal testimony of Roger D. Colton
	OCA Statement Number 7, direct testimony of Zach Teti with OCA Exhibit ZT-1
I&E	I&E Hearing Exhibit 1 – List of Testimonies and Exhibits
	I&E Statement Number 1, direct testimony of Getachew Bedasa
	I&E Statement Number 1-R, rebuttal testimony of Getachew Bedasa
	I&E Statement Number 1-SR, surrebuttal testimony of Getachew Bedasa with I&E Exhibit 1-SR
	I&E Statement Number 2, direct testimony of D.C. Patel with I&E Exhibit 2
	I&E Statement Number 2-SR, surrebuttal testimony of D.C. Patel with I&E Exhibit 2-SR
	I&E Statement Number 3, direct testimony of Ethan H. Cline
	I&E Statement Number 3-SR, surrebuttal testimony of Ethan H. Cline
OSBA	OSBA Statement Number 1, direct testimony of Mark. D. Ewen and OSBA Exhibit IEC-1

PARTY	STATEMENTS/EXHIBITS
	OSBA Statement Number 1-R, rebuttal testimony of Mark D. Ewen
CEO	CEO Statement Number 1, direct testimony of Jennifer Warabak
Public Input Hearing	Shapiro Exhibit 1 – Comments of Governor Josh Shapiro on UGI Utilities, Inc. – Electric Division Base Rate Filing
UGI Electric and OSBA	Joint Petition for Approval of Non-Unanimous Settlement with Appendixes A - I

On August 18, 2026, the Parties provided an agreed upon Common Briefing Outline for this matter.

On August 19, 2026, a Briefing Order was issued.

On September 8, 2026, Main Briefs were filed by UGI Electric, I&E, and OCA.

On September 10, 2026, UGI Electric and OSBA filed a Joint Petition for Approval of Non-Unanimous Settlement of All Issues (Joint Petition) with Appendixes A through I. UGI Electric and OSBA also filed Statements in Support of the Joint Petition.

On September 18, 2026, UGI Electric, OCA, I&E, OSBA and CEO filed reply briefs.

Also, on September 18, 2026, I&E and OCA filed Comments in Opposition to the Joint Petition for Non-Unanimous Settlement.

The record closed on September 18, 2026, the deadline for the filing of Reply Briefs.

The record consists of the transcripts, the above-referenced statements, exhibits, documents, joint petition for non-unanimous settlement, statements in support of the joint petition and all briefs. This matter is now ready for a Recommended Decision.

B. Public Input Hearings

A total of seven individuals testified at all the public input hearings. They all oppose the proposed rate increases. On June 10, 2026, the first in-person public input hearing was held at 1:00 p.m. in Wilkes-Barre, Pennsylvania, during which five consumers testified.

John Schmidt, a resident and UGI Electric customer, was the first to testify. Mr. Schmidt testified about concerns the proposed rate increase will have on seniors, retirees and others living on a fixed income. Mr. Schmidt stated that UGI Electric should have to: (1) explain the reasons for the increase, (2) identify the costs driving the requests, (3) disclose how the additional revenue will be spent and (4) demonstrate what cost-cutting measures or internal savings were pursued. Mr. Schmidt further contended that residential customers should not be required to subsidize infrastructure that supports large commercial electricity users such as data centers. Mr. Schmidt also testified that UGI Electric should be held accountable for completing and documenting measurable improvements from any rate increase.[46]

Jeremy Benscoter, a resident and UGI Electric customer, testified that people cannot afford another 13% rate increase for electricity on top of the pending gas rate increase and that the push to build data centers in the area is going to cause all utilities to increase charges to pay for improvements. Mr. Benscoter further testified that families are already struggling and a higher electric bill may mean skipping groceries or lowering heat to survive. Mr. Benscoter further asserted that his current winter electric

[46] Tr. 57-58.

bill for a 600-square-foot house with electric heating has been between $800 and $1,100 and an increase in cost for him and others with a similar income would leave no wiggle room to survive. Mr. Benscoter requested that the rate increase be denied.[47]

Fern Leard, a resident and UGI Electric customer, was the third person to testify. Mr. Leard testified that he opposes the UGI Electric rate increase because families are already stretched financially with the costs of groceries, healthcare and rent and the increase would shift the burden onto working families, seniors on fixed incomes and small businesses that are already struggling. Mr. Leard further stated that the proposed increase from UGI Electric combined with the proposed increase from UGI Gas means that people are getting squeezed by the same company twice and the increase is essentially to pave the way for data centers that are coming later.[48]

Brian DiMattia, a resident and UGI Electric customer, was the fourth person who testified. He explained that he is the host of a local podcast and that both people and small business owners in the area are already being squeezed by higher prices everywhere else. As such, Mr. DiMattia maintains that the proposed UGI Electric rate increase coupled with the UGI Gas rate increase will be too much on those people and small businesses. Mr. DiMattia also testified that UGI Electric took an extended period of time to correct a power outage and road damage caused by a fallen transformer near his house last year and that this should not happen when UGI Electric increases its prices.[49]

Junell Guarneri, a resident and UGI Electric customer, was the fifth person who testified. Ms. Guarneri stated that she opposes the UGI Electric increase and that having both a UGI Electric and UGI Gas increase is egregious and forces people to take

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47 Tr. 60-64.
48 Tr. 65-68.
49 Tr. 69-73.

on costs for the corporations. Ms. Guarneri also testified that there is a lack of transparency and the service has been terrible based on power outages and delays in fixing problems. Ms. Guarneri further asserted that people cannot afford the proposed rate increase and that this is a way of making people pay for the data companies coming to the area.[50]

A second in-person public input hearing was held in Wilkes-Barre, Pennsylvania at 6:00 p.m. on June 10, 2026. No witnesses testified at this hearing.

The first telephonic public input hearing was held on June 11, 2026 at 1:00 p.m. No witnesses testified at this hearing.

A second telephonic public input hearing was held on June 11, 2026 at 6:00 p.m.

Mark Szybist, Special Counsel for Energy Affordability for Governor Josh Shapiro, was the first to testify and he offered Gov. Shapiro Exhibit 1, which was read and admitted into the record. Governor Shapiro opposes the proposed UGI Electric rate increase on the following basis: (1) UGI Electric is not seeking to raise capital in the most cost-effective form, (2) the proposal does not adequately explain why its proposed investments are necessary and cost-effective and (3) the request is a significant increase on UGI Electric's return on equity without demonstrating the reasonableness of the proposed returns on equity.[51]

Nate Eachus, a non-UGI Electric customer, testified second indicting he was speaking on behalf of friends and family in the Wilkes-Barre area. Mr. Eachus testified that he opposed the UGI Electric increase stressing the need for more

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50 Tr. 74-77.

51 Tr. 113-120; Gov. Shapiro Exhibit 1.

transparency from UGI Electric and the fact that the increase is planned for big data centers. Mr. Eachus further testified that the proposed rate increase would hurt low-income communities in the area.[52]

IV. FINDINGS OF FACT

Background

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

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

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

4. Supplement 92 issued March 27, 2026, with a proposed effective date of June 1, 2026, proposes changes to UGI Electric's base distribution rates, and removes, revises, and adds various tariff provisions. UGI Electric Book 1, Statement of Reasons, p. 1.

[52] Tr. 121-124.

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

6. UGI Utilities, Inc. is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania and a wholly owned subsidiary of UGI Corporation. UGI Electric St. No. 3, p. 2.

Overall Position on Rate Increase

7. UGI Electric's most recent 2023 rate base case ended in the Commission adopting a Joint Settlement that granted UGI a rate increase of $8.5 million. *See Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2024-3052716, Order at 3 (Sept. 11, 2025).

8. OCA witness Deupree recommended that the Commission take into consideration current macroeconomic conditions, including consumer affordability, when determining just and reasonable rates for UGI and encouraged the Commission to require some level of shared burden, balancing consumer affordability concerns with the financial interests of UGI. OCA Corrected St. 1 at 20; OCA St. 1SR, p. 3.

9. Affordability is an important and central consideration of the regulatory framework. Tr. at 245:22-246:3.

10. UGI Electric's customers have experienced three base rate increases since 2018. OCA Corrected St. 1 at 6-7.

11. Company revenues have increased by more than 57.80 percent in just seven years, averaging nearly 8.26 percent per year. OCA Corrected St. 1 at 6-7.

12. If UGI's rate increase is granted as requested, the cumulative increase since 2018 will exceed 76.56 percent, averaging nearly 10.94 percent per year, without considering the impact on the total customer bill from rate increases associated with the cost of electric supply. OCA Corrected St. 1 at 6-7.

13. OCA witness Colton demonstrated that there are serious affordability problems facing UGI electric customers, even at current rates, through his testimony analyzing customer payment difficulties, and the burden of affording electric service at UGI's current rates, which he determined to be an average of 4.9%, with it rising to 5.7% at the proposed rates. OCA Corrected St. 6 at 19-25.

14. As of March 2026, more than one quarter (26.25) of all UGI residential customers are in arrears of some age, while one-in-eight (11.5%) of all residential customers are 180 or more days in arrears and that the average arrears at the time of disconnection of electric service is more than $3,400. OCA Corrected St. 6 at 23-24.

15. Testimony from the public input hearings and written comments to UGI's proposed increase underscores the affordability issues UGI customers are facing with current rates. *See* OCA St. 7 at 3-8.

16. Fifteen written comments were submitted, with almost all commenters addressing the affordability of UGI's rates. OCA St. 7 at 3.

17. Five additional customers testified in person, also raising affordability as a central concern. OCA St. 7 at 6-7.

18. Utility regulators typically evaluate just and reasonable in the context of what is called a zone of reasonableness. OCA Corrected St. 1 at 5-6.

19. This zone of reasonableness means that there is no one right answer but that regulators must balance the interests of several sectors of the public, including not only utility investors, but also the interests of the utility's customers and the public policy interests of local governments impacted by the utility's operations. OCA Corrected St. 1 at 5-6.

20. It is a basic tenet of ratemaking that the Commission, in setting just and reasonable, rates must consider not only the investor and company's interest, but also that of the consumers. OCA St. 1SR at 3.

21. Rate affordability is a significant consumer interest that goes beyond just lower-income households within UGI ratepayers. OCA Corrected St. 6 at 10-40.

22. OCA witness Deupree's reference to Governor Shapiro's April 29, 2026, open letter to the Commission underscores the importance of the Commission needing to balance consumer affordability concerns with the financial interests of utilities when determining just and reasonable rates. OCA Corrected St. 1 at 16-20.

23. The continued upwards pressure on rates for UGI Electric's captive customers due to its rate increases in 2018, 2021, and 2023 adds to customer affordability burdens which are exacerbated by the current macroeconomic environment. OCA Corrected St. 1 at 5-16, 20.

24. OCA witness Deupree provided relevant evidence of the current macroeconomic trends facing customers, including the impact on affordability of rising

prices in consumer products, recent inflation, energy-related prices, energy market uncertainty due to the conflict in the Persian Gulf, and tariffs. OCA Corrected St. 1 at 5-16, 20.

25. Consumers today are faced with increased expenses for food, housing, transportation, and other necessities, which are especially acute for low-income consumers, but not limited to those customers. OCA Corrected St. 1 at 5-16, 20.

26. UGI customers testified at public input hearings to a frustration with rising utility bills in light of other rising costs: "Families are already stretched thin. Groceries are up, rent is up, healthcare is up, and a utility bill is not optional," and, "How much more can … the citizens and the residents of our community take as far as prices going up. And what is the end game?" OCA St. 7 at 6; Tr. at 65-66, 71.

Rate Base

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

28. The Company's claimed gross plant in service for the FPFTY is $353.96 million. UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1.

29. Less its depreciation reserve (*i.e.*, accumulated depreciation), the Company's proposed net plant in service for the FPFTY is approximately $251.64 million. UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1.

30. UGI Electric agreed to provide the Bureau of Investigation and Enforcement and the Office of Consumer Advocate with an update to UGI Electric Book

IV, Exhibit A – Future, Schedule C-2 no later than February 1, 2027, under this docket number, which should include actual plant balances along with plant additions and retirements by month for October 1, 2025 through September 30, 2026. I&E St. No. 3-SR, pp. 4-5.

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

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

33. Between January 2021 and January 2026, consumer prices increased 24.3 percent overall, which, when coupled with rapidly rising utility prices, leaves consumers left with burdens of unaffordability. OCA Corrected St. 1 at 9.

34. Although inflation is an issue affecting the Company as well as consumers, OCA witness Deupree testified that the increased operating costs experienced by UGI Electric due to the current inflationary environment have not resulted in noticeable negative impacts on UGI Electric's shareholder income or its parent company stock price, in part because of UGI's ability to file for rate increases. *See* UGI St. 1R at 22; OCA Corrected St. 1 at 16; OCA St. 1SR at 6.

35. While the Commission can and should look at the impact inflation has on the company, in doing so, the Commission must balance the pressure inflation places on utility operating costs with the general economic effects inflation places on customer affordability, rather than shifting all inflationary risks from utilities to ratepayers. OCA St. 1SR at 6.

36. UGI Electric's claim for an addition to rate base for Materials and Supplies in the amount of approximately $3.84 million is undisputed. UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1.

37. UGI Electric's Cash Working Capital ("CWC") claim for $13,294,000 million is supported by the record. UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedules A-1 and C-4.

38. UGI Electric's meter-read factor increased from 1.10 days in the last rate case to 2.26 days in this rate case with the other expense lag days decreasing from 30.76 days in the last rate case to 20.57 days in this rate case. *See* I&E St. No. 1, pp. 41-42.

39. UGI Electric's claimed deductions to its rate base associated with accumulated deferred income taxes (ADIT) and customer deposits, which reduced its rate base by approximately $27.95 million and $1.73 million, respectively. UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1; *see also* UGI Electric St. No. 9, pp. 4-10.

Argo Transaction

40. There is no guarantee that the Joint Argo Application will be approved by the Commission or, if it is ultimately approved, by which date a final Commission Order will be entered. UGI Electric St. 1-R, p. 11.

41. I&E's Argo transaction adjustment cited only two cost categories of post-acquisition expenditures is support of its proposed adjustment – corporate allocations and shared services expenses. I&E St. 1-SR, p. 5.

Expenses

42. UGI Electric has used the ELG depreciation methodology for over four decades. UGI Electric st. 6-R, p. 20.

43. The ELG depreciation calculation procedure mathematically estimates the life for each unit in the account and then depreciates each unit over its expected life based on the survivor curve estimate for an account. UGI Electric St. 6-R, p. 3.

44. While the ELG procedure calculates depreciation for each equal life group, the ALG procedure depreciates every asset within an account over the average life of the entire account. UGI Electric St. 6-R, p. 4.

45. The ELG procedure appropriately matches cost recovery to service consumption of the asset, thereby better ensuring that current customers are paying for the assets in use. UGI Electric St. 6-R, p. 3-4.

46. A three-year normalization period for UGI Electric's rate case expense claim most closely reflects the company's historic rate case filing frequency. OCA St. 2SR, p. 14.

47. UGI Electric entered into a new vegetation management contract with its external on-property line clearance contractor for the period January 1, 2025, through December 31, 2028, under which the external labor costs will increase each year. UGI Electric St. 3-R, pp. 4-6.

48. From 2021 to 2025, UGI Electric's contractor costs for vegetation management on the distribution system rose by $600,000, a 21% increase. UGI Electric St. 3-R, p. 3.

49. The Commission previously held in UGI Electric's 2018 Rate Case proceeding that incentive compensation programs must be evaluated "as a whole," when determining whether the plan includes goals which benefit customers. *UGI Electric 2018 Order*, pp. 73-74.

50. UGI Electric's membership in the Edison Electric Institute and the Energy Association of Pennsylvania provide benefits to the company's customers. UGI Electric st. 4-R, p. 16.

Rate of Return

51. UGI Electric proposed a ROE of 10.85%. OCA St. 3 at 2.

52. I&E proposed a ROE of 9.69%. I&E St. 2 at 6.

53. OCA recommended a ROE of 8.7% based on OCA witness Garrett's DCF and CAPM results. OCA St. 3 at 2.

54. UGI Electric proposed a capital structure of 54.25% equity and 45.75% debt. OCA St. 3 at 3.

55. OCA recommended a capital structure of 58% Debt and 42% equity. OCA St. 3 at 3.

56. OCA provided an alternative ROE of 8.0% based on UGI's proposed capital structure. OCA St. 3 at 3.

57. An equity rich capital structure transfers wealth from customers to UGI's shareholders. OCA St. 3 at 5.

58. The average capital structure for the proxy group in this proceeding consists of 58% debt and 42% equity. OCA St. 3 at 54.

59. The purpose of the proxy group is to establish a set of companies with similar traits (*i.e.*, risks) to the subject utility. I&E St. No. 2, p. 7.

60. The proxy group allows a regulator to determine the "opportunity cost" associated with an investment in the subject utility by applying the various models used to determine the cost of equity to a set of entities comparable to the subject utility. UGI Electric St. No. 8, p. 8.

61. The 12 companies used by UGI Electric witness D'Ascendis in the Electric Utility Proxy Group, which was also adopted by OCA, are the following:

Company	Ticker
Alliant Energy Corporation	LNT
Ameren Corporation	AEE
American Electric Power Company, Inc.	AEP
Edison International	EIX
Entergy Corporation	ETR
Evergy, Inc.	EVRG
FirstEnergy Corp.	FE
IDACORP, Inc.	IDA
OGE Energy Corp.	OGE
Pinnacle West Capital Corporation	PNW
The Southern Company	SO
Xcel Energy Inc.	XEL

UGI Electric St. No. 8-R, p. 4.

62. UGI Electric utilized its actual capital structure of 54.25% common equity and 45.75% long-term debt as part of its weighted average cost of capital calculation. *See* UGI Electric St. No. 8, pp. 3, 14.

63. UGI Corp., UGI Electric's parent company, had a long-term debt ratio of 57.8% at the end of 2025. OCA St. 3 at 57.

64. UGI Electric's proposed capital structure is unfair to ratepayers. OCA St. 3 at 57.

65. If UGI Electric's capital structure is accepted, the ROE must be reduced by 70 basis points to maintain fairness. Tr. at 379.

66. A regulator standing in the place of competition should ensure that a utility has enough low-cost debt instead of high-cost equity. Tr. at 382.

67. UGI Electric's cost of long term debt is 5.22%. UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 1; UGI Electric St. No. 2-R, p. 2.

68. OCA witness Garrett's DCF results were 7.3% and 8.1%. OCA St. 3 at 39.

69. OCA witness Garrett's CAPM analysis resulted in a ROE of 8.7%. OCA St. 3 at 39.

70. UGI witness D'Ascendis' earnings risk premium (ERP) was significantly higher than the ERPs estimated by expert surveys, Kroll (formerly Duff &

Phelps), Dr. Damodaran, and that calculated by OCA witness Garrett. OCA St. 3 SR at 7.

Rate Structure/Rate Design

71. UGI Electric utilized a minimum system study to identify the portion of distribution plant investment that is required to provide a basic minimum level of service to each customer, regardless of load. That portion was classified as customer-related, while the remaining portion was classified as demand-related. UGI Electric St. 11 at 22.

72. UGI Electric's ACOSS was developed using a standard, widely accepted cost-based ratemaking framework that consists of functionalization, classification, and allocation. UGI Electric St. 11 at 11.

73. UGI Electric's revenue allocation proposal will reasonably move all customer classes toward their cost of service, thereby reducing the subsidies that currently exist among customer classes. UGI Electric St. 11-R at 15-20.

74. In this proceeding, distribution costs in FERC Accounts 364 (Poles, Towers, and Fixtures), 365 (Overhead Conductors and Devices), 367 (Underground Conductors and Devices), and 368 (Transformers) were classified by UGI Electric between customer-related and demand-related components using a Minimum System Study method. UGI Electric St. 11 at 22.

75. While factors such as gradualism may be considered in setting rates, they may not trump the concept of cost of service as the primary basis for allocating the revenue increase. *Pa. PUC v. PPL Elec. Utils. Corp.*, Docket No. R-00049255 (Opinion and Order entered Dec. 22, 2004).

76. Under UGI Electric's proposal, the as-filed overall revenue increase of 12.0% was distributed across the customer classes in a manner that moves classes closer to their cost of service while avoiding the larger revenue shifts that would occur under a fully equalized rate of return approach. UGI Electric St. 11 at 33.

77. OCA's revenue allocation proposal was based on its alternative ACOSS and capped the rate increase to any single customer class to no more than 1.15 times the system average increase. OCA St. 1 at 40.

78. UGI Electric's ACOSS provides cost-based reference levels for customer charges and demonstrated that residential customers have a monthly customer cost of $28.48. UGI Electric St. 11 at 44.

79. OCA's analysis showed an estimated residential customer-related cost of $27.26 per month. OCA St. 1 at 44.

Customer Service and Quality of Service

80. UGI agreed with the OCA's recommendation regarding developing and implementing the findings of a Root Cause Analysis of customer complaints similar to that ordered for UGI Gas in its 2025 base rate case and indicated through discovery that the scope of UGI Gas' root cause analysis includes UGI Electric because they share the same call center resources. UGI St. 13R at 4.

81. The call center performance metrics showed that UGI's annual average Abandonment Rate increased from 4% in 2024 to 4.7% in 2025 while equaling the 2024 metric of 86% of calls answered within 30 seconds. OCA St. 5 (PUBLIC) at 12-13; OCA St. 5R at 6.

82. The monthly abandonment rate reflects a wide range of customer call performance experience, reflecting a significant deterioration with abandonment rates of 6.14% in February, 9.57% in October, and 7.51% in November 2025. OCA St. 5 (PUBLIC) at 14.

83. UGI Electric explained that customers facing termination receive multiple notifications outlining their rights and available protections, including written correspondence such as the initial notice, 10-day notice, in-person contact via telephone three days prior to termination, and a post-termination notice. UGI Electric St. No. 3 at 9.

84. Regarding the Company's website, UGI Electric witness Adamo stated that its navigation structure encompasses approximately 120 distinct pages, more than sixty percent of which apply to both natural gas and electric customers, including Billing and Payments, Customer Assistance Programs, Community Programs, News, Careers, and Company Information. UGI Electric St. No. 13-R at 9.

85. UGI Electric does not share Social Security Numbers with affiliates or corporate entities. UGI Electric St. No. 13-R at 9.

86. UGI Electric has adopted internal performance and compliance-related performance indicators for its third party call contractors and will report on these performance indicators. Joint Petition at 11.

87. UGI Electric conducts a twice-annual marketing campaign focused on self-certified customers who are not enrolled in the Customer Assistance Program ("CAP"). UGI Electric St. No. 12-R at 6.

88. A marketing campaign addressing the Low-Income Home Energy Assistance Program ("LIHEAP") is undertaken on a similar schedule to the marketing campaign undertaken for CAP. UGI Electric St. No. 12-R at 13.

89. Currently, UGI Electric does not have any documents or written classroom formal training for field agents regarding service disconnection for nonpayment. OCA St. 5 (PUBLIC) at 16-17.

90. Although UGI Electric has a form of on-the-job training, UGI's response to OCA discovery failed to mention Chapter 56 mandates requiring an attempt at personal contact immediately prior to termination of service. OCA St. 5 (PUBLIC) at 17.

91. UGI Electric complies with the Commission's regulations with regard to bill formatting. UGI Electric St. No. 13-R at 5.

92. UGI Electric agreed to 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). Joint Petition at 10.

93. UGI Electric agreed to submit a draft of the developed field training manual to its USAC. Joint Petition at 10.

94. UGI Electric agreed 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. Joint Petition at 10.

95. 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. Joint Petition at 10.

96. UGI Electric agreed to convene a collaborative of interested stakeholders, including the parties to this proceeding, to discuss the development of customer communications regarding electric supply shopping. Joint Petition at 10-11.

97. UGI utilizes the same website to serve both its Gas Division and Electric Division customers. OCA St. 5 (PUBLIC) at 5.

Customer Assistance Programs and Low-Income Issues

98. UGI Electric agreed to inform all new and moving customers that UGI Electric has reduced billed rates for income eligible households and will inquire whether these customers would like to provide their income to learn if they qualify. Joint Petition at 9.

99. UGI Electric agreed to provide additional information on the program and eligibility as requested. Joint Petition at 9.

100. UGI Electric agreed to 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. Joint Petition at. 9.

101. UGI Electric customers identified as low income through the screening processes will be offered an opportunity to enroll in 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"). Joint Petition at 9.

102. CAP enrollment is not a prerequisite to receiving a deposit exemption from UGI Electric, but the CAP application is utilized to streamline the process and have a uniform verification process for customers, allowing them to obtain the benefits of the deposit exemption and enroll in CAP if they so choose. UGI Electric St. No. 12-R at 16.

103. Customers enrolled in autopay receive their deposit refunds by direct debit, while those not enrolled in autopay receive a check. UGI Electric St. No. 12-R at 17.

104. UGI Electric agreed to 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. Joint Petition at 8.

105. UGI Electric agreed to 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". Joint Petition at 8.

106. UGI Electric agreed to modify its processes and procedures regarding the low-income exemption from deposits by accepting <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. Joint Petition at 9.

107. The Company has not spent its full LIURP budget in the 2022-2025 timeframe. UGI Electric St. No. 12-R at 7.

108. UGI Electric agreed to waive reconnection fees for low-income customers. Joint Petition at 9.

109. Beginning on April 1, 2027, UGI Electric agreed to implement an Expanded Arrearage Forgiveness Pilot Program that will remain in place through the effective date of rates established in its next base rate case. Joint Petition at 6.

110. The Expanded Arrearage Forgiveness Pilot Program will provide an eligible customer with the option of a 24-month payment plan on 50% of their current arrears. UGI Electric will require the customer to enroll in budget billing. Joint Petition at 6.

V. DISCUSSION

A. Overall Positions on Rate Increase

In its Initial Filing, UGI Electric sought a revenue increase of approximately $17.283 million. However, after adjustments made during the course of the proceeding, UGI Electric requests that the Commission approve an increase in annual jurisdictional operating revenues of $16.05 million for the FPFTY ending September 30, 2027.[53] This increase is designed to provide the Company with an opportunity to earn an 8.28% overall rate of return on rate base, including a 10.85% return on common equity, on a claimed rate base of $239.09 million.[54]

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[53] Reflected in UGI Electric Exhibit A – Fully Projected (REBUTTAL). *See* UGI Electric St. No. 2-R, p. 2. This amount represents the full revenue increase supported by the Company's testimony and exhibits

[54] UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1.

However, the Company has reached a non-unanimous settlement of all issues with the OSBA, which, if approved, would result in an increase in annual electric distribution operating revenues of $10.70 million.[55] This is a $5.35 million reduction (i.e., 33.33%) from the Company's litigation position.[56]

Opposing parties have proposed a variety of adjustments. I&E initially proposes a total revenue requirement of $151,541,000.[57] After accounting for other revenue considerations, I&E proposed a revenue increase of $12,164,000, reflecting a return on common equity of 9.69%.[58] I&E further proposed that in light of the pending Joint Application by UGI and Argo at Docket A-2026-3063610 to allow full transfer of ownership during the FPFTY, the revenue increase should be only 50% of this recommendation, or $6,082,541.

OCA opposes any revenue increase based on a claim that UGI Electric failed to meet its burden of proof to demonstrate that any increase will produce rates that are just and reasonable.[59] As an alternative, OCA proposes a revenue increase of $5,127,616, reflecting a return on common equity of 8.7%.[60]

OSBA argues that the $10.7 million overall revenue increase set forth in the Joint Petition for Non-Unanimous Settlement (Joint Petition) is just and reasonable in this matter.

CEO supports OCA's overall position on rates.

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55 Joint Petition for Non-Unanimous Settlement, p. 2.

56 *Id*.

57 I&E St. No. 1-SR, p. 4.

58 I&E St. No. 2-SR, p. 5.

59 66 Pa. C.S. § 315(e); *see also Pa. PUC v. Pa. American Water Co*., 2004 Pa. PUC LEXIS 29, *16-18 (Order Jan. 29, 2004); *Burleson v. Pa. PUC*, 461 A.2d 1234, 1236 (Pa. 1983); *Lansberry v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990).

60 OCA St. 3 at 4.

We conclude that UGI Electric has met its burden of justifying an increase in annual distribution revenue.

Based upon the various calculations and adjustments described in this Recommended Decision, we recommend that the Commission grant UGI Electric an annual distribution revenue increase of $10.1 million dollars. This is approximately $6 million less than UGI Electric requested, or approximately a 7.0% increase in revenues instead of UGI Electric's requested 11.0% increase in revenues.

B. Rate Base

UGI Electric Position

The Company's updated claimed rate base reflects the projected balance as of the end of the FPFTY of approximately $239.09 million.[61] 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.[62] The Company asserts that the only proposed adjustments to its rate base are derived from parties' adjustments to certain categories of Operations and Maintenance (O&M) expenses.

1. Electric Plant in Service

The Company submits its claimed gross plant in service for the FPFTY is $353.96 million.[63] Less its depreciation reserve (*i.e.*, accumulated depreciation), the

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61 UGI Electric Exhibit A – Fully Projected (REBUTTAL), Schedule A-1.
62 *See Id.*
63 UGI Electric St. No. 3, p. 2.

Company's proposed net plant in service for the FPFTY is approximately $251.64 million.[64] The Company asserts that no party has proposed any adjustments to the Company's claimed gross plant in service and that the only adjustments to net plant in service advanced in this proceeding are due to adjustments to the depreciation reserve proposed by OCA, which the Company argues should be rejected based on reasons set forth herein. As such, the Company requests that the Commission adopt its claimed net and gross plant in service.

2. Accumulated Depreciation

The party's positions and arguments regarding the disposition of accumulated depreciations is addressed in the Expenses section of this decision and will not be repeated here in the interest of brevity.

3. Additions to Rate Base

The Company claims an addition to rate base for Materials and Supplies in the amount of approximately $3.84 million and argues that this is undisputed.[65] Therefore, the Company avers that this addition should be adopted without adjustment or modification.

The Company claims an allowance for Cash Working Capital ("CWC") in this proceeding based on precedent.[66] UGI Electric also argues that it's final CWC claim in the amount of approximately $13.29 million is justified by the record.[67] The Company avers that the methodology underlying it's CWC claim, which is based upon its lead-lag

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64 *Id.*

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

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

67 *Id.*, Schedules A-1 and C-4.

study, was fully explained by UGI Electric witness Keller and no party disputed the Company's methodology.[68] The Company asserts that its 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. Therefore, the Company argues that its final CWC claim is fully justified by the record in this proceeding.

The Company acknowledged I&E's concerns with the meter-read factor increasing from 1.10 days in the last rate case to 2.26 days in this rate case and with the other expense lag days decreasing from 30.76 days in the last rate case to 20.57 days in this rate case.[69] The Company does not oppose I&E's recommendation that the Company be required to address these issues between now and the next rate case.[70]

4. Deductions from Rate Base

The Company 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.[71] The Company indicates that development of its tax claims, including its claim for ADIT to reduce rate base, are explained in the record and were not disputed by any party. The Company also asserts that its claim to reduce rate base by the projected amount of customer deposits was explained by UGI Electric witness Keller and likewise was not disputed by any party.[72]

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68 UGI Electric St. No. 5, pp. 9-14.

69 *See* I&E St. No. 1, pp. 41-42.

70 *See Id.*, p. 42; *See* UGI Electric St. No. 5-R, p. 2.

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

72 UGI Electric St. No. 5, p. 15. UGI Electric St. No. 5, p. 15.

Accordingly, UGI Electric argues that its claimed reductions to rate base are fully justified by the record.

OCA's Position

1. Electric Plant In Service

OCA did not brief this issue.

2. Accumulated Depreciation

The party's position regarding the disposition of accumulated depreciations is addressed in the Rate Structure and Rate Design section of this decision and will not be repeated here in the interest of brevity.

3. Additions to Rate Base

OCA did not brief this issue.

4. Deductions from Rate Base

OCA did not brief this issue.

I&E's Position

1. Electric Plant In Service

I&E submits that the Company should 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.[73] I&E avers that the Company agreed with I&E's recommendation.[74] I&E requests that the Commission adopt its recommendation.

2. Accumulated Depreciation

I&E did not brief this issue.

3. Additions to Rate Base

I&E did not brief this issue. I&E asserts that the Company accepted some of its proposed recommendations as part of the Company's updated requested revenue increase in its rebuttal testimony and these recommendations were unopposed by any other parties.

[73] I&E St. No. 3, pp. 4-5.
[74] UGI Electric St. No. 3, pp. 4-5.

I&E argues that the Company's claim for $13,294,000 in CWC should be reduced to $13,210,000. This will be further addressed in the subsequent deductions section.

4. Deductions from Rate Base

I&E asserts that UGI Electric adopt its recommendations for reductions within the Company's proposed rate base increases as set forth in the surrebuttal testimony of I&E witness Getachew Bedasa.[75] I&E asserts that the Company accepted some of I&E's recommendations as part of their updated requested revenue increase in rebuttal testimony.[76] I&E also asserts that some issues raised in its direct testimony were mitigated by the Company in rebuttal adjustments and were ultimately accepted by I&E as reasonable for the sake of the instant proceeding.[77] I&E recommends that these adjustments be accepted by the Commission.

Additionally, I&E recommends a reduction of $84,000 to the Company's claimed Cash Working Capital ("CWC") as part of its rate base, reducing the proposed $13,294,000 to $13,210,000 based on updated adjustments to cash-based O&M expenses as detailed by Mr. Bedasa.[78] Finally, Mr. Bedasa noted in his surrebuttal testimony that his recommendation for CWC is not a final recommendation because all adjustments to the Company's claim must be continually brought together in the ALJ's Recommended Decision and again in the Commission's Final Order.[79] I&E asserts that this iteration

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75 I&E St. No. 1-SR, p. 2, citing UGI Electric Exhibit A – FPFTY Rebuttal, Schedule A-1 and UGI Electric St. No. 2-R, pp. 6-7.

76 *See* I&E St. No. 1, pp. 14-37; I&E St. No. 1-SR, p. 2, citing UGI Electric Exhibit A – FPFTY Rebuttal, Schedule A-1 and UGI Electric St. No. 2-R, pp. 6-7.

77 *E.g.* I&E St. No. 1-SR, pp. 14-15.

78 *See* I&E St. No. 1-SR p. 26; I&E Exhibit 1-SR.

79 I&E St. No. 1-SR, p. 27.

process effectively prevents the determination of a precise calculation until such time as all adjustments have been made to the Company's claims.[80]

OSBA Position

1. Electric Plant In Service

OSBA did not brief this issue.

2. Accumulated Depreciation

OSBA did not brief this issue.

3. Additions to Rate Base

OSBA did not brief this issue.

4. Deductions from Rate Base

OSBA did not brief this issue.

CEO Position

1. Electric Plant In Service

CEO did not brief this issue.

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80 *Id.*

2. Accumulated Depreciation

CEO did not brief this issue.

3. Additions to Rate Base

CEO did not brief this issue.

4. Deductions from Rate Base

CEO did not brief this issue.

Disposition

1. Electric Plant in Service

The Company's proposed gross plant in service value for the FPFTY is $353.96 million and the net plant in service for the FPFTY is approximately $251.64 million. These figures are unopposed by the parties. The only proposed modification was submitted by I&E seeking updates, which was agreed to by UGI Electric.

Therefore, we agree with UGI Electric's net plant in service value of $251.64 million and that UGI Electric should provide I&E and 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, with actual plant balances along with plant additions and retirements by month from October 1, 2025 through September 30, 2026. We further agree that UGI Electric should provide an additional update to UGI Electric Book IV, Exhibit A – Fully Projected, Exhibit C-2, no later than February 1, 2028, which should

also include actual plant balances, plant additions and retirements by month from October 1, 2026 through September 30, 2027.

2. Accumulated Depreciation

The ALJs discussion and disposition of accumulated depreciations will be addressed in the Rate Structure and Rate Design section of this decision and will not be repeated here in the interest of brevity.

3. Additions to Rate Base

UGI Electric claims $3.84 million as an addition to its rate base claim for materials and supplies and argues that this is undisputed. UGI also claims $13.29 million as an addition to its rate base claim for CWC. The Company avers that the $13.29 million figure is fully justified by the record and reflects all adjustments and updates to various categories of O&M expenses.

The Company acknowledged I&E's concerns with the meter-read factor increasing from 1.10 days in the last rate case to 2.26 days in this rate case and with the other expense lag days decreasing from 30.76 days in the last rate case to 20.57 days in this rate case.[81]

I&E proposed a reduction to the Company's CWC from $13,294,000 to $13,210,000.

