



UGI UTILITIES, INC.

FOCUSED MANAGEMENT AND OPERATIONS AUDIT

Pennsylvania Public Utility Commission

Bureau of Audits

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**UGI UTILITIES, INC.
MANAGEMENT AND OPERATIONS AUDIT**

TABLE OF CONTENTS

Chapter	Page
I INTRODUCTION	1
Objectives and Scope	1
Audit Approach	2
Functional Area Ratings	3
Benefits	4
Recommendation Summary	5
II BACKGROUND	8
III EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE	10
IV CORPORATE GOVERNANCE	15
V AFFILIATED INTERESTS AND COST ALLOCATIONS	18
VI FINANCIAL MANAGEMENT	24
VII GAS OPERATIONS	32
VIII ELECTRIC OPERATIONS	47
IX EMERGENCY PREPAREDNESS	61
X MATERIALS MANAGEMENT	65
XI INFORMATION TECHNOLOGY	70
XII CUSTOMER SERVICE	74
XIII FLEET MANAGEMENT	78
XIV SAFETY	81
XV HUMAN RESOURCES AND DIVERSITY	84

UGI UTILITIES, INC.
MANAGEMENT AND OPERATIONS AUDIT
LIST OF EXHIBITS
Page 1 of 3

Exhibit		Page
I-1	Functional Rating Summary	4
I-2	Quantifiable Savings Summary	5
I-3	Summary of Recommendations	6
II-1	Customer Statistics	8
II-2	Abbreviated Entity Organization Chart	9
III-1	Executive Management Organization Chart	10
III-2	Staffing Levels	12
III-3	Span of Control	13
V-1	UGI Utilities Intercompany Charges to Affiliates	18
V-2	Intercompany Charges from Affiliates to UGI Utilities	20
VI-1	Abbreviated Shared Financial Management Function Organization Chart	24
VI-2	Operating and Capital Budget Process	26
VI-3	Gas Division Actual vs Budget Operating Expenses (Millions)	27
VI-4	Electric Division Actual vs Budget Operating Expenses (Millions)	28
VI-5	Gas Division Actual vs Budget Capital Expenses	29
VI-6	Electric Division Actual vs Budget Capital Expenses	29
VI-7	Dividend Payments to UGI Corporation (Millions of Dollars)	30
VI-8	Debt to Equity Ratio	31
VI-9	U.S. Employee Pension Plan	31
VII-1	Electric and Natural Gas Service Territories	32

UGI UTILITIES, INC.
MANAGEMENT AND OPERATIONS AUDIT
LIST OF EXHIBITS
Page 2 of 3

Exhibit		Page
VII-2	Abbreviated Gas Operations Organization Chart	33
VII-3	Overtime Hours and Percentages	34
VII-4	Main Replacement Efforts	36
VII-5	Average Dispatch and Response Times	37
VII-6	Leak Repair by Cause	37
VII-7	Leak Repair by Classification	38
VII-8	Valve and Critical Valve Totals and Number Exercised	39
VII-9	Unaccounted for Gas	40
VII-10	Billable and Non-Billable Hits	41
VII-11	Damage Collection Efforts	42
VII-12	Inside Meter Relocation Data	43
VII-13	Inside Meter Relocation Projections	44
VIII-1	Electric Division Organization Chart	47
VIII-2	Electric Distribution System SAIFI Trends	48
VIII-3	Electric Distribution System SAIDI Trends	49
VIII-4	Electric Distribution System CAIDI Trends	50
VIII-5	Customers Experiencing Long Interruption Durations	51
VIII-6	Number of Interruptions by Cause	51
VIII-7	Third-Party Excavation Damages by Cause	54
VIII-8	Third-Party Collection for Damage to Electric Facilities	55

UGI UTILITIES, INC.
MANAGEMENT AND OPERATIONS AUDIT
LIST OF EXHIBITS
Page 3 of 3

Exhibit		Page
VIII-9	CEMI Customer Counts for CEMI 4+ and Higher	57
VIII-10	Average Emergency Dispatch and Response Times (Line Down and Other Hazard Calls Only)	59
IX-1	Pennsylvania Public Utility Commission - Public Utility Security Planning and Readiness Self-Certification	61
X-1	Materials Management Organization Chart	66
X-2	Monthly Non-Emergency Inventory Levels and Inventory Issues	67
X-3	Revised Inventory Turnover	69
XI-1	Abbreviated IT Department Organization Chart	70
XII-1	Customer Service Organization Chart	74
XII-2	Call Center Quality of Service Measurements	76
XIII-1	Fleet Department Organization Chart	78
XIII-2	Number of Vehicles by Class	79
XIII-3	Average Age of Fleet	80
XIV-1	Environmental Health Safety & Technical Support Department Organization Chart	81
XIV-2	OSHA Recordable and DART Rates Comparison with U.S. Bureau of Labor Statistics Data	83
XV-1	Human Resource Department Organization Chart	85

I – INTRODUCTION

Pennsylvania law grants the Pennsylvania Public Utility Commission (PUC or Commission) the general administrative power and authority to supervise and regulate public utilities within the Commonwealth of Pennsylvania per 66 Pa.C.S. § 501(b). The Commission can investigate and examine the condition and management of any public utility, 66 Pa.C.S. § 331(a). Management and operational audits are required of certain Pennsylvania-based utility companies pursuant to 66 Pa.C.S. § 516(a).

In accordance with the PUC's ongoing program to identify improvements in the management and operations of fixed utilities under its jurisdiction, it was determined that a focused management and operations audit should be conducted of UGI Utilities, Inc. (UGI Utilities or Company). A management audit investigates the Company's operational efficiency and effectiveness. It focuses on how decisions are made and processes are accomplished, which includes reviews of policies and procedures, use of informational systems, incorporation of strategic planning, compliance efforts, etc.

This report summarizes the PUC Management Audit Division's audit work and outlines its conclusions. The findings presented in the report identify areas where weaknesses or deficiencies exist. Recommendations are offered to improve, correct, or eliminate these conditions. The final step in the management audit process is to initiate actions toward implementation of the recommendations.

Objectives and Scope

The objectives of this focused management and operations audit were:

- To provide the Commission, UGI Utilities, and the public with an assessment of the efficiency and effectiveness of the Company's operations, management methods, organization, practices, and procedures
- To identify opportunities for improvement and develop recommendations to address those opportunities
- To provide an information base for future regulatory and other inquiries into the management and operations of UGI Utilities

The scope of this audit was limited to certain areas of the Company as explained in the Audit Approach section.

Audit Approach

The focused management and operations audit was performed by the Management Audit Division of the PUC's Bureau of Audits (PUC Auditors). The audit process began with a pre-fieldwork analysis as outlined below:

- Input was solicited from PUC bureaus and offices regarding concerns or issues they would like addressed during our review.
- Prior management and operations audits, follow-up management efficiency investigations, implementation plans, implementation plan progress reports, other Commission-conducted audits, annual diversity reports, and other available documents were reviewed.