We agree with UGI Electric's request for additions of $3.84 million for materials and supplies and $13.29 million for CWC. We also agree that UGI Electric

[81] *See* I&E St. No. 1, pp. 41-42.

should be required to address the concerns I&E raised with the meter-read factor increase and with other expense lag days between issuance of a final order in this matter and the next rate case.

4. Deductions from Rate Base

The Company claimed deductions to its rate base associated with ADIT and customer deposits, which reduced rate base by approximately $27.95 million and $1.73 million, respectively. The Company indicates that development of its tax claims, including its claim for ADIT to reduce rate base, are explained in the record and were not disputed by any party. The Company also claims that its claim to reduce rate base by the projected amount of customer deposits was explained by UGI Electric witness Keller and likewise was not disputed by any party.[82]

I&E recommends that the Commission adopt those recommendations from I&E witness Bedasa that the Company agreed to and those issues that it raised in direct testimony were mitigated during the litigation by the Company in rebuttal adjustments. Additionally, I&E did not oppose the methodology used by UGI Electric to calculate CWC. Using this methodology I&E recommended a reduction of $84,000 to the Company's claimed CWC based on I&E's adjustments to cash-based O&M expenses.

We agree with the Company and find that it has met its burden of established claimed deductions for ADIT and customer deposits. Thus, we recommend acceptance of the Company's claimed deductions. We also agree that the Company shall adopt those recommendations that it agreed to during the litigation process. Finally, we recommend that the Commission adopt a CWC for UGI Electric calculated in the Rate

[82] UGI Electric St. No. 5, p. 15.

Tables attached as Appendix A, using the unopposed methodology and based on the recommendations reflected herein.

Based on adjustments herein, and as reflected in Table I, we recommend approval of an overall rate base of $238,974,405.

C. Revenues

In consideration of the various adjustments adopted in this Recommended Decision, we recommend an overall revenue requirement in this proceeding of $155,585,513.

ARGO Transaction

UGI Electric and Argo filed a Joint Application with the Commission in which they are seeking approval for the full transfer of ownership of all of UGI Electric's utility operations to Argo. The Joint Applicant's requested in the application that the Commission provide expedited consideration and approval of the application on or before April 2027. As explained below, UGI Electric and I&E are requesting significantly different treatment of the proposed transaction in this proceeding.

I&E Position

In this proceeding, I&E is proposing an across the board 50% reduction in the allowed revenue increase based on the purported impact of the proposed sale of UGI Electric to Argo. I&E witness Bedasa argues that a Commission approval date of April 2027 is approximately halfway into the FPFTY utilized by UGI Electric in this proceeding. Mr**.** Bedasa argues that information projected in the FPFTY becomes unreliable due to the possibility that a completely different entity could control what is

now UGI Electric. I&E St. 1 at 6-7. In particular, Mr. Bedasa is concerned about the extent to which Argo would receive the same shared services and allocated costs that UGI Electric receives from its parent corporation, UGI. He also expressed concern 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 made in UGI Electric's filing in this proceeding. I&E St. 1 at 6-7. I&S states in its main brief that its concerns on this issue relate to uncertainty. I&E states, "[t]hough I&E recognizes this is an unusual recommendation, I&E maintains that the UGI/Argo transaction is an unusual situation. . . ." I&E MB at 16. It further states, ". . . while I&E admits that its proposal is not perfect, I&E does consider it to be an appropriate response to UGI's decision to encourage expedited closing of the transaction which would place the date of the sale roughly 50% into the FPFTY . . . ." I&E MB at 17. Notably, I&E cites to no legal precedent for its proposed adjustment.

UGI Electric Position

Not surprisingly, UGI Electric vigorously opposes I&E's proposed Argo adjustment. UGI Electric notes that I&E calculated a recommended revenue requirement allowance of $12,164,000.00. With its proposed 50% Argo adjustment, I&E's final, proposed revenue requirement is $6,082,000.00. I&E St. 1-SR at 10.

UGI Electric opposes I&E's proposed adjustment on a number of grounds, as fully described on pages 28-32 of its main brief. Among other things, it argues that there is no guarantee that either (1) the transaction will be approved by the Commission, or (2) that the transaction will be consummated by the parties or approved by the Commission by April 2027. UGI Electric St. 1-R, p. 11. It argues that, ". . . [b]ecause rates in this proceeding must be established at an appropriate cost-of-service to sustain ongoing operations, whether or not the Joint Application is approved, I&E's proposal is simply inappropriate." UGI Electric MB at 28; UGI Electric St. 1-R at 11. UGI Electric

further argues I&E's concerns about Argo's planned operations following completion of the sale are more appropriately addressed in the Joint application proceeding. UGI Electric states, "the Joint application proceeding is the appropriate forum for ensuring that ongoing investments and existing regulatory requirements will be maintained and that the rates reflected at the time of the transaction are appropriate for meeting those requirements." UGI Electric MB at 29-30; Tr. 281. UGI Electric noted that Mr. Bedasa acknowledged in his surrebuttal testimony that the Joint Application proceeding is the appropriate forum to address these issues. I&S St.1-SR at 9.

UGI Electric notes that I&E has not cited to any legal precedent or prior proceedings where similar adjustments were adopted by the Commission. UGI Electric witness Rogers noted in her testimony that she is " . . . aware of no such percentage reduction to I&E's revenue position being proposed in the recent PAWC rate case or the pending Peoples Natural Gas Company LLC ("Peoples") rate case, even though there is an ongoing, litigated proceeding regarding the merger of those utilities' ultimate parent holding companies." UGI Electric St. 1-RJ at 12.

UGI Electric additionally argues that I&E significantly miscalculated its proposed adjustment. It notes that Mr. Bedasa identified two cost categories of post-acquisition expenditures, corporate allocations and shared services expenses, as the basis for his concerns. UGI Electric argues that the total increase reflected in the proposed revenue requirement in this case for UGI Corp. allocations and shared services provided by UGI Utilities is only $2.5 million. UGI Electric St. 1-RJ at 15. It argues that, ". . . if the uncertainty attaches half-way through the FPFTY as asserted by I&E witness Bedasa, then the total disallowance under his proposal should only be $1.25 million (i.e., 50% of the $2.5 million increase)." UGI Electric St. 1-RJ at 15.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this position.

Disposition

We recommend that I&E's proposed adjustment related to the proposed Argo transaction be rejected. We agree with UGI Electric that uncertainty as to the ultimate approval of the Joint Application in the first instance, as well as uncertainty as to a final Commission order date should the Commission approve the transaction, renders this proposed adjustment inappropriate in this proceeding. Additionally, we agree with UGI Electric's assessment that I&E appears to have miscalculated its proposed adjustment based on its entire revenue recommendation, rather than on the two post-acquisition expenditures it identified as concerning, namely corporate allocations and shared services expenses, which amounted to only $2.5 million. Finally, we are unaware of any precedent for the adjustment proposed by I&E here, as I&E itself acknowledged that its proposal is unusual. For these reasons, we recommend that I&E's proposed adjustment related to the Argo transaction be rejected.

D. Expenses

As a matter of law, a utility is entitled to recover in its rates all legitimate expenses incurred in the rendition of its public utility service. *UGI Corp. v. Pa. Pub. Util. Comm'n*., 410 A.2d 923, 932 (Pa. Cmwlth. 1980). Thus, the general rule is that utilities are permitted to set rates which will recover those operating expenses reasonably

necessary to provide service to customers, while earning a fair rate of return on the investment in plant used and useful in providing safe and adequate utility service. *Western Pennsylvania Water Co. v. Pa. Pub. Util. Comm'n*, 422 A.2d 906 (Pa. Cmwlth. 1980). The objective evaluation of reasonableness is whether the record provides sufficient detail to objectively determine whether the expense is prudently incurred. *Popowsky v. Pa. Pub. Util. Comm'n*, 674 A.2d 1149, 1153-54 (Pa. Cmwlth. 1996). With respect to operating and maintenance expenses, those expenses, if properly incurred, are allowed as part of the overall rate computation. To the extent that expenses are not incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable through rates.

Depreciation Expense

1. Service Lives – Accounts 364, 365 and 368.1

UGI Electric Position

UGI Electric's FPFTY depreciation expense claim in this proceeding is $12,593,413.00, which consists of $10,961,308 of accruals to recover original cost, and $1,632,105 for the annual amortization of negative net salvage value. OCA is proposing a disallowance of $1,587,004 in depreciation expense based on two adjustments: (1) adjustments to the service lives for plant account s 364 – Poles, Towers, and Fixtures, 365 – Overhead Conductors and Devices, and 368.1 – Transformers; and (2) the conversion from the ELG to the ALG method for vintages after 1982.

With respect to the issue of plant service lives, UGI Electric argues generally that the OCA's proposed changes to the service lives of certain plant accounts are unrealistic and not based on an actual service life study. UGI Electric St. 6-R at 30.

In its main brief, UGI Electric summarizes the positions of the two parties on the issue of services lives of the relevant accounts in the below table:

Table 1: Comparison of Company Proposed and OCA Proposed Survivor Curves

Account	Currently Approved	Company Proposed	OCA Proposed
364, Poles, Towers and Fixtures	59-R2.5	59-R2.5	63-R2
365, Overhead Conductors and Devices	58-R1.5	58-R1.5	65-R1.5
368.1, Transformers	45-S1	45-S1	50-S0.5

UGI Electric MB, p. 34, citing UGI Electric St. 6-R at 30.

2. Account 364 (Poles, Towers and Fixtures)

UGI Electric notes that OCA is proposing a change in the survivor curve for Account 364 (Poles, Towers and Fixtures) from the currently-approved 59-R2.5 to 63-R2. OCA's proposed change indicates an average service life for this account of 63 years and a maximum service life of 117 years. UGI Electric St. 6-R at 33. UGI Electric argues that both the average and maximum lives proposed by OCA are too long for outside wooden poles that support relatively heavy overhead conductors and devices. *Id*. The Company argues that OCA ignores the previous and currently approved survivor curves of 56-R2.5 and 59-R2.5 for account 364. *Id*. It argues that the 63-year average service life proposed by OCA is well beyond the typical range of service lives (45-60) years used by other electric companies. *Id*., pp. 33-34. Company witness Wiedmayer testified, "[f]rom a safety and reliability perspective, UGI Electric would almost certainly retire a wood pole before it reaches 117 years." *Id*. at 33. UGI Electric argues, ". . . any recommendation to use a survivor curve longer than 60 years, on average, for wood poles, let alone OCA's proposal to increase the service life by 7 years compared to the average service life used in the prior life study, is inappropriate." *Id*. at 34.

3. Account 365 (Overhead Conductors and Devices)

UGI Electric notes that OCA is proposing a change in the survivor curve for Account 365 (Overhead Conductors and Devices) from the currently-approved 58-R1 to 65-R1.5. The Company notes that I&E witness Garren supports this position by arguing that the results of the historical life analysis are mostly inconclusive. *Id.*, p. 35. OCA argues that the original survivor curve, a.k.a. the stub survivor curve, shows a survival pattern that is atypical and not easily modelled by one of the Iowa curves. UGI Electric MB at 37. In supporting its position, UGI Electric argues that, when the results of the historical life analysis are inconclusive, other relevant factors, such as the currently-approved survivor curve estimate, company plans, service expectations of company engineering management, and service life estimates used by other electric companies should be considered more heavily. *Id*. at 33-35.

UGI Electric argues that the use of OCA's proposed curve results in too large of an increase for a relatively large mass plant account to experience over a five-year period. It notes that, under the Commission's regulations, the Company updates its service life studies every five years. UGI Electric St. 6-R, p. 33-34. The Company's current approved estimate of 58-R1.5 represents a gradual 5% increase over the previous curve of 55-R1, which is a typical-sized increase over a 5-year period since the last life study was performed. OCA's recommendation represents an 18% increase over the 5-year study period. *Id*. at 33-35. UGI Electric further argues that the asset mix for Account 365 changes over time as the company modernizes its electrical system and adds new distribution automation devices to improve reliability. The newer assets, which are part of a Line Sectionalization Program, have service lives that are shorter than those of aluminum overhead conductors, which are the main asset group in Account 365. Accordingly, the average service life for this account will experience downward pressure in the future. *Id*.

4. Account 368.1 (Transformers)

UGI Electric notes that OCA is proposing a change in the survivor curve for Account 368.1 (Transformers) from the currently-approved 45-S1 to a 50-S0.5 curve. The Company argues that OCA's proposed survivor curve estimate puts the average service life at the top of the typical range of estimates used by other electric companies which, for Account 368.1, is 35-50 years. *Id*. at 36-38. UGI Electric argues that its currently approved estimate of 45-S1 curve reflects a 5% increase. *Id*. It argues that, by comparison, OCA's proposed survivor curve estimate of 50-0.5 represents a 16% increase, which is too large for a 5-year study period. *Id*.

OCA Position

1. Account 364 (Poles, Towers and Fixtures)

In arguing for the adoption of a survivor curve of 63-R2 for Account 364, OCA witness Garren testified that it better fits the totality of the data. OCA St. 4 at 30. It argues that UGI Electric omitted consideration of data points beyond approximately age 68.5 years, when the oldest retirements in the data occur at age 92.5. OCA St. 4 at 30.

2. Account 365 (Overhead Conductors and Devices)

OCA likewise argues that the best fitting life and curve for the full range of data in Account 365 is a 67-R2 life and curve, as more reflective of the typical range of lives for this account. OCA St. 4 at 31.

3. Account 368.1 (Transformers)

OCA argues that the best fitting life and curve for Account 368.1 according to UGI Electric witness Wiedmayer's curve fitting-analysis is a 55-L1 life and curve, rather that the company's claimed 45-S1.

Disposition

We will adopt UGI Electric's proposals here and recommend that they be accepted with no adjustments. We find the record supports the Company's position that its proposed service lives for the above accounts are based on actual service life studies and more accurately reflect the actual service lives of the relevant plant. UGI Electric St. 6-R, p. 30. We also find that the Company's proposals more accurately reflect expected modernization of the Company's plant, as it anticipates adding new Distribution Automation devices, such as new fuses, disconnects and other devices to limit customer outages when line damage occurs. UGI Electric indicated that it will add up to 18 new sectionalizing points as part of its annual automation and sectionalizing plan. The company notes that the new plant additions have shorter service lives than certain current equipment, thereby supporting the company's service lives proposals. UGI Electric St. 6-R at 33-36.

4. Average Life Group (ALG) v. Equal Life Group (ELG)

In its main brief, UGI Electric provides a summary of the characteristics of and the differences between the two depreciation procedures. We restate here, for general information purposes, the Company's summary.

> For the ELG procedure, a group of property listed by vintage (e.g., a group of meters installed within the same fiscal year) is

> subdivided into groups having equal service lives. The size of these "equal life groups" is based on the estimated survivor characteristics of the account. For example, UGI Electric replaces 1,500 to 3,000 meters per year. Some of these meters will experience a service life of 1 year, some 2 years, some will experience the maximum expected life of 38 years, and some will experience lives between 2 and 38 years. Depreciation can then be calculated for each equal life group based on the straight line method, meaning that an equal amount of the group's service value is recorded as depreciation expense in each year of service. The total depreciation for an account is then the summation of the calculated depreciation for each equal life group. The ELG depreciation calculation procedure mathematically estimates the life for each unit in the account and then depreciates each unit over its expected life based on the survivor curve estimate for an account.
>
> While the ELG procedure calculates depreciation for each equal life group, the ASL (or ALG) procedure depreciates every asset within an account over the average life of the entire account. So, using the prior example of meters, even though meters will be retired in years 1, 2, and between years 2 and 38, ALG depreciates all assets as if they will retire at the same time far into the future.

UGI Electric MB at 41-42.

UGI Electric Position

UGI Electric argues that the ELG procedure appropriately and more accurately matches cost recovery to actual service consumption of the asset, thereby better assuring that the Company's current customers are paying for the assets presently in use. UGI Electric MB, p. 42. The Company provides an example of the difference between the two procedures on pages 42 and 43 of its Main Brief. Referring to this example, the Company argues that the ELG procedure better matches cost recovery of the plant with their respective service lives. UGI Electric further explains its example as follows:

> Under the ELG procedure, Unit A [in the example] is fully recovered when retired at the end of year 5, while Unit B is one-third through its service life and has had one-third of its cost recovered. This contrasts with the ASL procedure, in which accumulated depreciation is $0 at the end of year 5, even though the only unit remaining in service has consumed one-third of its service life.

UGI Electric MB at 44.

UGI Electric further argues that, under the ELG procedure, the survivor curve determines the percentages of the property account in each equal life group, which allows for the annual accrual calculation for the entire property group. It argues that, by contrast, under the ASL procedure, the depreciation expense for all property in the account is determined based on the average service life of the entire group. UGI Electric St. 6-R at 10-11. The company concludes, ". . . the ELG procedure allocates cost in a manner that approximates the result of each asset being depreciated over its actual life. In contrast, the ASL procedure depreciates every unit of property within an account over the same life, that is, the account's average life." UGI Electric MB at 46, citing UGI Electric St. 6-R at 11-12.

UGI Electric finally notes that the OCA's proposal to change from the ELG procedure to the ALS procedure goes against 44 years of Commission precedent and that this same OCA proposal was expressly rejected by the Commission in the recent *Columbia Gas 2025 Order*, where the Commission stated, "[w]e further agree with the Company that there is a strong argument that the ASL procedure results in intergenerational inequity." *Columbia Gas 2025 Order*, p. 110, and the *PAWC 2026 Order,* where it stated, "[w]e will not adopt a depreciation procedure change solely to produce short-term rate mitigation where the evidence shows that the change may increase long-term costs and shift responsibility to future customers." UGI Electric MB at 49.

OCA Position

The OCA emphasizes affordability as it advocates for requiring UGI Electric to switch to the ALG procedure, with the resulting adjustment to its depreciation expense claim. The OCA states in its Main Brief:

> The primary issue before the Commission in this case regarding depreciation is whether the Average Life Group (ALG) versus the Equal Life Group (ELG) procedure should be used by UGI in this proceeding and on a going forward basis. Currently, UGI uses the ALG procedure for plant prior to 1982 and the ELG procedure on plant after 1982. The ELG procedure is an accelerated form of depreciation because it produces depreciation expense higher at the beginning of the recovery period. ALG is also used by most major EDC's in Pennsylvania. Unless the Commission requires a change in procedure, the use of the ELG procedure will prejudice UGI's current ratepayers who will be forced to pay an accelerated depreciation expense. If the Commission requires UGI to switch to the ALG procedure, ratepayers would be saved from paying $1.8 million more than they otherwise would. In the ongoing affordability crisis affecting our Commonwealth and discussed in the testimonies of OCA witnesses Deupree and Colton, this relief is needed for UGI's current customers.

OCA MB at 29.

The OCA argues that the ELG procedure's precision is ultimately a flaw in the method as it lacks accuracy over time and can result in current ratepayers paying more. OCA Witness Garren testified that if UGI Electric's remaining lives are not updated for several years, the accelerated depreciation rates may be inaccurately accounted for in the company's next rate case. He argues that the ALG method will eliminate the need to perform annual updates to the company's lives, and that utilities can

wait intervals of 5 years or more between depreciation studies, which will reduce costs to customers. OCA St. at 425-27.

OCA further argues that existing case law does not prohibit the Commission from requiring that UGI Electric change its procedure. It cites to several cases at pages 35-36 of its main brief in support of this position. In *Pa. Power & Light Co. v. Pa. PUC*, 311 A.2d 151, 158 (Pa. Cmwlth. 1973), the Commonwealth Court stated, ". . . although the PUC may be guided by its finding of accrued depreciation in a prior case or cases, in determining such items in a rate case currently before it, such findings are not res judicata." *PA Power* at 158. The OCA argues, "[m]erely because a utility used a depreciation procedure in the past is neither a justification nor a limitation for determining what constitutes just and reasonable rates in this proceeding." OCA MB at 36.

Likewise, the OCA argues that the Public Utility Code does not require the Commission to accept a utility's currently utilized depreciation procedure for certain plant indefinitely. Section 73.9(c) of the Commission's regulations provides:

> In subsequent ratemaking proceedings, the most recent annual depreciation report or service life study approved or deemed approved for accounting purposes only under this chapter, constitutes a rebuttable presumption as to the reasonableness of the accrued depreciation claimed for ratemaking purposes, and the burden of proving the unreasonableness of the accrued depreciation shall be on the challenging party.

52 Pa. Code § 73.9(c).

OCA further notes that the purpose of Section 73.1 of the Commission's regulations regarding annual depreciation reports, service life studies and capital investment plans is, "to establish uniform and industry wide reporting requirements

designed to improve the Commission's ability to monitor on a regular basis the depreciation practices and capital planning of electric, telephone, gas and water public utilities subject to Commission jurisdiction." 52 Pa. Code § 73.1.

OCA argues the record evidence demonstrates that the ALG procedure is the procedure that will produce just and reasonable rates and will prevent the systematic overcharging of customers resulting from use of the ELG procedure. OCA MB at 41.

Disposition

We recommend that the Commission reject the OCA's proposal to adopt the ASL procedure in this proceeding. First, UGI Electric notes that the OCA's proposal "contradicts 44 years of Commission precedent approving the use of ELG for ratemaking purposes." UGI Electric St. 1-RJ at 11. It points out that the Commission rejected the same OCA proposal in both the *Columbia Gas 2025 Order* and the *PAWC 2026 Order*. In those proceedings the OCA made substantially similar arguments to those put forth by it in this proceeding, which arguments were ultimately rejected by the Commission.

Accordingly, for all the reasons advanced by UGI Electric, we recommend that OCA's proposal to switch from the ELG procedure to the ALG procedure be denied. UGI Electric asserts the ELG procedure appropriately matches cost recovery to service consumption of the asset, thereby better ensuring that current customers are paying for the assets in use. The company also argues the use of the straight-line remaining life depreciation method, with the ELG procedure has been a common and long accepted depreciation process in Pennsylvania and OCA has not offered evidence sufficient to justify a change to the ASL procedure in this proceeding. As noted, OCA's arguments have been rejected by the Commission. We agree with UGI Electric that the Company's depreciation expense claim is appropriate, based upon the evidence presented in this particular proceeding, and therefore should be accepted. The evidence here shows that

UGI Electric has a long-standing history of using the ELG method, which is widely used in Pennsylvania, and which provides an appropriate allocation in the particular circumstances presented in this proceeding.

Accordingly, it is recommended that OCA's proposal to adopt the ALG method in this proceeding be denied.

Rate Case Expense

UGI Electric Position

UGI Electric's rate case expense claim is $536,000.00, which is based on a total rate case expense claim of $1,071,000.00, normalized over a two-year period. The OCA proposed a three-year normalization period, which would result in a reduction of the company's claim of $536,000.00 by $179,000.00, to $357,000.00. OCA St. 2 at 8-10, 14. I&E proposed a 33-month normalization period, which would result in a reduction of the company's claim of $536,000.00 by $147,000.00, to $389,000.00. I&E St. 1 at 9-10.

UGI Electric argues that a two-year normalization period is reasonable based on the expectation that it will file another rate case it approximately two years. UGI Electric St. 2 at 12; UGI Electric Exhibit A – Fully Projected (Rebuttal), Schedule D-10. The company states it anticipates filing its next rate case in two years based upon its assessment of " . . . future capital requirements, continued information system improvements and the need to continue modernizing its system through the replacement of aged infrastructure through its LTIIP." UGI Electric St. 2-R at 8.

OCA Position

In recommending a three-year normalization period, OCA looked to the company's historical filing frequency and also considered UGI Electric's proposed accelerated replacement program. OCA argues that these considerations provide a balance between the needs of the company and its ratepayers. OCA St. 2SR at 14. OCA considers a three-year normalization period to be reasonable in this proceeding.

I&E Position

I&E, in proposing its downward adjustment of $147,000.00 to UGI Electric's claim, based on its proposal to use a 33-month normalization period, rather than the company's two-year claim. It argues that 33 months more accurately reflects the company's historical rate case filing frequency. I&E St. 1 at 7, 10. I&E argues that the company's two-year proposal is purely speculative and does not match its history of filing rate cases.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We recommend adopting the OCA's proposal to use a three-year normalization period, which would result in an adjustment of $179,000.00 to the

company's claim of $536,000.00. The adjustment brings the allowed rate case expense claim to $357,000.00. We agree with OCA and I&E that the company's proposal to use a two-year normalization period based on anticipated spending is speculative and not based on historical rate case filing patterns. As correctly noted by OCA in its main brief, the Commission has stated, " . . .the normalization period should reflect the Company's historical rate case frequency, not the Company's future intention for filing a rate case." *Pa. PUC v. Phila. Gas Works*, Docket No. R-2023-3037933, at 66 (Opinion and Order entered Nov. 9, 2023).

Accordingly, we recommend that the company's rate case expense claim of $536,000.00 be adjusted downward by $179,000.00 to $357,000.00.

Credit and Collections Expense

UGI Electric Position

UGI Electric claims an expense of $941,028.00 related to credit and collections activities. OCA recommends a decrease to this claim in the amount of $470,514.00, based on its position that the company should share 50% of this expense with customers due to alleged inefficiency and ineffectiveness of the company's expenditures. I&E did not brief this issue.

In supporting its claim, UGI Electric argues:

> OCA's proposed adjustment should be rejected. First, the Company's collections practices include numerous attempts by mail, phone calls and in-person field visits to provide customers with information to avoid pending termination activity. Many of these activities are done in order to comply with statutory or regulatory requirements, or as a result of direct input from stakeholders like OCA in working groups and

> prior proceedings. Second, although the Company does not differentiate between customer types for its collections activities, outside of suspending terminations for nonpayment from December 1 through March 31 for confirmed low-income customers, UGI Electric's practice comports with Chapter 56 of the Commission's regulations.

UGI Electric MB at 54-55; UGI Electric St. 13-R at 11-12.

UGI Electric further notes that it does not resort to more frequent termination of confirmed low-income customers. Rather, less than 15% of the total termination notices sent to termination-eligible customers due to non-payment actually resulted in termination of confirmed low-income customers. UGI Electric St. 13-R at 12. The company argues that OCA's proposed adjustment should be rejected.

OCA Position

In its main brief, OCA emphasizes Section 523 of the Public Utility Code, which requires that the Commission consider the efficiency, effectiveness, and adequacy of a utility's credit and collections activities. 66 Pa. C.S. § 523. OCA essentially argues that UGI Electric has not provided sufficient information supporting its position that its credit and collections activities are efficient and effective. OCA suggests that the information provided by the company warrants further examination by the Commission.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We recommend that UGI Electric's credit and collections expense claim of $941,028.00 be accepted. The company describes some of its credit and collections activities at pages 54-57 of its Main Brief. We believe that the activities and procedures observed by the company support its claim in this proceeding. While suggesting that the Commission should more closely examine the company's procedures to determine its compliance with 66 Pa. C.S. § 523, we do not believe that it has provided sufficient record evidence in this proceeding to prove that the company has not complied with its statutory requirements on this issue. Accordingly, we recommend that UGI Electric's proposed credit and collections claim be accepted.

Vegetation Management

UGI Electric Position

UGI Electric has included a claim in this case for vegetation management expense in the amount of $4,141,000.00 for the FPFTY. This claim includes costs for salaries, benefits, transportation and outside contractors. The company argues that the costs are associated with its efforts to provide robust vegetation management practices on an accelerated, shorter cycle. UGI Electric St. 3 at 4. UGI Electric notes that vegetation management is a very labor intensive activity, and that the company entered into a contract with its outside on-property line clearance contractor for the period January 1, 2025, through December 31, 2028. It explained that there is a yearly labor

cost increase under this contract that would not be captured under either OCA's or I&E's proposed adjustments (explained below). UGI Electric included a chart in its main brief showing the actual Annual Distribution Vegetation Management Expense for the eight-year period from 2018 to 2025, and the budgeted Annual Distribution Vegetation Management Expense for the years 2026 and 2027. The chart reflects an increase in contractor costs for vegetation management on the distribution system from 2018 through 2025 of 21%. UGI Electric MB at 60; UGI Electric St. 3-R at 3. The Company argues that it ". . . overspent on its total vegetation management budget in the past three years by between 1.26% and 3.98% and had not underspent on that combined budget since Fiscal Year 2023, and even then, the company only underspent by $58,000 or 1.45%. UGI Electric St. 3-Rj at 4.

I&E Position

I&E is proposing a downward adjustment to the company's vegetation management contractor cost expense claim in the amount of $469,000.00, resulting in an allowance of $3,469,000 for contractor costs. I&E notes that information provided by UGI Electric showed two periods between 2018 and 2025 when vegetation management expense did not increase from the previous year. I&E MB at 20; UGI Electric St. 3-R at 3. I&E further looked at a three-year average of the company's vegetation management contractor costs over the period 2023-2025 in recommending its downward adjustment. I&E St. 1 at 26-28. I&E argues that the company has not demonstrated consistent yearly increases in its vegetation management contractor costs to justify its claim in this proceeding.

OCA Position

OCA recommends disallowance of $265,000 from the company's claim of $4,141,000. OCA witness Mugrace testified that a five-year normalization period better

reflects the recovery of costs based on recent actual tree trimming and vegetation management expenditures. He looked at actual costs for the period FY 2021 through FY 2025, and budgeted costs for FY 2026 and 2027 in calculating his proposed adjustment. OCA MB at 51.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We recommend that UGI Electric's vegetation management claim be accepted as reasonable. We find that the company presented sufficient record evidence supporting its claim of $4,141,000 in this proceeding. The company is in the second year of a four-year contract with its external on-property line clearance contractor. The contract provides for equal annual price increases. UGI Electric St. 3-R at 4,6. UGI Electric argues that the increase in labor costs would only be captured in a single year of I&E's three-year normalization period and a single year of OCA's five-year normalization period. Further, the new, increased costs will be incurred through 2028, well beyond the September 30, 2027, end of the FPFTY. UGI Electric MB at 59. We believe the record evidence presented by UGI Electric sufficiently justifies its vegetation management claim of $1,141,000 and recommend that it be accepted without adjustment.

Payroll and Payroll Related Expenses

UGI Electric Position

As explained by the company in its main brief, UGI Electric's initial claim for payroll expenses of $7,158,000 and payroll-related expenses of $1,296,000 (consisting of employee benefits of $724,000 and payroll taxes of $572,000) reflected its known or anticipated changes to its union and non-union employees at the end of the FPFTY and was developed using an assumed level of headcount based on the company's development and use of vacancy rates of 1.1% for electric employees and 4.7% for shared employees. UGI Electric MB at 62. UGI Electric subsequently updated its claims to reflect a vacancy rate of 6.15% for shared employees, which reduced the payroll tax claim by $44,000, the employee benefits claim by $11,000, and the payroll tax claim by $4,000. The company maintained the 1.1% vacancy rate for electric employees.

I&E Position

In its surrebuttal testimony, I&E revised its original position and accepted UGI Electric's vacancy rates for 1.1% for electric employees and 6.15% for shared employees. Accordingly, I&E is not challenging the company's updated payroll and payroll related expense claims.

OCA Position

OCA did not brief this issue

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue

Disposition

As the parties agree with or do not challenge UGI Electric's revised claims for payroll and payroll related expenses, we recommend that the following expense claims be accepted: payroll expenses: $7,114,000.00; employee benefits: 713,000.00; and payroll taxes: $568,000.00.

Incentive Compensation

UGI Electric Position

UGI Electric explains claim for incentive compensation claim in its main brief:

> In addition to the fixed compensation that UGI Electric offers to its employees, the Company offers incentive (i.e. performance-related) compensation to attract and retain qualified and dedicated employees, managers and executives. This type of compensation is standard in the utility industry, and UGI Electric offers it to ensure that: (1) the Company attracts and retains qualified individuals who possess necessary expertise in this nuanced, highly regulated filed; (2) the Company's compensation is competitive with that of other public utilities; and (3) a portion of covered individuals' compensation is tied to the Company's performance in providing safe and reliable service at affordable rates to its customers.

UGI Electric MB at 63.

UGI Electric explained that OCA and I&E proposed adjustments to the capital costs and expenses related to its incentive compensation claim on the basis that those portions should be disallowed because they are tied to the financial performance of the Company. During the course of this proceeding, UGI Electric agreed to reduce its claim for incentive compensation to "eliminate the Company's claim for the equity compensation plans and the portions of other incentive plans that are based on financial metrics." UGI Electric St. 4-R at 6. The Company's voluntary adjustments reduced its claim for incentive compensation and its rate base claim. In addition, in rebuttal, UGI Electric both updated its claim for Lineman and Substation Bonuses, which had been understated, and increased its revenue requirement. I&E accepted the Company's adjustments to its incentive compensation claims and doesn't propose any further adjustments.

OCA Position

The OCA is recommending disallowance of the Company's claim related to the Growth Metric portion of the Company's UGU Management incentive Plan. OCA St. 2SR at 9. OCA argues that the Growth Metric does not benefit ratepayers, since "UGI Electric is a small utility and there is a limited or minimal growth per year, which does not appear to provide sufficient growth to offset and spread the fixed costs over a larger customer base." OCA St. 2-SR at 9. OCA further argues, "[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." OCA MB at 48.

I&E Position

As noted, I&E has accepted revisions made to its claim by UGI Electric during the course of the proceeding.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We recommend that the further adjustment recommended by the OCA related to the Growth Metric portion of the company's UGIU Management incentive Plan be rejected and that UGI Electric's incentive compensation claim, as revised during the course of this proceeding, be accepted.

UGI Electric witness Ressler testified, "[o]rganic customer growth allows the Company to spread fixed costs across a larger customer base, reducing the per-customer cost of service . . . if such growth is sufficient, it can also extend the period between base rate cases, further moderating costs for existing ratepayers." UGI Electric St. 4-R at 9. The Company further notes that this is the case even more so for small utilities whose addition of even a single large customer can make a significant difference in the allocation of costs. *Id*. UGI Electric further argues that the Growth Metric under the UGIU Management Incentive Plan applies to both UGI Gas and UGI Electric. It argues that growth in either area will result in a beneficial spread of fixed costs. UGI Electric St. 4-RJ at 2.

We find that UGI Electric has provided adequate record evidence in support of its position that costs related to its Incentive Compensation claim, as revised during the

course of this proceeding, will provide benefits to its customers. Accordingly, we recommend that UGI Electric's claim for Incentive Compensation be accepted without further adjustment.

Injuries and Damages

UGI Electric Position

UGI Electric is proposing an expense claim for Injuries and Damages (I&D) in the amount of $1,017,000 in its FPFTY. These costs include both claims and non-claims costs. UGI electric St. 4-R, pp. 12-13. It explained that the non-claims costs include insurance premium costs, payroll and vehicle expenses for the claims department, professional fees and other miscellaneous costs. UGI Electric St. 4-R at 12-13. OCA originally recommended disallowing $391,667 of those claims based on a three-year average of those expenses for the period 2023-2025. OCA St. 2 at 44-45. UGI Electric agreed in rebuttal to partially accept OCA's recommendation and reduced its claim by $41,000 to normalize, based on a three-year normalization, the portion of the I&D costs directly related to claims payments, but argued that OCA miscalculated its I&D adjustment, which resulted in a lower average cost for the three-year period of 2023-2025 than it should have been. UGI Electric St. 4-R at 12-13. In response, OCA recalculated its normalization adjustment and reduced its I&D adjustment claim downward to $209,000. OCA St. 2SR at 16-1; OCA Exhibit SR-DM-15. OCA maintains that the entirety of the company's I&D expenses should be adjusted to reflect a three-year normalization.

UGI Electric argues it is incorrect to normalize the non-claims cost component of its I&D expense. The company explains in its main brief:

> UGI Electric witness Ressler testified that "[f]or each of these non-claims costs, the Company's internal subject matter experts recommend an amount to be included in the budget." That budget, upon which the company's claim is based, is the expected operational costs for the test year, not on a general estimate or trend. Also, "as shown at UGI Electric Exhibit VKR-R4, the Company saw an overall upward trend in these non-claims costs from 2023-2025." In fact, the Company's claim (based on its Fiscal Year 2027 FPFTY budget) is only slightly higher, approximately 2.5% more, that its actual 2025 costs. Therefore, if anything, UGI Electric is likely to under-recover its costs even at the Company's claim amount.

UGI Electric MB at 67-68, citing UGI Electric St. 4-R at 13-14.

OCA Position

In support of its recommended adjustment, OCA witness Mugrace testified, "[t]hese costs include workers compensation, safety and health claims, and the cost of various liability insurance coverages. These costs should be normalized to account for fluctuations of claims incurred related to damages and litigation and the changes in various liability insurance coverages. OCA Corrected St. 2 at 44-45. OCA recommends its adjustment of $209,000 to reflect a three-year normalization of these expenses.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We recommend that UGI Electric's claim be accepted and OCA's proposed adjustment in the amount of $209,000 be rejected. We find that the evidence presented by UGI Electric witness Ressler supports the Company's position that it is not appropriate to normalize the non-claims component of its I&D claim and that including the expected operational costs in its budget, rather than a three-year normalized amount, more accurately reflects the Company's actual costs. Accordingly, we recommend that UGI Electric's claim for Injuries and Damages be accepted without adjustment.

Membership Dues

UGI Electric's original claim included membership dues of $39,245 to the Edison Electric Institute (EEI), $9,185 to the Energy Association of Pennsylvania (EAP) and $3,340 to the PA Chamber of Commerce. OCA recommended a disallowance of $51,770, arguing that the dues to EEI, EAP and the PA Chamber of Commerce should be excluded. UGI Electric subsequently updated its claim to remove a $2,000 dues claim for another membership and also removed its claim for dues to the PA chamber of Commerce. The company maintains that OCA's proposed disallowance of the EEI and EAP dues should be rejected.

UGI Electric Position

UGI Electric notes that it provided a complete breakdown of the EEI and EAP membership dues and that it all costs associated with lobbying activities form its

claim. In further supporting its claim for recovery of EEI and EAP dues, company witness Ressler explained:

> 1) EEI – Edison Electric Institute is an electric industry group that supports its utility members that focus on providing reliable, affordable and clean energy. It develops industry best practices and technical standards that utilities rely on. The collective participation in these efforts allows electric utilities to be prepared and informed so they can maintain safe and reliable service for their customers. Studies produced by EEI on the electric distribution industry are helpful and informative for everyone in the industry – local distribution companies, ratepayers and advocates alike. In fact, OCA witness Roger Colton relies on materials produced by EEI in his direct testimony in this rate case (OCA St. 6, pp. 8-9).
>
> 2) EAP – The Energy Association of Pennsylvania is an energy industry group that focuses on bringing Pennsylvania gas and electric utilities together to share best practices, collaborate on customer affordability and other customer-focused programs, and educate on and work through operational challenges. Pennsylvania consumers benefit from the collaborative environment and shared knowledge base created through EAP.

UGI Electric St. 4-R at 16-17.

UGI Electric argues that its membership in these organizations does, in fact, result in benefits to customers sufficient to justify recovery of those dues.

OCA Position

OCA first notes that under the Public Utility Code, utilities may not recover the costs of "membership fees, dues or charges to fraternal, social or sports clubs or organizations." OCA MB at 54, citing 66 Pa. C.S. § 1316.1. It argues that customers

receive no benefit from UGI's participation in organizations that are related with civic causes or lobbying.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We recommend that UGI Electric's claim be accepted without adjustment and, accordingly, we reject OCA's proposed adjustment of $51,770. We find that the testimony of UGI Electric witness Ressler provides sufficient support for the Company's position that membership in EEI and EAP results in benefits to customers sufficient to justify their recovery in rates. UGI Electric has demonstrated that these organizations provide industry-related information rather than serving merely as fraternal, social or sports clubs. Additionally, the Company provided testimony showing that it removed from its claim all costs associated with lobbying efforts, which was a concern of OCA. UGI Electric St. 4-RJ at 3-4. Accordingly, the OCA's proposed adjustment should be rejected.

E. Taxes

Income Taxes

UGI Electric Position

UGI Electric's claim to recover federal and state income taxes is set forth in UGI Electric Exhibit A – Fully Projected (Rebuttal), Schedule D-33. As noted by the company, its income tax claim was calculated using procedures typically observed by the Commission. This includes the normalization method for accelerated depreciation used in the calculation of federal income taxes, and the flow through or accelerated depreciation benefits for state income tax purposes. UGI Electric St. 9 at 4. UGI Electric notes that no party challenged its method of calculating federal and state income taxes during the FPFTY and, accordingly, requests that its calculations as reflected in UGI Electric Exhibit A – Fully Projected (Rebuttal), Schedule D-33, and Table 1 of its main brief, be accepted.

OCA Position

OCA did not brief this issue.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

The company's claims to recover federal and state income taxes was addressed and supported by its witnesses Espigh and Kim in UGI Electric St. 9 at 4-6 and UGI Electric St. 9-R at 2. Given that no parties in this proceeding have challenged the company's proposals, and having reviewed the record evidence, we recommend that UGI Electric's claims to recover federal and state income taxes, as shown in UGI Electric Exhibit A – Fully Projected (Rebuttal), Schedule D-33, and Table 1 of its main brief, be accepted.

Taxes Other Than income

UGI Electric Position

UGI Electric states its FPFTY taxes other than income taxes are approximately $9.84 million. UGI Electric Exhibit A – Fully Projected (Rebuttal), Schedule D-31. It notes that OCA recommended a downward adjustment of $1,054,100 to incorporate various recommended adjustments. In rebuttal, the company decreases payroll taxes by $4,000 and increased the forfeited discount revenue by the percentage of the rate increase, which increases gross receipts taxes by $4,000. UGI Electric St. 2-R at 13-14. The company argues that no more adjustments proposed by OCA should be adopted.

OCA Position

The OCA noted that UGI Electric accepted the OCA's recommendation concerning Accumulated Deferred Income Taxes (ADIT) but did not include changes to ADIT based on its recommendations concerning depreciation. OCA St. 2SR at 4. OCA argues that if the Commission adopts its recommendation regarding depreciation, the accompanying adjustment to UGI Electric's ADIT is a reduction of $427,174. OCA Corrected St. 2 at 16.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We have rejected the OCA's proposal regarding adjustments to UGI Electric's depreciation claims based on its recommendation that the company convert from the ELG method to the ALG method for plant vintages after 1982. Accordingly, we reject its proposed downward adjustment to UGI Electric's ADIT in the amount of $427,174. No other adjustments are being proposed by the other parties to this proceeding. Accordingly, we recommend that the Commission accept the Company's

claims related to taxes other than income taxes as set forth in UGI Electric Exhibit A – Fully Projected (Rebuttal), Schedule D-31.

PA Local Use Tax

UGI Electric Position

UGI Electric explained in rebuttal testimony that it had overstated its claim for Pennsylvania Local Use Tax by $34,000. UGI Electric St. 2-R at 3. It made this adjustment, which is reflected in Line 3, Schedule D-31 of UGI electric Exhibit A – Fully Projected (Rebuttal) Schedule D-31. This adjustment reduces the overall revenue requirement by $36,000. UGI Electric St. 2-R at 3.

OCA Position

OCA Did not brief this issue.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We find that UGI Electric's adjusted claim for Pennsylvania Local Use Tax is reasonable and recommend that it be accepted by the Commission. As noted, no other parties challenged the company's adjusted claim nor proposed any further adjustments.

Interest Synchronization

UGI Electric Position

UGI Electric explains:

> The Company's tax expense claims reflect amounts related to the synchronization of debt interest. Debt interest expense is synchronized using the rate base claim from Schedule C-1, with the cost of debt and the debt component of UGI Electric's capital structure recommended in the rebuttal testimony of Dylan A. D'Ascendis (UGI Electric Statement No. 8-R) and shown on Schedule B-7 of UGI Electric Exhibit A – Fully Projected (Rebuttal). The only adjustments proposed regarding debt interest expense synchronization relate to OCA'a proposed use of a hypothetical capital structure and OCA's proposed rate base adjustments connected to certain depreciation adjustments. As OCA's proposals regarding capital structure and depreciation should be rejected, so too should their proposed adjustments to state and federal income taxes related to the synchronization of debt interest expense.

UGI Electric MB at 72.

With regard to interest synchronization, our recommended tax expense claim reflects amounts related to the synchronization of debt interest, calculated using UGI Electric's actual weighted cost of debt and capital structure.. See Appendix A, Table III.

F. Rate of Return

Legal Standard

A public utility is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pennsylvania Gas and Water Co. v. Pa. PUC*, 341 A.2d 239, 251 (Pa. Cmwlth. 1975) (citations omitted). In determining a fair rate of return, the Commission must adhere to the constitutional standards established by the United States Supreme Court in the seminal cases *Bluefield Water Works and Improvement Co. v. Public Service Comm'n of West Virginia*, 262 U.S. 679, 692-93 (1923) (*Bluefield*) and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (*Hope Natural Gas*). In *Bluefield*, the Supreme Court stated:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

Bluefield, 262 U.S. at 692-93. Twenty years later, in *Hope Natural Gas*, the Supreme Court reiterated:

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that 14 standard the return to equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

Hope Natural Gas, 320 U.S. at 603.

Capital Structure

UGI Electric Position

The Company submits that its FPFTY capital structure consists of 54.25% equity and 45.75% long-term debt.[83] In support of the Company's capital structure, it avers that it utilized its actual capital structure as part of its weighted average cost of capital calculation.[84]

The Company objected to I&E's proposed hypothetical capital structure of 50% common equity and 50% long-term debt as well as OCA capital structure of 42% common equity and 58% long-term debt, based upon the average debt ratios of the proxy group.[85] UGI Electric argues that the Commission has repeatedly and recently reaffirmed

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[83] Electric Rebuttal Exhibit B, Schedule DWD-1R at 1. Electric Rebuttal Exhibit B, Schedule DWD-1R at 1.

[84] *See* UGI Electric St. No. 8 at 3.

[85] *See* I&E St. No. 2 at 16-20. As noted herein, this is the first case Mr. Patel has proposed a 50/50 capital structure for an investor-owned utility. *See* Tr. 400. Mr. Patel's first time ever proposing a hypothetical capital structure for an investor-owned utility was in the recent *PAWC 2026 Order*, where he proposed a hypothetical capital structure for PAWC's water operations of 55.00% common equity, 0.01% preferred stock, and 44.99% long-term debt. *See* Tr. 399-400; OCA St. 3 at 5, 59.

that a utility's actual capital structure is to be used, absent circumstances where the actual capital structure is atypical for the type of utility service being offered.[86]

In determining whether the claimed capital structure is atypical, the Company argues that the Commission has looked to see whether the capital structure used by the utility is outside the range of that employed by the barometer group of companies considered in the rate of return analysis.[87] If a utility's capital structure is within a reasonable range of similar risk barometer group companies, UGI Electric argues that the utility's capital structure should be used and not a hypothetical capital structure.[88]

For example, in *ALLTEL,* the Commission stated as follows:

> The ALJ recommended use of the Company's stand-alone capital structure since it met the following characteristics of an appropriate capital structure: (1) It was within a reasonable range of similar risk barometer group companies. (2) It reflected the Company's actual capital structure and projected near term capital structure. (3) It is consistent with the Company's apparent capital structure goal. (R.D., p. 28).
>
> We concur with the recommendation of the ALJ, particularly for the reason that the Company's actual capital structure falls within a range employed by similar risk barometer group companies, described by Mr. Shiavo as commensurate with capital ratios employed by other independent telephone operating companies. [89]

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[86] *See, e.g., PAWC 2026 Order*, p. 184; *Columbia Gas 2025 Order*, pp. 210-11; *Pa. PUC v. City of Lancaster - Water*, Docket Nos. R-00984567, *et al.*, 1999 Pa. PUC LEXIS 39, at *17 (Order dated Sept. 22, 1999); *Pa. PUC v. City of Bethlehem*, 84 Pa. P.U.C. 275, 304 (1995); *Carnegie National Gas Co. v. Pa. PUC*, 433 A.2d 938, 940 (Pa. Cmwlth. 1981).

[87] *See, e.g.*, *PAWC 2026 Order* at 184-85; *Columbia Gas 2025 Order* at 212-13.

[88] *See, e.g.*, *Columbia Gas 2025 Order* at 212-13.

[89] *Pa. PUC v. ALLTEL Pa., Inc.*, Docket Nos. R-942710, *et al.*, 59 Pa. PUC 447, 491, 1985 Pa. PUC LEXIS 53, *106-07 (Order entered May 24, 1985) ("*ALLTEL*").

The Company avers that this analysis was reaffirmed by the Commission in the *PPL Electric 2012 Order*. In that case, PPL Electric proposed to use its actual capital structure, but both I&E and OCA proposed to use a hypothetical capital structure.[90] I&E argued in favor of a hypothetical capital structure based upon a calculated industry average.[91] OCA proposed a hypothetical capital structure that was based on an average of PPL Electric's capital structure for a recent period.[92] OCA further supported its proposal by reference to the average common equity ratio of the barometer group sponsored by the Company.[93] The Commission rejected I&E's and OCA's contentions and adopted the Company's proposed capital structure, concluding:

> Absent a finding by the Commission that a utility's actual capital structure is atypical or too heavily weighted on either the debt or equity side, we would not normally exercise our discretion with regard to implementing a hypothetical capital structure. With regard to these factors, we are persuaded by the arguments of PPL that its actual capital structure is not atypical, is with a range of reasonableness, and, pursuant to precedent, provides no basis to employ a hypothetical capital structure. Also, we are further swayed by PPL's assertion that it requires an equity ratio near the high end of the historic range employed by the barometer group companies to support its expanded infrastructure replacement program and its credit rating. [94]

The Company also asserts that the Commission has reaffirmed its prior decisions on capital structure in the following recent decisions: *Columbia Gas 2021 Order, PECO Gas 2021 Order*, the *Aqua 2022 Order*, the *Columbia Water 2024 Order*,

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90 *PPL Electric 2012 Order* at 63-65.
91 *Id.* at 65-66.
92 *Id*. at p. 60.
93 *Id.* at 63-64.
94 *Id.*, p. 68 (citations omitted).

and the *PAWC 2024 Order*.[95] Furthermore, the Company asserts that the Commission reaffirmed these principles in the *Columbia Gas 2025 Order*, stating:

> We find it appropriate to reinforce our finding, which we have outlined in several recent base rate proceedings before this Commission, that "the use of an actual capital structure represents the Company's decision, in which it has full discretion, on how to capitalize its rate base. This actual capitalization forms the basis upon which the Company attracts capital. [96]

Here, UGI Electric has proposed its capital structure of 54.25% common equity and 45.75% long-term debt based upon how the Company anticipates financing necessary infrastructure investments during the FPFTY.[97] In support of this capital structure, UGI Electric witness D'Ascendis explained that the Company's proposed capital structure is within the range of capital structures presented by his Electric Utility Proxy Group.[98] In addition, the Company argues its proposed capital structure satisfies the guidelines established in in The Cost of Capital – A Practitioner's Guide (CRRA Guide), as well as other academic literature and the approach taken by the Federal Energy Regulatory Commission ("FERC").[99] Furthermore, the Company avers that Mr. D'Ascendis showed that the Company's actual equity ratio is within the range of authorized equity ratios of other electric utilities and should be deemed reasonable.[100]

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95 *Columbia Gas 2021 Order* at 118 (adopting the utility's proposed actual capital structure of 54.19% common equity, 42.22% long-term debt, and 3.59% short-term debt). *See Pa. PUC v. PECO Energy Co. – Gas Div.*, Docket Nos. R-2020-3018929, *et al.* at 144-47 (Order entered June 22, 2021) ("*PECO Gas 2021 Order*"); *Aqua 2022 Order* at 138-41; *Columbia Water 2024 Order* at 83-86; *PAWC 2024 Order* at 157-60.

96 *Columbia Gas 2025 Order* at 210-11.

97 UGI Electric St. No. 8 at 3, 14.

98 UGI Electric St. No. 8 at 15-16.

99 UGI Electric St. No. 8-R at 6-8.

100 *Id*. at 8.

The Company claims that its proposed capital structure is within the range of typical utilities, as represented by the Electric Utility Proxy Group (notably utilized by both UGI Electric and OCA in this proceeding) and its operating subsidiaries, and within the range of equity ratios authorized by utility regulatory commissions.[101] The Company further argues that I&E witness Patel's position here contravenes I&E's position in UGI Gas's 2026 Rate Case and his position in the *PAWC 2026 Rate Case* and every other rate case in which he testified as an expert on capital structure involving an investor-owned utility. In UGI Gas's 2026 Rate Case, I&E accepted UGI Gas's actual capital structure.[102] The Company avers that nothing in this record justifies treating UGI Electric differently from UGI Gas on this issue.

In the *PAWC 2026 Rate Case*, the Company argues that Mr. Patel did not propose a 50/50 capital structure; rather, he proposed a hypothetical capital structure with a common equity ratio only 1.31% below PAWC's claimed actual capital structure for its water operations (*i.e.*, 56.31% minus 55.00%).[103] The Company states that that case marked the first time, across many rate cases, that Mr. Patel proposed a hypothetical capital structure for an investor-owned utility.[104] Yet, in this proceeding, Mr. Patel recommends a hypothetical capital structure that would reduce UGI Electric's actual common equity ratio of 54.25% down to 50.00% (*i.e.*, a difference of 4.25% or a change in the capital structure of approximately 7.8%). The Company maintains that at no point in his written testimony did Mr. Patel attempt to explain his disparate position in these two cases.

Furthermore, the Company points out that Mr. Patel's reason for proposing a hypothetical capital structure in his written testimony was to reduce the impact of an

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101 *Id*.

102 UGI Electric St. No. 8-R at 6.

103 Tr. 397-98.

104 Tr. 400; *see* I&E St. No. 2, Appendix A at 2-3 (listing the cases in which Mr. Patel has submitted testimony since 2016).

equity heavy/rich capital structure on ratepayers while at the hearing Mr. Patel testified that his decision to propose a hypothetical capital structure was based on multiple factors.[105] The Company argues that this contravenes well-established Commission precedent on when to employ a hypothetical capital structure, which is when the utility's actual capital structure is atypical or too heavily weighted to either debt or equity such that is outside the range of reasonableness.[106] Thus, the Company avers that Mr. Patel's testimony does not constitute a basis to employ a hypothetical capital structure.

Likewise, the Company argues that OCA witness Garrett's position in this case conflicts with his position in the *PAWC 2026 Rate Case*. There, Mr. Garrett testified on rate of return issues on behalf of OCA but utilized PAWC's claimed actual capital structures for both its water and wastewater operations when calculating the weighted average cost of capital.[107] As such, Mr. Garrett accepted for use in his calculations an actual common equity ratio of 56.13% for PAWC's water operations, but in this case, he rejects UGI Electric's actual common equity ratio of 54.25% and, instead, proposes to reduce the equity ratio down to 42.00% (a difference of 12.25% or a change in the capital structure of more than 22.5%).

UGI Electric also argues that I&E's and OCA's proposals to adopt the Company's long-term debt cost rate in the context of its hypothetical capital structure create a mismatch that further demonstrates why their proposed hypothetical capital structures should be rejected. The Company claims that by inputting higher debt ratios than UGI Electric's actual debt ratio, both OCA's and I&E's hypothetical capital structures necessarily assume more in debt than the actual debt outstanding for the Company. Neither OCA nor I&E prices this additional long-term debt in its proposed

105 I&E St. No. 2-SR at 11; Tr. 402-03.
106 *See, e.g.*, *Columbia Gas 2025 Order* at 213.
107 Tr. 363-68.

hypothetical capital structure.[108] As such, the Company claims that neither OCA nor I&E take into account the potential impacts on the Company's cost of debt that would result from it being forced into financing a greater percentage of its capital investments by issuing debt.[109] As UGI Electric witness D'Ascendis explained, "if the Company had a capital structure with more leverage, the Company's cost of long-term debt would be somewhat higher than the updated debt cost rate of 5.22%."[110] Thus, the Company argues that both OCA's and I&E's proposed hypothetical capital structures are incomplete and do not fully-capture the costs of the Company securing debt to finance its infrastructure investments.

In sum, UGI Electric argues it is acting prudently to replace aging plant to maintain reliable service and is maintaining a financial profile that will enable it to obtain the necessary financing to do so.[111] The Company argues that that financial profile is within the range of capital structure ratios of the Electric Utility Proxy Group, and there is nothing credible in the record to establish that UGI Electric's common equity ratio is "atypical" under Commission precedent. Therefore, the Company avers that any claim that its capital structure should be adjusted is unsupported by the facts or the law, and the Company's proposed capital structure should be approved without modification.

OCA Position

OCA opposes the Company's proposed capital structure.[112] OCA points out that the Company's requested capital structure includes a high common equity ratio consisting of 54.25% equity and 45.75% debt.[113] OCA avers that Vice Chair Barrow expressed concern regarding this capital structure and its impact to UGI's proposed rate

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108 *See generally* OCA St. 3; I&E St. No. 2.
109 *See* UGI Electric St No. 8-R, p. 19.
110 *Id*.
111 UGI Electric St. No. 1-R at 6-9.
112 OCA MB at 57.
113 OCA St. 3 at 3.

increase.[114] OCA now contends that based on the analysis of OCA witness Garrett, the Company's capital structure is unreasonable.[115] Specifically, Mr. Garrett contended that there is a significant difference between UGI Electric's proposed capital structure and the proxy group's capital structure.[116] Mr. Garrett also testified that UGI Electric's equity rich capital structure exacerbates "the unwarranted, excessive transfer of wealth from customers to UGI's shareholders."[117]

OCA argues that the Commission may make adjustment to a utility's capital structure where it may be unfair to customers. OCA asserts that the Pennsylvania Superior Court has held that the capital structure of utilities that are wholly-owned subsidiaries may not be one which it would maintain if it were obliged to obtain its debt and equity financing on the open market rather than from a parent company.[118]

According to OCA witness Garrett, the Value Line provides that the average capital structure mix for the proxy group consists of 58% debt and 42% equity.[119] OCA avers that this debt ratio is notably higher than UGI's proposed capital structure consisting of roughly 46% debt.[120] Mr. Garrett testified that this discrepancy means that UGI Electric has a lower level of financial risk relative to the proxy group.[121] OCA argues that there are more than 2,000 firms in U.S. industries with higher debt ratios than 50% and with an average debt ratio of approximately 63%.[122] OCA witness Garrett also testified that UGI Corp., UGI Electric's parent company, had a long-term debt ratio of

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114 OCA St. 3 at 4-5.
115 OCA St. 3 at 4-5.
116 Tr. at 377-379.
117 OCA St. 3 at 5.
118 *Riverton Consol. Water Co. v. Pa. PUC*, 140 A.2d 114, 121 (Pa. Super. 1958).
119 OCA St. 3 at 54.
120 *Id*.
121 *Id*.
122 *Id*. at 55.

57.8% at the end of 2025, which is significantly higher than what UGI Electric is proposing for ratemaking purposes.[123] Thus, OCA witness Garrett testified that the Company's proposed capital structure is not fair to ratepayers and if the Commission accepts UGI Electric's proposed capital structure then there must be a reduction in the ROE.[124] OCA argues that a ROE of 8% or a 70 point basis point reduction, would be fair if UGI Electric's proposed capital structure is adopted.[125]

OCA arrived at this calculation using a Hamada model showing varying debt ratios and their effect on the ROE.[126] Based on this model, OCA argues that the Commission should adopt its proposed capital structure of 42% equity and 58% debt in the interest of fairness to ratepayers because a debt ratio which is closer to the proxy groups debt ratio and UGI Electric's parent company will ensure fairness in rates by alleviating the unfair practice of double leveraging.[127] OCA further argues that authorizing a regulatory capital structure for UGI Electric with a common equity ratio considerably higher than the average of other comparable utility companies without justification will result in unreasonably high rates. Thus, OCA contends that the Company failed to meet its burden of proof in establishing that a 54.25% equity ratio is supportable or reasonable for ratemaking purposes.

OCA witness Garrett explained how this discrepancy harms ratepayers as follows:

> Since the parent company has a debt ratio of 58%, this means UGI Corp. is using debt to finance the Company's "equity." Since the Company also issues its own debt, this strategy is known as "double leverage." While this arrangement is not

123 OCA St. 3 at 57.
124 Tr. at 379.
125 Tr. at 379.
126 OCA St. 3 at 58.
127 OCA St. 2SR at 5.

> problematic among competitive firms, it often results in unfair, excessive returns for regulated utilities to the extent there is not an adjustment made by the regulator. If no adjustment is made, shareholders of the parent company effectively earn a high-cost equity return on low-cost debt. In fact, UGI Corp's earned ROE last year was 15.2%, which is significantly higher than its cost of equity, or even the inflated ROEs typically authorized by regulators.[128]

OCA witness Garrett further testified that the Commission can mitigate the excessive return that would otherwise occur through double leveraging by imputing a capital structure that is equal to the proxy group average.[129] Here, the proxy group proffered in this case had an average debt ratio of 58% which is what OCA witness Garrett proposed as his primary recommendation for UGI Electric's hypothetical capital structure.[130] OCA witness Garrett testified as to why UGI Electric and other regulated utilities desire to have high equity rations when he testified:

> Debt is cheaper than equity and interest expense is deductible, and so companies are incentivized naturally to issue as much debt as they can until it becomes too much where the - you know, marginal benefits wouldn't outweigh the marginal cost of doing that. So there's this natural financial incentive for all companies to issue as much debt to that level. But that same incentive doesn't exist for regulated utilities because … the return that they can ask for equity is going to be much higher than debt. And so for them it - there's more of an incentive not to have enough debt in their capital structures.[131]

OCA witness Garrett further testified that a regulator standing in the place of competition should ensure that a utility has enough of low cost debt instead of high cost equity and that the process of allowing shareholders of the parent company to send

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128 OCA St. 3 at 6.
129 *Id*.
130 OCA St. 3 at 4, 54.
131 Tr. at 382.

debt down to the subsidiary level, call it equity then getting a high equity return on it cannot be described as fair.[132] Therefore, OCA argues that the Company failed to meet its burden that its proposed capital structure is reasonable and OCA has presented substantial evidence that the Company's capital structure will harm ratepayers through the concept of double leveraging which unreasonably profits UGI Electric's parent company at the expense of UGI Electric's ratepayers in Pennsylvania.

OCA also opposed UGI Electric's interpretation of the *PAWC 2026 Order*.[133] Specifically, OCA argues that this case does not support UGI Electric's position that the Commission utilizes a utility's actual capital structure absent circumstances where the actual capital structure is atypical because the Commission rejected PAWC's proposed capital structure in that case.[134]

Accordingly, OCA requests the Commission adopt an equity ratio of 42% to ensure UGI Electric's rates are just and reasonable.

I&E Position

I&E recommends using a hypothetical capital structure of 50.00% long-term debt and 50.00% common equity for this case.[135] I&E contends that while, UGI Electric witness Dylan D'Ascendis describes the I&E's position as a "sudden change" based on I&E's acceptance of the actual capital structure in the recent UGI Gas base rate case[136], every case requires an individual analysis, and the use of a hypothetical capital structure is well supported in this case.

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132 *Id*. at 382-384.
133 OCA Reply Brief at 25.
134 PAWC 2026 order at 183-186.
135 *See* I&E St. No. 2, pp. 13-20, I&E St. No. 2-SR at 6-12.
136 UGI St. No. 8-R at 6, citing Docket No. R-2025-3059523.

I&E avers that the Commission has discretion to impose a hypothetical capital structure in cases where it determines that the subject utility's proposed actual capital structure is either atypical or too heavily weighted on either the debt or the equity side.[137] I&E also cites to Commission Vice Chair Barrow's statement where the parties were urged to "take a critical look at the Company's requested rate of return and return on equity (ROE) as well as the capital structure (common equity ratio and debt capital) to ensure reasonableness", and it was noted that "deviations in each of these items translate into millions of dollars charged to customers of all rate classes."[138] I&E also cites to comments provided by Mark Szybist, Special Counsel for Energy Affordability appointed by Governor Josh Shapiro detailing similar affordability concerns and noting that the capital structure proposed by UGI Electric is nearly inverse to its parent company UGI Corporation.

I&E contends that a hypothetical capital structure is appropriate for this case because of affordability concerns and due to the purported atypical structure proposed by UGI Electric. Specifically, I&E asserts that the Company's proposed 54.25% equity ratio would be substantially different than other utilities in the industry.[139] I&E indicates that Mr. Patel's five-year average equity ratio of proxy group utilities was 42.48% and the highest average common equity of any utility during the same period, which is 53.36%.[140] I&E argues that such a high deviation in equity (11.77% above the proxy group average) should be considered substantially different than those in the proxy group.

I&E further contends that even utilizing UGI Electric's utility proxy group, the same arguments would apply, as the five-year average equity ratio for his proxy

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137 *PA PUC et al. v. Pennsylvania-American Water Company*, Docket No. R-2025-3057983, at 184 (Opinion and Order entered July 27, 2026).

138 I&E St. No. 1 at 14-15, citing I&E exhibit No. 2, Schedule 2 at 1.

139 I&E Exhibit No. 2, Sch. 2 at 6-7.

140 I&E Exhibit No. 2, Sch. 2 at 6-7.

group is 40.36% and the highest average equity ratio from his group is 53.38%.[141] Also, I&E argues that the Company's proposed 54.25% equity is above even the highest average equity ratio of any I&E or UGI Electric proxy group utility.[142]

Accordingly, I&E recommends that the Commission exercise discretion by utilizing a hypothetical capital structure, as the Commission did in a recent PAWC case, in order to adjust an abnormally high equity ratio.[143]

OSBA Position

OSBA opposes OCA's capital structure of 42% common equity and 58% debt.[144] OSBA avers this is in contrast to UGI Electric's requested capital structure of 54.25% equity and 45.75% debt.[145] While the OSBA notes that UGI Electric's capital structure isn't the Commission's ideal split of 50%/50%, OSBA also argues that the OCA's proposed capital structure is an extreme change.

CEO Position

CEO does not brief this issue, but it asserts that it supports OCA's overall position on rates.[146]

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141 UGI Rebuttal Exhibit B, Sch. DWD-1R at 4-5.

142 *Pa. PUC v. Pennsylvania-American Water Company*, Docket No. R-2025-3057983, at 182-183 (Opinion and Order entered July 27, 2026).

143 *Id.; see also* I&E St. No. 2-SR at 5.

144 OSBA Reply Brief at 7 (citing to OCA Main Brief at 57).

145 *Id*.

146 CEO Reply Brief at 1.

Disposition

We recommend that the Commission adopt OCA's capital structure of 42% equity and 58% debt. We acknowledge that there is Commission precedent for adopting the actual capital structure unless it is atypical or outside a range of reasonableness. *Pa. PUC v. Columbia Gas of Pa., Inc.,* Docket No. R-2025-3053499, at 212-213 (Opinion and Order entered Dec 9, 2025); *Pa. PUC v. Pennsylvania-American Water Company*, Docket No. R-2023-3043189, at 158 (Opinion and Order entered July 22, 2024); *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258, at 84 (Opinion and Order entered Jan.18, 2024); *Pa. PUC v. PECO Energy Company - Gas Division*, Docket No. R-2020-3018929, at 133-145 (Opinion and Order entered June 22, 2021); *Pa. PUC v. Columbia Gas of Pa.,* Docket No. R-2020-3018835, at 117 (Order entered Feb. 19, 2021); *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597, at 68 (Opinion and Order entered Dec. 28, 2012). We further acknowledge that there is nothing in the record to support that UGI Electric's capital structure is atypical. However, we agree with OCA that there are more factors to consider when determining an appropriate capital structure that will result in just and reasonable rates.[147]

Initially, we cannot ignore the statement of Commission Vice Chair Barrow who urged the parties in this proceeding to take a critical look at the capital structure at the time this rate request was suspended.[148] UGI Electric failed to provide such a critical look at its capital structure instead relied on the fact that its capital structure is within the range of capital structures presented in the proxy group.[149]

On the other hand, OCA's review indicates that: (1) the Company's proposed, equity-rich capital structure consists of much higher amounts of high-cost

147 OCA Reply Brief, p. 26.
148 I&E Exh. 2, Sch. 2, at 1.
149 UGI MB pp., 79-85.

equity rather than low-cost debt, which contributes to an excessive authorized rate of return, (2) the Company's proposed debt ratio is much lower than the parent company's debt ratio and the debt ratios observed in comparable industries in the United States, and (3) the Company's proposed capital structure will harm ratepayers through the concept of double leveraging which unreasonably profits UGI's parent company at the expense of UGI Electric ratepayers when UGI Electric's parent company uses debt to finance UGI Electric's "equity" resulting in shareholders of the parent company receiving a high-cost equity return on low-cost debt.

OCA also argues that their proposed hypothetical capital structure is aligned with proxy group averages.[150] The Commission's Quarterly Earnings Report current average capital structure of the Electric Utility Industry barometer group is 41.87% equity and 58.13% debt. This is comparable to OCA's proposed capital structure of 42% equity and 58% debt.

Therefore, we find that UGI Electric failed to meet its burden of proof that its proposed capital structure of 45.75% debt and 54.25% equity will produce just and reasonable rates and we recommend that the Commission adopt OCA's capital structure of 42% equity and 58% debt.

Proxy Group

UGI Electric Position

The Company asserts that determining an appropriate cost of capital is based upon the economic principle of "opportunity costs" and a sensible investment requires an expected return at least equal to the return expected on an alternative

150 OCA St. 3 at 3.

investment with comparable risk.[151] The Company maintains that the purpose of the proxy group is to establish a set of companies with similar traits (*i.e.*, risks) to the subject utility.[152] The proxy group then allows a regulator to determine the "opportunity cost" associated with an investment in the subject utility by applying the various models used to determine the cost of equity to a set of entities comparable to the subject utility.[153] The Company argues that the Commission has consistently relied upon the use of a proxy group to analyze and set an appropriate ROE, including in its most recent fully litigated rate cases (*i.e.*, the *Columbia Gas 2025 Order* and *PAWC 2026 Order*).[154] The Company also points out that all rate of return experts in this proceeding utilized a proxy group to conduct their ROE analyses.[155]

UGI Electric witness D'Ascendis selected two proxy groups that, in his view, are fundamentally risk-comparable to the Company: (1) an Electric Utility Proxy Group; and (2) a Non-Price Regulated Proxy Group, which is comparable in total risk to the Electric Utility Proxy Group.[156] For the Electric Utility Proxy Group, Mr. D'Ascendis applied the following selection criteria to determine its members: (i) they were included in the Electric Utility Group (East, Central, or West) of *Value Line's Standard Edition* as of January 30, 2026 ("*Value Line"*); (ii) they have 70% or greater of fiscal year 2024 total operating income derived from, and 70% or greater of fiscal year 2024 total assets attributable to, regulated electric operations; (iii) at the time of preparation of his testimony, they had not publicly announced that they were involved in any major merger or acquisition activity (i.e., one publicly-traded utility merging with or acquiring another) or any other major development; (iv) they have not cut or omitted their

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151 *Id*.

152 I&E St. No. 2 at 7.

153 UGI Electric St. No. 8 at 8.

154 *See, e.g.*, *Columbia Gas 2025 Order* at 203-05; *PAWC 2026 Order* at 174-76.

155 *See* UGI Electric St. No. 8 at 11-14; I&E St. No. 2 at 7-13; OCA St. 3 at 13-14.

156 UGI Electric St. No. 8 at 12.

common dividends during the five years ended 2024 or through the time of preparation of this testimony; (v) they have *Value Line* and Bloomberg Professional Services ("Bloomberg") adjusted Beta coefficients ("beta"); (vi) they have positive *Value Line* five-year dividends per share growth rate projections; and (vii) they have *Value Line,* Zacks, or S&P Capital IQ consensus 5-year earnings per share growth rate projections.[157] The 12 companies used by Mr. D'Ascendis in the Electric Utility Proxy Group are:

Company	**Ticker**
Alliant Energy Corporation	LNT
Ameren Corporation	AEE
American Electric Power Company, Inc.	AEP
Edison International	EIX
Entergy Corporation	ETR
Evergy, Inc.	EVRG
FirstEnergy Corp.	FE
IDACORP, Inc.	IDA
OGE Energy Corp.	OGE
Pinnacle West Capital Corporation	PNW
The Southern Company	SO
Xcel Energy Inc.	XEL[158]

The Company asserts that OCA witness Garrett adopted the Company's Electric Utility Proxy Group.[159] The Company further asserts that I&E witness Patel developed a proxy group of seven companies by applying different factors, excluding Edison International (EIX), Evergy, Inc. (EVRG), OGE Energy Corporation (OGE), Pinnacle West Capital Corporation (PNW), Portland General Electric Company (POR),

157 *Id.* at 13.
158 UGI Electric St. No. 8-R at 4.
159 OCA St. 3 at 14.

and Southern Company (SO) because they do not operate in a state that has a deregulated electric utility market.[160] As such, the Company argues that the Commission should utilize the proxy group developed by the Company and adopted by OCA for purposes of analyzing an appropriate rate of return.