This information was used to focus the PUC Auditors' work efforts. Specifically, the listed functional areas were selected for in-depth analysis and are included in this report:

- Executive Management and Organizational Structure
- Corporate Governance
- Affiliated Interests and Cost Allocations
- Financial Management
- Gas Operations
- Electric Operations
- Emergency Preparedness
- Materials Management
- Information Technology
- Customer Service
- Fleet Management
- Safety
- Human Resources and Diversity

The pre-fieldwork analysis should not be construed as a comprehensive evaluation of the management or operations in the functional areas not selected for in-depth examination. Had we conducted a thorough review of those areas, weaknesses or deficiencies may have come to our attention that were not identified in the limited pre-fieldwork review.

A management audit is not designed to opine on all information provided by the utility. Much of the data provided by the utility and presented within this report was not thoroughly tested to ensure it is free from errors. However, in the course of the PUC Auditors' work, some numbers, company systems, processes, etc. were tested as needed or concerns arose. Audit findings and recommendations are based upon data company management should have had or were using. Therefore, the conclusions reached within this report aim to fairly present the utility's performance in the areas reviewed but no assurance is offered by the PUC Auditors or the PUC.

Fieldwork began on November 13, 2025 and continued intermittently through May 20, 2026. The principal components of the fact gathering process included:

- Interviews with Company personnel as well as other Commission Bureaus
- Analysis of records, documents, and reports of a financial and operational nature focused primarily on the period 2021 – 2025
- Visits to select Company facilities and observation of work practices

Functional Area Ratings

For the functional areas selected for in-depth examination, the PUC Auditors rated the operating or performance level relative to the expected performance level at the time of the audit. This expected performance level is the state where each functional area should be operating given the Company's resources and general operating environment. Expected performance is not a "cutting edge" operating condition; rather, it is management of a functional area such that it produces reasonably expected operating results.

Listed below are the evaluative categories used to rate each functional area's operating or performance level:

- Meets Expected Performance Level
- Minor Improvement Necessary
- Moderate Improvement Necessary
- Significant Improvement Necessary
- Major Improvement Necessary

Our ratings for each reviewed functional area can be found in Exhibit I-1.

Exhibit I-1
UGI Utilities, Inc.
Management and Operations Audit
Functional Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management and Organizational Structure		X			
Corporate Governance	X				
Affiliated Interests and Cost Allocations			X		
Financial Management	X				
Gas Operations			X		
Electric Operations			X		
Emergency Preparedness		X			
Materials Management			X		
Information Technology			X		
Customer Service		X			
Fleet Management	X				
Safety	X				
Human Resources and Diversity	X				

Benefits

Wherever possible, the PUC Auditors estimated the potential savings anticipated from implementing the recommendations made in this report. The audit report details potential annual cost savings of approximately \$2.8 million. Some of these savings could be an actual reduction in costs, avoided costs, or increased revenues, whereas others would result from better deployment and/or use of resources. These quantifications require some judgment and may require effort beyond the scope of the audit for further refinement. Actual benefits from effective implementation of the recommendations are uncertain and could differ from the estimate. An overall summary of the annual and/or one time costs savings quantified in the audit report is shown in Exhibit I-2. The Company will have options to implement the recommendations, and as a result, the PUC Auditors have not estimated the cost of implementation for recommendations irrespective of whether savings were quantified. It should be noted that the cost of implementing some recommendations could be significant.

Exhibit I-2
UGI Utilities, Inc.
Focused Management and Operations Audit
Quantifiable Savings Summary

Recommendation	Annual Savings
Recommendation X-1 Continue efforts to reduce inventory and maintain inventory turnover of at least 2.0 annually.	\$ 2,800,000
Total	\$ 2,800,000

Recommendation Summary

Chapters III through XV provide findings, conclusions, and recommendations for each function or area reviewed in-depth during this focused audit. The PUC Auditors recognize that Company priorities will influence the time frame that each recommendation can be implemented. Each recommendation should be initiated within 12 months of this report being released or as soon as practical. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

Net quantifiable benefits have been provided where they could be estimated or calculated as discussed in the Benefits section of this chapter. Our overall rankings are not solely based on quantifiable dollars but rather our professional judgment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of the Company and/or the services it provides. The benefit ranking is based on the PUC Auditor's professional judgment given the information available at the time.

- **High Benefits** – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.
- **Medium Benefits** – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.
- **Low Benefits** – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

Exhibit I-3
UGI Utilities, Inc.
Management and Operations Audit
Summary of Recommendations
Page 1 of 2

Rec. No.	Recommendation	Page No.	Benefits (including \$ estimates)
Chapter III – Executive Management and Organizational Structure			
III-1	Conduct routine employee surveys with documented follow-up.	14	Low
Chapter IV – Corporate Governance			
	None		
Chapter V – Affiliated Interests and Cost Allocations			
V-1	Develop a methodology to identify and benchmark the costs of internal services at least once every five years and document this practice in a policy or Cost Allocation Manual.	22	Medium
V-2	Improve transparency for intercompany billing by establishing an automated reporting query that categorizes labor charges by specific services.	22	Medium
V-3	Improve transparency of UGI Corp.'s Cost Allocation Manual by expanding details on the process used to determine, approve, and apply allocation factors, including the methods used for currency adjustments and rounding.	23	Medium
Chapter VI – Financial Management			
	None		
Chapter VII – Gas Operations			
VII-1	Increase damage collection efforts for third-party at-fault hits.	42	Medium
VII-2	Continue to prioritize and accelerate the Company's relocation of inside meters to meet the statutory deadline.	44	Medium
VII-3	Improve internal controls for the Company's Annual Report filing process to ensure accurate reporting and correct any errors on prior filings.	45	Low
VII-4	Improve meter testing controls and procedures and update the documentation governing these procedures.	46	Low
Chapter VIII – Electric Operations			
VIII-1	Improve the project management controls of large capital projects and complete the replacement of the Plymouth Substation and renovation of the Kingston Substation transformers.	53	High
VIII-2	Establish and document a robust Electric Division Damage Prevention Program.	56	Low
VIII-3	Adjust the Inspection and Maintenance Plan goals to match the metrics being tracked and reported in the Company's Annual Reliability Reports.	56	Low

Exhibit I-3
UGI Utilities, Inc.
Management and Operations Audit
Summary of Recommendations
Page 2 of 2

Rec. No.	Recommendation	Page No.	Benefits (including \$ estimates)
Chapter VIII – Electric Operations (continued)			
VIII-4	Reduce CEMI 10+ to zero and establish goals for the reduction of CEMI 4+.	58	High
VIII-5	Establish dispatch time goals for line down and other hazard calls and create a metric to monitor dispatch performance for normal and/or storm operations.	60	High
Chapter IX – Emergency Preparedness			
IX-1	Correct minor physical security deficiencies at UGI facilities.	63	High
IX-2	Increase coordination with sister companies to address physical security management at shared facilities.	64	Medium
Chapter X – Materials Management			
X-1	Continue efforts to reduce inventory and maintain inventory turnover of at least 2.0 annually.	68	High \$2.8 Million Annually
X-2	Review and correct the process to calculate inventory turnover.	69	Medium
Chapter XI – Information Technology			
XI-1	Expand reporting to UGI Utilities Management to include IT operational performance metrics not captured by the IT Status Reports.	72	High
XI-2	Assure the replacement for the work management system remains on schedule.	73	High
Chapter XII – Customer Service			
XII-1	Establish reporting and key performance indicators for email communications that support evaluating timely and sufficient communications with customers.	77	Low
Chapter XIII – Fleet Management			
	None		
Chapter XIV – Safety			
	None		
Chapter XV – Human Resources/Diversity			
	None		

II – BACKGROUND

UGI Utilities, Inc. (UGI Utilities or Company) is a public utility subject to regulation by the PUC and operates on a fiscal year ending September 30. UGI Utilities has two regulated divisions: natural gas distribution operations (Gas Division or UGI Utilities – Gas) and electric distribution operations (Electric Division or UGI Utilities – Electric). Exhibit II-1 summarizes UGI Utilities’ customer statistics, including number of customers, energy usage, and associated revenues as of December 31, 2025.