OCA Position

OCA used the same proxy group presented by UGI Electric.[161]

I&E Position

I&E witness Patel used a proxy group as a set of companies that have similar traits as compared to the subject utility, with the group acting as a benchmark for determine the subject utility's rate of return in a base rate case.[162] I&E argues that the criteria Mr. Patel used for his proxy group, which it deems as representative of UGI Electric, were: (a) fifty percent or more of the company's revenues must be generated from the regulated electric utility industry; (b) the company's stock must be publicly traded; (c) investment information for the company must be available from more than one source, which must include Value Line; (d) the company must not be currently involved in an announced merger or the target of an acquisition; (e) the company must have four consecutive years of historic earnings data and (f) the company must be operating in a state that has a deregulated gas utility market.[163]

I&E indicates that Mr. Patel's proxy group included twelve companies.[164] I&E further indicates that it disagrees with the Company's selection of proxy group

160 I&E St. No. 2 at 11-13.
161 OCA St. 3 at 14.
162 I&E St. No. 2 at 7.
163 *Id.* at 9-10.
164 *See Id.* at 10 for the complete list.

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.[165] Thus, I&E recommends the Commission utilize I&E's proxy group, as it more appropriately reflects the risk profile of utilities in deregulated markets such as Pennsylvania.

2. *OSBA Position*

OSBA did not brief this issue.

3. *CEO Position*

CEO did not brief this issue, but it asserts that it supports OCA's overall position on rates.[166]

4. *Disposition*

We recommend that the Commission adopt the proxy group presented by UGI Electric and used by OCA. UGI Electric witness D'Ascendis utilized 12 companies as its proxy group for this proceeding asserting that this group represented companies with similar traits.[167] We agree that the record supports use of UGI Electric's proxy group as representative of companies with similar traits.

165 *Id.* at 12.
166 CEO Reply Brief at 1.
167 UGI Electric MB at 76-77.

Cost of Long-Term Debt

UGI Electric Position

The Company asserts that its cost of long-term debt of 5.22%, based on its proposed capital structure, is undisputed and should be utilized.[168] UGI Electric claims that this amount reflects both an increase in the interest for the term loan to be issued during the FPFTY, as well as market expectations that have shifted to reflect a sustained elevated rate environment.[169] The Company maintains that no party has challenged its long-term debt cost rate, and it should be adopted and utilized for purposes of calculating UGI Electric's authorized rate of return.

OCA Position

OCA used the same long-term debt rate of 5.17% as the Company.[170]

I&E Position

I&E recommends using the Company's FPFTY claimed long-term debt cost rate of 5.22%.[171] Per the testimony of I&E witness D.C. Patel, the claimed debt cost falls within I&E's proxy group implied long-term debt cost range, and the claimed rate is below the Mergent Bond Record average yield (5.75%) for May 2025 – April 2026 for A-rated public utility bonds.[172] As the Company's claimed long-term debt cost is within these metrics, I&E accepted the rate as reasonable.

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

169 UGI Electric St. No. 2-R at 2.

170 OCA St. 3 at 4.

171 I&E St. No. 2-SR at 5.

172 *Id.*

1. OSBA Position

OSBA did not brief this issue.

2. CEO Position

CEO does not brief this issue, but it asserts that it supports OCA's overall position on rates.[173]

3. Disposition

We recommend that the Commission adopt the Company's proposed long-term debt cost of 5.22%, which is uncontested in this proceeding.

Return on Equity (ROE)

UGI Electric Position

UGI Electric asserts that a utility operates must still compete for equity in capital markets with all other companies of comparable risk, including non-utilities.[174] Therefore, the Company maintains that an appropriate ROE is based upon the market expectations for returns for companies comparable to the utility.[175] The Company maintains that to determine an appropriate market-based cost of common equity, it is appropriate and necessary to use multiple market-based models.[176] The Company cites to

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173 CEO Reply Brief at 1.
174 UGI Electric St. No. 8 at 16.
175 *Id*.
176 *Id*. at 17.

the following models to be used:

- The Discounted Cash Flow ("DCF") model, which uses market prices to develop a dividend yield component and estimates an investor-required return assuming a constant expected dividend yield and growth rate in perpetuity;[177]

- The Risk Premium Model ("RPM"), which uses bond ratings and expected bond yields that reflect the market's bond/credit risk and provides the ability to reflect investors' views of risk, future market returns, and the relationship between interest rates and the cost of equity;[178]

- The Capital Asset Pricing Model ("CAPM"), which uses similar metrics as the RPM and analyzes risk of a specific security's returns in comparison to the risk of market returns through the use of a "beta";[179] and

- The selection of comparable risk non-price regulated companies, which uses regression analyses of market prices and reflect the market's assessment of total risk.[180]

The Company avers that each of these models focuses on different aspects of return requirements and provide different insights into investors' views on risks and return.[181] Thus, the Company argues that no single model is more reliable than all others under all market conditions so multiple market-based methods should be used to estimate a market-based ROE.[182]

The Company states that it has relied upon multiple, market-based models to determine that an appropriate market-based ROE would fall within the range 10.63%

177 UGI Electric St. No. 8 at 17-21.
178 *Id.* at 17, 21-32.
179 *Id.* at 17, 32-49.
180 *Id.* at 17, 50-53.
181 UGI Electric St. No. 8 at 17-18.
182 *Id*. at 18.

to 12.17%.[183] The Company has proposed a ROE of 10.85% in this case, which it maintains falls below the median of the range of reasonable ROEs determined by the application of multiple market-based models.

1. DCF

The Company used Mr. D'Ascendis's DCF analysis, which it asserts is based upon the most widely-used form of the DCF Model[184] (*i.e.*, the single-stage constant growth DCF), represented by the formula:

$$Ke = (D0\ (1+g))/P + g$$

Where: Ke = the required return on equity;
D0 = the dividend per share adjusted to reflect next-period growth;
P = the current stock price; and
G = the growth rate.[185]

The Company asserts that the dividend yields that Mr. D'Ascendis used to apply the DCF Model were based on the dividends of the companies in the Electric Utility Proxy Group as of June 12, 2026, divided by the average closing market price for the 60 trading days ending on that date.[186] Also, because dividends are paid quarterly, not continuously (daily), the Company believes yield must be adjusted to reflect the growth in dividends.[187] Under the broadly accepted Gordon Periodic version of the DCF Model, an adjustment is made to reflect *annual* (*i.e.*, one full year's) growth in dividends in order to properly reflect the dividends to be paid in the *next* 12-month period.[188]

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183 UGI Electric St. No. 8-R at 5.

184 The theoretical and mathematical basis for the DCF is fully explained by Mr. D'Ascendis. UGI Electric St. No. 8 at 18-19

185 *Id.* at 19

186 *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 7.

187 UGI Electric St. No. 8 at 19.

188 *Id.* at 19-20.

Because the Electric Utility Proxy Group companies increase their dividends at various times throughout the year, Mr. D'Ascendis made the conservative decision to adjust the dividend yield to reflect *only one-half* the annual dividend growth.[189]

For the DCF growth rate, Mr. D'Ascendis used analysts' five-year forecasts of earnings per share (EPS) growth rate projections from three different sources.[190] The Company avers that it is proper to use growth in EPS as the growth component in the DCF formula (and not dividends per share [DPS] growth or growth in book value) because dividends cannot grow without growth in earnings.[191] The Company asserts that the results of applying the DCF to the Electric Utility Proxy Group are:

Mean	10.85%
Median	10.78%
Average of Mean and Median	10.82%[192]

In this case, the Company applied the average of the mean and median result of the DCF, which is 10.82%, to the Electric Utility Proxy Group.

2. RPM

The Company asserts that the RPM[193] uses the risk/reward relationship to estimate the cost rate of common equity by taking a building block approach. It begins with returns (yields) on long-term bonds, which can be directly observed and measured. The theory underlying the RPM is that market data (historical or prospective) can be used

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189 *Id.* at 20.

190 *Id.*, pp. 13, 20; UGI Electric Exhibit B, Schedule DWD-3 at 1.

191 UGI Electric St. No. 8 at 20.

192 UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 7.

193 Mr. D'Ascendis explained the theoretical basis for the RPM in his testimony. UGI Electric St. No. 8 at 21-22.

to estimate the "risk premium" of common equity over the yield on bonds that investors require to purchase common stock.[194] Under the RPM, the cost of common equity is the sum of the expected cost rate for long-term debt, plus a premium over that cost rate to compensate common shareholders for the added risks of being unsecured and last-in-line for any claim on the corporation's earnings and assets.[195] Mr. D'Ascendis used a "total market approach" in applying the RPM in this case, which adds a prospective bond yield to an average of the equity risk premiums he calculated using three different approaches: (1) an equity risk premium derived from a beta-adjusted total-market equity risk premium; (2) an equity risk premium based on the S&P Utilities Index; and (3) an equity risk premium based on commission authorized ROEs determined for electric utilities in 1,279 fully-litigated proceedings from January 1, 1980, through June 12, 2026.[196]

The Company points out that the starting point for all of Mr. D'Ascendis's RPM analyses is determining the bond yield that is appropriately applied to the Electric Utility Proxy Group.[197] Mr. D'Ascendis then relied upon a consensus forecast of the expected yield on corporate bonds rated by Moody's as Aaa, which indicated a prospective yield of 5.46%.[198] In order to adjust the expected Aaa-rated corporate bond yield to an equivalent A2-rated public utility bond yield, Mr. D'Ascendis made an upward adjustment of 0.35%, which represents a recent spread between Aaa-rated corporate bonds and A2-rated public utility bonds.[199] Adding that recent 0.35% spread to the expected Aaa-rated corporate bond yield of 5.46% results in an expected A2-rated public utility bond yield of 5.81%.[200] The Company then reasoned that since the Electric Utility Proxy Group's average Moody's long-term issuer rating is Baa1, another

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194 *Id.* at 17, 21.

195 *Id.* at 21-22.

196 *Id.* at 21-22, 30-31; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 24.

197 UGI Electric St. No. 8 at 22.

198 *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 20.

199 *Id.*

200 *Id*.

adjustment to the expected A2-rated public utility bond was needed to reflect the difference in bond ratings.[201] An upward adjustment of 0.11%, which represents two-thirds of a recent spread between A2-rated and Baa2-rated public utility bond yields, was then made to make the prospective bond yield applicable to a Baa1-rated public utility bond.[202] Adding the 0.11% to the 5.81% prospective A2-rated public utility bond yield results in a 5.92% expected bond yield applicable to the Electric Utility Proxy Group.[203]

The Company asserts that Mr. D'Ascendis used a variety of data sources to calculate the equity risk premiums under the methods previously described. The results of those methods were as follows:

Equity Risk Premium Measure	**Equity Risk Premium**
Beta-Adjusted Equity Risk Premium	4.35% - 5.54%
S&P Utilities Index Equity Risk Premium	5.30%
Authorized ROE Equity Risk Premium	4.71%
Average	4.79% - 5.18%[204]

Summing the bond yield for the Electric Utility Proxy Group of 5.92% with the average equity risk premiums of 4.79% to 5.18%, Mr. D'Ascendis calculated an RPM derived common equity cost rate of 10.71% to 11.10% based on prospective interest rates.[205]

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201 UGI Electric St. No. 8 at 23; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 20.

202 *Id*.

203 *Id*.

204 *Id.* at 31; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 24.

205 *Id.* at 32; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 20.

3. CAPM

The Company asserts that the CAPM[206] is applied by adding a risk-free rate of return to a market risk premium that is adjusted in proportion to the systematic risk of an individual stock relative to the market. The systematic risk of an individual stock is measured by beta.[207] Accordingly, the Company asserts that the traditional CAPM is expressed by the following equation:

$$Rs = Rf + ß\ (R_m - R_f)$$

Where:
R_s = Return rate on common stock
R_f = Risk-free rate of return
R_m = Return rate on the market as a whole
ß = Adjusted beta (volatility of the security relative to the market as a whole)

The Company argues that numerous empirical tests have confirmed that security returns and beta are correlated in the way the CAPM correctly assumes.[208] However, the results of that testing also show that the empirically derived Security Market Line or "SML" (i.e., the correlation between returns and beta) is not as steeply sloped as the traditional CAPM predicts.[209] The Company maintains that this means that for stocks with lower betas (*i.e.*, lower levels of volatility), the traditional CAPM understates returns; conversely, for higher beta stocks, it overstates returns.[210]

The Company argues that Empirical CAPM ("ECAPM") was developed to adjust the CAPM result to account for the less steeply sloped SML that the empirical data

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206 Mr. D'Ascendis explained the theoretical basis for the CAPM in his testimony. UGI Electric St. No. 8 at. 32-33.

207 *Id.* at 32

208 *Id*. at 33.

209 *Id*.

210 *Id.* at 34, Figure 1 (depicting average annualized monthly returns versus the beta for Value Weight Portfolios formed on prior beta, 1928-2003).

demonstrate.[211] As such, the Company asserts that the ECAPM is a well-established model that is used and relied upon by regulators and the academic community.[212] In this case, the Company relies on the average of the traditional CAPM and the ECAPM to calculate his proposed CAPM equity cost rate.[213]

For the risk-free rate of return used in both the CAPM and ECAPM applications, Mr. D'Ascendis employed the average forecast of 30-year Treasury bonds for the six quarters ending in the third calendar quarter of 2027 as well as longer-term projections for the years 2028 to 2032 and 2033 to 2037.[214] The Company asserts that this calculation produced a risk-free rate of 4.84%.[215] Mr. D'Ascendis then used five measures of market risk premiums in his updated analysis: three analyses using historical market data and two analyses using projected market data.[216] The market risk premiums based on historical market data are 7.37%, 7.67%, and 10.81%, while the market risk premiums based on projected market data are 7.53% and 18.60%.[217] Mr. D'Ascendis used the average of measures one through four of market risk premiums, excluding the MRP based on the total return on the market based on the S&P 500, which resulted in a market risk premium of 8.34%.[218] Using the average market risk premium of 8.34% and the risk-free rate of return of 4.84%, Mr. D'Ascendis calculated the average CAPM cost rates for his Electric Utility Proxy Group of 10.17% (using his traditional approach which includes both *Value Line* and Bloomberg betas) and 11.30% (using only *Value Line* betas).[219]

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211 UGI Electric St. No. 8 at 33-34.

212 *Id.* at 33-37.

213 *Id.* at 35

214 UGI Electric St. No. 8 at 47; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 32.

215 *Id*.

216 UGI Electric St. No. 8-R at 49.

217 *Id*.

218 *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 32.

219 *Id.* at. 47, 49; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 30-31.

4. Non-Price Regulated Proxy Group

The Company argues that the purpose of rate regulation is to be a substitute for marketplace competition, UGI Electric witness Mr. D'Ascendis also utilized a Non-Price Regulated Proxy Group, in order to account for comparable, non-price regulated firms competing for capital in the same marketplace as the Electric Utility Proxy Group.[220] He applied the DCF Model, the RPM and the CAPM to the Non-Price Regulated Proxy Group in the same manner he applied those models to the Electric Utility Proxy Group except, understandably, he did not use public utility-specific equity risk premiums in his application of the RPM.[221] Mr. D'Ascendis calculated equity cost rates from applying each model to the Non-Price Regulated Proxy Group as follows:

Discounted Cash Flow Model	10.80%
Risk Premium Model	11.09% - 11.97%
Capital Asset Pricing Model	10.92% - 11.87%
Mean	10.94% - 11.55%
Median	10.92% - 11.87%
Average of Mean and Median	10.93% - 11.71%

The average of the mean and median of these models indicate a range of cost rates from 10.93% to 11.71%.[222]

220 UGI Electric St. No. 8 at 50.

221 *Id.* at 51.

222 UGI Electric St. No. 8 at 53; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 36.

5. Adjustments to Reflect Size-Based Business Risks, Credit Risk and Flotation Costs

The Company asserts that UGI Electric witness Mr. D'Ascendis demonstrated that the Company has greater relative risks than the Electric Utility Proxy Group based on size.[223] In addition, Mr. D'Ascendis performed two studies that link size and risk for utility companies.[224] The first study indicated that as company size decreases, annualized volatility increases, while the second study showed that as company size decreases, the *Value Line* Safety Ranking degrades.[225] The Company maintains that both indicate increased investment risk due to size.

Mr. D'Ascendis used published market data (NYSE, American Stock Exchange, and NASDAQ) for the period 1926-2025 to quantify the premium investors require to invest in smaller firms.[226] The Company maintains that the data shows that the median size (measured by total capitalization) of the Electric Utility Proxy Group is $27.625 billion, which places the average company in the Electric Utility Proxy Group in the 2nd decile.[227] UGI Electric's market capitalization, however, was $225.447 million, which placed it in the 10th decile.[228] The size premium, based on the published market data, showed a spread of 4.10% between the 2nd and 10th deciles (*i.e.*, an average company in the 10th decile would have a cost of equity higher by 4.10% than an average company in the 2nd decile).[229] Based upon these analyses, Mr. D'Ascendis recommended a size premium of 0.40% to UGI Electric's indicated range of ROEs.[230]

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223 *Id*.
224 *Id.* at 57-59
225 *Id*.
226 UGI Electric St. No. 8 at 60.
227 *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 43.
228 *Id*.
229 *Id*.
230 UGI Electric St. No. 8-R at 5; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 43.

In addition, Mr. D'Ascendis proposed a downward credit risk adjustment of 0.06% to the ROE, which he stated is "necessary to reflect the less risky credit rating, i.e., A3, of UGI Electric's relative to the Electric Utility Proxy Group's Baa1 average Moody's bond rating."[231] Mr. D'Ascendis derived the 0.06% downward adjustment by taking one-third of a recent three-month average spread between Moody's Baa2- and A-rated public utility bond yields of 0.17%, shown on page 21 of UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, or 0.06%.[232]

Mr. D'Ascendis further recommended an adjustment to the indicated range of ROEs to account for flotation costs (*i.e.*, costs associated with the sale of new issuances of common stock).[233] This adjustment is needed to recognize that for every dollar raised through debt or equity offerings, the Company receives less than one full dollar in financing, where this fact cannot otherwise be recognized in ratemaking.[234] The Company maintains that none of the models used reflect flotation costs, and if these costs are not recognized, it would penalize investors that fund utility operations.[235] Thus, Mr. D'Ascendis applied an adjustment of 0.12% based upon issuance costs shown in UGI Electric Rebuttal Exhibit B, Schedule DWD-1R.[236]

6. Disagreement with Other Parties' ROE Recommendations

Opposition to I&E

The Company opposes I&E's ROE recommendation for various reasons. First, UGI Electric argues that I&E errs in rejecting its long-preferred DCF Model, which

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231 UGI Electric St. No. 8-R at 5; UGI Electric St. No. 8 at 61-62.

232 UGI Electric St. No. 8-R at 62; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 45.

233 *Id.* at 63

234 *Id*.

235 *Id.* at 64-65.

236 *Id.* at 66; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R at 45.

aligns with the Company's DCF Model and produces a reasonable result. The Company contends that I&E has long preferred the DCF and prior testimony from I&E witness Patel was that the DCF "contains the most up-to-date projected information of any model and is the superior method for determining the rate of return for the current economic market because it measures the cost of equity directly."[237] The Company also avers that there is bias in Mr. Patel's application of the DCF Model where applying Mr. Patel's test to high and low outlier would result in an indicated DCF cost rate of 10.60%.[238] Thus, the Company asserts that I&E's DCF calculation should only be given credence if it is updated to eliminate bias.

Second, the Company argues that I&Es CAPM analyses are flawed and cannot be given comparable weight to its DCF analysis. The Company contends that I&E witness Patel performed two CAPM analyses, which he averaged as a part of his ROE recommendation in this proceeding.[239] The Company maintains that for the first CAPM analysis, Mr. Patel used a projected 10-year Treasury yield for his risk-free rate and an average of an expectational market return and a historical 1926-2025 average market return to arrive at a CAPM result of 9.97%.[240] In his second analysis, Mr. Patel utilized a historical 20-year Treasury yield and Kroll's recommended market risk premium (MRP) to arrive at a result of 8.66%.[241] However, the Company argues that both analyses are significantly flawed and understate an appropriate ROE as a result.

The Company maintains that the primary flaw in I&E's CAPM analyses is that they incorrectly rely upon the yield of medium-term 10-year or 20-year Treasury

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237 UGI Electric St. No. 8-R at 21 (describing departure of I&E witness Patel from the historical approach of I&E and the historical approach taken by Mr. Patel with respect to preferred ROE models).

238 UGI Electric St. No. 8-R at 26; UGI Electric Exhibit B, Schedule DWD-4R.

239 I&E St. No. 2 at 7.

240 UGI Electric St. No. 8-R at 26.

241 *Id.* at 26-27

bonds as a risk-free rate instead of long-term 30-year Treasury bonds, which produces a systematic understatement of the risk-free rate.[242] Specifically, UGI Electric indicates that use of the 10-year Treasury note divorces I&E's recommendation regarding equity investments made in long-lived infrastructure, from the life of the assets being valued.[243] The Company also avers that Mr. Patel omitted the forecasted interest rate data available to him for the period of 2032-2036.[244] As such, the Company contends that Mr. Patel's omission ultimately creates a mismatch and is inconsistent with the Efficient Market Hypothesis ("EMH") on which his DCF is based.[245]

The Company further states that Mr. Patel's estimate of his *Value Line*-based market return relies solely on the May 22, 2026 *Value Line Summary and Index* report.[246] However, the Company avers that Mr. Patel relies upon the average of the spot dividend yield and the 52-week average dividend yield for purposes of his DCF.[247] The Company maintains that if Mr. Patel had been consistent across the methods he used, his CAPM him would have (and should have) utilized an average *Value Line*-based market return of 11.61% and an overall market return of 11.98%.[248]

The Company also contests Mr. Patel's reliance on a non-transparent MRP of 5.00% from Kroll.[249] Furthermore, the Company contends that Kroll is a less accurate predictor of returns as compared to the long-term arithmetic mean return.[250]

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242 UGI Electric St. No. 8-R at. 27-29.
243 *See Id*.
244 *Id*. at 28.
245 *Id*. at. 28-29.
246 *Id*.
247 UGI Electric St. No. 8-R at 30.
248 *Id*.
249 *Id*. at 30-31.
250 *Id*. at 31-33

The Company maintains that Mr. Patel should have applied an ECAPM analysis instead of CAPM in this instance.[251] The Company argues that if all these alleged flaws were corrected, Mr. Patel's analysis would have produced a ROE of 10.27%[252] and be within the range of CAPM results prepared by the Company.

Finally, the Company argue that the Commission should scrutinize Mr. Patel's fundamental shift in how he has presented a ROE recommendation in this case as compared to prior cases and asserts that the departure was done to produce a lower ROE recommendation. The Company points out that I&E witness Patel has historically criticized the CAPM, and indicated that this model should not be relied upon; however, in this case he has flipped his position and provided his CAPM result the exact same weight as his DCF result in this case.[253] The Company further asserts that I&E also attributed equal weight to the national average of authorized ROEs reported by S&P Global Market Intelligence for the period of 2025 to 2026.[254] In contrast, UGI Electric contends that authorized ROEs are a lagging indicator of investor-required returns, which will not reflect market conditions or investor expectations in a current case.[255]

The Company asserts that it does not dispute the use of multiple methodologies to determine the appropriate ROE, but disagrees with what it determined to be abrupt methodological shifts by I&E witness Patell designed to deflate the result of I&E's DCF analysis and produce a lower overall ROE recommendation. Thus, the Company avers that an updated I&E's DCF calculation is the only aspect of I&E's ROE analysis that should be given credence in this matter.

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251 UGI Electric St. No. 8-R at 33.

252 *Id.* at 36-37.

253 *See, e.g.*, UGI Electric St. No. 8-R at 21; *PAWC 2026 Order* at 194, 207; I&E St. No. 2 at 26.

254 I&E St. No. 2 at. 7, 36.

255 UGI Electric St. No. 8-R at. 37-38.

Opposition to OCA

The Company opposes OCA's ROE recommendation for various reasons. First, Company argues that OCA's ROE is flawed and fails to satisfy the legal standards applicable to determining a reasonable ROE. The Company points out that OCA Witness Garrett's ROE recommendation of 8.7% (using his hypothetical capital structure) is tied to his CAPM analysis showing a cost of equity of 8.7% .[256] The Company also points out that although Mr. Garrett's DCF analysis did not play a role in the ultimate ROE recommendation, the analysis contained flaws that understate the market-based ROE.

The Company argues that Mr. Garrett assumes a single, perpetual growth rate of 3.80% for all of his proxy group companies, which is equal to the nominal Gross Domestic Product (GDP), but the Company maintains that this is not based on any measure of company specific growth.[257] Whereas, the Company's witness testified that:

> Under the DCF model's strict assumptions . . . [,] expected growth and dividend yields are inextricably related. Mr. Garrett's assumption that one growth rate applies to all companies, even though dividend yields vary across those companies, has no basis in theory or practice.[258]

Moreover, the Company points out that Mr. Garrett: (a) is not aware of any instance where the Commission has relied upon the GDP to establish the growth rate used in the DCF analysis, (b) admitted that the GDP growth rate takes into account all companies both regulated and non-regulated, (c) admitted the GDP is not a company

256 OCA St. 3SR at 61.
257 UGI Electric St. No. 8-R at 53-54; *see* Tr. 369.
258 UGI Electric St. No. 8-R at 54.

specific growth rate, and (d) admitted that the GDP is not specific to a particular industry.[259]

Next, the Company argues that by assuming a single, perpetual growth rate of 3.80% for all of his proxy group companies, Mr. Garrett is assuming that these companies will grow at real rates of approximately 1.60% in perpetuity.[260] The Company argues that, under such conditions, an investor would more likely determine that the risks are not worth the expected return.[261] The Company also argues that Mr. Garrett's estimate fails to account for the risks and prospects faced by the proxy companies.[262] Thus, the Company argues that OCA's DCF analysis is fundamentally flawed and assumes irrational behavior by investors so it should not be relied upon to determine an appropriate ROE.

Second, the Company contends that OCA's CAPM analysis relies on a flawed market-risk premium and does not include an ECAPM analysis. The Company avers that the MRP used by Mr. Garrett and his failure to perform an ECAPM analysis undermine his conclusions.[263] Specifically, the Company maintains that in Mr. Garrett's proposed MRP estimate of 4.90%, he relied upon: (1) a survey of expected returns from IESE Business School (5.30%); (2) an expected return reported by Kroll (Duff & Phelps) (5.00%); (3) implied MRP from Damodaran (5.00%); and (4) an "Implied Equity Risk Premium" calculation (5.00%).[264] Based on these results, Mr. Garrett concluded that the average of his range, 4.90% is appropriate.[265]

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259 Tr. 368-69.
260 UGI Electric St. No. 8-R at 53-54.
261 *Id*. at 54
262 *Id*.
263 UGI Electric St. No. 8-R at 63.
264 *Id*.
265 *Id*.

However, the Company argues that the Kroll estimate of 5.00% is flawed for the same reasons applicable to I&E's reliance on this data point and based on the testimony of its own witness that survey-based MRPs are not widely relied upon.[266] Additionally, the Company maintains that the first stage and terminal growth rates assumed by Mr. Garrett's implied MRP are significantly flawed.[267] Finally, the Company asserts that implied market returns relied upon by OCA are even less accurate than the Kroll estimates relied upon by I&E.[268] Therefore, the Company requests that the Commission disregard OCA's CAPM analysis.

Opposition to OSBA

UGI Electric argues that OSBA's testimony regarding a ROE should be rejected. The Company points out that OSBA did not offer a specific ROE recommendation. However, the Company notes that OSBA witness Ewen opined that the Company's proposed ROE does not adequately consider customers' interests and that the Commission should carefully consider ratepayers' interest, affordability concerns, and the risk reduction benefits of a low-risk regulatory environment in evaluating the Company's cost of capital in this proceeding.[269] The Company maintains that its market-based ROE analysis fully comports with *Hope* and *Bluefield*, and its proposed authorized ROE is just and reasonable.

In sum, UGI Electric argues it has an undisputed ongoing need to raise capital at reasonable rates, so that it can continue providing safe and reliable electric distribution service in Pennsylvania. The Company contends that it has been significantly underearning for several years,[270] and its proposed ROE of 10.85% is fully

266 UGI Electric St. No. 8-R at 64-65.
267 *Id*. at 66-68.
268 *Id*. at 69-70.
269 OSBA St. No. 1 at 4-5.
270 UGI Electric St. No. 1-R at 9.

justified by market-based analyses of comparable entities with comparable risks to UGI Electric. The Company maintains that the other parties' testimony regarding an appropriate ROE is largely based upon flawed analyses and should be rejected. UGI Electric claims that the Commission should adopt its proposed ROE of 10.85% as reasonable and appropriate.

OCA's Position

OCA recommends an 8.7% ROE based on OCA witness Garrett's DCF and CAPM analysis.[271] Mr. Garrett's DCF results were 7.3% to 8.1% respectively.[272] Mr. Garrett's CAPM analysis produced a ROE of 8.7%.[273] Based the results of his financial models and his expert judgement, OCA witness Garrett' primary recommendation is that the Commission should authorize a ROE of 8.7%.[274]

OCA argues that Mr. Garrett applied a DCF analysis based on analyst growth projections and another based on sustainable growth projections.[275] The three primary inputs to the DCF model were: 1) stock price; 2) dividend; and 3) the long term growth rate.[276] A 30-day average of stock prices were used for each company in the proxy group to calculate stock price, forward-looking annualized dividends published by Yahoo! Finance were used to calculate the dividend and the two variations in the DCF models were the result of one using analysts growth rates and one using the maximum sustainable growth rate.[277] OCA contends that the results of these models produced ROEs of 8.1% and 7.3% respectively.[278]

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271 *Id*.
272 OCA St. 3 at 28.
273 OCA St. 3 at 39.
274 OCA St. 3 at 62.
275 OCA St. 3 at 28.
276 OCA St. 3 at 21.
277 OCA St. 3 at 21-23, 28.
278 OCA St. 3 at 28.

OCA points out that UGI witness D'Ascendis' DCF Model analysis produced an indicated cost of equity result of 10.43%.[279] OCA argues that Mr. D'Ascendis' results are overstated due to use of unsustainably high growth rates.[280] Specifically, OCA witness Garrett testified:

> Mr. D'Ascendis incorporated an annual long-term growth rate as high as 11% for Entergy Corporation. This means Mr. D'Ascendis is suggesting the company's earnings will grow by more than 11% each year, every year, in perpetuity. This growth rate estimate published by S&P Capital IQ is a short-term growth rate. It is Mr. D'Ascendis, not the commercial analyst, who is suggesting that this annual earnings growth rate can be achieved each year in perpetuity, which is simply unsustainable and technically impossible. As a result, the cost of equity results indicated by Mr. D'Ascendis's DCF Model are overstated. [281]

OCA contends that "no firm can grow forever at a rate higher than the growth rate of the economy in which it operates."[282] As such, OCA argues Mr. Garrett's use of a perpetual growth rate of 3.8% is reasonable and more reliable than the Company's use of nominal Gross Domestic Product.[283] Thus, OCA argues that UGI Electric failed to meet its burden that a 10.85% ROE is reasonable based on use of unrealistic and unsustainable inputs in its calculations and the Commission should adopt OCA witness Garrett's DCF Model results of 8.2% and 7.3% as reasonable.

In calculating the CAPM, OCA witness Garrett determined the appropriate values of ranges of the three model inputs: (1) risk-free rate; (2) beta, and; (3) equity risk

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279 OCA St. 3 at 28.
280 OCA St. 3 at 29.
281 OCA St. 3 at 29.
282 OCA St. 3 at 27.
283 OCA Reply Brief at 28-29.

premium.[284] OCA witness Garrett's CAPM resulted in an 8.7% cost of equity.[285] OCA asserts that while no investment is technically devoid of risk, investors often use U.S. Treasury securities to represent the risk-free rate because they accept that those securities essentially contain no default risk.[286] OCA points out that the Company calculated the risk-free rate based on the average of the Blue Chip consensus forecast of the expected yields on 30-year U.S. Treasury bonds for the six quarters ending with the second calendar quarter of 2027, and long-term projections for the years 2027 to 2031 and 2032 to 2036.[287] OCA witness Garrett noted "long-term Treasury bonds are usually used to represent the risk-free rate in the CAPM."[288] OCA witness Garrett considered a 30-day average of daily U.S. Treasury yield curve rates on 30-year Treasury bonds for the risk-free rate, which result in a risk-free rate of 5.02%.[289]

Next, OCA asserts that a security with a beta greater than 1.0 is more sensitive to market risk than the average stock while a security with a beta less than 1.0 is less sensitive to market risk.[290] OCA contends that UGI used Value Line and Blomberg Betas; and Value Line betas in its calculations which resulted in an average blended beta of 0.60, and an average value line beta of 0.76.[291] OCA used betas recently published by Value Line Investment Survey.[292] OCA maintains that the beta for each proxy company is less than 1.0 with the average beta for the total proxy group being 0.83.[293] As such, OCA witness Garrett testified that this survey objectively proves that utility stocks are less risky than the average stock in the market.[294]

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284 OCA St. 3 at 30.
285 *Id*. at 39.
286 OCA St. 3 at 30.
287 UGI St. 8 at 47.
288 OCA St. 3 at 31.
289 *Id*.
290 OCA St. 3 at 31-32.
291 UGI St. 8 at 29.
292 OCA St. 3 at 32.
293 OCA St. 3 at 32.
294 *Id*.

Additionally, OCA asserts that reliance on expert surveys is reasonable. OCA argues that Equity Risk Premium (ERP) is the most important factor in estimating the cost of capital through the CAPM.[295] OCA asserts that UGI Electric calculated a market equity risk premium of 7.82% and an equity risk premium of 4.69%.[296] OCA further asserts that UGI then estimated three equity risk premiums based on S&P Utility Index holding period returns, and one equity risk premium based on the expected returns of the S&P Utilities Index, using *Value Line*, Bloomberg, and S&P Capital IQ data and then averaged all calculated betas to arrive at an average Equity Risk Premium of 4.94%.[297]

In contrast, OCA witness Garrett used two methods to estimate ERP: (1) expert surveys and (2) calculating the implied ERP.[298] OCA argues that the expert survey approach to estimating ERP relies on surveys of professors, analysts, chief financial officers, and other executives, asking what experts think the ERP is.[299] OCA witness Garrett considered the results of expert surveys, the estimated ERP reported by Kroll, the estimated ERP calculated by Dr. Damodaran, and the implied ERP based on Mr. Garrett's calculations.[300] Using the average from these sources, Mr. Garrett arrived at the 4.9% ERP for his CAPM.[301]

OCA argues that Mr. Garrett's estimate is reasonable and falls within the appropriate range of possibilities while UGI Electric witness D'Ascendis used an ERP estimate as high as 8.61% in his CAPM analysis.[302] OCA purports that the D'Ascendis

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295 OCA St. 3 at 32.
296 UGI St. 8 at 29.
297 *Id*.
298 OCA St. 3 at 33.
299 OCA St. 3 at 35.
300 OCA St. 3 at 38.
301 OCA St. 3 at 39.
302 OCA St. 3 at 41.

ERP is a significant variance from Mr. Garrett's and other leading scholars/institutions.[303] Therefore, OCA argues that the Commission should find that the Company's CAPM analysis utilized an inappropriately high ERP.

Ultimately, OCA argues that the Company failed to meet its burden that its proposed ROE will result in just and reasonable rates and should find that OCA's proposed ROE of 8.7% is reasonable. OCA purports that an 8.7% ROE will decrease the overall revenue requirement in this proceeding and will provide a much needed benefit to the Company's customers struggling with affordability while also giving UGI Electric a fair return on its investment.

I&E Position

I&E asserts that its cost of common equity recommendation is based on analysis of 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.[304] I&E's states that its final recommended cost of common equity, 9.69%, was reached by averaging the results of the three methods due to factors including recent Commission precedent and guidance from *Hope* and *Bluefield*.[305]

I&E contends that the DCF method is the preferred method for determining rate of return for the current economic market, as it measures the cost of equity directly.[306] I&E's DCF result of 10.18% was reached using multiple proxy group dividend yield results to accommodate spot and 52-week average dividend yields.[307] The

303 OCA St. 3SR at 7.
304 I&E St. No. 2 at 24.
305 *Id.* at 7, 24-26.
306 *Id.* at 25.
307 *Id.* at 30.

DCF growth rate was determine based on the proxy group average, excluding two outlier growth rates for Entergy Corporation due to their significant difference from the average of the overall group.[308] I&E contends that UGI Electric witness D'Ascendis' criticism for failure to exclude a third Entergy Corporation growth rate that it argues is also significant was incorrect as I&E witness Patel found that it was not significant enough to exclude the third.[309]

I&E states that it also utilized two versions of the CAPM due in part to recent Commission decisions which incorporated the use of CAPM in addition to DCF.[310] Although I&E continues to endorse the DCF method, as I&E believes 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.[311] I&E's CAPM result of 9.32% was reached by averaging the results of the traditional CAPM analysis and an additional CAPM analysis based on data from Kroll's.[312] I&E's traditional CAPM result (9.97%) was reached using the average beta for the I&E proxy group (0.73) based on Value Line data, and a risk-free rate of return from the projected yield on 10-year treasury notes as a balancing measure, as the volatility of short-term T-bills and the maturity risk of 30-year treasury bonds make them less desirable options.[313] I&E argues that the Commission has also historically agreed with the use of the 10-year treasury note because it mitigates the risk of the other two

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308 *Id.* at 31; I&E St. No. 2-SR at 12-14.

309 I&E St. No. 2-SR at 12-14.

310 *See Pa. PUC v. Aqua Pennsylvania, Inc.,* Docket No. R-2021-302738 at 154. 178 (Opinion and Order entered May 16, 2022)*; Pa. PUC v. Columbia Water Company,* Docket No. R-2023-3040258 at 105 (Opinion and Order entered Jan. 18, 2024)*, Pa. PUC. v. Pennsylvania-American Water Company,* Docket No. R-2023-30433189, p. 194 (Opinion and Order entered July 22, 2024*);* and *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.,* Docket No. R-2025-3053499 at 226, 234 (Opinion and Order entered Dec. 9, 2025).

311 I&E St. No. 2 at 26.

312 *Id.* at 37.

313 *Id.* at 32-34.

options.[314] I&E's Kroll's based CAPM result (8.66%) was reached using Kroll's recommended U.S. Equity Risk Premium paired with Kroll's suggested use of the 20-year U.S. treasury yield.[315]

Finally, I&E states that it 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%[316] I&E incorporated this additional input to its cost of common equity recommendation in this case based on the principle set by the U.S. Supreme Court in the *Hope* and *Bluefield* cases that a utility is entitled to earn a return similar to that of other enterprises with corresponding risks and uncertainties.[317] I&E argues that its overall recommendation of 9.69% remains above the national average, but is significantly closer than UGI Electric's recommendation of 10.85%.

Opposition to UGI Electric

I&E points out that UGI Electric witness D'Ascendis recommends a 10/85% cost of equity but argues that his analysis is flawed.[318] I&E argues that the Company's analysis gives improper weight to less reliable models, relies on the 30-year treasury bond, uses an inappropriate proxy group of non-price regulated companies, and includes unreasonable business risk and flotation cost adjustments.[319]

Specifically, I&E rejects the usage of the ECAPM, RP, PRPM and CE methodologies used by UGI witness D'Ascendis. First, I&E argues that the use of the

314 *Id.* at 34.
315 *Id.* at 36.
316 I&E St. No. 2 at 38.
317 *Id.*
318 *Id.* at 39-64.
319 *Id.* at 39-40.

ECAPM should continue to be rejected by the Commission, as it does not increase the validity of the traditional CAPM result but instead injects another subjective measure and reduces the purpose of beta, the only company-specific variable to the CAPM.[320] Second, I&E argues that the RP method should be excluded as it relies on questionable assumptions, such as equity risk premium remaining constant over time, and does not recognize company-specific bias through the use of beta.[321] Next, I&E argues that the PRPM is not a commonly used method, cannot be evaluated without specific software, and does not solve the problems of the RP method is it is still an indirect measure of the cost of equity.[322] The CE method should be excluded from cost of equity calculation due to the subjective nature of company selection and, just as with the ECAPM, and RP, its consistent rejection or lack of inclusion by the Commission in prior cases.[323]

Furthermore, I&E contends that the Company's recommendation of using the 30-year treasury bond should continue to be rejected by the Commission as the 10-year treasury bond recommended by I&E appropriately balances the shortcomings of short-term T-Bill and the 30-year treasury bond.[324] I&E also avers that Mr. D'Ascendis' interpretation of the standards of *Hope* and *Bluefield* should be rejected, in that he asserts that non-price regulated firms that are not utilities could theoretically be used as a proxy group that is comparable in total risk to an electric utility proxy group.[325] As such, I&E recommends rejection of the Company's proxy group because the business are not comparable to utilities due to the highly dissimilar business and financial risk due to the differences in their markets, most notably the competitive nature of non-price regulated markets where an effective monopoly is not possible as it is with utilities.[326]

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320 *Id.* at 44.

321 *Id.* at 26-27.

322 *Id.* at 42-43.

323 *Id.* at 27.

324 *Id.* at 46, citing *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 at 99 (Opinion and Order entered October 25, 2018).

325 UGI Electric St. No. 8 at 50.

326 I&E St. No. 2 at 50-52.

I&E also points out that Mr. D'Ascendis recommends an addition of 40 basis points or 0.40% to the cost of common equity due to UGI Electric's smaller size relative to the companies in his electric utility proxy group.[327] I&E argues that the Commission should continue to reject this as the literature cited by Mr. D'Ascendis is not specific to the utility industry and does not properly consider the monopoly market environment of utilities. I&E witness Patel cites Dr. Annie Wong to support his recommendation to reject the Company's proposal.[328] In her article "Utility Stocks and the Size Effect: An Empirical Analysis," Dr. Wong concludes:

> The objective of this study is to examine if the size effect exists in the utility industry. After controlling for equity values, there is some weak evidence that firm size is a missing factor from the CAPM for the industrial but not for utility stocks. This implies that although the size phenomenon has been strongly documented for the industrials, the findings suggest that there is no need to adjust for the firm size in utility rate regulation.[329]

Thus, I&E argues that the Company has presented no significant evidence to support application of a non-utility study regarding a size adjustment for risk to a utility setting and failed to present anything to refute Dr. Wong's findings.[330] I&E also contends that the Commission rejected the application of a size adjustment in UGI Electric's 2018 rate case and the addition of 0.40% to the Company's cost of equity would cost the ratepayers an additional $775,776 annually.[331]

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327 I&E St. No. 2 at 53-55.

328 *Id.* at 56-57.

329 Dr. Annie Wong, "Utility Stocks and the Size Effect: An Empirical Analysis," *Journal of Midwest Finance Association* 1993 at 95-101.

330 I&E St. No. 2 at 56-57.

331 *Pa. PUC. v. UGI Utilities, Inc. – Electric Division,* Docket No. R-2017-2640058 at 100 (Opinion and Order entered Oct. 25, 2018) (Disposition of Cost of Common Equity); I&E St. No. 2 at 58.

I&E next points out that UGI Electric witness D'Ascendis also recommends an addition of 12 basis points or 0.12% due to floatation costs[332], which are incurred when a company issues securities such as stocks or bonds while raising capital, and can include legal fees, underwriting fees, auditing fees and other administrative costs.[333] I&E opposes this recommendation on the basis that the Company does not issue its own stock independent of its parent company UGI Corporation and there is no indication that UGI Corporation will issue new stocks during the FPFTY when the new rates will be effective.[334] I&E argues that Mr. D'Ascendis' recommendation is improper and unsupported, as it is based on the historical floatation costs of UGI Corporation's equity offerings in 2004 and 2021, and an allowance to recover historic flotation costs in this manner would represent inappropriate retroactive ratemaking.[335] Finally, I&E contends that the proposed 0.12% adder would cost the ratepayers an additional $231,660 annually.[336]

Ultimately, 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.[337] UGI Electric's ROE recommendation of 10.85% is higher than I&E's by 1.16%, which represents a difference of $2,249,749 annually to the ratepayers.[338]

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[332] Mr. D'Ascendis' recommendation was reduced from 13 basis points in his direct testimony to 12 basis points in his rebuttal testimony. *See* I&E St. No. 2-SR at 31.

[333] *Id.* at 58-60, citing UGI Electric St. No. 8 at 63-65.

[334] I&E St. No. 2 at 60.

[335] *Id.*

[336] *See Id.* at 61. Mr. Patel provided the economic impact to ratepayers based on the original 13-point adder. The above total is adjusted for the 12-point adder.

[337] *Id.* at 64.

[338] *Id.* at 63.

OSBA's Position

OSBA opposes OCA's proposed ROE of 8.7% and argues that it is significantly lower than the ROE awarded by the Commission in recent rate cases.[339] OSBA further contends that I&E's ROE of 9.69% is more in line with the Commission's recent decisions.[340]

CEO's Position

CEO does not brief this issue, but it asserts that it supports OCA's overall position on rates.[341]

Disposition

For the following reasons, we recommend that the Commission adopt OCA's ROE of 8.7%.

First, the Commission does not have a history of authorizing a ROE as high as the Company's proposed a ROE of 10.85% in this matter. The Commission most recent decision in *PAWC 2026 Rate Case* authorized a ROE of 9.55%, which is still over one hundred basis points lower than the bottom of UGI Electric's proposed range of 10.63% to 12.17%.[342] Moreover, UGI Electric has shown strong financial performance contradicting that a lower ROE will impair financial integrity.

339 OSBA Reply Brief at 7.
340 *Id*.
341 CEO Reply Brief at 1.
342 OCA Reply Brief at 27-28.

Second, we have already recommended adoption of UGI Electric's proxy group, which OCA also used.

Next, we recommend that the Commission adopt OCA's cost of equity of 8.7% based on OCA's DCF and CAPM models. The Commission has consistently held that a return on equity should be determined by using an informed judgement based on both DCF and CAPM methodologies. *Pa. PUC v. Columbia Gas of Pa., Inc.,* Docket No. R-2025-3053499 (Opinion and Order entered Dec.9, 2025) at 225-226; *Pa. PUC v. Pennsylvania-American Water Co.*, Docket No. R-2023-3043189 (Opinion and Order entered July 22, 2024) at 171-172; *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258 (Opinion and Order entered Jan. 18, 2024) at 171-172; *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Opinion and Order entered May 16, 2022) at 154-155. We agree with OCA that UGI Electric's cost of equity result of 10.43% is overstated due to use of unsustainably high growth rates as high as 11%.[343]

We also agree that UGI Electric's ERP calculations utilized in its CAPM are flawed when compared against I&E, OCA and other leading experts. We also find that I&E's recommendation in this matter would provide an excessive return on equity. By contrast, we find that OCA's recommendation includes Commission accepted DCF and CAPM analyses, including reasonable reliance on expert surveys for ERP and use of a perpetual growth rate of 3.8% was reasonable and supported by the record.

Accordingly, we recommend that the Commission adopt OCA's ROE of 8.7%, which provides a fair return on equity, and includes a weighted ROR of 6.68% with a capital structure of 42% common equity and 58% debt.

[343] OCA St. 3 at 29.

G. Rate Structure and Rate Design

Allocated Class Cost of Service Study

When a utility files for a rate increase and the proposed increase exceeds one million dollars, the utility must include with its filing a cost-of-service study in which it assigns to each customer class a rate based upon operating costs that it incurred in providing that service. 52 Pa. Code § 53.53. The primary purpose of a class cost of service study is to assist in the design of a utility's rates by identifying all capital and operating costs incurred by the utility in the provision of service to its customers, then directly assigning, or allocating, these various costs to the individual rate classes based on principles of cost causation in order to calculate the rate of return provided by each class. The rate of return identified for each class is then compared to a system average rate of return to determine if each rate class is under-paying or over-paying its allocated cost of service. This information is then used to determine the manner in which the proposed rate increase should be allocated among the various rate classes. The allocation should be based on how the various rate classes caused the costs to be incurred.

In allocating a rate increase among various rate classes, the Commission may consider a number of factors, including such things as cost of service by rate class, the value of service, gradualism and conservation considerations. The Pennsylvania Commonwealth Court has concluded, however, that the concept of class cost of service is the 'polestar" of utility ratemaking and is the primary consideration. In a 2006 decision, the Commonwealth Court in considering a substantial difference in the rate of return by class of a utility's customers, and the concept of gradualism, concluded that the proposed rate of return difference should not stand. The court stated:

> [W]hile permitted, gradualism is but one of many factors to be considered and weighed by the Commission in determining

> rate designs, and principles of gradualism cannot be allowed to trump all other valid ratemaking concerns and do not justify allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time.

Lloyd v. Pa. PUC, 904 A.2d 1010. (Pa. Cmwlth. 2006) (*Lloyd*).

UGI Electric Position

In this proceeding, UGI Electric selected the Atrium excel based model (Atrium ACOSS Model) to perform its Allocated Cost of Service Study (ACOSS). UGI Electric witness Cynthia Fang utilized a Minimum System Study to identify the portion of distribution plant necessary to provide a basic minimum level of service to each customer, regardless of load. UGI St. 11 at 22. That portion is classified as customer related. The remaining portion is classified as demand related. *Id*. UGI Electric notes that this minimum system method has been affirmed in recent proceedings, including the company's 2018 rate case, at Docket No. R-2017-2640058.

In explaining its ACOSS, UGI Electric describes in its main brief:

> In this case, UGI Electric's ACOSS is contained in Exhibit D and fully distributes the Pennsylvania jurisdictional costs of providing retail distribution service to the various rate classes at both present and proposed rates. UGI Electric selected the Atrium excel based model ("Atrium ACOSS Model") to conduct the ACOSS in this general base rate case. The Atrium ACOSS Model was developed by Atrium on a proprietary basis for its consulting engagements and has been used in multiple jurisdictions. This is the same Atrium ACOSS Model that UGI Electric presented in UGI Electric's last base rate case at Docket No. R-2022-3037368. Further, there are no material differences, in output and format, between the Atrium ACOSS Model used in this case and the past ACOSS models that UGI Electric presented in UGI Electric's 2021 base rate case at Docket No. R-2021-3023618 and 2018 base rate case at

Docket No. R-2017-2640058.

> The Company's ACOSS was developed using a standard, widely accepted cost-based ratemaking framework that consists of functionalization, classification, and allocation. This three-step approach is commonly used in electric utility cost of service studies and is consistent with guidance provided in the NARUC Electric Utility Cost Allocation Manual. The functionalization step organizes costs according to the functions they support within the electric distribution system. The classification step takes those functionalized costs and then classifies them based on the factors that drive the incurrence of the costs. For purposes of this ACOSS, the costs were classified as customer, demand, or energy related. Finally, the allocation step takes the classified costs and allocates them to customer classes using allocation factors that reflect cost causation and customer usage characteristics, while, to the extent possible, directly assigning revenues, operating expenses, and rate base. This structured approach provides transparency into how costs flow through the study and ensures consistency between the ACOSS and the Company's underlying revenue requirement.
>
> The ACOSS results provide cost-based guidelines for evaluating both interclass revenue relationships and the design of rates within each class. At the class level, the revenue-to-cost ratios indicate whether existing rates recover more or less than a class's indicated cost of service. Where a class is under or over-recovering relative to its allocated costs, rate adjustments can be considered to move class revenues closer to cost responsibility and bring class rates of return nearer to the system average rate of return. In this way, overall rate levels are better aligned with the cost of providing service.

UGI Electric MB at 107-108.

UGI Electric states, as noted, that the Commission affirmed the company's use of the Minimum System Study in the company's 2018 rate case. In its Final Order, the Commission stated:

> [A]s 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 . . . 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 that the ACOSS methodology proposed by the OCA.

2018 UGI Electric Order (Docket No. R-2017-2640058).

OCA Position

The OCA disagrees with the company's use of the minimum system study methodology. In so doing, OCA argues the UGI Electric's methodology:

> . . . is inconsistent with the manner in which UGI's distribution infrastructure is designed and constructed. Namely, as described in the testimony of OCA witness Dupree, the Company's proposed MMS methodology utilizes a customer component in the allocation of the costs of primary and secondary distribution infrastructure despite the fact that there is no correlation between the number of customers connected to UGI's distribution system and the Company's investment in primary and secondary distribution infrastructure.

OCA MB at 69-70.

The OCA argues that its alternative cost of service approach better aligns cost causation principles and the way the company's distribution system is designed and operated. In its alternative ACOSS, OCA classified 100% of the costs associated with primary and secondary distribution plant assets included in FERC Accounts 364-368 as demand related. OCA MB at 110. OCA argues:

> Whether primary or secondary distribution plant investment may bear some relationship to the number of customers connected to the distribution system is not the critical question in this proceeding: instead, the Commission must answer whether the MSS method accurately captures the portion of primary and secondary distribution plant costs attributable to the interconnection of customers to the distribution system. It does not.

OCA MB at 72.

I&E Position

I&E does not oppose the ACOSS used by the Company in this proceeding. I&E MB at 37.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

We find that the ACOSS prepared by UGI Electric and submitted in this proceeding as UGI Electric Exhibit D – Allocated Cost of Service Study (Fully Projected) is reasonable and, when viewed in connection with the company's proposed revenue allocation and rate design, correctly considers and adheres to the "polestar" consideration of utility ratemaking; class cost of service.

As noted, UGI Electric correctly states in its main brief that its use of the Minimum Service Study was previously affirmed as reasonable by the Commission in the company's 2018 rate case. UGI Electric MB, p. 110.

We also agree with UGI Electric as it argues:

> . . . OCA's proposal to use a demand-only allocator would tend to understate the cost responsibility of smaller customers and overstate the cost responsibility of larger customers relative to the Company's MSS-bases approach. Conversely, by classifying distribution plant between customer and demand-related components, the Company's MSS-based approach better reflects the cost characteristics of facilities used to serve different customer groups.

UGI Electric MB at 111, citing UGI Electric St. 11-R at 7.

As noted by UGI Electric, residential customers generally require more and smaller-scale facilities, which tend to have higher unit costs per kilovolt-ampere than larger facilities used to serve high-demand customers. UGI St, 11-R at 7.
We agree that a demand-only allocation does not recognize these unit cost differences or the customer connection function of distribution facilities. We further agree that "absent a minimum system component, distribution costs would tend to be understated for smaller customers and overstated for larger, higher-demand customers relative to the Company's cost-causation analysis." UGI St, 11-R at 7. By classifying distribution plant between customer and demand related components

For these reasons, we recommend that UGI Electric's ACOSS as reflected in UGI Electric Exhibit D – Allocated Class Cost of Service Study (Fully Projected) be approved and the OCA alternative denied.

Revenue Allocation

The primary goal in revenue allocation is to have rates reflect the actual cost of service to the various customer classes. *Lloyd.* A proposed revenue allocation will only be found to be reasonable if it moves distribution rates for each class closer to the full cost of providing service. *Pa. Publ. Util. Comm'n v. PPL Electric Utilities Corp.,* Docket Nos. R-00049255, 2007 Pa. PUC LEXIS 55 (Order on Remand entered July 25, 2007).

UGI Electric Position

As explained above, we have accepted UGI Electric's ACOSS (UGI Electric Exhibit D) as reasonable, consistent with Commission precedent and in adherence with the methods set forth in the NARUC Manual. UGI Electric summarizes is proposed revenue allocation in its main brief as follows:

> UGI Electric witness Fang proposed moderation to the revenue apportionment because moving immediately to equalized rates of return across customer classes could result in significant changes in allocated revenues for certain classes. This is particularly true where a utility has a small customer base; the customer base is largely within one rate class, and the largest rate classes are well below the cost of service. Therefore, the Company moderated the revenue apportionment to balance cost-of-service principles with considerations of gradualism and customer impacts.
>
> Specifically, under the Company's proposal, the as-filed overall revenue increase of 12.0% was distributed across the customer classes in a manner that moves classes closer to their cost of service while avoiding the larger revenue shifts that would occur under a fully equalized rate of return approach. As shown in Table 5 in Ms. Fang's direct testimony, the proposed class revenue changes range from 2.24% for the General Service-4 class to 22.47% for the General Service

> customers, compared to the larger increases and decreases that would result from strictly equalizing class rates of return. The resulting parity ratios under the Company's proposal range from 0.95 for the General Service class to 1.20 for the Large Power class, representing an improvement relative to current levels while maintaining reasonable rate stability across customer classes.

UGI Electric MB at 114-115.

Essentially, UGI Electric argues that its ACOSS and proposed revenue allocation methods move customer classes closer to their respective costs of service while avoiding much larger, sudden revenue shift increases and decreases that would occur from simply equalizing class rates of return. UGI St. 11 at 33.

We also note here that OCA is proposing in this proceeding that customer assistance program (CAP) costs be allocated among all customer classes on a flat fee basis such that "interclass allocations should be based on each class's allocation of total distribution revenue requirement (excluding taxes) agreed to in a settlement of this case, or that is approved by a final PUC Order if the case is litigated." OCA St. 6 at 5.

UGI Electric argues that ". . . CAP cost allocation among customer classes is an important program-design issue that should be considered in the broader Universal Service Program context, rather than as a standalone adjustment in this base rate case." UGI Electric St. 11-R at 80.

OCA Position

The OCA recommends that the Commission adopt its ACOSS methodology, which allocates the cost of primary and secondary distribution plant on a 100% demand basis, arguing that it more accurately reflects the cost causation on UGI's

distribution system. OCA further recommends that the Commission adopt a gradualism ceiling of 1.15 times the system average increase when allocating revenue. OCA MB at 76. OCA argues that the Commission must consider various non-cost factors when determining an appropriate cost of service for each customer class, such as gradualism, continuity, affordability and understandability. OCA Corrected St. 1 at 37. Not surprisingly, OCA's proposed ACOSS and revenue allocation would be much more favorable to residential and small business customers. OCA states:

> [B]y authorizing no customer class to bear a revenue increase greater that 1.15 times the system average increase, all customer classes would move closer to their cost of service, as indicated by the ACOSS selected in this proceeding, while mitigating the significant impact that the Company's proposal would have on residential and small business service customers in allocating the two classes over 95% of the total revenue increase.

OCA MB at 77-78, citing OCA Corrected St. 1 at 39-40.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not Brief this issue.

Disposition

We agree with UGI Electric that its proposed revenue requirement allocation among the various rate classes achieves significant progress moving rate classes toward the system average relative rate of return in a measured manner. We agree with UGI Electric as it stated:

> UGI Electric's proposed allocation of revenue requirement among the rate classes is reasonable and achieves substantial progress in moving rate classes toward the system average relative rate of return. Indeed, the company's revenue allocation would move all rate classes toward parity. By contrast, OCA's proposed revenue allocation would mover two rate classes (i.e., FCP and Large Power) away from parity.

UGI Electric MB at 116.

OCA has presented an alternative allocation proposal that is based on its ACOSS which, as noted above, we have rejected in favor of UGI Electric's ACOSS. We find that UGI Electric's proposal is more aligned with the "polestar" concept of class cost of service and cost causation.

Accordingly, OCA's rate allocation alternative is denied and UGI Electric's rate allocation proposal is recommended here, with the actual numbers to be based on the proportionate adoption of the actual revenue requirement approved.

Rate Design

UGI Electric Position

The main customer classes and rate schedules addressed in this proceeding are Residential (R), General Service (GS-1), General Service-5 (GS-5), General Service -

4 (GS-4), Flood Control Power (FCP), Large Power (LP) and Lighting Service. UGI Electric explains:

> Under the present rate structure, most customer classes are billed through a combination of a monthly customer charge and a volumetric distribution charge, with the volumetric charge generally applied on a flat per-kilowatt-hour basis. Larger commercial and industrial customers receiving service under Schedules GS-4 and LP are also subject to demand charges, reflecting the impact of their peak demand on the distribution system. These demand charges are currently structured using two-block demand rates, while volumetric charges for these classes are structured using three-block or four-block declining block energy rates.

UGI Electric MB at 119.

UGI Electric is proposing in this case the following key changes to its current rate design:

> 1. Increasing the customer charge for all rate schedules with current customer charges and establishing a customer charge for Rate LP to better reflect the customer-related costs associated with providing electric distribution service.
>
> 2. For the non-residential customers in Rates GS-4 and LP with demand charges, moving the demand charges to be more cost-based.
>
> 3. For non-residential customers in Rates FCP, GS-4, and LP, beginning to transition away from the current block rate structures for distribution and demand charges by moderating or eliminating the existing blocks.

UGI Electric St. 11 at 38.

The company is also proposing certain modifications to its tariff, including: (1) revising its tariff provisions applicable to the largest load customer class, Rate HTP (High Tension Power), which is currently a fully negotiable rate. The proposed revision

would allow the company to include its DSIC and Universal Service Program riders as eligible charges for Rate HTP customers, which are currently excluded from both riders. The company would be permitted to negotiate the application of these riders to Rate HTP customers, including data centers, which would cause large load customers to contribute to ". . . the overall health of the system and the affordability of distribution service." UGI Electric St. 1 at 10. The company notes here that no other party to this proceeding opposed this tariff modification.

UGI Electric notes that while some of its rate design proposals were unopposed, parties challenged the company's rate design proposals as follows: (1) I&E proposed alternative increases in the customer charges for Rates R, GS-5, GS-1, FCP and GS-4, premised upon limiting all the customer charge increase to approximately 24%; (2) OCA and CEO oppose any increase in the residential customer charge, and (3) OCA opposes any increase in the customer charge for small general service customers. UGI MB at 121 (citing I&E St. 3 at 10-11; OCA Sat. 1 at 51; CEO St. 1 at 7; OCA St. 1 at 51).

With respect to residential charges, UGI Electric's current customer charge is $10.75. In this proceeding, the company is proposing a monthly customer charge of $22.00. It argues that its ACOSS demonstrates residential customers have an actual monthly customer cost of $28.48. UGI Electric St. 11 at 44. It further argues that OCA witness Deupree's analysis demonstrated an estimated customer-related cost of approximately $27.26. OCA St. 1 at 44. The company argues that the evidence clearly shows that its proposed monthly customer charge of $22.00 is reasonable and fully justified. UGI Electric MB at 122-123. UGI Electric argues, "[f]or residential customers specifically, the cost-based customer charge is materially higher than the Company's proposal. The proposed charge therefore reflects a measured step toward cost-based recovery, not full movement to cost." UGI MB at 123, citing UGI Electric St. 11-R at 47.

With respect to non-residential customer charges, UGI Electric is proposing increases in the customer charges for Rates GS-1, FCP and GS-4. It argues that the proposed increases are fully justified by its ACOSS results and reflect a moderate move toward cost-based levels while observing considerations of gradualism and total bill impacts. UGI Electric MB at 127 (citing UGI Electric St. 11 at 45-46).

OCA Position

The OCA argues that UGI Electric's proposed residential customer charge increase should be rejected. It argues that the proposal is not supported by substantial evidence and is inconsistent with principles of maintaining rate consistency, promoting conservation, encouraging affordability and maintaining equity for low-income customers. OCA MB, p. 78. It notes that the company's proposed increase from the current $10.75 to $22.00 represents an increase of 104.7% and will "… create rate shock, deprive customers of the ability to control their bills through usage reduction, disproportionately negatively impact low-income customers, and position UGI as having one of the highest customer charges in the region." OCA MB at 78-79 (citing OCA Corrected St. 1 at 45).

OCA argues that the company already earns sufficient revenue through its existing customer charge to cover its customer-related costs. OCA MB at 79. Next, OCA argues that the proposed increase would result in the company's residential customer charge being substantially higher than the average among electric distribution companies in the region. OCA further argues that, by placing a greater portion of customer rates into the fixed component, the increase will deter energy efficiency and conservation, reduce customers' control over their bills, and negatively impact the ability of low-income customers to afford their bills. OCA MB at 80-81. OCA argues that the

Commission should maintain UGI Electric's existing residential customer charge of $10.75.

I&E Position

I&E included in its main brief the following chart which shows UGI Electric's current schedule of customer charges as well as the company's proposed increases. It shows, for the residential customer class, the proposed increase of $11.25 to $22.00.

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

I&E MB at 38.

I&E also included in its main brief a chart showing I&E's proposed customer charge increases for the various Rate schedules. For the residential class, I&E proposes an increase of $2.55 to $13.30.

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

I&E MB at 38.

I&E argues against allowing the company's proposed increase in the residential customer charge as excessive. Although I&E witness Cline did not recommend any changes to the company's customer cost analysis, he nonetheless recommends approving a residential customer charge increase of 24%, or $2.55 per month. I&E MB at 37-38. I&E's argument is largely based on its focus on the concept of gradualism, as it states:

> Higher fixed customer charges allow the utility to recover stable revenue at a higher rate, while lower customer charges (and thus correspondingly higher usage charges) allow the customers more ability to control their own costs. I&E's recommendation is therefore to limit the customer charge increases to 24%, or approximately two times the overall system average increase of 12%. Though I&E does not generally oppose the Company's stated intent to transition to a cost-based rate structure and away from block rates, I&E has significant concerns regarding the principle of gradualism. Though gradualism is not the only factor to be considered in ratemaking, it is a significant one, and I&E maintains that the proposed increases of more than 100% would violate the principle of gradualism.
>
> . . . .
>
> I&E's recommendation in this matter allows for movement toward the transition to cost-based rates while more reasonably incorporating the principle of gradualism, and therefore I&E recommends the Commission limit increases to the customer charges as per the I&E recommendation.

I&E MB at 38-39.

OSBA Position

> OSBA did not brief this issue.

CEO Position

CEO did not brief this issue, other than to say it supports the OCA's arguments.

Disposition

We recommend that the Commission adopt UGI Electric's proposed rate design and customer charges and reject OCA and I&E's proposed adjustments. First, we re-emphasize that the "polestar" of utility rate design and allocation among the various customer classes is cost of service. Here, the evidence shows that UGI Electric has provided support for an increase in the residential customer charge of $28.48. UGI Electric St. 11 at 44. In fact, as noted, the OCA's analysis supports an increase in the amount of $27.26. OCA St. 1 at 44. The company has moderated its proposed increase to $22.00. While this amount represents a significant increase, we find that the company has considered concepts of gradualism and affordability in its request, while at the same time moving its rates closer to the true cost of service. As noted by the company, "[t]he proposed charge therefore reflects a measured step toward cost-based recovery, not full movement to cost. A uniform cap would slow progress where existing charges remain significantly below cost and would continue to shift customer-related costs into volumetric rates, weakening alignment with underlying cost drivers." UGI Electric MB at 123 (citing UGI Electric St. 11-R at 47).

Second, with respect to the OCA's argument that increasing the residential customer charge will minimize the opportunity for customers to control their bills, thereby negatively impacting conservation efforts and affordability concerns, we agree with the company that the majority of a typical customer's bill will remain usage-based, thereby retaining with customers the ability to both conserve energy and reduce costs through efficiency efforts.

We find that UGI Electric's rate design and customer charge proposals in this proceeding are reasonable, supported by record evidence, and balance the concepts of gradualism and affordability with cost causation considerations.

Scale Back

If the Commission ultimately approves a lesser revenue increase than sought by UGI Electric, a determination must be made as to where the scale back in rates will fall.

UGI Electric Position

UGI Electric agrees that if the Commission recommends a lower revenue increase than its $16,050,000 request in this proceeding, a proportional class-level scale-back is appropriate. The company argues, however, that the scale-back should not be applied to its proposed customer charges for the Rate R and Rate GS-1 customer classes. The company argues that customer charges ". . . serve a distinct rate design function: they recover customer-related costs that are incurred to provide access to the distribution system regardless of usage. Where the proposed Rate R and Rate GS-1 customer charges remain below the cost-based levels indicated by the Company's customer cost analysis, reducing those charges as part of a proportional scale-back would mover those rate components further away from cost causation and shift additional recovery back to volumetric rates." UGI Electric MB at 129 (citing UGI Electric St, 11-R at 48-49).

OCA Position

The OCA recommends that any proportional scale-back include not only volumetric charges but also customer charges. OCA states, "[a] scale-back proposal

appropriately recognizes that, as the Commission-approved cost of service for a utility decreases, so too does the cost of service by customer class indicated by the selected cost of service study, inclusive of the costs which provide the basis for individual rate components such as a fixed monthly customer charge." UGI Electric MB at 83.

I&E Position

I&E also argues that any proportional scale-back of rates include both customer charges and usage charges based on the ACOSS ultimately approved by the Commission. In support, I&E notes that this scale-back methodology was granted in both the *2018 UGI Electric Rate Case* and the *2025 Columbia Gas Rate Case*.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

As noted above, we are recommending adoption of UGI Electric's ACOSS and proposed revenue allocation and rate design. We are also recommending a lesser increase than the increase sought by the company. We agree with OCA and I&E that a scale-back of rates should reduce both the customer charges and usage rates proportionally to the percent increase originally requested. We believe that this approach is consistent with recent Commission Orders and includes a degree of gradualism that provides a level of benefit especially to residential and GS-1 rate class customers.

H. Customer Service and Quality of Service

UGI Electric Position

UGI Electric maintains that it has been providing high-quality service to its customers and that OCA's recommendations should be rejected except for one. The Company addressed this matter in five distinct areas.

1. Customer Service Performance

The Company points out that OCA witness Alexander raised concerns about the Company's call center performance, percentage of calls answered within 30 seconds, and abandonment rate. She recommends that the Company be required to meet its 2024-2025 call center performance standards in its rate effective year as a condition of any rate increase ordered in this proceeding and improve its call center performance in months with a higher level of customer calls to improve significant deterioration in those months.[344] The Company argues that this recommendation should be rejected as the Commission did with a similar recommendation in *Columbia Gas 2025 Rate Case*.[345]

The Company further argues that it already submits customer service performance metrics on an annual basis to demonstrate compliance against a standard.[346] The Company also asserts that its internal performance metrics used to measure management quality are already evaluated through the periodic Commission Management Efficiency Audits in which the Company participates.[347] In addition, the Company asserts that its responses in this matter regarding the Company's performance

344 OCA St. 5 at 5.
345 *Columbia Gas 2025 Order* at 311-12.
346 UGI Electric St. No. 13-R at. 3-4.
347 *Id*. at 4.

compared to its peers show that the Company is performing at a high level.[348] As such, the Company argues that OCA witness Alexander's proposal is not necessary and not supported by the record.

2. Shopping Communications and Bill Presentation

UGI Electric points out that OCA witness Alexander also recommended that UGI Electric adopt "additional and more targeted customer communications to assist customers in ensuring affordability for basic electric service due to high EGS charges that appear on the customer bill that UGI collects under threat of termination of service."[349] These targeted communications would "alert" customers to compare the rate they pay their EGS with the Price to Compare (PTC).[350] Further, the Company states that Ms. Alexander proposed that UGI Electric's bill presentation be reformed, such that the PTC appear as a "Generation Charge" or make clear in the Shopping Information Box that the PTC is the price for the "Generation Charge."[351]

The Company argues that these proposals are unnecessary and costly and cites to the testimony of UGI Electric witness Adamo to support that the Company complies with the Commission's regulations with regard to bill formatting.[352] Further, the Company estimates the IT costs to program a PTC alert at approximately $150,000.[353] The Company argues that Ms. Alexander fails to address the concerns raised by Mr. Adamo and fails to justify her stance.[354]

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348 *Id*.
349 *Id.* at 6
350 OCA St. 5 at 23.
351 OCA St. 5 at 19-20.
352 UGI Electric St. No. 13-R at 5.
353 *Id.* at. 6.
354 OCA St. 5-SR at 12.

The Company further claims that the more problematic aspect of Ms. Alexanders' proposal is that the change of the PTC to "Generation Charge" on the bill conflicts with the Commission's regulations and reflects a fundamental misunderstanding of the PTC's components. UGI Electric claims that section 54.187 of the Commission's regulations specifically requires that a default service customer "be offered a single rate option, which shall be identified as the PTC and displayed as a separate line item on a customer's monthly bill."[355] Therefore, UGI Electric argues that it must display the PTC as a separate line item on the Company's bills. Furthermore, the Company claims that the PTC includes more than generation charges; rather, the "PTC is equal to the sum of all unbundled generation and transmission related charges to a default service customer for that month of service."[356] Thus, the Company argues that presenting this line item as only a "Generation Charge" would be inaccurate and confusing for customers.[357]

Furthermore, the Company avers that in the *Columbia Gas 2025 Order*, the Commission expressly rejected a similar proposal by OCA.[358] As such, the Company argues that as the Commission found in that case, "addressing these issues and imposing additional communication requirements regarding competitive supply rates in a specific" utility's base rate case, without the input of other important stakeholders, including "individual" suppliers "or representatives" of the supplier "community, is not appropriate."[359] The Company argues that as in that case, there are no suppliers or

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355 52 Pa. Code § 54.187(c); *see also* 52 Pa. Code § 54.182 (defining "PTC" as "[a] line item that appears on a retail customer's monthly bill for default service").