Exhibit II-1 UGI Utilities, Inc. Customer Statistics For the Year Ended December 31, 2025

Customer Class	# of Customers	% of Total Customers	MCF / Kwh Sold	% of Sales	Revenues	% of Revenues
Gas Division						
Residential	634,702	89.7%	51,858,880	16.0%	\$747,464,272	61.6%
Commercial	70,797	10.0%	59,822,463	18.5%	\$361,522,750	29.8%
Industrial	1,735	0.2%	212,477,660	65.5%	\$103,603,623	8.5%
Totals	707,234	100.0%	324,159,003	100.00%	\$1,212,590,645	100.0%
Electric Division						
Residential	55,296	87.5%	566,408,375	56.8%	\$5,294,826	70.3%
Commercial	7,692	12.2%	328,714,526	33.0%	\$1,037,044	13.8%
Industrial	151	0.2%	96,664,347	9.7%	\$694,099	9.2%
Other ^	62	0.1%	5,190,418	0.5%	511,147	6.8%
Totals	63,201	100.0%	996,997,666	100.00%	\$7,537,116	100.0%

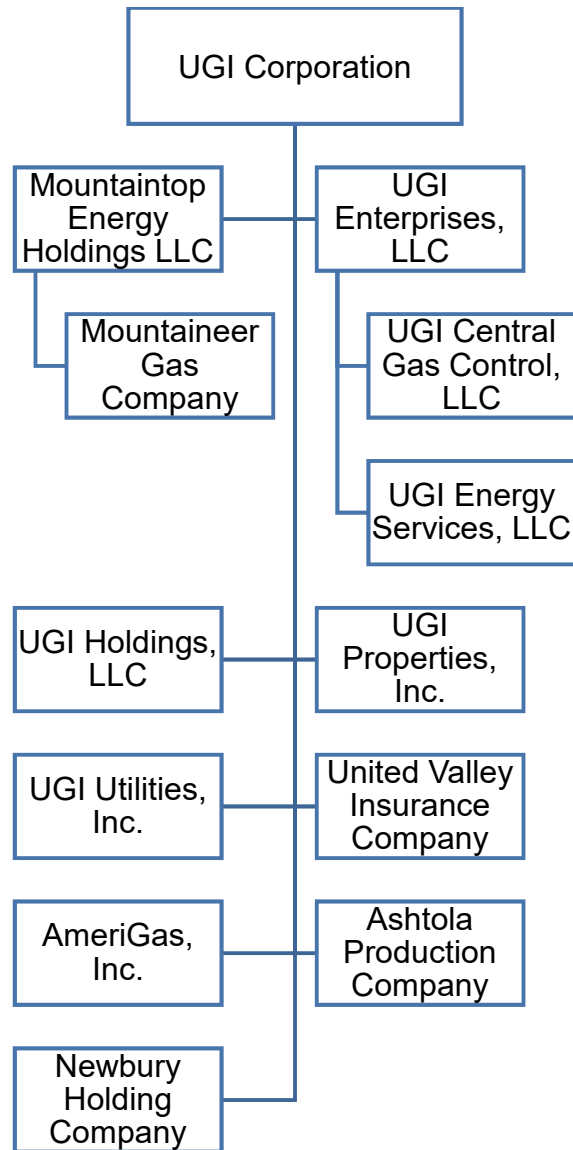
^ Other includes sales for resale and public customers

Note: Totals may reflect differences in summation due to rounding

Source: UGI Utilities (Gas Division & Electric Division) 2025 Annual Reports – Schedule 600 to the PUC (unaudited company reported data)

UGI Utilities is a wholly owned subsidiary of UGI Corporation (UGI Corp. or Parent Company). UGI Corp. is a holding company under the Public Utility Holding Company Act of 2005. An abbreviated entity organizational chart of UGI Corp. with its directly held subsidiaries, including UGI Utilities, is shown in Exhibit II-2. In addition, Exhibit II-2 reflects an abbreviated depiction of UGI Utilities sister companies’ subsidiaries, those shown transacted with UGI Utilities during the audit period (see Chapter V – Affiliated Interests and Cost Allocations for more information about intercompany transactions between UGI Utilities and its Parent Company and affiliated companies).

Exhibit II-2
UGI Corporation
Abbreviated Entity Organization Chart
As of November 14, 2025



Source: PUC Data Request CA-1

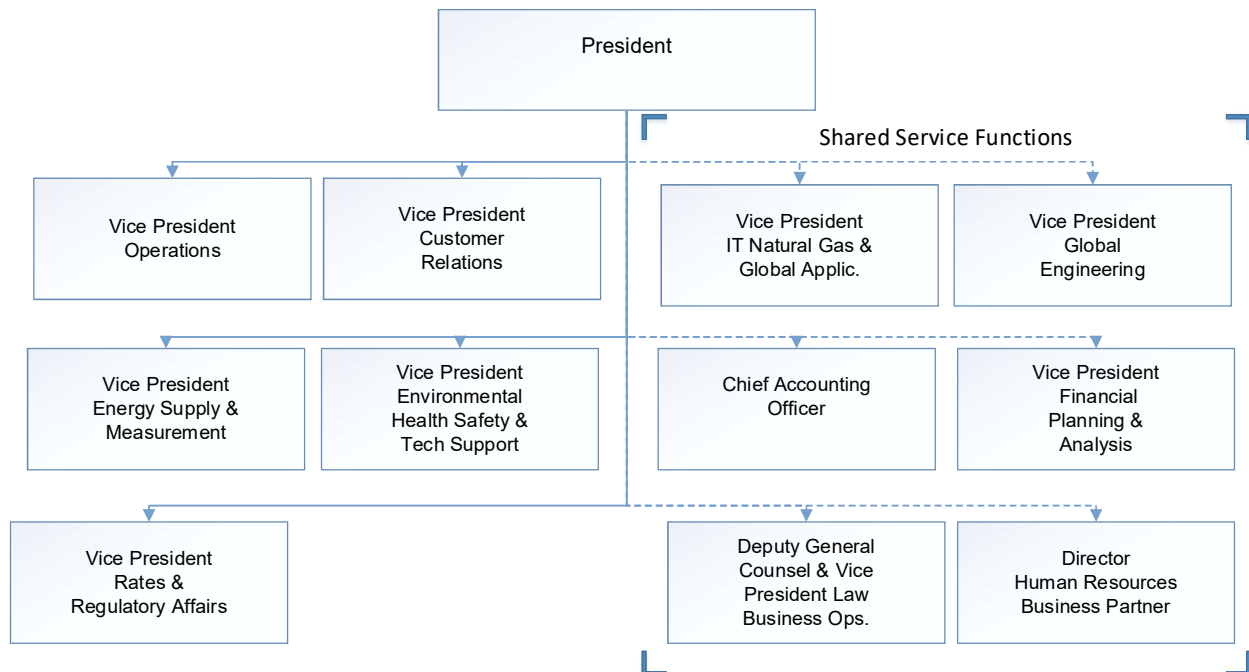
UGI Corp. is composed of a mix of both regulated and non-regulated subsidiaries. UGI Utilities and Mountaintop Energy Holdings LLC's directly held affiliate, Mountaineer Gas Company are regulated in Pennsylvania and West Virginia, respectively. Whereas UGI Corp.'s remaining affiliates are non-regulated entities.

III – EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Background

UGI Corporation (UGI Corp.) is the parent company of UGI Utilities, Inc. (UGI Utilities), which is a PA PUC regulated gas and electric distribution company, as well as several non-regulated affiliates, see Chapter II – Background for additional details on UGI Corp.'s organizational structure. The UGI Utilities' President has responsibility for oversight of UGI Utilities and leads its executive management team as shown in Exhibit III-1. UGI Utilities' executive management team is also supported via shared services provided by its parent company, UGI Corp. As indicated by the dotted line reporting in Exhibit III-1, shared service support includes financial management, human resources, information technology, global engineering, legal and regulatory services, see Chapter V – Affiliated Interests and Cost Allocations for more information on shared services.

Exhibit III-1
UGI Utilities, Inc.
Executive Management Organization Chart
As of November 24, 2025



Source: PUC Data Request SA-10

UGI Utilities' strategic planning process is conducted annually in conjunction with the overall UGI Corp. strategic planning process. Ultimately, the UGI Utilities' President presents the five-year strategic plan to the UGI Corp. Board of Directors for their input. UGI Utilities' strategic objectives are influenced by emerging industry matters, energy

trends, customer growth, customer affordability, safety trends, system and capacity needs, regulatory requirements and Long-Term Infrastructure Improvement Plans for both gas and electric. UGI Utilities' most recent strategic plan dated June 5, 2025, included various milestones and initiatives it planned to achieve through 2030 centered around the following four strategic pillars:

- **Safety** - innovative practices and technologies to drive safety performance
- **Customer Experience & Affordability** - industry leading experience with sustained affordability through operational efficiency
- **Employees & Culture** - Leveraging breakthrough opportunities to attract and retain talent
- **Business Sustainability** - financial performance through consistency and reliability

Aligned with the strategic pillars, UGI Utilities' management employees are eligible to receive incentive compensation when the Company achieves at least 90% of its prior year earnings before interest and taxes. When achieved, employees are evaluated based on Key Performance Indicators (KPIs) in categories such as safety, reliability, customer satisfaction, business growth, operation expense management, and capital deployment. Each department uses varying weightings for the categories based on the relevancy of the KPIs to their core work.

The 2025 Management Incentive Plan is designed to align and reward the efforts of employees in six critical areas:

- Safety
- Customer Satisfaction
- Financial Performance
- Business Growth
- Capital Deployment
- Operational Expense (OpEx) Management

Each area is composed of goals for multiple metrics, for example Safety includes supervisor coaching, participation in safety meetings, accountable vehicle incident and OSHA recordable rates. Once goals are achieved, eligible employees¹ are also required to receive performance ratings of "Met", "Exceeded Some", or "Exceeded" objectives to qualify for incentive compensation.

UGI Utilities' executive succession planning process is designed to identify and develop internal candidates for leadership roles through the UGI Corp. Human Resources Center of Excellence (UGI Corp. HR COE) Performance and Talent Management Team,

¹ For fiscal year 2025, eligible employees are UGI Utilities regular, full-time employees in Ladder/Level M1 to M6 or P2 to P5, hired prior to July 1, 2025. These employees are compensated via variable pay, which is a portion of the total compensation at risk based on achievement of established Company goals.

in collaboration with UGI Utilities' HR, see Chapter XV – Human Resources and Diversity for more information related to UGI Corp.'s HR shared services and UGI Utilities' HR responsibilities. UGI Utilities' executive leadership roles include the UGI Utilities' President and their direct reports (as depicted by solid lines in Exhibit III-1). The UGI Corp. HR COE Performance and Talent Management Team, working jointly with UGI Utilities' HR, is responsible for designing, facilitating and documenting UGI Corp.'s Senior Management talent management and succession planning processes inclusive of UGI Utilities. In coordination with UGI Corp. executive leadership, high potential candidates are identified and offered professional development to fully prepare them for future promotions. The outcomes of the talent assessment and succession planning process are formally presented to and reviewed on an annual basis by the UGI Utilities' President.

UGI Utilities' staffing levels as of September 30 for the years 2020 through 2025 are shown in Exhibit III-2. During this period, the number of UGI Utilities' employees fluctuated from year to year, ultimately resulting in an overall 2.0% decrease in the number of UGI Utilities' employees from 1,703 in 2020 to 1,669 in 2025. The decline was attributed to post-COVID impacts in the retention of accounting personnel and Customer Care Representatives due to high demand for these positions and the centralization of certain functions within UGI Corp. (e.g., Accounting, Human Resources, and IT) within fiscal year 2022.

Exhibit III-2
UGI Utilities, Inc
Staffing Levels
As of September 30, 2020 – 2025

Year	2020	2021	2022	2023	2024	2025
Number of Employees	1,703	1,735	1,667	1,692	1,618	1,669
Percent Change from Prior Year	N/A	1.88%	-3.92%	1.50%	-4.37%	3.15%

Source: PUC Data Request EM-2 and PUC Auditor analysis

Span of control refers to the number of subordinates a manager or supervisor directly supervises in an organization. A balanced span of control maximizes organizational efficiency and effectiveness. At least biannually, UGI Utilities reviews its spans of control for the whole organization. All positions with narrow (less than three reporting relationships) or wide (more than eight reporting relationships) are documented with explanations. Additionally, UGI Utilities reviews its spans of control on an ad hoc basis as positions become vacant to assess the reasonableness and organizational requirements. As shown in Exhibit III-3, 44% of UGI Utilities' spans of control fell within its ideal range of 1:4 and 1:8.

Exhibit III-3
UGI Utilities, Inc
Span of Control
As of September 30, 2025

Ratio	Number of Reporting Relationships Associated with Reporting Ratio
1:1 – 1:3	29.3%
1:4 – 1:8	44.0%
1:9 – 1:22	26.7%

Source: PUC Data Request EM-3

Findings and Conclusions

Our examination of Executive Management and Organizational Structure focused on a review of UGI Utilities' organizational structure, staffing levels, the roles and responsibilities of executive management, strategic planning, Management Incentive Plan, succession planning, and spans of control. Based on our review, UGI Utilities should initiate or devote additional effort to improving its Executive Management and Organizational Structure by addressing the following:

Finding III-1 – UGI Utilities has not conducted an employee engagement survey since 2021.