356 52 Pa. Code § 54.182.

357 *See, e.g.*, 52 Pa. Code § 54.182 (effective Aug. 11, 2012 per 42 Pa.B. 5185); *Pa. PUC v. UGI Utils., Inc. – Gas Div.*, 2000 Pa. PUC LEXIS 885, at *69-71 (Order entered June 29, 2000); *see also Petition of Pike Cnty. Light & Power Co. for Approval of its Default Serv. Implementation Plan for the Period of June 1, 2014 through May 31, 2016*, Docket No. P-2013-2371666 at 16 (Opinion and Order entered Mar. 20, 2014) (approving OCA's proposal to have the utility provide the one-year average PTC on its bills).

358 UGI Electric St. No. 13-R at 6-7.

359 *Columbia Gas 2025 Order* at 389.

representatives of the supplier community involved in this case, so these proposals should be rejected.

3. Field Agent Training

The Company points out that OCA witness Alexander recommended that the Company be required to create and implement field agent training and compliance oversight to implement the Chapter 56 requirements to attempt personal contact immediately prior to termination of service with the minimum content that she has listed in her testimony.[360] She also suggested that the Company develop "agent training and compliance related documents" that reflect a written manual and include:

> [A] complete description of the obligation to knock on the customer's door prior to termination of service and require that the field agents are familiar with and can properly react to all the rights that a customer has to avoid termination of service, including a declaration of a medical emergency, a statement that payment has been made, a request for a payment plan and access to low income affordability programs, and indication of a protection from abuse order or other evidence of domestic violence. [361]

The Company argues that these recommendations should be denied because field technicians are not trained to function as customer service representatives or to assess sensitive customer matters such as medical conditions or income status.[362] UGI Electric witness DeGiusto also explained that that customers facing termination already receive multiple notifications outlining their rights and available protections, including written correspondence such as the initial notice, 10-day notice, in-person contact via

360 OCA St. 5 at 5.
361 *Id.* at 17-18.
362 UGI Electric St. No. 3 at 9.

telephone three days prior to termination, and a post-termination notice.[363] Thus, the Company argues that Ms. Alexander failed to establish that this additional measure requiring field agents to attempt personal contact will improve outcomes for customers facing immediate termination establish that this additional measure requiring field agents to attempt personal contact will improve outcomes for customers facing immediate termination and the recommendation should be rejected.

4. Website Reforms

The Company argues that the Commission should likewise reject OCA witness Alexander's allegations that UGI Utilities' website is "dominated by information for its larger gas service customer base" and her related recommendation to include a more targeted section of the website dedicated to electric customers.[364] UGI Electric witness Adamo asserted that he reviewed the Company's website and found that its navigation structure encompasses approximately 120 distinct pages, more than sixty percent of which apply to both natural gas and electric customers, including Billing and Payments, Customer Assistance Programs, Community Programs, News, Careers, and Company Information.[365] The Company also asserts that fuel-specific content contains corresponding pages for each fuel in the Safety, Shopping for a Supplier, Rebates, and Tariffs sections.[366] The Company further explained that the website may appear "dominated" by natural gas content because of the safety risks associated with natural gas compared with electric, and additional safety and leak-detection education is required.[367] Lastly, the Company maintains that having natural gas on a property is a choice so natural gas customers need further education on appliances, conversion steps, and

363 *Id*.
364 OCA St. 5 at 5.
365 UGI Electric St. No. 13-R at 9.
366 *Id*.
367 *Id*.

availability checks to adopt.[368] Therefore, the Company argues that Ms. Alexander's recommendations regarding UGI Utilities' website should be rejected.

5. Root Cause Analysis

UGI Electric points out that Ms. Alexander also recommended that UGI Electric be required to develop and implement the findings of a Root Cause Analysis of customer complaints similar to that ordered for UGI Gas in its 2025 base rate case.[369] As part of the settlement, UGI Gas was required to "categorize, track, review and remediate Justified Complaints and Verified Infractions issued by the Commission's Bureau of Consumer Services."[370] The Company asserts that it has not yet completed this commitment but fully supports this recommendation.[371] The Company also explained that the scope of the Root Cause Analysis, per the requirements of the UGI Gas 2025 base rate case settlement, includes UGI Electric.[372] Thus, the Company fully supports this recommendation because it shares that same call center as UGI Gas.[373]

6. Use of Social Security Numbers

The Company states that OCA expressed concerns regarding the Company's collection of Social Security Numbers (SSN), but noted the OCA failed to propose any alternative.[374] The Company argues that OCA's concerns and recommendations should be rejected because the Company asks for a new customer's SSN when they apply for service but they are given the alternative to provide a driver's

368 *Id*.
369 OCA St. 5 at 6.
370 *Id.* at 18.
371 UGI Electric St. No. 13-R at 4.
372 *Id*.
373 *Id*.
374 UGI Electric St. No. 13-R at 8.

license number. Moreover, the Company avers that in the UGI Gas 2025 Rate Case Settlement, it already agreed to implement the Commission's Common Application Form and is utilizing it for its Customer Assistance Program ("CAP") and Operation Share as of December 2025, which does not require a SSN from applicants.[375]

The Company further contends that it does not share SSNs with affiliates or corporate entities so OCA's recommendations should be rejected.[376]

OCA Position

OCA argues that the Commission has recently and properly recognized that "[a] base rate proceeding 'is the proper venue for hearing [] customer service issues."[377] OCA also contends that the Commission may also condition a portion of a utility's requested rate increase on its compliance with service adequacy objectives.[378] A primary concern of the OCA is that UGI Electric did not present any information regarding its customer service performance or compliance related issues "with respect to the operation of its customer call center, complaints, Chapter 56 compliance, or customer satisfaction measures."[379] OCA witness Alexander made the following recommendations:

- UGI Electric should be required to meet its 2024-2025 call center performance standards in its rate effective year as a condition of any rate increase ordered in this proceeding. In addition, the Company should be required to improve its call center

375 *Id*.

376 *Id*.

377 *Pa. PUC v. Phila. Gas Works*, 2023 PA. PUC LEXIS 93, Order at 193 (April 20, 2023) (*PGW 2023*).

378 *Nat'l Utils. v. Pa PUC*, 709 A.2d 972, 977-78 (Pa. Cmwlth. Ct. 1998) (quoting D.*C. Transit System, Inc. v. Wash. Metro. Transit Comm'n*, 466 F.2d 394, 417 (D.C. Cir. 1972)).

379 OCA St. 5 (PUBLIC) at 7.

performance in months with higher level of customer calls to improve significant deterioration in those months.

- UGI Electric should be required to create and implement field agent training and compliance oversight to implement the Chapter 56 requirements to attempt personal contact immediately prior to termination of service with the minimum content that I have listed in this testimony.

- UGI's web portal serves both its gas and electric Pennsylvania customers but the website is dominated by information for its larger gas service customer base. A more distinctive section of this website should be created to provide a targeted set of information for electric service customers.

- UGI Electric should be required to develop and implement the findings of a Root Cause Analysis of customer complaints similar to that ordered for UGI-Gas in its 2025 base rate case.

1. Customer Service Performance

OCA argues that the Commission should require UGI to meet its internal call center performance standards in the rate effective year and require UGI to improve its call center performance in months with higher levels of customer calls to improve significant deterioration in those months.[380] OCA contends that its review of call center performance metrics show that the Company's "annual average Abandonment Rate increased from 4% in 2024 to 4.7% in 2025" while equaling the 2024 metric of 86% of calls answered within 30 seconds.[381] OCA witness Alexander testified "that the monthly abandonment rate reflects a wide range of customer call performance experience, reflecting a significant[] deterioration with abandonment rates of 6.14% in February, 9.57% in October, and 7.51% in November 2025."[382] OCA witness Alexander further testified that "[t]he same sharp deterioration in performance occurred in March 2026 with

380 *Id.* at 5, 14.
381 OCA St. 5 (PUBLIC) at 12-13; OCA St. 5R at 6.
382 OCA St. 5 (PUBLIC) at 14.

an abandonment rate of 9.64%" and that "[c]ustomers also experienced call answering percentages of below 80% during these same months with long wait times."[383]

OCA asserts that the Company is not currently accountable to maintaining its internal performance metrics and could "legally reduce its investments in the call center to respond to lower revenues or lower profits than anticipated."[384] OCA further avers that although the Commission rejected a similar recommendation to require Columbia Gas to maintain its 2024 call center performance, it avers that the Commission did so because Columbia Gas' record evidence of steps it was taking to improve.[385] OCA contends that the Company did not identify any similar steps in this case. As such, OCA requests that the Commission require UGI Electric 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.

2. Shopping Communications and Bill Presentation

OCA argues that the Commission should require UGI to provide additional shopping information to its residential customers in light of the impact on customer bills. OCA witness Alexander reviewed UGI Electric's calculations of how much customers paid to an Electric Gas Supplier (EGS) compared to UGI's price to compare (PTC).[386] Those calculations revealed that the total amount of excess charges was $230,291.[387] OCA also points out that the Company's data also showed that as of March 2026, 463 residential customers were enrolled with an EGS.[388] OCA contends that while UGI

383 OCA St. 5 (PUBLIC) at 14.
384 *See* OCA St. 5 (PUBLIC) at 10-11.
385 *See* OCA St. 5 (PUBLIC) at 14.
386 OCA St. 5 (PUBLIC) at 21.
387 OCA St. 5 (PUBLIC) at 21 (citing Exhibit BA-7 (UGI Electric Response to OCA 3-43)).
388 OCA St. 5 (PUBLIC) at 21 (citing UGI Electric Response to OCA 3-36).

Electric does not allow CAP customers to enroll with an EGS, this potential adverse impact on Confirmed Low Income residential customers not enrolled in CAP and who are able to enroll with an EGS should not be ignored.[389]

OCA further avers that UGI Electric's standardized information about retail choice and noted her concern that UGI does not provide any customer specific communications about comparing EGS charges to the PTC.[390] OCA contends that the Company should be required to address this because it affects the affordability of basic and essential electric service and the Company has the obligation to properly inform and educate its customers.[391] OCA witness Alexander recommends that Company do the following: (a) eliminate any reference to the potential to "save" in any presentation of retail choice, (b) include information in its FAQs and customer bill inserts about the right to choose and explain that the risk of higher prices is documented and how to avoid higher prices, (c) explain how to shop and compare EGS prices, (d) alert customers to the potential for a change in EGS price after any initial promotional price, (e) develop targeted communications to customers with EGS charges.[392] OCA contends that the Company fails to adequately rebut any of these recommendations.

OCA also recommends that the Company's bill should be reformed to more directly link the presentation of EGS charges with the PTC, as UGI Electric identifies the PTC on the first page of its residential customer bills, but then identifies default service as "Generation Charge" in the itemized list of customer charges.[393] OCA argues that the Commission should require UGI Electric to "either specifically reference the PTC in the 'Generation Charge' which is the label on the bill for the EGS charges or make clear in

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389 OCA St. 5 (PUBLIC) at 21.

390 *Id*.

391 OCA St. 5 (PUBLIC) at 22; OCA St. 5R at 15.

392 OCA St. 5 (PUBLIC) at 23.

393 OCA St. 5 (PUBLIC) at 19 (citing Exhibit BA-7 (UGI Electric Attachment OCA-3-7(e)).

the Shopping Information Box that the PTC is the price for 'Generation Charge'" to ensure that customers can easily compare EGS charges to the PTC.[394]

OCA further recommends that UGI Electric should adopt additional and more targeted customer communications to assist customers in ensuring affordability for basic natural gas service due to high EGS charges that appear on the customer bill that UGI collects under threat of termination of service. In addition, UGI Electric's bill should be reformed to more directly link the presentation of EGS charges with the Price to Compare (PTC).[395]

OCA further recommends that UGI be required to further revise the written communication it provides to customers when confirming a payment arrangement to provide better protections to its customers. OCA witness Alexander testified that the written communication is defective because it fails to include a notice of customer rights, and UGI Electric should revise the document to include the notice of customer rights, "including the right to a dispute the terms of the payment arrangement with UGI and, if not satisfied, how to file an informal complaint to the Commission."[396] Thus, OCA argues that the Commission should require UGI Electric to further revise its written communications confirming payment arrangements.[397]

3. Field Agent Training

OCA argues that the Commission should require UGI Electric to develop proper agent training and compliance related documents and solicit input from relevant stakeholders prior to any implementation of those documents.[398] OCA avers that the

394 OCA St. 5 (PUBLIC) at 19-20; OCA 5R at 14.
395 OCA St. 5 (PUBLIC) at 5-6.
396 OCA St. 5 (PUBLIC) at 19.
397 *Id*.
398 *See* OCA St. 5 (PUBLIC) at 17.

Company does not have any documents or written classroom formal training for field agents regarding service disconnection for nonpayment.[399] OCA further avers that UGI Electric has not established that any of its "on the job training" mentions Chapter 56 mandates of requiring an attempt at personal contact immediately prior to termination of service.[400]

OCA witness Alexander testified that UGI Gas was recently required, as a condition of its 2025 base rate case settlement, to develop revised and updated training materials that were then submitted to stakeholders for comment.[401] OCA witness Alexander then recommended that UGI Electric similarly be required to develop proper agent training and compliance related documents that include:

> - The training materials need to reflect a written manual that includes a complete description of the obligation to knock on the customer's door prior to termination of service and require that the field agents are familiar with and can properly react to all the rights that a customer has to avoid termination of service, including a declaration of a medical emergency, a statement that payment has been made, a request for a payment plan and access to low income affordability programs, and indication of a protection from abuse order or other evidence of domestic violence.
>
> - A high priority should be implemented to promptly train and supervise for compliance on these long-standing regulatory requirements.
>
> - The purpose of the attempt at contact should require the field technician to at least refer the customer to their rights as stated in the most recent notice and solicit customer statements. If there is visible evidence of criteria that would trigger these rights, such as medical

[399] OCA St. 5 (PUBLIC) at 16-17 (citing Exhibit BA-3 (UGI Electric Response to OCA-3-6)).

[400] OCA St. 5 (PUBLIC) at 17.

[401] OCA St. 5 (PUBLIC) at 17.

equipment, the field technician should be required to affirmatively inquire as to the existence of a medical emergency.[402]

OCA argues that without these changes, the Company's training for field agents is deficient to protect customers' rights regarding termination of service.[403] OCA further argues that the Company's arguments that against these recommendations should be rejected because even with customers receiving multiple notifications, one of those steps is in-person contact and the Company has identified its field technicians as responsible for the in-person contact and physical termination of service in the field.[404]

OCA also avers that the Company's field technicians have an obligation to attempt contact and recognize and respond to any contact with the customer or responsible adult in an appropriate manner."[405] As such, OCA argues that UGI Electric technicians need to be trained on how to respond to evidence of a customer's rights and the Company should be required to adopt the OCA's recommendations on training materials.[406]

4. Website Reform

OCA points out that UGI utilizes the same website to serve both its Gas Division and Electric Division customers.[407] However, OCA argues that the landing page for UGI Electric's current website is dominated by information pertaining to its larger gas service customer base.[408] OCA contends that requiring UGI Electric to create a more

402 OCA St. 5 (PUBLIC) at 17-18.
403 *See* OCA St. 5 (PUBLIC) at 17-18; OCA St. 5SR at 12-13.
404 52 Pa. Code § 56.93.
405 OCA St. 5R at 13.
406 OCA St. 5R at 13.
407 OCA St. 5 (PUBLIC) at 5.
408 OCA St. 5R at 15-16.

distinctive section of its website would allow for more information that directly targets its electric service customers as opposed to the gas service customers.

5. Root Cause Analysis

OCA asserts that UGI Electric agreed with its recommendation regarding and implementing the findings of a Root Cause Analysis of customer complaints similar to that ordered for UGI Gas in its 2025 base rate case and indicated through discovery that the scope of UGI Gas' root cause analysis includes UGI Electric because "they share the same call center resources."[409]

6. Use of Social Security Numbers

OCA argues that UGI Electric should be directed to report to the Commission, within 12 months of a final decision in this docket, its plan to eliminate the collection and retention of customer Social Security Numbers. This plan should include a plan for elimination of the SSNs currently retained in Company information technology.

At a minimum, OCA avers that the Company should be directed to: (1) refrain from retaining SSNs from customers for more than 30-days after the customer establishes service; (2) refrain from providing a customer SSN to any entity outside of the Company; and (3) notify the customer, at the time the customer is asked to provide his/her/their SSN that, in the absence of the first two steps outlined above, that the SSN will be retained in perpetuity and that the SSN will be provided to a multinational credit firm, to allow the customer to take such notice into account in deciding whether to provide their SSN.

[409] UGI St. 13R at 4.

OCA avers that collection and retention of customer's SSN puts customers at risk of identity theft.[410] OCA asserts that the Company has provided no supporting data or analysis that it needs to use SSNs in order to prevent fraud, by identifying the identity and creditworthiness of service applicants.[411] OCA further asserts that the Company collects SSNs from 99.3% of its customers and that the Company collects SSNs for the express purpose of providing them to a third party ("The Company asks for a new customer's SSN when they apply for service so an Experian check can be run to verify their identity.").[412] Experian's use of, and protection of, SSNs is not subject to the jurisdiction of the Commission.[413]

OCA contends that UGI Electric witness Adamo did not respond to OCA witness Colton's testimony about the need to eliminate the Company's collection, use and retention of customer SSNs.[414] OCA also avers that the Company's proclamation that it does not share customers' SSNs with affiliates or corporate entities does not resolve OCA's concerns.[415]

Accordingly, OCA argues that it has established that the Company 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 SSNs.[416] This plan should include a plan for elimination of the SSNs currently retained in Company information technology.[417]

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410 OCA MB at 137-138.

411 OCA Corrected St. 6 at 75, (citing UGI Electric response to OCA-IV-7).

412 OCA Corrected St. 6 at 78, (citing UGI Electric response to OCA-IV-8).

413 *See* 66 Pa.C.S. § 501(a); The Pennsylvania Supreme Court has explained that PUC jurisdiction concerns "the relationship between public utilities and the public" and extends to matters such as rates, service, rules of service, and utility facilities. *Lansdale Borough v. Philadelphia Electric Co*., 170 A.2d 565, 567 (Pa. 1961).

414 OCA Corrected St. 6R at 8.

415 OCA MB at 141-142.

416 OCA Corrected St. 6SR at 10-11.

417 *Id*.

I&E Position

I&E did not brief this issue.

OSBA Position

OSBA did not brief this issue.

CEO Position

CEO did not brief this issue.

Disposition

1. Customer Service Performance

OCA argues that UGI Electric should be required to meet its 2024-2025 call center performance standards and cites to an increase in its abandonment rate from 2024 to 2025 while equaling the 2024 metric of calls answered within 30 seconds. OCA further argues that the Company is not currently accountable to maintaining its internal performance metrics.

The Company argues that the Commission rejected a similar recommendation in its *Columbia Gas 2025 Order* and should do so again here. Moreover, the Company maintains that it is already performing at a high level and has already adopted internal performance indicators so the recommendations are unnecessary.

We agree with UGI Electric. OCA has failed to justify that UGI Electric should be required to make its recommended changes in this proceeding based on the record. Moreover, we agree that the Commission has already rejected similar recommendations, and we see no basis to come to a different conclusion in this proceeding. Although we do not recommend that the rate increase in this matter be contingent on meeting call center performance standards, we agree with OCA that it is in the public interest for UGI Electric's call center performance to be maintained. Accordingly, we recommend that UGI Electric be required to make efforts to maintain its call center performance at levels consistent with its average 2025-2026 (through May) performance as reported to the Commission. We further recommend that the Company meet with the parties at least annually to discuss areas of challenge and the Company's plans to address the challenges. It should be noted that UGI Electric agreed to this in the rejected Joint Petition.

2. Shopping Communications and Bill Presentation

OCA argues that UGI Electric should be required to: (1) provide additional shopping information, (2) provide standardized information about retail choice, (3) reform the bill to link the presentation of EGS charges with the PTC, (4) adopt additional more targeted customer communications and (5) further revise the written communications it provides to customer when confirming a payment arrangement.

The Company acknowledged that need to discuss the development of customer communications with stakeholders based on prior holdings from the Commission.[418] The Company opposed the remaining OCA suggestions as unnecessary, costly and in opposition of regulations regarding the proposed change of the PTC to

[418] *Columbia Gas 2025 Order* at 389.

"Generation Charge" on the bill. UGI Electric also asserts that the Commission rejected a similar proposal by OCA in its *Columbia Gas 2025 Order*.

We agree with the Company. OCA has failed to justify that UGI Electric should be required to make its recommended changes in this proceeding based on the record. Moreover, we agree that the Commission has already rejected similar recommendations, and we see no basis to come to a different conclusion in this proceeding. Accordingly, we recommend that UGI Electric be required 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 a Final Order in this matter. It is noted that the Company agreed to this in the rejected Joint Petition.

3. Field Agent Training

OCA maintains that the Company has failed to establish any field agent training addressing Section 56.94 of the regulations, 52 Pa. Code § 56.94. Moreover, OCA rejects the Company's counterclaim that the multiple notifications customers facing termination already receive sufficiently outline their rights and available protections.

The Company does not deny that its field technicians are not trained to function as customer service representatives or to assess sensitive customer matters such as medical conditions or income status.[419] Rather, the Company relies on the fact that multiple notices are sent to its customers informing them of their rights and available protections.

[419] UGI Electric St. No. 3 at 9.

We agree with OCA. The regulations prohibit termination in certain cases and the fact that UGI Electric sends out required notices is not sufficient to protect the public interest when UGI Electric is in direct contact with customers. As such, we recommend that UGI Electric develop a field training manual addressing 52 Pa. Code § 56.94(1) and submit a draft of this field training manual to its USAC within 90 days of the date of entry of a final order in this matter. We also recommend that the Company conduct mandatory training for all field employees to train them on this material. It should be noted that the Company agreed to this in the rejected Joint Petition.

4. Website Reform

The Company asserts that its website navigation structure encompasses approximately 120 distinct pages, more than sixty percent of which apply to both natural gas and electric customers. The Company also asserts that fuel-specific content contains corresponding pages for each fuel in the Safety, Shopping for a Supplier, Rebates, and Tariffs sections.

OCA argues that the Company's website is dominated by information for UGI Gas customers and that a more distinctive section of the website would allow for information that targets UGI Electric customers.

We agree with UGI Electric that the Company's current website provides information for both UGI Gas and UGI Electric customers. We also note that there was no testimony from the public that they had any trouble navigating the current website to obtain information between UGI Gas and UGI Electric. However, providing additional information to customers to avoid confusion is always in the public interest. Therefore, we recommend that UGI Electric review its website and implement any modifications that may provide clarity to its customers regarding navigation between information about UGI Gas and UGI Electric. We also recommend that UGI Electric include additional

information on how to contact OSBA and OCA on its website. It should be noted that UGI Electric agreed to this in the rejected Joint Petition.

5. Root Cause Analysis

UGI Electric and OCA agree that UGI Electric should be required to develop and implement the findings of a Root Cause Analysis of customer complaints similar to that ordered for UGI Gas in its 2025 base rate case. No party opposed this. The Company explained that the scope of the Root Cause Analysis, per the requirements of the UGI Gas 2025 base rate case settlement, includes UGI Electric. The Company acknowledges that it has not yet completed this commitment, but it supports this recommendation since it shares that same call center as UGI Gas.

We agree with the unopposed proposal. We recommend that the Company be required to develop and implement the findings of a Root Cause Analysis of customer complaints as ordered in the *2025 UGI Gas Rate Case*.

6. Use of Social Security Number

The Company asserts that it asks for a new customer's SSN when they apply for service, but they are given an alternative to provide a driver's license number. The Company further asserts that it already agreed to implement the Commission's Common Application Form in the UGI Gas 2025 Rate Case Settlement. The Company also asserts that other programs, such as LIURP, already do not require a SSN from applicants. Finally, the Company states that it does not share SSNs with other entities.

OCA argues that UGI Electric 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 SSNs. This plan should include a plan for

elimination of the SSNs currently retained in Company information technology or in the alternative the Company should be directed to: (1) refrain from retaining SSNs from customers for more than 30-days after the customer establishes service; (2) refrain from providing a customer SSN to any entity outside of the Company; and (3) notify the customer if the Company keeps the SSN in perpetuity.

We agree with the Company. Section 56.32 of the regulation, 52 Pa. Code § 56.32(c), permits a public utility to ask for a SSN in lieu of requiring photo identification. However, the utility may not require the applicant to provide a SSN. We see no basis to find that the Company currently requires a SSN. Thus, OCA's argument that the Company should be directed to report a plan to eliminate the collection and retention of SSNs is not supported by law. We are nonetheless cognizant that maintaining customer SSNs does increase the risk of identity theft. Therefore, we recommend that UGI Electric 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 and provide the results of the study to the parties to this proceeding. It is noted that UGI Electric agreed to a similar recommendation in the rejected Joint Petition.

I. Customer Assistance Programs and Low-Income Issues

UGI Electric's Position

1. Low-Income Issues

a. Identification of Low-Income Customers

UGI Electric points out that despite its compliance with Commission regulation and the proactive measures taken to assist low-income customers, OCA

maintains that the Company still does not adequately identify confirmed low-income customers.[420] The Company argues that the thrust of OCA's argument appears to be the perception that an insufficient number of customers avail themselves of the Company's customer assistance program (CAP) and Low Income Home Energy Assistance Program (LIHEAP); therefore, UGI Electric must not be doing enough to reach these customers.[421]

The Company states that OCA witness Colton recommended that the Company: (1) explore other means of establishing that a customer is low-income and (2) provide confirmed low-income customers negotiating deferred payment arrangements (DPA) a "stand-alone Plain Language notice informing those customers of their right, in the alternative to enroll in the Company's CAP."[422] The Company argues that these recommendations are unnecessary because OCA witness Colton failed to recognize that out of the 5,700 confirmed low-income customers that are not enrolled in CAP, 2,900 of them (i.e., 51%) are self-certified and have not gone through the Company's income verification process and are not eligible for enrollment in a Universal Service Program.[423] The Company further argues that it already conducts bi-annual marketing focused on self-certified customers who are not enrolled in CAP and a similar schedule is undertaken addressing LIHEAP.[424]

UGI Electric also opposes Mr. Colton's recommendation that a COMPASS printout be used to verify confirmed low-income status as the change is unnecessary and likely to lead to confusion. Additionally, the Company avers that Mr. Colton's contention that the Company need only have a "reasonable expectation" that one is low-income to consider them confirmed low-income is not supported by regulation.[425]

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420 OCA St. 6 at 51-52.
421 *Id.* at 56-65.
422 *Id.* at 58, 62.
423 UGI Electric St. No. 12-R at 12.
424 UGI Electric St. No. 12-R at 6, 13.
425 OCA St. 6-SR at 18; 52 Pa. Code § 54.72.

The Company maintains that it already complies with the regulation in its definition of Confirmed Low-Income Customers, which it maintains is consistent with the definitions in 52 Pa. Code §§ 54.72 and 69.262. The Company avers that the regulatory definition does not refer to "reasonable expectation[s]" as OCA does, but information that would "reasonably place" the customer in low-income status. Thus, the Company argues that OCA is stretching the definition of reasonable to include participation in programs outside of the Commission and the Company's purview.

UGI Electric also asserts that Mr. Colton's recommendation regarding plain language notices of a customer's right to enroll in CAP if they are attempting to negotiate a DPA, is unnecessary. The Company avers that call center representatives already discuss CAP with customers attempting to negotiate DPAs and expending additional resources for redundant communications is not necessary.[426] Therefore, the Company argues that the Commission should reject OCA's recommendations as unsupported and find that the Company's procedures are reasonable and effective without need of modification.

b. Deposit Exemptions

UGI Electric points out that OCA witness Colton claimed that the Company is substantially noncompliant with the Commission's deposit exemption for low-income customers and recommends that UGI Electric "be directed to accept *any* 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."[427] Mr. Colton also recommended that: (1) UGI Electric "be directed to eliminate the requirement that a customer must apply for CAP in order to establish their

426 UGI Electric St. No. 12-R at 14.
427 OCA St. 6 at 68.

eligibility for a deposit exemption" and (2) within three months of a final order in this proceeding and for every three months thereafter, UGI Electric undertake a review of the cash security deposits it currently holds and report the results of such review to interested stakeholders in this case.[428]

However, UGI Electric witness Meilinger clarified in his rebuttal testimony, CAP enrollment is not a prerequisite to receiving a deposit exemption, but the CAP application is utilized to streamline the process and have a uniform verification process for customers, allowing them to obtain the benefits of the deposit exemption and enroll in CAP if they so choose.[429] The Company further argues that, "[c]ustomers who have received LIHEAP in the current or prior season do not need to verify income, as they have already been through that process with DHS, and UGI Electric recognizes this as an acceptable form of verification."[430] The Company also argues that while OCA witness Colton accuses UGI Electric of making a "hyper-technical"[431] distinction, as a CAP application is required to receive a deposit exemption but enrollment in CAP is not, he is essentially trying to micromanage an income verification process that is consistent with Commission regulation and reflects the Company's effort to efficiently support low-income customers.[432]

The Company also contends that allowing the Company to maintain its current process would help encourage enrollment in CAP as it would direct more customers to the application and that adopting OCA's recommendations would run contrary OCA's concerns about UGI Electric's CAP enrollment levels.[433] The Company further contends that it has clarified how it processes refunds of the security deposits:

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428 *Id*.
429 UGI Electric St. No. 12-R at 16.
430 *Id*.
431 OCA St. 6-SR at 26.
432 *See* UGI Electric St. No. 12-R at 16-18.
433 *See* OCA St. 6 at 57.

(1) customers enrolled in autopay receive their deposit refunds by direct debit and (2) customers not enrolled in autopay receive a check.[434] Thus, the Company avers that Mr. Colton's recommendation that within three months of a final order in this proceeding and for every three months thereafter, UGI Electric undertake review of the cash security deposits it currently holds and report the results of such review to interested stakeholders in this proceeding, is not supported.[435] The Company maintains that is has already implemented IT systems that automatically release a security deposit once a customer completes the income verification process so implementing OCA's recommendation would create a redundant process at a cost.[436] Therefore, the Company argues that there is no need to adopt OCA's recommendations.

2. Universal Service Programs

The Company avers that it did not make any changes to its Universal Service programs. Such programs include: (1) CAP, which provides discounted monthly bills and arrearage forgiveness for customers at or below 150% of the Federal Poverty Income Guidelines; (2) Operation Share, which provides grants to eligible customers with household incomes up to 250% of the FPIG; (3) LIURP, which offers weatherization services to customers with incomes up to 200% of the FPIG; and (4) the Customer Assistance Referral and Evaluation Services ("CARES"), which offers referral services to other community support groups.[437] As such, the Company argues that the recommendations of the parties in this case should denied.

434 UGI Electric St. No. 12-R at 17.
435 *Id.* at 17-18.
436 *Id*. at 18.
437 UGI Electric St. No. 12 at 3-5.

a. CAP

UGI witness Fang stated that utility programs and ratemaking are not intended to resolve all of the affordability pressures faced by customers and that the voluntary nature of CAP enrollment means that UGI Electric is unable to, on its own, solve the issue of there being low-income customers who are not enrolled in CAP.[438] Thus, the Company argues that the other parties do not take into account the substantial progress made in increasing CAP enrollment. Specifically, Mr. Meilinger testified that:

> CAP enrollment has increased by 61% since 2022 (UGI Electric St. No. 12, at pp. 5-6). Additionally, Operation Share has provided nearly 1,600 Operation Share grants to low- to moderate-income customers since 2022 (UGI Electric St. No. 12, at p. 9) while the Company has also facilitated $2.4 million in Low Income Home Energy Assistance Program (LIHEAP) grants since 2022 (UGI Electric St. No. 12 at p. 10). Furthermore, the Company is continuing its targeted marketing and outreach efforts to drive increased participation on a year-over-year basis.[439]

The Company further contends that this constitutes clear measurable progress, that these increases in enrollment and participation will mitigate the impacts of the rate increase on low-income customers and 88% of CAP customers are on a Percent of Income Payment Plan (PIPP) or minimum bill and are therefore insulated from the proposed base rate increase.[440]

438 UGI Electric St. No. 11-R at 3; *See* UGI Electric St. No. 12-R at 12.
439 UGI Electric St. No. 12-RJ at 2.
440 *Id*. at 6.

b. LIURP

The Company points out that CEO witness Warabak proposed that the Company's LIURP funding be "at a minimum, increased by the commensurate increase in rates for the residential class that results from this proceeding," indicating that if the Company's residential customers' rates are increased by 6% in this proceeding, then the annual LIURP funding should also increase by 6%.[441] The Company opposes this recommendation for multiple reasons.

First, the Company asserts that it has not spent its full LIURP budget in the 2022-2025 timeframe; therefore, some of the additional funding to this program would likely go unspent.[442] Specifically, the Company states that in 2024, UGI Electric spent 83% of its Commission-approved LIURP budget, and in 2025, performance declined to only 60% of its budget.[443]

Second, the Company argues that CEO witness Warabak did not perform any analysis on community-based organizations' (CBOs) ability to utilize increased LIURP budgets commensurate with the increase in rates for the residential class that results from this proceeding or UGI Electric's CBOs' ability to spend to their increased budget that resulted from the 2023 Base Rate Case Settlement.[444] Thus, the recommendation is unsupported.

The Company also points out that Ms. Warabak recommended that the Company's contribution to its hardship fund be increased commensurate with the percentage increase in rates to the residential class that results from this proceeding and

441 CEO St. No. 1 at 6.
442 UGI Electric St. No. 12-R at 7.
443 *Id.* at 8.
444 CEO Response to UGI-II-5; CEO 14 Response to UGI-II-3.

that hardship funding be distributed in accordance with the percentage of low-income customers in the counties served by UGI Electric.[445] The Company asserts that this recommendation to increase hardship program funding would increase the Company's Operation Share program by 12.8% or approximately $15,000 in additional funding.[446] The Company argues that it has already committed $150,000 annually for fiscal years 2027-2029, which is already an increase of 28% or $32,577 annually and therefore more than double the CEO recommendation.[447] Therefore, the Company argues that no additional adjustment is necessary.

Finally, the Company opposes Ms. Warabak recommendation to distribute hardship funding in accordance with the percentage of low-income customers in the counties served by UGI Electric. Specifically, the Company argues that the recommendation unnecessarily complicates the distribution of assistance funding and CEO failed to show how this recommendation could increase distribution of hardship funding.

OCA Position

OCA argues that the Commission has discretion to decide what factors it will consider in setting or evaluating a utility's rates.[448] OCA further argues that the Commission has recognized that an alternative rate design should be just and reasonable and "consider customer impacts."[449] Accordingly, OCA avers that the Commission may

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445 CEO St. No. 1 at 7

446 UGI Electric St. No. 12-R at 9-10.

447 UGI Electric St. No. 12 at 2; UGI Electric St. No. 12-R at 10.

448 66 Pa.C.S.A. Sec. 1301; *Popowsky v. PUC*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996).

449 52 Pa. Code § 69.3301.

consider the ability of customers to afford proposed rates as part of its determination whether those rates are just and reasonable.[450]

OCA states that UGI Electric's own data demonstrates significant payment difficulties among its customers.[451] OCA cites to the fact that in 2025, 44.0% of UGI Electric customers in arrears were more than 180 days past due, a figure similar to the 44.9% reported in 2024.[452] In addition, OCA states that 21.2% of customers in arrears in 2025 were 91 to 120 days past due, with a similar percentage in 2024 (21.4%).[453] OCA contends that these levels of delinquency indicate that a substantial portion of customers in arrears are experiencing serious payment difficulties without factoring in the proposed rate increase.[454] OCA also claims that: (1) total customer arrears increased from October 2023 through March 2026 and (2) as of March 2026, more than one-quarter (26.2%) of all residential customers are in arrears of some age while one-in-eight (11.5%) of all residential customers are 180 or more days in arrears.[455] OCA argues that the increasing level of arrears provides further evidence of significant affordability and payment challenges among UGI Electric's customers.[456] OCA further contends that the reasonableness of rates is not determined in a vacuum and instead must be evaluated in light of prevailing economic conditions.[457]

OCA points out that several UGI Electric witnesses assert that consideration of the unaffordability of the Company's rates, and the means by which to

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

451 OCA Corrected St. 6 at 22-23.

452 OCA Corrected St. 6 at 22 (citing UGI Electric Response to OCA-IV-30).

453 OCA Corrected St. 6 at 22.

454 *Id*.

455 OCA Corrected St. 6 at 23.

456 *Id*.

457 OCA Corrected St. 6 at 25.

address that unaffordability, do not belong in a base rate case.[458] OCA further indicates that the Company portrays that OCA's recommendation to analyze ALICE (Asset Limited, Income Constrained, Employed) date would be better suited outside of a rate case proceeding.[459] However, OCA contends that the Commission disagrees with UGI Electric on these points. In support, OCA cites to the Final Order in the *2026 PAWC Rate Case* where the Commission held:

> We preface our discussion in evaluating this rate case by acknowledging the Commission's duty to ensure that the rates PAWC proposes to charge its customers will be just and reasonable and will ensure that the Company is able to provide adequate, efficient, safe, and reasonable service to its customers. *See* 66 Pa.C.S §§ 1301, 1501. The Commission "has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates." 66 Pa.C.S. §§ 501(b) and 1301; *Pa. PUC et al. v. Columbia Gas of Pa.*, Docket Nos. R-2020- 3018835, *et al*. (Order entered February 19, 2021) (*Columbia Gas 2021*) at 9 (citing *Popowsky*). When setting rates in a base rate proceeding, the Commission may consider rate affordability. [460]

Thus, OCA contends that the Commission has recognized that affordability is not an issue that is solely the province of the poor.[461]

Next, OCA states that ALICE data provides a comprehensive measure of financial hardship by identifying households that earn above the federal poverty level but nevertheless lack sufficient income to afford the basic costs of housing, food,

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458 OCA MB at 99-100.

459 UGI Statement 12-R at 5.

460 *Pa. PUC v. Pa. American Water Co.*, Docket No. R-2025-3057983, Order at 36 (July 27, 2026).

461 *Pa. PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 41 (July 27, 2026).

transportation, healthcare, childcare, and other necessities.[462] OCA further contends that ALICE data is helpful in assessing the affordability impacts of proposes rate increases on low and moderate income customers by identifying the share of households that are already financially constrained and have limited ability to absorb additional utility costs.[463] OCA contends that by incorporating ALICE wage analysis, the Commission can better assess whether proposed increases would exacerbate affordability challenges for working households and increase the risk of arrearages, service disconnections, and reliance on assistance programs, thereby ensuring that rates remain equitable and sustainable for all customer classes.[464]

OCA further argues utility payment difficulties are not limited to the lowest-income households.[465] Mr. Colton's analysis and data show that 10% to 13% of households in Pennsylvania with annual incomes between $100,000 and $200,000 reported being unable to pay their energy bills, or unable to pay the full amount, in almost every month, some months, or one or two months.[466] Among households earning $75,000 to $100,000, nearly 20% reported similar difficulties.[467] OCA contends that although payment difficulties decline as income increases, Mr. Colton's analysis demonstrates that energy affordability challenges extend well beyond the lowest-income households.

OCA asserts that the Company does not dispute the income data but rather disputes whether it is appropriate to consider this data in a rate proceeding.[468] OCA also avers that the Company's argument that Median Household Income (MHI) is a proper

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462 OCA Corrected St. 6 at 15-16.
463 *See* OCA Corrected St. 6 at 36.
464 OCA MB, p.102.
465 OCA Corrected St. 6 at 18.
466 OCA Corrected St. 6 at 18.
467 *Id*.
468 OCA Corrected St. 6SR at 13.

data set is not supported.[469] OCA witness Colton instead recommends using Median Household Effective Buying Income (MHHEBI), which accounts for taxes, and avoids assuming households have more money than available because of taxes.[470]

OCA also avers that Ms. Fang's testimony uses only a single MHI for each Census Block Group to represent the entire UGI Electric service territory thereby obscuring significant income differences among residents.[471] Thus, OCA argues that the Company's arguments regarding use of MHI should be rejected.

OCA contends that ALICE data would not replace the traditional ratemaking analysis or establish a utility's revenue requirement, operating expenses, rate base, depreciation, or cost of capital.[472] Rather, it provides relevant evidence regarding the economic conditions of the customers who must pay the resulting rates.[473] Thus, OCA argues that the Commission may appropriately consider that evidence alongside the utility's cost-of-service and revenue-requirement evidence when determining whether the overall rates and rate structure are just and reasonable, and Mr. Colton has proven that doing so is in the best interests of all ratepayers to do so.[474]

OCA points out that Mr. Colton found that median income does not adequately represent the range of incomes within a utility's service territory while Patterson and Doyle recommend using a "Household Burden" or "HB Score" to measure affordability across the entire service territory.[475] The HB Score uses publicly available

469 OCA Corrected St. 6SR at 39-40.
470 *Id*.
471 OCA Corrected St. 6SR at 40-41.
472 OCA Corrected St. 6SR at 14.
473 *Id*.
474 *Id*.
475 OCA Corrected St. 6 at 19 (citing Patterson and Doyle).

data from the U.S. Census Bureau's annual American Community Survey and accounts for both household income and the distribution of households across income levels.[476]

OCA states that Mr. Colton calculated the weighted average HB Score at existing rates is an electricity burden of 4.9%.[477] At proposed rates, the average HB Score for the UGI Electric service territory increases to 5.7%.[478] Of the 20 UGI Electric zip codes, 15 had total electricity burdens of more than 4.5%; of those, nine had total electricity burdens of greater than 6.0%.[479] OCA contends that the data, therefore, demonstrates significant affordability problems for UGI Electric customers under existing rates, which would be further exacerbated by the rates proposed in this proceeding.[480] OCA argues that if a substantial portion of a utility's customers cannot reasonably afford their bills, the resulting difficulties and financial pressures may affect the utility itself.[481] Thus, customer financial capacity is relevant to the utility's ability to maintain financial health and recover costs.[482]

Therefore, OCA avers that use of multiple affordability measures, including income-based burdens and the distribution of households across income levels in evaluating proposed electric rates is supported.[483]

Additionally, OCA argues that senior citizens and low-income customers cannot afford the UGI Electric rate hike. In support, OCA cites to the following:

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476 *Id*.
477 OCA Corrected St. 6 at 20.
478 *Id*.
479 *Id*.
480 OCA Corrected St. 6 at 21.
481 OCA St. 6 at 21; Patterson and Doyle.
482 *Id*.
483 *See* OCA Corrected St. 6 at 21.

- Since 2018, UGI Electric rates have increased by 85.6% while Social Security benefits have increased by only 26.8% thereby harming senior citizens in particular.[484]

- The month-to-month volatility that can produce unexpectedly high expenses for households without the resources to maintain an emergency fund and energy efficiency investments do not adequately address this volatility because low-income households often lack the discretionary income to make even cost-effective improvements.[485]

- Many UGI Electric customers already struggle to pay their bills and must choose between utility payments and other basic household necessities, leaving little capacity to make investments with uncertain future returns.

- Because low-income UGI Electric customers are disproportionately tenants, they generally lack the authority, or "dominion interest," to make decisions about major energy-consuming systems in their homes, even when they could otherwise afford efficiency improvements.[486]

OCA states that Mr. Colton's affordability analysis specifically, examines the affordability of UGI Electric's rates for low-income customers.[487] Affordability is measured using the household electric Bill-to-Income Ratio, calculated by dividing a household's electric bill by the household's income.[488] His analysis assesses affordability for low-income households from two perspectives: (1) the First Quintile (Q1) of

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484 OCA Corrected St. 6 at 39 (citing U.S. Department of Energy, Energy Information Administration, EIA Form 861 (annual), UGI Electric).

485 *Id*. at 31.

486 *Id*.

487 Mr. Colton also made clear that his affordability analysis is separate from the review of the structure and operation of UGI Electric's Universal Service Programs. The analysis of overall rate affordability for low-income customers does not form the basis for any subsequent conclusions regarding those programs. OCA Corrected St. 6 at 10.

488 OCA St. 6 at 10-11.

household income within UGI Electric's service territory;[489] and (2) household income measured in absolute dollars.[490] The analysis examines data for the 20 UGI Electric ZIP Codes for which UGI Electric reports at least one residential customer and for which the U.S. Census Bureau reports corresponding data.[491]

In this case, Mr. Colton evaluated affordability for low-income customers by comparing (1) UGI Electric's bills at median usage from April 2025 through March 2026 with affordable bills, and (2) Q1 household incomes with the income needed to afford those bills, under both existing and proposed rates.[492] Under existing rates, bills based on median usage exceeded an affordable bill by less than $1,000 in only six of the 20 ZIP Codes analyzed.[493] In the remaining 14 ZIP Codes, six had excess bills exceeding $1,200.

OCA determined that the proposed rate increase would further increase affordability gaps.[494] Under the proposed rates, the smallest excess bill was nearly

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489 OCA Corrected St. 6 at 10. The U.S. Census Bureau ranks households within a geographic area by income and divides them into five equal groups, or quintiles. The First Quintile (Q1) represents the 20 percent of households with the lowest incomes, while the Fifth Quintile (Q5) represents the 20 percent with the highest incomes. The Census Bureau publishes average household income by quintile annually in the American Community Survey (ACS), Table B19081.

490 OCA Corrected St. 6 at 10. The income ranges used in Mr. Colton's affordability analysis are those reported by

the U.S. Census Bureau in the American Community Survey (ACS), Table B19001.

491 OCA Corrected St. 6 at 10. Mr. Colton limited his data to ZIP Codes for which UGI Electric reports at least one residential customer and the Census Bureau reports corresponding data. *Id.* The Census Bureau may not report data for certain geographic areas that are too small to permit disclosure without compromising privacy. *Id.*

492 OCA Corrected St. 6 at 11.

493 *Id*.

494 *Id*.

$1,100, and 11 of the 20 ZIP Codes had excess bills exceeding $1,300.[495] An "excess bill" is the amount by which a customer's actual bill, based on median usage, exceeds the bill considered affordable at the Q1 income level for the applicable ZIP Code.[496]

OCA contends that Mr. Colton's analysis on this demonstrates the unaffordability of the Company's bills for Q1 households.[497] The "income deficit" is the difference between the income required for a UGI Electric bill to impose an affordable electricity burden and the actual average Q1 household income in the applicable ZIP Code.[498] OCA argues that under UGI Electric's existing rates, the smallest income deficit across the 20 ZIP Codes exceeds $28,000, and 11 ZIP Codes have income deficits exceeding $35,000.[499] Under the proposed rates, the smallest income deficit is nearly $37,000, and 11 ZIP Codes have income deficits exceeding $47,600.[500] OCA avers that these results demonstrate the substantial gap between Q1 household incomes and the income needed to afford UGI Electric's bills.[501]

OCA further contends that Mr. Colton's analysis also evaluates the affordability of UGI Electric rates based on absolute household income.[502] He calculated the electricity burden across income ranges at or below $50,000, a threshold roughly equivalent to 200% of the federal poverty level (FPL) for a three-person household in 2026 ($54,640).[503] Using Census Bureau income ranges, approximately 39.1% of households in UGI Electric's ZIP Codes have annual incomes below $50,000.614

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495 *Id*.
496 *Id*.
497 OCA Corrected St. 6 at 13.
498 *Id*.
499 *Id*.
500 *Id*.
501 *Id*.
502 OCA Corrected St. 6 at 13.
503 *Id*.

OCA asserts that the results show substantial electricity burdens at both existing and proposed rates.[504] For households earning less than $10,000, UGI Electric bills consume more than 30% of household income at existing rates and nearly 37% under the proposed rates.[505] Even for households earning $45,000 to $49,999, the electricity burden ranges from 3.3% at existing rates to 3.9% under the proposed rates.[506]

OCA further asserts that the distribution of households across income levels is also significant. Among UGI Electric customers with household incomes below $50,000, 27% have incomes below $15,000, with electricity burdens ranging from 15% to 37% of household income.[507] Nearly 37% have incomes below $20,000, and 47% have incomes below $25,000.[508] Thus, OCA argues that the significant electricity burdens identified in the analysis affect a substantial portion of UGI Electric's lower-income customer base, not merely a small number of the lowest-income households.[509] OCA contends that this would be further exacerbated by the proposed rates.[510]

Another challenge OCA points to is the rising cost of housing and this issue is directly relevant to the Commission's instant consideration of customer affordability and just and reasonable rates.[511] Thus, OCA contends that this is relevant to the Commission's assessment of customer affordability and the consumer consequences of UGI Electric's proposed rates. OCA argues that increases in utility costs contribute directly to increases in gross housing costs and, consequently, to the share of household income devoted to housing.[512] OCA also contends that this problem is not confined to

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504 OCA Corrected St. 6 at 13-14.
505 *Id*.
506 OCA Corrected St. 6 at 14.
507 *Id*.
508 *Id*.
509 *Id*.
510 *Id*.
511 OCA Corrected St. 6 at 25.
512 OCA Corrected St. 6 at 29.

the lowest-income households.[513] As such, OCA argues that the Company cannot dismiss worsening housing affordability as merely a macroeconomic condition beyond the Commission's purview.[514] Electric service costs are themselves a component of housing costs, and increases in UGI Electric rates directly increase the cost of maintaining a household.[515] Accordingly, OCA contends that the affordability of electric service must be considered in the broader context of the increasingly unaffordable housing market in Luzerne County.

To assess the affordability of electric service, OCA argues that the Commission should consider not only customers' annual income but also the resources available to them to absorb fluctuations in their electric bills.[516] OCA also argues that the evidence demonstrates that electric bills can vary substantially both from year to year and from month to month and low-income customers generally lack both the recurring income necessary to absorb higher-than-expected annual bills and the financial resources necessary to withstand sharp increases in cold-weather heating bills.[517]

OCA contends that these circumstances have direct implications for the UGI's obligations and customer service practices and the inability of low-income customers to absorb bill volatility underscores the importance of the UGI's identifying eligible low-income customers and proactively enrolling those customers in CAP.[518] OCA further contends that the Company's failure to do so deprives vulnerable customers

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513 OCA Corrected St. 6 at 18, 27.

514 OCA Corrected St. 6 at 83; *see 2019 Amendments to Policy Statement on Customer Assistance Program*, Docket No. M-2019-3012599 (Final Policy Statement and Order entered Nov. 5, 2019); Energy Affordability for Low-Income Customers, Docket No. M-2017-2587711.

515 OCA Corrected St. 6 at 25-26.

516 OCA Corrected St. 6 at 38.

517 *Id*.

518 OCA MB, p. 118.

of a mechanism specifically designed to make electric service more affordable and, therefore, contributes to the provision of service that is not reasonably adequate.[519]

Thus, OCA argues that UGI Electric should take additional steps to make budget billing available and understandable to customers experiencing payment difficulties, including both low-income and other customers whose bills fluctuate significantly.[520] OCA states that practices such as issuing termination notices, requiring substantial down payments for payment arrangements, and retaining deposits from customers who lack the resources to absorb unexpected bills do not address the underlying affordability problem and argues that a more effective approach would emphasize affordable payment structures, appropriate use of budget billing, and proactive enrollment of eligible customers in CAP rather than relying principally on collection mechanisms after a customer has already fallen behind..[521]

OCA argues that the cost of providing service through the Company's CAP program is not a cost that has a cost causation that can be limited to the residential class.[522] OCA further argues that the Commission[523] has previously determined that allocating CAP costs between all customer classes is lawful.[524] OCA contends that there are two groups of residential customers about whom the Commission should have particular concern in this period of extraordinary concern about affordability. Group 1 is

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519 *Id*.

520 OCA MB, p. 119.

521 *Id*.

522 OCA St. 6 at 83.

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

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

that population of residential customers who may be income-eligible for CAP but who do not participate in CAP. Group 2 is that population of residential customers who have income just over the maximum income eligibility and thus do not qualify to receive CAP benefits, but whose income is insufficient to allow these households to be able to afford their basic household necessities, including their monthly utility service.[525] This line, about maximum income eligibility but below the ability to meet necessities, is often referred to as the income "cliff."[526]

OCA witness Colton recommends that the Commission 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.[527] The Company objects to this recommendation because: (1) it "defies cost causation principles," and (2) such decisions should be vetted in a policy statement or rulemaking proceeding.[528] However, OCA counters that the allocation of CAP costs among all customer classes involves allocating the cost of a public good, amongst all customer classes, not just the residential class and that the Company's argument is contrary to the Commission's previous holding.[529] OCA further points out that the Company did not dispute that the cost of providing service through the Company's CAP program is not a cost that has a cost causation that can be limited to the residential class and does not dispute the fact that the Commission has previously recognized that universal service costs are caused by factors endemic to society as a whole and are not caused by factors specific to residential customers.[530]

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525 OCA MB at 120-121.
526 *Id*.
527 *Id*.
528 UGI Electric Statement 1-R at 27.
529 OCA Corrected St. 6SR at 6; Final CAP Policy Statement at 97.
530 OCA Corrected St. 6SR at 6.

Thus, OCA argues that the Company's allocation should not be permitted and the Commission should adopt Mr. Colton's recommendation.

Next, OCA argues that the Commission should find that UGI Electric has neither demonstrated nor proven that its credit and collection activities are "efficient and effective" pursuant to Section 523 of the Public Utility Code.[531]

Section 523 of Pennsylvania's Public Utility Code provides:

> The commission shall consider, in addition to all other relevant evidence of record, the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates under this title. On the basis of the commission's consideration of such evidence, it shall give effect to this section by making such adjustments to specific components of the utility's claimed cost of service as it may determine to be proper and appropriate. [532]

Based on this language, OCA states that the Commission shall consider the "efficiency, effectiveness, and adequacy" of UGI Electric's credit and collection activities.[533] The Commission shall also recommend adjustments to "specific components of the utility's claimed cost of service" to the extent those activities are determined to be ineffective or inefficient.[534]

OCA indicates that UGI does not want to share credit and collection costs with ratepayers and has argued that ratepayers should bear it all.[535] However, OCA contends that this goes against the statute.[536] OCA also asserts that UGI Electric witness

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531 OCA Corrected St. 6 at 4.
532 66 Pa. C.S. § 523.
533 OCA Corrected St. 6 at 42.
534 *Id*.
535 *Id*.
536 OCA Corrected St. 6SR at 11-12.

Adamo presented no evidence addressing whether the Company's credit and collection activities directed toward low-income customers are efficient, effective, or adequate within the meaning of Section 523.[537] OCA also avers that Mr. Adamo's assertions that the Company's collection practices are consistent with Commission regulations addresses a different question from the one posed by Section 523.[538] Section 523 does not condition the Commission's consideration of an adjustment on a finding that the utility has violated a particular statutory or regulatory requirement.[539] Rather, Section 523 directs the Commission to "consider" the "efficiency, effectiveness and adequacy of service" and, based on that consideration, to "give effect" to the statute by making appropriate adjustments to specific components of the utility's claimed cost of service.[540] Moreover, OCA contends that compliance with applicable regulations therefore does not, standing alone, establish that the utility's credit and collection practices satisfy the separate standards of efficiency, effectiveness, and adequacy required by Section 523.[541]

Ultimately, OCA argues that the termination data and the undisputed absence of differentiated collection activities provide a reasonable factual basis for the Commission to examine the efficiency, effectiveness, and adequacy of UGI Electric's credit and collection practices pursuant to Section 523.[542] OCA contends that if that examination demonstrates that the practices are ineffective or inefficient, Section 523 provides the authority to consider an appropriate adjustment to the utility's claimed cost of service.[543] Accordingly, OCA argues that UGI Electric has not refuted that its credit and collection practices satisfy the standards set forth in Section 523 or to foreclose further examination of whether an adjustment to the utility's claimed cost of service is

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537 OCA Corrected St. 6SR at 12.
538 *Id*.
539 *Id*.
540 66 Pa. C.S. § 523.
541 OCA Corrected St. 6SR at 12.
542 OCA MB, p. 128.
543 *Pennsylvania Industrial Energy Coalition* at 1,351.

warranted. Thus, OCA requests that the Commission adopt Mr. Colton's recommendation and ensure that the Company is sharing in the costs pursuant to the statutory mandate.

Plain-English CAP Notice

OCA asserts that OCA witness Colton explained that, in 2025, UGI Electric reported $941,028 in collection expenses for residential customers, and $341,986 for Confirmed Low-Income customers.[544] Not only are a disproportionately high number of Confirmed Low-Income customers in arrears, but they are also deeper in arrears.[545] OCA further points out that, through 2025 on average, more Confirmed Low-Income customers (no-CAP) were deeply in arrears than residential customers as a whole.[546] Specifically, Mr. Colton found that low-income customers are deeper in arrears as well.[547] According to Mr. Colton's review of the record, residential customers had an average monthly arrears of $757 in 2025, compared to the average monthly arrears of $905 for Confirmed Low-Income customers.[548] Similarly, OCA contends that residential customers had an average median monthly arrears of $357 in 2025, compared to the average median monthly arrears of $527 for Confirmed Low-Income customers.[549]

Despite this, OCA argues that UGI Electric continues to under-enroll low-income customers in its CAP.[550] OCA asserts that CAP enrollment requires a customer to affirmatively apply for the program and establish income eligibility through the

544 OCA Corrected St. 6 at 43.
545 OCA Corrected St. 6 at 43-44.
546 *Id*.
547 OCA Corrected St. 6 at 44.
548 OCA Corrected St. 6 at 44.
549 OCA MB, pp.129-130.
550 OCA Corrected St. 6 at 44.

applicable verification process.[551] By contrast, a customer may be identified as a "Confirmed Low-Income Customer" when the Company has a "reasonable expectation" that the customer is low-income.[552] Thus, OCA argues that Commission regulations do not require the Company to establish a customer's income eligibility before the customer may be treated as a confirmed low-income customer for purposes of the applicable protections.[553]

OCA contends that this distinction is important. CAP enrollment is an affirmative program enrollment determination based on verified eligibility, whereas identification as a confirmed low-income customer can be based on the Company's reasonable expectation of the customer's low-income status.[554] Accordingly, OCA argues that CAP enrollment data cannot be treated as a complete measure of the population of customers who may qualify for the protections afforded to confirmed low-income customers.[555]

Instead, OCA argues that the Company should use something like COMPASS screenshot to confirm low-income status and tag the customer for protections related thereto.[556] OCA does not suggest that that the screenshot satisfies the separate income-verification requirements applicable to enrollment in CAP. Rather it would serve the distinct purpose of demonstrating that the customer has been identified through an established public-benefits system as low-income and therefore may warrant treatment as a Confirmed Low-Income customer for purposes of universal-service protections.[557] OCA maintains that Pennsylvania's universal-service framework recognizes Confirmed

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551 *Pennsylvania Public Utility Commission, CAP Policy Statement*, 52 Pa. Code § 69.265.

552 OCA Corrected St. 6SR at 24.

553 OCA Corrected St. 6SR at 25-26.

554 *Id*.

555 *Id*.

556 OCA Corrected St. 6 at 59.

557 OCA MB at 133

Low-Income status as a basis for identifying customers for purposes of universal service programs, including payment assistance, termination-of-service protections, energy-usage reduction programs, and consumer education.[558]

Accordingly, OCA argues that requiring verified income at the Confirmed Low-Income identification stage would conflate the preliminary identification and outreach function of that designation with the separate, subsequent process for establishing eligibility and enrolling in CAP.

Clear Notice of Their Right to Enroll in CAP

OCA witness 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).[559] OCA states that 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.[560] Mr. Colton explains that providing this notice is important because CAP and a DPA have materially different financial consequences for eligible low-income customers.[561] CAP may provide a reduced monthly bill and, upon the customer's compliance with the program's payment requirements, forgiveness of qualifying arrearages. A DPA, by contrast, requires the customer to repay arrearages over time in addition to paying the customer's regular, undiscounted monthly bill.[562]

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558 *See* 52 Pa. Code § 54.72.
559 OCA Corrected St. 6 at 62.
560 *Id*.
561 OCA Corrected St. 6 at 62-63.
562 OCA Corrected St. 6 at 62.

Thus, OCA recommends that a Confirmed Low-Income customer should not be placed into a DPA without first being informed of the potential CAP alternative.[563] Instead, the customer should be given sufficient information to make an informed choice between the two options.[564]

Exemption from Deposits

OCA witness Colton recommends that the Commission direct UGI Electric to modify its processes and procedures governing the low-income exemption from cash security deposits.[565] Specifically, he recommends that UGI Electric accept information beyond income and household size that attests to a household's eligibility for a state benefit consistent with CAP income requirements.[566] Mr. Colton also recommends that UGI Electric eliminate its requirement that a customer apply for CAP and be verified as income-eligible through the CAP application process before receiving a deposit exemption.[567] Instead, Mr. Colton argues that other reliable information establishing that the customer meets the applicable low-income standard should be accepted.[568]

Mr. Colton recommends that within three months after entry of a final Commission order in this proceeding-and every three months thereafter-that UGI Electric review the cash security deposits it holds.[569] 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. OCA asserts that the Commission regulation exempting low-income customers from being required to post a

563 *Id*.
564 *Id*.
565 OCA Corrected St. 6 at 65-68.
566 *Id*. at 68.
567 *Id*.
568 *Id*.
569 OCA MB, p. 136.

cash security deposit or qualifying them for a refund of any previously posted deposit,[570] does not require the customer to complete an income verification process for CAP or LIHEAP. Instead, a customer need only demonstrate that they are receiving public assistance through a program whose income eligibility is "consistent with" the income eligibility for CAP.[571]

Thus, OCA argues that it has met its burden in demonstrating that the Company should be ordered to update their practices and procedures for low-income customers.

I&E's Position

The only universal service program issue briefed by I&E in this proceeding is LIURP. I&E points out that CEO witness Warabak recommended that the Company be required to increase its LIRUP budget by the same percentage as the resulting increase in rates from this proceeding.[572] I&E, argues that through the rebuttal testimony of, Getachew Bedasa, no increase in the budgeted LIURP amount is recommended in this proceeding.[573] Mr. Bedasa 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.[574] Mr. Bedasa noted that from discovery responses to CEO, UGI Electric has not fully used its LIRUP budget over the past three years, and Ms. Warabak did not demonstrate that the Company would be able to fully utilize the proposed increased budget.[575] I&E recommends that any potential increase should be addressed in the Company's Universal Service and Energy Conservation Plan ("USECP")

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570 56 Pa. Code § 56.41(4).
571 OCA MB at 136.
572 I&E St. No. 1-R, p. 2, citing CEO St. No. 1 at 6.
573 I&E St. No. 1-R, p. 3.
574 *Id.*
575 *Id.*

proceedings, where consideration and evaluation of all other related programs and comments from all stakeholders and interested parties can occur.[576] In his rebuttal testimony, I&E witness Getachew Bedasa cited to several recent Commission decisions finding that modifications to LIURP and other universal service programs should be made in the universal service and energy conservation plan proceedings and not in bae rate proceedings.[577]

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

OSBA's Position

OSBA argues that Universal Service Costs ("USCs") should not be recovered from all customer classes.

OSBA disputes OCA stance on this issue and argues that OCA misinterprets Governor Shapiro's April 26, 2026, letter.[578] OSBA argues that the Governor's statement that the Commission needs to "balance consumer affordability concerns with the financial interests of utilities when determining just and reasonable rates" would include small business and was not intended to support requiring small business customers to subsidize low-income programs that they cannot participate in.[579]

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576 *Id.* at 3-4.

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

578 OCA Main Brief, at 24.

579 OSBA Reply Brief at 8.

Ultimately, OSBA argues that there is no need for USCs to be recovered from all customer classes. If the Commission believes it should pursue this issue, OSBA avers that the Commission should follow UGI Electric Witness Rogers's suggestion: address this issue on a state-wide basis, rather than a utility-specific basis.[580] OCA contends that this has three benefits. First, it will allow multiple parties affected by this proposal a chance to comment. Second, it will require OCA to provide actual evidence for its claims, rather than repeating the same unsubstantiated claims in each rate case. Third, it will prevent the Commission from contradicting Governor Shapiro's current re-election campaign where he promotes his overwhelming support for Pennsylvania small businesses.[581]

Finally, OSBA argues that the OCA does not provide any analysis of the impact of charging UGI Electric's small business customers the residential-only USCs. Although the OCA provides revenue allocations to UGI Electric's small business customers, the OCA does not provide any evidence of the impacts of those allocations.[582]

CEO's Position

CEO indicates that it supports OCA's stance on Customer Assistance Programs and Low-Income Issues.[583]

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580 OCA MB at 123.
581 OSBA Reply Brief at 10-11.
582 OCA MB at 121.
583 CEO Reply Brief at 1.

Disposition

1. Low-Income

(a) Identification of Low-Income Customers

OCA argues the importance of identification of low-income customers and asserts that the Company fails to adequately identify low-income customers as reflected in the insufficient number of customers availing themselves of CAP and LIHEAP. OCA recommends that the Company be required to explore other means of establishing that a customer is low-income and provide confirmed low-income customers negotiating DPA a "stand-alone Plain Language notice informing those customers of their right, in the alternative to enroll in the Company's CAP.

The Company opposes OCA's recommendations and argues that they are unsupported by the record. The Company specifically asserts that it already complies with Section 54.72, 52 Pa. Code § 54.72 and Section 69.262, 52 Pa. Code § 69.262 of the regulations in defining confirmed low-income customers. The Company also asserts that OCA's suggested changes are unnecessary and likely to cause confusion.

While we acknowledge that identification of low-income customers is important, we agree with UGI Electric that OCA's proposed recommendations are unsubstantiated in the record and unnecessary. Specifically, we agree that locking a low-income consumer protection behind the more stringent CAP application process could potentially disincentivize low-income customers from seeking the waiver and add administrative roadblocks. Commission regulations allow for verification of low-income status without addressing a need to apply for a customer assistance program, only for the customer to be found eligible. Further, UGI Electric is already accepting documentation without application under its tariff for the purposes of termination protections during the

winter moratorium. We see no reason UGI Electric should be mandated to have different processes for determining low-income status.

However, we also find that a standardized screening process would benefit the public interest. Accordingly, we recommend that UGI Electric develop and implement a process whereby it would: (1) inform all new and moving customers that it has reduced billed rates for income eligible households and will inquire whether these customers would like to provide information to learn if they qualify and provide said information as requested, (2) ask all non-emergency callers whether they would like information about customer programs that provide reduced billed rates for income eligible households, and (3) offer those eligible customers an opportunity to enroll in CAP or refer them for enrollment in other universal service programs. It should be noted that UGI Electric agreed to a similar process in the rejected Joint Petition.

(b) Deposits

OCA avers that UGI Electric is substantially non-compliant with the Commission's deposit exemption for low-income customers and recommends that the Company accept information beyond just income and household size that would attest to the household's eligibility for a state benefit. OCA further recommends that the Company eliminate the requirement to apply for CAP to establish eligibility for a deposit exemption and undertake regular review of its cash security deposits and provide the results to stakeholders in the case.

The UGI Electric Tariff provides a list of documents it will accept for residential customers when determining eligibility of an account for Chapter 56 termination protections from December 1 through March 31. *UGI Electric_ Service Tariff No. 6_08_04_2026* at Original Page 27. This is consistent with 52 Pa. Code § 56.100(e).

52 Pa. Code § 56.32(e) states:

> A public utility may not require a cash deposit from an applicant who is, based upon household income, confirmed to be eligible for a customer assistance program. An applicant is confirmed eligible for a customer assistance program by the public utility if the applicant provides income documents or other information attesting to their eligibility for state benefits based on household income eligibility requirements that are consistent with those of the public utility's customer assistance program.

52 Pa. Code § 56.41(4) states:

> A public utility may not require a customer that, based upon household income, is confirmed to be eligible for a customer assistance program to provide a cash deposit. A customer is confirmed to be eligible for a customer assistance program by the public utility when the customer provides income documents or other information that they are eligible for state benefits based upon household income eligibility requirements that are consistent with those of the public utility's customer assistance programs.

UGI Electric argues that OCA's recommendations are unnecessary. The Company argues that CAP enrollment is not a prerequisite for a deposit exemption; rather, the Company just uses the CAP application to streamline the process and make it uniform. The Company also avers that customers who have received LIHEAP within a specified timeframe does not need to verify income for this. The Company also set forth its process for refunding security deposits and indicated that it has already implemented IT systems for release of security deposits upon completion of the income verification process.

We agree with UGI Electric that CAP enrollment is not a prerequisite in its current process for deposit exemption and we find that its process for refunding security deposits is appropriate. However, we find that additional clarity on this issue would be in

the public interest. Accordingly, we recommend that UGI Electric: (1) initiate quarterly reviews of security deposits, (2) refund all deposits being held from qualified low-income accounts, (3) amend Tariff Rule 3.3(f) to clarify that confirmation for eligibility in the Company's CAP results in being exempt from security deposits, (4) accept *any* 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 and (5) meet in a collaborative to discuss with interested parties how COMPASS information may be used to confirm low-income customer exemption from deposits. It should be noted that UGI Electric agreed to similar actions in the rejected Joint Petition.

2. Universal Service Program

(a) Cost Recovery

OCA recommended recovery of universal service costs by non-residential ratepayers. OCA argued that universal service costs are caused by factors endemic to society as a whole, not just residential customers. OCA references the 2019 Amendments to the CAP Policy Statement stating that poverty, poor housing stock, and other factors that contribute to households struggling to afford utility service are not just residential class problems. OCA also cited a 2026 Interconnection and Tariffs for Large Load Customers Final Order Commission Order stating that the Commission has previously determined that it has the authority to require other customer classes to contribute to universal service costs.

OSBA argued that costs are increasing for all customers, not just low-income residential customers, and therefore non-residential customers should not bear universal service program costs. OSBA also referenced the 2026 Interconnection and Tariffs for Large Load Customers Final Order to argue that the Commission already requires large load customers to pay universal service costs. OSBA asserts that because

only 37.6% of eligible customers participate in CAP, this means the program is fully funded, only partially used, and not in need of expansion or additional funding.

UGI Electric disagreed with the specifics of OCA's cost allocation recommendations but noted that it addresses CAP cost allocation in the non-unanimous settlement.

The Commission amended 52 Pa. Code §§ 69.265(1) and 69.266(b) to clarify that no rate class should be considered routinely exempt from CAP and other universal service obligations. Order – Rewrite to Law Amendments to the CAP Policy Statement, Docket No. M-2019-3012599 (Order entered Nov. 11, 2019) at 90-97.

We agree that more funding to offset costs borne by residential ratepayers would be in the public interest. However, the recovered costs must be appropriately tracked and reported consistent with 52 Pa. Code §§ 54.71-54.78 and 62.1-62.8 (relating to Universal Service and Energy Conservation Reporting Requirements). Therefore, we disagree with OSBA's proposal and we recommend that UGI Electric be required to negotiate the applicability of the Universal Service Program Rider to Rate HTP contracts with a note that the universal service program costs would be no greater than the Residential Universal Service Program Rider rate. It should be noted that UGI Electric agreed to this in the rejected Joint Petition.

(b) LIURP

CEO argues that the Company's LIURP funding should be at a minimum increased by the commensurate increase in rates for the residential class that results from this proceeding.

I&E disagreed with CEO regarding the LIURP budget increase because UGI Electric has not fully utilized its budget in recent years and lacks the ability to do so. The Company also disagreed with CEO and raised the same argument regarding failure to spend its full LIURP budget in the 2022-2025 timeframe. The Company further avers that CEO failed to perform any analysis on CBOs' ability to utilize increased LIURP budgets commensurate with an increase in rates for the residential class that results from this proceeding.

UGI 2026-2030 USECP Proceeding at Docket Nos. M-2025-3054362 et al.

In UGI's 2026-2030 USECP proceeding, UGI Electric proposed to increase its LIURP budget corresponding with residential percentage rate increases approved in any UGI Electric base rate case. If no base rate case occurs in a given year, UGI Electric proposed to increase its budget by 3% annually. UGI Electric proposed 2026 USECP, (filed April 1, 2025) at 6, 27, A-2. UGI Electric proposed 2026 USECP Order, (Order entered July 24, 2025), at 43, 72.