The most recent culture survey was conducted in 2021, and the results indicated weaknesses within UGI Utilities' corporate culture. Challenges were identified in the following areas: low level of collaborative support to meet organizational goals, lack of senior leaders' response to employees' feedback, and inconsistent communication between departments within UGI Utilities. In response to the survey, UGI Utilities Management implemented an action planning session with team members to create an improvement plan based on the survey. The action plan also required managers to collaborate with their respective teams on how to address the feedback to ensure improvement of day-to-day work. Employee Engagement Champions were assigned to support and track progress of senior managers and participate in weekly sessions with HR leadership. UGI Utilities was not able to provide documentation of the actions taken in response to the prior survey because the executives and managers who conducted the 2021 culture survey are no longer employees of UGI Utilities.

As of 2026, UGI Utilities' HR Business Partner indicated UGI Corp.'s focus had shifted to an alternative engagement effort, the Breakthrough Program. The Breakthrough Thinking Framework is focused on ensuring management built teams with strong cultures to emphasize:

- Affinity
- Ownership
- Interdependence
- Purpose
- Risk

The Breakthrough Program participants included 16 trained UGI Utilities leaders with the goal of sharing and spreading Breakthrough Thinking throughout the enterprise, with five concurrent focus areas:

- Building and mobilizing a leadership community
- Training the organization on Breakthrough Fundamentals
- Activating a team of Breakthrough Specialists
- Administering a regular Breakthrough Diagnostic and Team Debriefs
- Integrating Breakthrough concepts into core HR processes

Although the effectiveness of the Breakthrough Program was too recent to assess during the time of fieldwork, the PUC Auditors contend that UGI Utilities' implementation of routine culture surveys is a best practice that should occur routinely. Culture surveys are an effective way to regularly assess and trend employees' feedback, communicate strengths, and identify opportunities for improvement. In addition, regular culture surveys give management the opportunity to gauge its progress in aligning workplace culture with the organization's vision through comparison with prior surveys.

Recommendation III-1 – Conduct routine employee surveys with documented follow-up.

IV – CORPORATE GOVERNANCE

Background

As discussed in Chapter II – Background, UGI Utilities, Inc. (UGI Utilities) is a wholly owned subsidiary of UGI Corporation (UGI Corp.) subject to regulations by the Public Utility Commission. UGI Corp. is a publicly traded company listed on the New York Stock Exchange (NYSE) under the symbol, “UGI”. As such, UGI Corp. is subject to the corporate governance requirements contained in both the Sarbanes-Oxley Act of 2002 (SOX) and the corporate governance rules of the NYSE.

UGI Corp. has a 10 member Board of Directors (UGI Corp. Board) comprised of nine independent directors, including the Chairman, and one Executive Director of UGI Corp., the UGI Corp. President and Chief Executive Officer (CEO). As of December 31, 2025, the average tenure of Directors was 4.7 years, with five out of 10 Directors with less than five years of service. The full UGI Corp. Board met eight times in 2025. As part of UGI Corp.’s Principles of Corporate Governance, the UGI Corp. Board has adopted independence guidelines to determine director independence in accordance with the NYSE and Securities and Exchange Commission (SEC) requirements. In its proxy statement dated December 17, 2025, the UGI Corp. Board determined, based on its guidelines, that all Board members except the CEO were independent.

To achieve oversight of the management and operations of UGI Corp. and its subsidiaries, the UGI Corp. Board conducts its business by using the following committees:

- **Audit Committee** – provides oversight of enterprise risk management (ERM) activities, policies and processes; reviews the effectiveness of the processes and controls to prevent and detect fraudulent activity; and oversees the activities related to 401(K) savings plan, pension plans, and nonqualified deferred compensation plans. The Audit Committee is composed of three independent directors and met eight times in 2025.
- **Compensation and Talent Development Committee** – provides oversight of compensation programs for executives; and oversees policies and practices relating to social responsibility including belonging, inclusion, diversity and equity initiatives or programs. The Compensation and Talent Development Committee is composed of three independent directors and met five times in 2025.
- **Corporate Governance Committee** – provides oversight of Corporate Governance matters such as director independence and director succession planning to ensure Board effectiveness; identifies and recommends diverse director nominees; and addresses emergent governance-related risks. The Corporate Governance Committee is composed of three independent directors and met five times in 2025.

- **Safety, Environmental and Regulatory Compliance Committee** – provides oversight responsibility for the evaluation of strategy, policies, practices, programs, procedures, initiatives, and trainings relating to safety, the environment, and regulatory compliance. The Safety, Environmental, and Regulatory Compliance Committee is composed of three independent directors and met four times in 2025.
- **Executive Committee** – serves as limited power to act on behalf of the Board of Directors on matters that cannot be delayed. The Executive Committee is composed of three members, two of which are independent directors, and did not require any meetings in 2025.

The Audit Committee functions under a written charter that undergoes annual review to ensure it reflects current requirements. As required by the NYSE, the Board has determined that each member of the Audit Committee is financially literate. Additionally, the Audit Committee Chair and another member of the Audit Committee qualify as financial experts per SEC guidelines. Pursuant to the Sarbanes-Oxley Act of 2002, the Audit Committee is directly responsible for the selection, compensation, and oversight of the independent public accounting firm. UGI Corp.'s current independent public accounting firm began serving in fiscal year 2025. The Audit Committee meets at least four times per year and more frequently as needed or at the request of the independent accountants, the head of the internal audit staff (UGI Corp.'s General Auditor) or management. Led by UGI Corp.'s General Auditor, UGI Corp.'s Internal Audit (IA) department develops an annual Internal Audit Plan based on risk for the entire corporation. Between 2021 and 2025, the IA department conducted eight audits at UGI Utilities on subjects such as: safety, payroll, call center, compliance, etc.

UGI Utilities' Board of Directors (UGI Utilities' Board) is comprised of three directors, which includes the President of UGI Utilities. The UGI Utilities' Board typically convenes quarterly; however, material action remains subject to approvals by the UGI Corp. Board. UGI Utilities' Board does not maintain independent committees. Instead, UGI Utilities leverages UGI Corp. Board committees, including Audit, and Safety, Environmental and Regulatory Compliance, to maintain regulatory alignment and standard corporate policies.

UGI Corp.'s values and Code of Conduct are communicated through its Code of Business Conduct and Ethics (Code) that applies to directors, officers, and employees of UGI Corp. and its subsidiaries. Standard onboarding protocols require ethics training for all employees, and supplemental training is required to address emerging risks and policy changes. The Code provides for employees to anonymously report any concerns to the Helpline² via online or by phone. Corporate governance guidelines and related documents are available for review by the shareholders and the public at large by visiting UGI Corp.'s website. Documents available include:

² Provided and administered via an independent third-party company.

- Charters for the UGI Corp. Board's Audit, Compensation and Talent Development, Corporate Governance, and Safety, Environmental, and Regulatory Compliance Committees
- Principles of Corporate Governance
- Code of Business Conduct and Ethics
- SEC Filings and Proxies
- Annual Reports

Findings and Conclusions

Our examination of Corporate Governance focused primarily on a review of UGI Utilities and UGI Corp.'s Board of Directors' organization including committee structure and charters, Board of Directors' meeting minutes, Board fee structure, Director independence, ethics code, relationship with external auditor, internal audit function, annual reports, etc. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the Corporate Governance functional area.

V – AFFILIATED INTERESTS AND COST ALLOCATIONS

Background

This chapter presents the results of the PUC Auditors' review of the transactions between UGI Utilities and its affiliates. As discussed in Chapter II – Background, UGI Corporation (UGI Corp. or Parent Company) serves as the parent company to regulated and non-regulated subsidiaries, including UGI Utilities, which is regulated by the Pennsylvania Public Utility Commission (PUC or Commission). UGI Utilities transacts with both its regulated and non-regulated affiliates. A summary of the total intercompany charges originating from UGI Utilities to its related affiliates is reflected in Exhibit V-1. These intercompany charges are the result of administrative and corporate costs, labor and benefits, rent, etc. that benefit multiple affiliates. From fiscal year 2021 through 2025, UGI Utilities also made intercompany gas procurement transactions with another UGI Corp. affiliate, UGI Energy Services, LLC (UGI ES).

Exhibit V-1 UGI Utilities, Inc. UGI Utilities Intercompany Charges to Affiliates Fiscal Years 2021 - 2025

	2021	2022	2023	2024	2025
Administrative Services					
AmeriGas Propane	92,928	139,608	155,802	1,049,565	640,728
UGI Central Gas Control	1,150,607	835,291	879,187	614,607	1,141,882
UGI Corporation	6,916,073	7,930,881	9,401,097	8,785,294	9,170,805
UGI Energy Services, LLC	10,419,129	11,806,152	10,490,569	10,843,066	11,800,716
UGI HVAC	384,218	12,249	(13,711)	-	-
Mountaineer Gas Company	-	6,231	1,123,683	1,625,817	4,850,245
UGI Enterprises, LLC	2,719	15,662	594	-	-
UGI Development Company	361,854	217,226	277,666	310,640	(3,691)
Total Administrative Costs	\$19,327,528	\$20,963,299	\$22,314,886	\$23,228,989	\$27,600,686
Gas Procurement					
UGI Energy Services, LLC	64,701,420	105,476,320	74,713,280	48,565,666	79,431,032
Total Procurement Costs	\$64,701,420	\$105,476,320	\$74,713,280	\$48,565,666	\$79,431,032
Total Charged to Affiliates	\$84,028,947	\$126,439,619	\$97,028,166	\$71,794,656	\$107,031,718

Note: Totals may reflect differences in summation due to rounding.

Source: PUC Data Request CA-6

UGI Utilities also receives administrative and corporate intercompany costs from its affiliates, including shared service functions (Labor and Benefit costs). A PUC-approved Affiliated Interest Agreement at Docket No. G-2023-3045143 and Docket No. G-2024-3050728 (Shared Service Affiliated Interest Agreement or Shared Service AIA) details the shared services between UGI Utilities and UGI Corp. and its subsidiaries.

Shared services covered under the agreement include both indirect and directly provided services, not limited to:

- Finance
- Human Resources
- IT
- Treasury
- Tax
- Financial Planning and Analysis
- Financial Reporting and Technical Accounting
- Insurance and Risk Management
- Internal Audit and SOX Compliance
- Accounts Payable
- Legal
- Rates & Regulatory
- External Affairs
- Investor Relations

Under the Shared Service AIA, labor and benefits may be charged directly or allocated based upon the nature of the shared service. Generally, directly charged shared services are project-specific, where labor and related overheads are distributed based upon actual hours charged by employees via timesheets. For indirect charges, allocations are determined by cost-causative categories as outlined in the Shared Service AIA. In cases where no specific cost-causative allocation is available, a general allocation factor is applied. The general allocation factor used by UGI Corp. is the modified Wisconsin formula (MWF), which combines a number of attributes³ to determine appropriate distribution of costs corporation wide. Reflected in Exhibit V-2 are intercompany charges paid by UGI Utilities to its affiliates from fiscal year 2021 through 2025. Intercompany charges to UGI Utilities included administrative services and gas procurement-related costs for gas purchases and storage.

³ UGI Corp.'s MWF is determined using three weighted factors: Revenues (25%), Expenses (25%), and Net Assets Employed (50%) across all UGI Corp. subsidiaries.

Exhibit V-2
UGI Utilities, Inc.
Intercompany Charges from Affiliates to UGI Utilities
Fiscal Years 2021 – 2025

	2021	2022	2023	2024	2025
Administrative Services					
AmeriGas Propane	-	-	375,794	478,975	684,622
UGI Central Gas Control	1,824,064	2,366,966	2,650,129	2,860,150	2,880,882
UGI Corporation	28,351,142	33,613,939	32,546,258	42,074,065	59,037,076
UGI Energy Services, LLC	1,162,458	991,935	1,460,918	1,764,758	2,158,741
UGI HVAC	121,302	-	-	-	-
Mountaineer Gas Company	-	-	445,836	2,127,065	2,162,268
UGI Enterprises, LLC	16,000	63,580	33,934	19,038	49,412
UGI Development Company	55,820	45,135	62,559	83,979	-
Total Administrative Costs	\$31,530,786	\$37,081,555	\$37,575,428	\$49,408,030	\$66,973,002
Gas Procurement					
UGI Energy Services	222,861,291	367,835,256	248,436,480	215,525,421	266,379,642
UGI Storage Company	826,357	818,586	1,383,968	1,390,738	1,396,659
Total Procurement Costs	\$223,687,648	\$368,653,842	\$249,820,448	\$216,916,159	\$267,776,301
Total Charged to UGI Utilities	\$255,218,434	\$405,735,398	\$287,395,876	\$266,324,188	\$334,749,303

Source: PUC Data Request CA-6

As evidenced within Exhibit V-2, intercompany transactions between UGI Corp. and UGI Utilities increased from 2021 to 2025. Primarily, the increases were due to the migration of internal UGI Utilities' functions to centralized services (IT, HR, Procurement, and Finance) provided by UGI Corp. Other contributing factors included certain direct costs of UGI Utilities that UGI Corp. paid on its behalf and increases in other corporate paid costs during this period.⁴

UGI Utilities maintains a Code of Conduct applicable to its employees, which includes its competitive safeguards to ensure that affiliates do not provide each other with unfair market advantages. As a natural gas and electric distribution utility, UGI Utilities complies with the Electricity Generation Customer Choice and Competition Act and National Generation Customer Choice and Competition Act⁵. UGI Utilities also conforms to FERC standards by maintaining a FERC Compliance Policy which is supported by training resources available to employees through UGI Utilities' intranet website.

⁴ Corporate paid costs include charges that are directly or indirectly attributable to UGI Utilities-from services provided by third parties (including general liability insurance premiums, external audit fees, and certain IT services) and are not fully representative of intercompany shared service expenses.

⁵ 66 Pa. C.S. Chapters 22 and 28 and 52 Pa. Code Chapters 54 and 62

Findings and Conclusions

Our examination of Affiliated Interests and Cost Allocations focused primarily on a review of contracts and agreements governing transactions between affiliates, cost allocation methodologies, allocation policies and practices, including predetermined time allocations, competitive safeguards, etc. Based on our review, UGI Utilities should initiate or devote additional effort to improving its Affiliated Interests and Cost Allocations function by addressing the following:

Finding V-1 – UGI Utilities has not documented its process to compare costs of intercompany services to market rates for services available externally.