UGI Electric provided a Needs Assessment for UGI Electric that reported 6,251 customers identified as low-income with an estimated total of 16,469 low-income customers in its service territory. OCA responded to the 2026 USECP Order to state that it did not agree with setting LIURP budgets only in base rate proceedings or increasing at a *pro forma* 3% annually. OCA recommended a dynamic process that allows revisiting the budget throughout the duration of the USECP, particularly as part of UGI's needs assessment filings. CAUSE-PA supported UGI's LIURP budget increase proposal but added that additional funding can be added in base rate case settlements. UGI argued that a *pro forma* 3% annual LIURP budget increase when no residential rate increases are implemented as part of a base rate case. In that matter, the Commission approved UGI Electric's proposal to increase its LIURP budget consistent with the residential rate

increases approved in any UGI Electric base rate case, or by 3% annually when no residential rate increases are implemented.

LIURP Rulemaking at Docket No. L-2016-2557886

In the LIURP Rulemaking Final Order, the Commission acknowledged the necessity to evaluate the effectiveness of universal service costs in USECP proceedings but recognized that it is appropriate to evaluate LIURP funding in non-USECP proceedings, such as rate cases. The Commission revised 52 Pa. Code § 58.4(a.1) and (c) to clarify that LIURP budgets may be modified, subject to approval, in a future Commission proceeding. LIURP Rulemaking Final Order (Order entered March 13, 2025) at 123.

We disagree with I&E that LIURP budgets should only be discussed as part of USECP proceedings consistent with the LIURP Rulemaking and find that Section 58.4, 52 Pa. Code § 58.4(a.1) and (c), do not specify the type of proceeding. Therefore, it would be appropriate to evaluate LIURP funding in any non-USECP proceedings.

We also agree that UGI Electric has not fully utilized its LIURP budget in recent years. However, based on UGI Electric's Needs Assessment filed as part of its 2026-2030 USECP proceeding, if more customers were identified as low-income the need for LIURP services would likely increase as well. We agree that this indicates a potential need for increased enrollment, and by extension increased funding for LIURP. Accordingly, we recommend that UGI Electric comply with the budget increase terms it proposed in its 2026 USECP and that were approved by the Commission. Specifically, we recommend UGI Electric increase its LIURP budget consistent with any residential rate increase approved in this proceeding.

(c) CAP

OCA argues that UGI Electric substantially under-enrolls low-income customers in CAP and recommends that the Commission require UGI Electric to provide plain-English CAP notices to confirmed low-income customers negotiating a DPA and customers for whom the Company has information placing them within an income tier of 0% to 150% of the FPIG.

The Company argues that the call center already discusses CAP with customers attempting to negotiate DPAs so expending additional resources would be redundant. Additionally, the Company argues that OCA fails to account for the progress it has already made in increasing CAP enrollment. The Company cites to the fact that it has increased enrollment by 61% since 2022 and cites the fact that CAP enrollment is voluntary and there are reasons beyond the Company's control when a customer decides to decline CAP assistance.

We agree that increased enrollment in CAP would be in the public interest and we agree with the Company that the record supports that it has made measurable improvement in enrolling customers in CAP. We also agree that there are numerous reasons outside of the Company's control that affect CAP enrollment. Accordingly, we recommend that UGI Electric be required to: (1) inform all new and moving customers that it has reduced billed rates for income eligible households and will inquire whether these customers would like to provide information to learn if they qualify for CAP and provide said information as requested, (2) ask all non-emergency callers whether they would like information about customer programs that provide reduced billed rates for income eligible households, and (3) offer those eligible customers an opportunity to enroll in CAP.

(d) Hardship Fund

CEO recommended UGI also increase funding to its hardship fund, Operation Share, consistent with any residential rate increase approved in this proceeding. OSBA witness Mark Ewan notes that there was a $150,000 annual increase between fiscal years 2027-2029 to Operation Share as part of UGI's USECP. The Company noted the increase in its testimony. However, the Company disagreed with CEO's recommendation because it had already agreed to increase its Operation Share budget by $150,000 per year consistent with its 2026-2030 USECP.

UGI 2026-2030 USECP Proceeding at Docket Nos. M-2025-3054362 et al.

In its 2026-2030 USECP proceeding, UGI stated that it would commit to increasing UGI Electric Operation Share contributions for 2027-2029 from $117,423 per year to $150,000. This commitment is included in the approved UGI 2026-2030 USECP at 11.

We agree with UGI Electric that $150,000 in Operation Share contributions represents a 27.7% increase from the previous funding level of $117,423. Unless residential rates are increased by more than 27.7%, the commitment in UGI Electric's 2026-2030 USECP would be a larger increase than that proposed by CEO. Accordingly, we recommend that UGI Electric be required to maintain the contribution levels in its 2026-2030 USECP.

(e) Reconnection Fees

Although we have rejected the Joint Petition as a whole, we find it pertinent to address this issue. In the Joint Petition, UGI Electric agreed to waive reconnection fee

for low-income customers.[584] The Commission has supported the use of hardship funds to cover reconnection fees. UGI 2018-2020 USECP Order, Docket Nos. M-2017-2598190, et al. (Order entered August 8, 2019) at 63-64. However, no order has been issued directing waiver of reconnection fees for low-income customers.

The CAP Policy Statement, 52 Pa. Code § 69.265(6), recommends that CAP customers be exempt from late payment charges. The Commission has upheld this position in multiple USECP proceedings.[585] However, the CAP Policy Statement does not include a similar provision for reconnection fees.

OCA objects to the waiver, as described, because regulations permit utilities to impose reconnection fees following lawful termination.[586] No other party opposes the proposed waiver.

We find that waiver of reconnection fees for low-income customers would be in the public interest. Therefore, we recommend that UGI Electric develop and implement a process for waiver of reconnection fees for low-income customers.

(f) Expanded Arrearage Forgiveness Pilot

Although we have rejected the Joint Petition as a whole, we find it pertinent to address this issue. UGI Electric introduced the Expanded Arrearage Forgiveness Pilot in the Joint Petition. The details of this program were as follows:

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584 Joint Petition, Appendix G.

585 *See: PGW 2023 USECP*, Docket No. M-2021-3029323 (Order entered Jan. 12, 2023) at 38; *PPL 2023 USECP Order*, Docket No. M-2022-3031727 (Order entered Feb. 9, 2023) at 53; *Duquesne 2020 USECP*, Docket No. M-2019-3008227 (Order entered April 21, 2022) at 33.

586 See 52 Pa. Code § 56.191(a), (c).

- UGI Electric would implement an Expanded Arrearage Forgiveness Pilot Program that will remain in place through the effective date of rates established in its next base rate case.

- The program would be available to active customers with income levels of 151% to 300% of the Federal Poverty Income Guidelines ("FPIG").

- UGI Electric will provide an eligible customer with the option of a 24-month payment plan on 50% of their current arrears.

- UGI Electric will require the customer to enroll in budget billing.

- Once enrolled, 50% of the arrears will be deferred (the "deferred balance").

- For each in full payment that the customer makes on their budget bill plus their arrears payment arrangement amount, UGI Electric will forgive 1/24th of the customer's deferred balance.

- Forgiveness dollars would be fully recoverable through the Company's Rider F – Universal Service Program ("USP").

- Cost recovery for the expanded arrearage forgiveness program would be capped at a maximum of $0.90 on the average residential customer's monthly bill.

- Once the program reached the cap, the Company would stop enrolling new customers in the Expanded Arrearage Forgiveness Pilot Program.

- If a customer participating in the Expanded Arrearage Forgiveness Pilot Program defaulted on their payment arrangement, they would be permitted to catch up all missed payments and earn forgiveness so long as they are a customer.[587]

[587] Joint Petition, pp. 6-7.

- UGI Electric would provide an analysis of the function of the program in its next base rate case.

OCA acknowledges that it agreed to a similar program in the recent UGI Gas Rate Case Settlement but opposes the proposal in this case for various reasons, including the pending Argo transaction.

We agree that UGI Electric's proposal in this case is consistent with the Pilot approved as part of the UGI Gas Rate Case at Docket No. R-2025-3059523. While the final Order in that proceeding has not been reviewed, we agree with the proposal and believe it will be approved. However, if UGI Electric is using the Universal Service Program Rider to recover costs, we find that the Company should submit the proposal as a Petition to Amend its USECP, primarily to establish a tracking mechanism for these costs. Because the qualifying customers are above 150% and therefore not "low-income" by definition, these costs do not appear to fall under the reporting requirements set forth by 52 Pa. Code §§ 54.71-54.78 and 62.1-62.8 (relating to Universal Service and Energy Conservation Reporting Requirements). We find it unclear whether or how UGI Electric will be reporting these costs. This in turn will lead to costs per ratepayer appearing lower in Commission reports because ratepayers will be paying more for arrearage forgiveness out of the same rider than has been reported.

The Public Utility Code, 66 Pa. C.S. § 2203(6) and 2802(17). permits full recovery of universal service program costs through a non-bypassable rate mechanism. If UGI Electric is using the same Rider as the rate mechanism for recovery, then it is benefitting as though this were a universal service and energy conservation program even though it falls outside that definition.

Accordingly, we recommend that UGI Electric implement a process for tracking and reporting these costs as part of the annual Universal Service Programs and

Collections Performance Report, and file an updated Needs Assessment detailing the program costs incurred by the Pilot program.

(g) Screening for Electric Resistance Space Heating

Although we have rejected the Joint Petition as a whole, we find it pertinent to address this issue. In the rejected Joint Petition, UGI Electric agrees that it shall conduct a territory-wide screening of residential customers to identify households with electric resistance space heating and, where income and occupancy information is available, to identify customers with an annual electric energy burden of six percent or greater. The Company shall use available customer usage data, program participation data, customer surveys, home energy assessments, and other reasonably available information to identify qualifying dwellings. The Company further agreed that it shall not limit eligibility to customers previously enrolled in a UGI Electric universal-service program.

OCA argued that UGI Electric failed to meaningfully develop these provisions in the evidentiary record.

We agree that screening of households utilizing electric resistant space hearing with the specified energy burden level is in the public interest and may be beneficial to the Company. Thus, we recommend that the Commission adopt the proposal in the rejected Joint Petition that UGI Electric conduct a territory-wide screening of residential customers to identify households with electric resistance space heating and, where income and occupancy information is available, to identify customers with an annual electric energy burden of six percent or greater within 90 days of entry of a final order in this matter.

(h) Victims of Domestic Violence

Although we have rejected the Joint Petition as a whole, we find it pertinent to address this issue. In the Joint Petition, UGI Electric agrees that it will update protections for victims of domestic violence to also accept a written certification from a domestic violence counselor/advocate. The Company agrees that this information will be treated as non-public and confidential under the Company's confidentiality protocols for victims of domestic violence.

No parties to this proceeding opposed this proposal. We agree that allowing additional information to support establishment that a customer is a victim of domestic violence is in the public interest. Thus, we recommend that the Commission adopt the proposal in the rejected Joint Petition that UGI Electric update its protections for victims of domestic violence to accept a written certification from a domestic violence counselor/advocate.

(i) Small Business Payment Arrangement Program

Although we have rejected the Joint Petition as a whole, we find it pertinent to address this issue. UGI Electric's Rate GS-1, GS-4, and GS-5 customers will be eligible to seek participation in the Company's formal program for payment arrangements for Rate GS-1, GS-4, and GS-5 customers, as provided in the *pro forma* tariff supplement. The formal program offers a standard six-month payment plan to payment-troubled Rate GS-1, GS-4, and GS-5 customers. A Rate GS-1, GS-4, and GS-5 customer with an existing payment plan would not be eligible for a new payment plan until such time as the existing payment plan is paid in full.

OCA opposes this provision on the basis that the tariff should not categorically prevent a small-business customer from obtaining a modified or subsequent

payment arrangement when the customer is making good-faith efforts to pay but experiences a continuing or renewed financial hardship. Moreover, OCA contends that the provision does not make clear: (1) whether customers must remain current on their ongoing monthly bills while making payments toward arrearages, (2) whether a missed installment automatically terminates the arrangement or triggers collection or termination activity, (3) whether service may be terminated while an approved payment arrangement remains in effect, (4) whether the six-month arrangement applies solely to existing arrearages or may account for subsequent charges, or (5) what collection remedies remain available to the Company for any unpaid balance following termination.[588]

We agree that establishing a small business payment arrangement program is in the public interest. However, we do not find that the record has been sufficiently developed in this proceeding to address this issue. Therefore, we recommend that UGI Electric develop a more detailed plan with input from the stakeholders of this proceeding to be submitted with its next base rate filing.

J. Other Issues

UGI Electric's Position

UGI Electric addressed several issues raised at the Public Input Hearings. First, the Company asserts that multiple individuals asserted that the proposed rate increase would make electric service unaffordable for many households and that an additional rate increase will place a substantial burden on household budget.[589]

In response, the Company argues that it has numerous programs to identify and assist low-income customers and cited to the testimony of UGI Electric witness

[588] OCA Comments in Opposition to the Non-Unanimous Settlement.
[589] OCA St. 7 at 3.

Meilinger.[590] The Company also argues that UGI Electric witness Meilinger addressed specific affordability concerns,[591] while UGI Electric witnesses Rogers and Fang address affordability more generally.[592] The Company argues that the record shows that UGI Electric has taken into consideration the affordability impacts of its operations, adjusted its operations where feasible in light of affordability considerations, proposed steps to improve affordability without compromising the quality of service to customers, made substantial adjustments to its litigation positions in this case that will have a positive impact on the affordability of rates, and offers robust programs to support customers struggling to afford electric service.

Thus, the Company argues that the affordability concerns raised by the public in this proceeding have been adequately addressed and do not provide a basis for further adjustments.

Second, the Company asserts that individuals at the Public Input Hearings raised the concern that the construction of data centers will place additional demand on the electric grid, potentially affect the environment and is the primary driver of higher costs.[593]

In response, UGI Electric asserts that it does not currently serve any data center customers, nor does the Company have any executed agreements for service with any data centers.[594] As such, the Company argues that there is no impact on the Company's rate case resulting from data center customers, and no inappropriate

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590 *See* UGI Electric St. No. 12.

591 UGI Electric St. No. 12-R at 2-11.

592 *See, e.g.*, UGI Electric St. No. 1-R at 14-27; UGI Electric St. No. 11-R at 51-81.

593 Tr. 77.

594 UGI Electric St. No. 1-R at 31.

subsidization is occurring.[595] The Company also asserts that if a data center were to seek service from the Company, that entity would provide direct affordability benefits to other classes of customers through contributions to the Universal Service Programs and the DSIC.[596]

Next, the Company asserts that a customer testified about their dissatisfaction with the Company's customer service.[597] The Company argues that it adequately responded to the raised concerns and described the "the Company and its employees responded promptly and fully to the customer's concerns and, in concert with the contractor involved in the issue, made repeated visits to the site to determine the extent of the issue and address the same."[598]

Next, the Company asserts that a customer alleged that they experienced reliability issues.[599] The Company argues that upon looking into the situation, the "customer had power more than 99.999% of the time," which the Company does not believe represents a poor quality of service.[600] Further, the Company argues that systemwide, UGI Electric has had very strong reliability in recent years, including performing better than all three of the Commission's reliability benchmarks for Customer Average Interruption Duration Index ("CAIDI"), System Average Interruption Frequency Index ("SAIFI"), and System Average Interruption Duration Index ("SAIDI").[601]

Lastly, the Company asserts that Governor Josh Shapiro's Special Counsel for Energy Affordability, Mark Szybist summarized a letter from Governor Shapiro

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595 *Id*.
596 *Id.* at 31-32.
597 Tr. 72-73.
598 *Id.* at 11.
599 Tr. 76.
600 *Id.* at 12.
601 *Id*.

addressing the following concerns about the proposed rate increase: (1) **Capital Structure**: concerned that the proposed capital structure is not cost-effective, (2) **Transparent Rationale**: the necessity and cost-effectiveness of the proposed investments and rate increase are not adequately explained, and (3) **Transparent Return on Equity Determination**: 10.85% is too high for the "low-risk nature of monopoly electric distribution service.[602]

The Company argues the following in response: (1) Mr. Szybist failed to explain his position on the Company's capital structure, (2) Mr. Szybist failed to acknowledge the substantial record developed in this proceeding and the lack of any party's challenge to the investments reflected in rate base and (3) Mr. Szybist's claim that the Company's proposed ROE is "incommensurate with the relatively low-risk nature of monopoly electric distribution service" should be rejected because he did not present any market analysis or analysis of UGI Electric's specific operations in providing his comments.[603]

Accordingly, the Company contends that the concerns raised at the public input hearings have been fully addressed and do not justify any adjustments to the Company's proposed revenue requirement.

VI. CONCLUSIONS OF LAW

1. The Commission has the authority under 66 Pa. C.S. § 1301 to set rates at an amount it determines to be "just and reasonable" and that authority includes the ability to deny a utility its requested increase. 66 Pa. C.S. § 1301; *Pa. PUC v. Columbia Gas Co.*, Docket No. R-2025-3053499 (Opinion and Order entered Dec. 4, 2025).

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602 Tr. 116-18; OCA St. 7 at 9.

603 Tr. 116-118; *See* Section IV.A, *supra*.

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

3. UGI Electric, as the base rate filer, must satisfy its burden of proof by a preponderance of evidence. *Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600 (Pa. Cmwlth.1990).

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

5. UGI Electric failed to meet its burden of proof to demonstrate that its requested increase in annual base rate operating revenues of $16.050 million, and return on equity of 10.85%, will produce rates that are just and reasonable, equitable among customer groups, or in the public interest. 66 Pa. C.S. § 315(a).

6. The Commission has the authority and discretion to deny a requested rate increase so long as the increase recommended is not confiscatory and the utility has the opportunity to earn a fair rate of return. *Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989).

7. Rates become "unjust, unreasonable and confiscatory" if they "are not sufficient to yield a reasonable return on the value of the property used at the time it is being used." *Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of W.Va.*, 262 U.S. 679, 690 (1923).

8. Affordability is an important ratemaking consideration when the Commission is determining whether a utility's requested revenue requirement and rate of return would result in rates that are just and reasonable. *Pa. PUC v. Pennsylvania-American Water Company*, Docket No. R-2025-3058051 (Opinion and Order entered July 26, 2026)*; Pa. PUC v. Columbia Gas of Pennsylvania, Inc.,* Docket No. R-2025-3053499 (Opinion and Order entered Dec. 9, 2025); *Pa. PUC v. Columbia Gas of Pa., Inc*., Docket No. R-2020-3018835 (Opinion and Order entered Feb. 19, 2021); *Pa. PUC v. Roaring Creek Water Co.*, 1995 Pa. PUC LEXIS 67 (Opinion and Order entered May 31, 1995).

9. Considering affordability of rates for ratepayers is an appropriate undertaking for the Commission, as the Commission is required to balance the interests of all involved, and it is in both the utility's interest and customers' interest that the utility's rates remain affordable. *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.,* Docket No. R-2025-3053499 (Opinion and Order entered Dec. 9, 2025); *Roaring Creek Water Co.*, 1995 Pa. PUC LEXIS 67.

10. The Commission has recognized that "[a]ffordability is an issue that must be addressed for all customers, not just for those who apply for and are found eligible to receive low-income assistance." *Pa. PUC v. Pennsylvania-American Water Company*, Docket No. R-2025-3058051 (Opinion and Order entered July 26, 2026.

11. Cost of service is of primary concern in the rate design and allocation process, where cost of service guides the Commission alongside other ratemaking principles of quality of service, rate gradualism, and rate affordability. *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

12. While utilities are entitled to the opportunity to earn a fair rate of return, as part of the regulatory compact, public utilities do not face risks associated with

a competitive market, which would not guarantee a captive customer base or the opportunity to earn. *Pennsylvania Gas & Water Co. v. Pa. PUC*, 341 A.2d 239 (Pa. Cmwlth. 1975); *Pittsburgh v. Pa. PUC*, 128 A.2d 372 (Pa. Super. 1956).

13. The Commission is tasked with setting utility rates that are "just and reasonable" based on all relevant facts. 66 Pa. C.S. § 1301; *Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of W.Va.*, 262 U.S. 679 (1923).

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

15. The Capital structure of utilities that are wholly-owned subsidiaries may not be one which it would maintain if it were obliged to obtain its debt and equity financing on the open market rather than from a parent company. *Riverton Consol. Water Co. v. Pa. PUC*, 140 A.2d 114 (Pa. Super. 1958).

16. When the use of the actual capital structure results in such circumstances, where the debt or equity is disproportionately high that might be unfair to either the utility or its customers, the Commission must make adjustments based upon substantial evidence in order to reach a fair result. *Riverton Consol. Water Co. v. Pa. PUC*, 140 A.2d 114 (Pa. Super. 1958).

17. Service must be adequate, efficient, safe, and reasonable. 66 Pa. C.S. § 1501.

18. In setting just and reasonable rates, the Commission "shall consider … the efficiency, effectiveness and adequacy of service of each utility." 66 Pa. C.S. § 523.

19. The Commission can order improvements to service as a condition of any rate increase. *Pa. PUC v. Pa. Gas & Water Co.*, 74 PUR4th 238, 244-45 (1986) (PG&W 1986)*; Pa. PUC v. Phila. Gas Works*, 2000 Pa. PUC LEXIS 876, *41-44, Order (Nov. 22, 2000).

20. The following factors are relevant considerations in evaluating whether utility's proposed rates are just and reasonable: (1) management quality, efficiency, and effectiveness; (2) service quality and reliability; and (3) effect on universal service. *PUC v. Phila. Gas Works*, 2023 PA. PUC LEXIS 93 (Opinion and Order entered April 20, 2023) (citing 52 Pa. Code §§ 69.2703(a)(6)-(8)).

21. The Pennsylvania Public Utility Code provides that "[e]very rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission." 66 Pa.C.S. § 1301.

22. "The rate-making process under the Act . . . involves a balancing of the investor and the consumer interests." *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 at 603 (1944).

23. The return a public utility is given the opportunity to earn must be sufficient to maintain the utility's financial soundness, support its credit, and enable it to obtain the capital necessary for the proper discharge of its public duties. *Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679 (1923).

24. Pennsylvania's just-and-reasonable standard requires the Commission to balance the interests of utility consumers and investors. *Pennsylvania Electric Co. v. Pa. PUC*, 509 Pa. 324, 502 A.2d 130 (1985); *Pa. PUC v. Pennsylvania Gas & Water Co.*, 492 Pa. 326, 424 A.2d 1213 (1980); *Popowsky v. Pa PUC*, 542 Pa. 94, 665 A.2d 615 (1995).

25. Poverty, poor housing stock, and other factors that contribute to households struggling to afford utility service are not just 'residential class problems.' *2019 Amendments to Policy Statement on Customer Assistance Program*, Docket No. M-2019-3012599, Final Policy Statement and Order, at 91 (Nov. 5, 2019).

26. Under 52 Pa. Code § 54.72, a "low-income customer" is a residential utility customer whose household income is at or below 150% of the Federal poverty guidelines. 52 Pa. Code § 54.72.

27. CAP is an alternative collection method that provides payment assistance to low-income, payment-troubled utility customers, and CAP participants make regular monthly payments in exchange for continued provision of utility service. 52 Pa. Code § 54.72.

28. The Commission has the authority to require other customer classes, not just the residential class, to contribute to the costs of universal service programs and that has an obligation to ensure that electric service is available to all customers on reasonable terms and conditions. *Interconnection and Tariffs for Large Load Customers*, Docket No. M-2025-3054271 (Final Order entered April 30, 2026).

29. Section 523 of the Public Utility Code applies to adjustments made when rates are determined and that those adjustments must relate to the utility's claimed

cost of service. *Pa. Indus. Energy Coal. v. Pa. PUC*, 653 A.2d 1336 (Pa. Cmwlth. 1995); 66 Pa. C.S. § 523.

30. Pennsylvania's universal-service framework recognizes Confirmed Low-Income status as a basis for identifying customers for purposes of universal-service programs, including payment assistance, termination-of-service protections, energy-usage reduction programs, and consumer education. 52 Pa. Code § 54.72.

VII. ORDERING PARGRAPHS

1. That UGI Utilities, Inc.-Electric Division shall not place into effect the rates, rules, and regulations contained in No.92 to UGI Electric Tariff – Pa. P.U.C. No. 6 dated March 27, 2026, which have been found to be unjust, unreasonable and, therefore, unlawful.

2. That UGI Utilities, Inc.-Electric Division shall be permitted to file tariffs, tariff supplements or tariff revisions containing proposed rates, rules and regulations to increase annual revenues in the total amount of not more than $10,126,513.00.

3. That UGI Utilities, Inc.-Electric Division's tariffs, tariff supplements or tariff revisions may be filed on less than the statutory notice, and pursuant to 52 Pa, Code §§ 53.31 and 53.101, may be filed to be effective on at least one day's notice after entry of the Commission's Final Order, for service rendered on or after the date of entry of the Commission's Final Order in this matter.

4. That UGI Utilities, Inc.-Electric Division shall comply with all directives, conclusions, adjustments and recommendations in this Recommended

Decision that are not the subject of individual ordering paragraphs as fully as if they were the subject of specific ordering paragraphs.

5. That UGI Utilities, Inc.-Electric Division shall allocate the authorized increase in operating revenues to each customer class and rate schedule within each class in the manner set forth in this Recommended Decision.

6. That, upon acceptance and approval by the Commission of the tariff supplements filed by UGI Utilities, Inc.-Electric Division, consistent with its Final Order, the investigation at Docket No. R-2025-3059430 be marked closed.

7. That the Complaint filed by the Pennsylvania Office of Consumer Advocate in this proceeding at Docket No. C-2026-3061676 be marked closed.

8. That the Complaint filed by the Pennsylvania Office of Small Business Advocate in this proceeding at Docket No. C-2026-3061591 be marked closed.

9. That the Complaint filed by Kory Boothe in this proceeding at Docket No. C-2026-3061698 be marked closed.

10. That the Complaint filed by Mary Hibbard in this proceeding at Docket No. C-2026-3061790 be marked closed.

11. That the Complaint filed by Elizabeth Saxton in this proceeding at Docket No. C-2026-3062281 be marked closed.

12. That the Complaint filed by Carol Buchalski in this proceeding at Docket No. C-2026-3062957 be marked closed.

Date: October 16, 2026

/s/
Steven K. Haas
Administrative Law Judge

/s/
Chad L. Allensworth
Administrative Law Judge

TABLE I
UGI Utilities, Inc. - Electric Division
INCOME SUMMARY
R-2025-3059430

		Pro Forma Present Rates	Company Adjustments	Pro Forma Present Rates	ALJ Adjustments	ALJ Pro Forma Present Rates	ALJ Revenue Increase	Total Allowable Revenues
		$	$	$	$	$	$	$
		(1)	(2)	(3) = (1) + (2)	(4)	(5) = (3) + (4)	(6)	(7) = (5) + (6)
1.	Operating Revenue	145,390,000	69,000	145,459,000	0	145,459,000	10,126,513	155,585,513
2.	Expenses:							
3.	O & M Expense	115,109,000	(1,059,000)	114,050,000	(179,000)	113,871,000	219,442	114,090,442
4.	Depreciation	11,948,000	0	11,948,000	0	11,948,000	0	11,948,000
5.	Taxes, Other	9,841,000	(34,000)	9,807,000	0	9,807,000	634,932	10,441,932
6.	Income Taxes:							
7.	State	116,000	84,000	200,000	13,595	213,595	694,483	908,078
8.	Federal	180,000	217,000	397,000	35,263	432,263	1,801,308	2,233,571
9.	Total Expenses	137,194,000	(792,000)	136,402,000	(130,142)	136,271,858	3,350,165	139,622,023
10.	Net Inc. Available for Return	8,196,000	861,000	9,057,000	130,142	9,187,142	6,776,348	15,963,490
11.	Rate Base	239,228,000	(141,000)	239,087,000	(112,595)	238,974,405	0	238,974,405
12.	Rate of Return	3.43%		3.79%		3.84%		6.68%

(1) As filed
(3) Company Main Brief

TABLE I(A)
UGI Utilities, Inc. - Electric Division
RATE OF RETURN
R-2025-3059430

		Structure		Cost		After-Tax Weighted Cost	Effective Tax Rate Complement	Pre-Tax Weighted Cost Rate
		(1)		(2)		[(3) = (1) x (2)]	(4)	[(5) = (3) x (4)]
1.	Total Cost of Debt					3.03000000%		
2.	Long-term Debt	58.00%		5.22%	(*)	3.03000000%		3.03%
3.	Short-term Debt	0.00%		0.00%		0.00000000%		
4.	Preferred Stock	0.00%		0.00%		0.00000000%	0.730829	0.00%
5.	Common Equity	42.00%		8.70%		3.65000000%	0.730829	4.99%
6.		100.00%				6.68000000%		8.02%
7.	Pre-Tax Interest Coverage	2.65						
8.	After-Tax Interest Coverage	2.20						

(*) Company Rebuttal Testimony

TABLE I(B)
UGI Utilities, Inc. - Electric Division
REVENUE FACTOR
R-2025-3059430

1.	100%	1.00000000
	Less:	
2.	Uncollectible Accounts Factor (*)	0.02167000
3.	PUC, OCA, OSBA Assessment Factors (*)	0.00000000
4.	Gross Receipts Tax	0.06270000
5.	Other Tax Factors	0.00000000
6.		0.91563000
7.	State Income Tax Rate (*)	0.07490000
8.	Effective State Income Tax Rate	0.06858069
9.	Factor After Local and State Taxes	0.84704931
10.	Federal Income Tax Rate (*)	0.21000000
11.	Effective Federal Income Tax Rate	0.17788036
12.	Revenue Factor (100% - Effective Tax Rates)	0.66916895

(*) Company Main Brief

TABLE II
UGI Utilities, Inc. - Electric Division
SUMMARY OF ADJUSTMENTS
R-2025-3059430

	Adjustments	Rate Base	Revenues	Expenses	Depreciation	Taxes-Other	State Income Tax	Federal Income Tax
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		$	$	$	$	$	$	$
1.	RATE BASE:							
	CWC:							
	Int. & Div. (Table IV)	(61)						
	Taxes (Table V)	(112,534)						
2.	REVENUES:		0				0	0
3.	EXPENSES:							
	Rate Case Expense (OCA)			(179,000)			13,407	34,775
4.	TAXES:							
5.	Interest Synchronization (Table III)						188	488
6.	TOTALS	(112,595)	0	(179,000)	0	0	13,595	35,263

TABLE III
UGI Utilities, Inc. - Electric Division
INTEREST SYNCHRONIZATION
R-2025-3059430

	(1)	Amount $ (2)
1.	Company Rate Base Claim	239,087,000
2.	ALJ Rate Base Adjustments (Table II)	(112,595)
3.	ALJ Rate Base (Line 1 - Line 2)	238,974,405
4.	Weighted Cost of Debt (Table IA)	2.39000000%
5.	ALJ Interest Expense (Line 3 x Line 4)	5,711,488
6.	Company Claim (*)	5,714,000
7.	Total ALJ Adjustment (Line 6 - Line 5)	2,512
8.	Company Adjustment (*)	0
9.	Net ALJ Interest Adjustment (Line 7 - Line 8)	2,512
10.	State Income Tax Rate (Table IB)	7.49%
11.	State Income Tax Adjustment (Line 9 x Line 10) (Flow to Table II)	188
12.	Net ALJ Interest Adjustment (Line 9)	2,512
13.	State Income Tax Adjustment (Line 11)	188
14.	Net ALJ Adjustment for F.I.T. (Line 12 - Line 13)	2,324
15.	Federal Income Tax Rate	21.00%
16.	Federal Income Tax Adjustment (Line 14 x Line 15)	488

(*) Company Rebuttal Testimony

TABLE IV
UGI Utilities, Inc. - Electric Division
CASH WORKING CAPITAL - Interest and Dividends
R-2025-3059430

	Accrued Interest			Preferred Stock Dividends	
		Long-Term Debt	Short-Term Debt		
	(1)	(2)	(3)	(4)	(5)
1.	Company Rate Base Claim	$239,087,000	$239,087,000	Company Rate Base Claim	$239,087,000
2.	ALJ Rate Base Adjustments	($112,595)	($112,595)	ALJ Rate Base Adjustments	($112,595)
3.	ALJ Rate Base	$238,974,405	$238,974,405	ALJ Rate Base	$238,974,405
4.	Weighted Cost of Debt	2.39000000%	0.00%	Weighted Cost Pref. Stock	0.00000000%
5.	ALJ Annual Interest Exp.	$5,711,488	$0	ALJ Preferred Dividends	$0
6.	Average Revenue Lag Days	64.2	64.2	Average Revenue Lag Days	64.2
7.	Average Expense Lag Days	91.3	0.0	Average Expense Lag Days	0.0
8.	Net Lag Days	-27.1	64.2	Net Lag Days	64.2
9.	Working Capital Adjustment				
10.	ALJ Daily Interest Exp.	$15,648	$0	ALJ Daily Dividends	$0
11.	Net Lag Days	-27.1	64.2	Net Lag Days	64.2
12.	ALJ Working Capital	($424,061)	$0		$0
13.	Company Claim (1)	($424,000)	$0	Company Claim (1)	$0
14.	ALJ Adjustment	($61)	$0		$0
15.	Total Interest & Dividend Adj.	($61)			

TABLE V
UGI Utilities, Inc. - Electric Division
CASH WORKING CAPITAL -TAXES
R-2025-3059430

	Description	Company Proforma Tax Expense Present Rates	ALJ Adjustments	ALJ Pro forma Tax Expense Present Rates	ALJ Allowance	ALJ Adjusted Taxes at Present Rates	Daily Expense	Net Lead/ Lag Days	Accrued Tax Adjustment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	PUC Assessment	$701,000	$0	$701,000	$0	$701,000	$1,920.55	0.00	$0
2.	Public Utility Realty	$108,000	$0	$108,000		$108,000	$295.89	34.15	$10,105
3.	PA Property Tax	$34,000	$0	$34,000		$34,000	$93.15	-26.35	($2,455)
		$0	$0	$0		$0	$0.00	0.00	$0
		$0	$0	$0		$0	$0.00	0.00	$0
		$0	$0	$0		$0	$0.00	0.00	$0
		$0	$0	$0		$0	$0.00	0.00	$0
		$0	$0	$0		$0	$0.00	0.00	$0
		$0	$0	$0		$0	$0.00	0.00	$0
		$0	$0	$0		$0	$0.00	0.00	$0
		$0	$0	$0		$0	$0.00	0.00	$0
4.	State Income Tax	$200,000	$13,595	$213,595	$694,483	$908,078	$2,487.88	34.65	$86,205
5.	Federal Income Tax	$397,000	$35,263	$432,263	$1,801,308	$2,233,571	$6,119.37	26.90	$164,611
6.		$1,440,000	$48,858	$1,488,858	$2,495,791	$3,984,649			
7.							ALJ Allowance		258,466
8.							Company Claim (1)		371,000
9.							ALJ Adjustment		(112,534)

(2) Company Main Brief

TABLE VI
UGI Utilities, Inc. - Electric Division
CASH WORKING CAPITAL -- O & M EXPENSE
R-2025-3059430

	Description	Company Pro forma F.T.Y. Expense	ALJ	ALJ Pro forma Expenses	Lag Days	Lag Dollars
	(1)	(2)	(3)	(4)	(5)	(6)
1.	Service Company	$0	$0	$0	0.00	$0
2.	Chemicals	$0	$0	$0	0.00	$0
3.	Group Insurance	$0	$0	$0	0.00	$0
4.	Insurance, Other	$0	$0	$0	0.00	$0
5.	Labor	$7,158	$0	$7,158	12.00	$85,896
6.	Leased Equip./Rent	$0	$0	$0	0.00	$0
7.	Leased Vehicles	$0	$0	$0	0.00	$0
8.	Miscellaneous	$29,718	$0	$29,718	20.57	$611,299
9.	Natural Gas	$0	$0	$0	0.00	$0
10	Power	$74,037	$0	$74,037	34.81	$2,577,228
11.	Purchased Water	$0	$0	$0	0.00	$0
12.	Telephone	$0	$0	$0	0.00	$0
13.	Waste Disposal	$0	$0	$0	0.00	$0
14.	Post Retirement Benefits	$0	$0	$0	0.00	$0
15.	Pensions	$0	$0	$0	0.00	$0
16.		$110,913	$0	$110,913	29.50	$3,274,423
17.	ALJ Average Revenue Lag	64.2				
18.	Less: ALJ Avg. Expense Lag	29.5				
19.	Net Difference	34.7	Days			
20.	ALJ Pro forma					
21.	O & M Expense per Day	$304				
22.	ALJ CWC for O & M	$10,526				
23.	Less: Company Claim (1)	$10,526				
24.	ALJ Adjustment	$0				

(1) Company Rebuttal