In a mixed regulatory environment, intercompany charges increase the risk for cross subsidization of non-regulated affiliated companies at the detriment of their regulated sister companies. Thus, routine market studies on the cost of third-party services allow utilities and their stakeholders to gauge the benefits of shared services versus the prevailing market rate of outsourced services. The NARUC Guidelines for Cost Allocations (NARUC Guidelines) support the use of market comparisons to ensure equitability in cases with mixed regulatory structure whereby intercompany costs should be adjusted to the lower of cost or market for transactions originating from an affiliated non-regulated affiliate and charged to the regulated utility. Furthermore, the NARUC Guidelines outline that charges by a regulated utility to its non-regulated affiliates be applied at the higher of cost or market.

UGI Utilities' Cost Allocation Manual (CAM) aligns with the NARUC Guidelines. Specifically, UGI Utilities' CAM indicates that the lower of cost or market will be applied to intercompany charges to UGI Utilities from its affiliates and the higher of cost or market will be applied by UGI Utilities when providing intercompany services. In 2024, UGI Utilities conducted two market studies comparing the costs of internally provided services to the costs associated with outsourcing those functions (legal and payroll processing). In both cases, internal provisions of the functions were found to be favorable. The Company indicated that its practice to make cost comparisons were driven by recent organizational changes, otherwise, the benchmarking of costs would be reviewed on a five-year cycle. However, no formal documentation for this practice was found. In response, the Company indicated that it was developing a formal methodology to document its process for review and analysis of its "significant internal services"⁶.

Lack of formal documentation for processes increases the Company's risk for practices to deviate from management's control and intent. Therefore, it is a sound business practice for a utility to document cost-benefit analyses utilized in the determination of major decisions. Documentation ensures adequate guidance for future employees and helps to ensure that processes are applied consistently.

⁶ UGI Utilities did not assign cost thresholds to establish a basis for review of internal services. As noted in Finding V-2, without detailed reporting that includes the total costs of each service, the Company could be missing opportunities for improvements via cost savings and/or operational effectiveness.

Recommendation V-1 – Develop a methodology to identify and benchmark the costs of internal services at least once every five years and document this practice in a policy or Cost Allocation Manual.

Finding V-2 – UGI Utilities’ intercompany reporting lacks detail.

Reporting on intercompany charges from UGI Corp. to UGI Utilities included summarized labor, benefit, and project costs. However, the reporting on shared labor did not provide sufficient detail to match functional shared services with those outlined in the Shared Service AIA. The Company was able to produce more detailed information for a limited sample of its shared services, however, it was constructed manually, as no automated provision for that level of detail was available as part of routine reporting.

Internal reporting on intercompany charges should provide similar detail as those provided by third parties to verify the accuracy of charges applied. For example, invoices reporting on intercompany charges should include a detailed breakdown including how many hours were charged and for what service, the hourly rate of employees, specific costs for material (or portion of materials used), overhead, administrative costs, etc. Transactions occurring between the regulated utility and its affiliates should be verifiable and aligned with services described in the PUC-approved Shared Service AIA. Thus, intercompany invoicing and reports should be clearly distinguishable by shared service to ensure cross subsidization does not occur and allow for confirmation of the competitiveness of shared services provided from/to the regulated entity.

Recommendation V-2 – Improve transparency for intercompany billing by establishing an automated reporting query that categorizes labor charges by specific services.

Finding V-3 – The process for establishing the UGI Corp. allocation formula is not completely documented in the UGI Corp. CAM.

UGI Utilities has a CAM that details how the regulated utility will charge for services it provides to affiliates. UGI Corp. maintains its own CAM (Corp. CAM) that provides guidance for the process used to distribute costs to its affiliates, including UGI Utilities. The Corp. CAM’s description of the procedure used to determine the indirect allocation method was limited to a basic overview of the calculation of the MWF. The overview failed to capture the steps taken to determine, review, and apply the MWF and did not identify the departments/staff members responsible for the various stages of the process. Testing by UGI Corp.’s external audit firm of a related internal control detected an “immaterial

error”⁷⁷ in the MWF application process in fiscal year 2023. The Corp. CAM and supporting documentation failed to provide documentation of the process and controls in place to ensure the MWF is calculated, reviewed, and applied consistently and accurately.

Additionally, the Corp. CAM lacked documentation of the two supplemental processes for determining its MWF: currency adjustment and rounding. The procedures used to determine international currency adjustments to the MWF factors were undocumented. No directives on rounding adjustments were included in the Corp. CAM. Recalculation of the MWF reflected inconsistencies in the rounding methodology, creating errors in two of the five fiscal years evaluated by the PUC Auditors. Specifically, inconsistencies were identified where some percentages assigned to UGI Corp. affiliates below 0.005 percent were rounded up to the nearest hundredth and amounts above 0.005 percent were rounded down to the nearest hundredth within the same fiscal year. As such, the PUC Auditors contend that the details of the currency adjustment and rounding application procedures should be formally documented and included in the Corp. CAM or supporting documents to aid in consistency of its application.

UGI Corp. Senior Director-Technical Accounting, confirmed the process used for updating, reviewing, approving, and entering Corp. MWF within UGI Corp.’s Technical Accounting division. Additionally, the PUC Auditors confirmed UGI Corp.’s step-by-step description of the MWF procedure was included as part of their corporate controls, which includes the steps and identifies responsible staff for the update, calculation, approval, and verification of allocation factors. However, calculation directives for the international currency adjustment process and rounding process were undocumented within the corporate control.

UGI Corp. and their subsidiaries rely on its internal controls and existing high-level documentation to support the multi-layered and complex processes related to its cost allocation function. However, the lack of centralized documentation of the details in UGI Corp.’s MWF calculations increases the risk for errors, inconsistencies in its application, and hinders transparency within a mixed regulatory environment. The NARUC Guidelines for Cost Allocations and Affiliate Transactions define a CAM as an “indexed compilation of documentation of a company’s cost allocation policies and related procedures.” As a best practice, the Corp. CAM should be complete and comprehensively support all aspects of the processes required to establish and assign the MWF.

Recommendation V-3 – Improve transparency of UGI Corp.’s Cost Allocation Manual by expanding details on the process used to determine, approve, and apply allocation factors, including the methods used for currency adjustments and rounding.

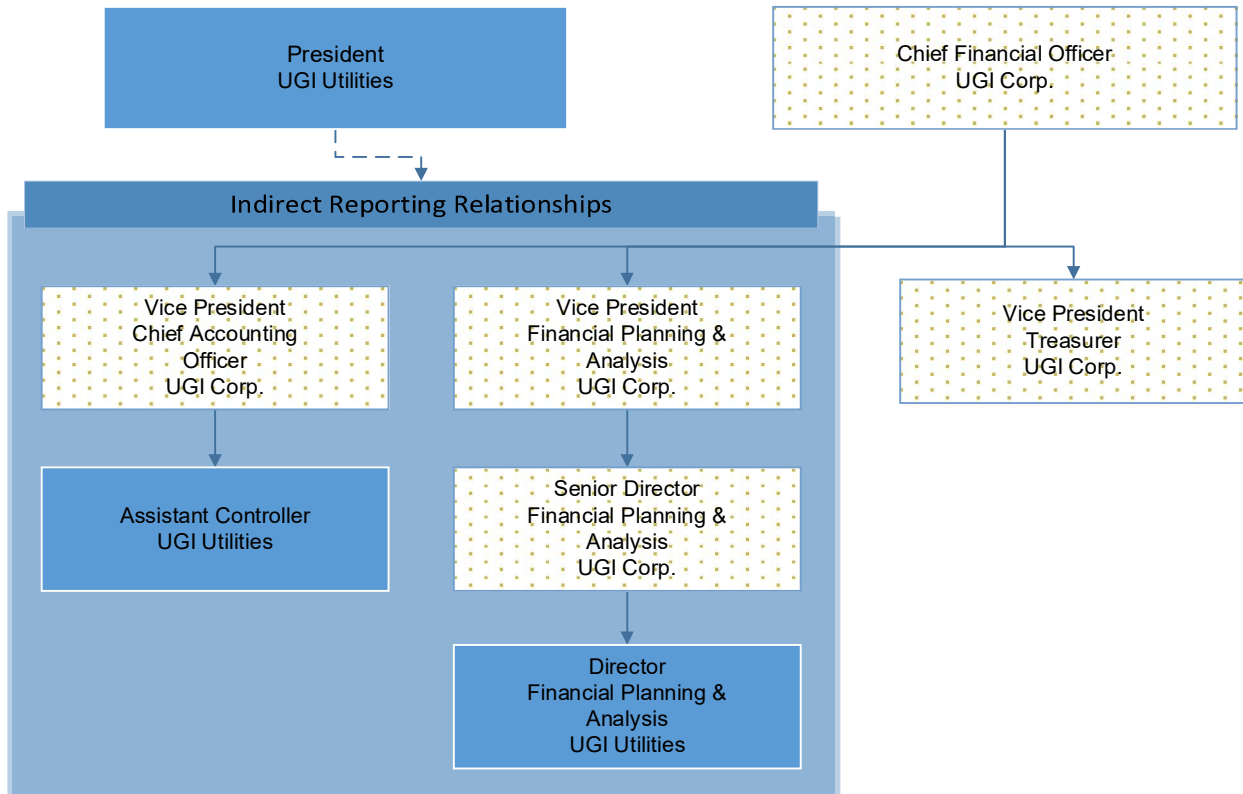
⁷⁷ The error resulted in an overcharge of approximately 0.17% to UGI Utilities (or approximately \$100,000).

VI – FINANCIAL MANAGEMENT

Background

UGI Utilities' financial management is overseen by its President and is supported by UGI Corp.'s Finance department as a shared service function. UGI Corp.'s Chief Financial Officer (CFO) oversees the Finance department, which provides accounting and reporting, financial planning and analysis, treasury and cash management, etc. for UGI Corp.'s business units, including UGI Utilities. As abbreviated in Exhibit VI-1, UGI Utilities receives shared financial management functions via indirect reporting to UGI Utilities President (as indicated by the dotted line to the five indirect reporting relationships) from the UGI Corp. CFO's organization.

Exhibit VI-1
UGI Utilities, Inc.
Abbreviated Shared Financial Management Function Organization Chart
As of February 12, 2026



Note: This organizational chart has been abbreviated to show a portion of the UGI Corp. and UGI Utilities personnel supporting UGI Utilities Financial Management that are discussed within this chapter.
Source: PUC Data Requests EM-1 and SA-10 and PUC Interviews EM-1 and FM-1

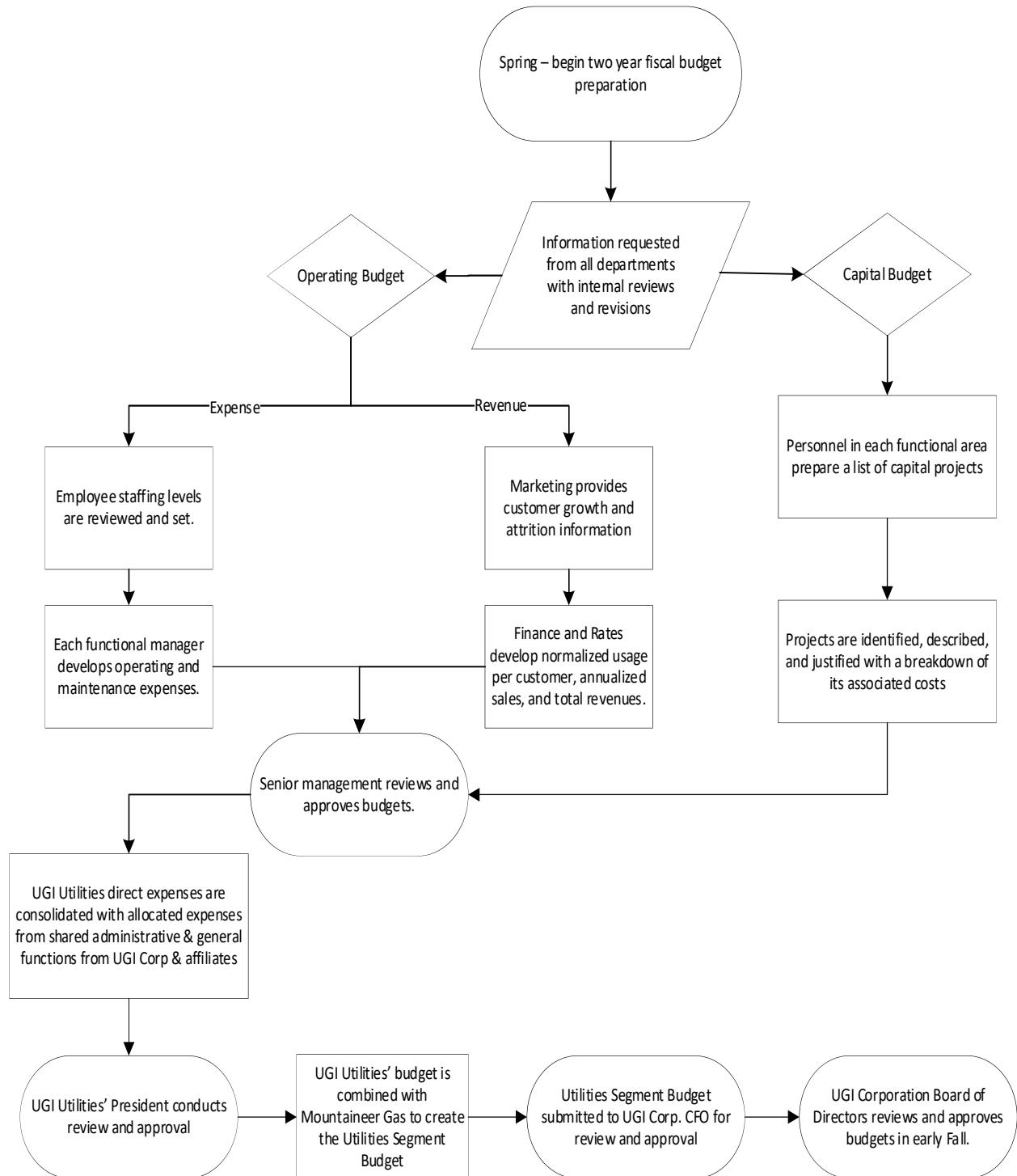
UGI Utilities' accounting, reporting and internal control and compliance functions are supported under UGI Corp.'s Vice President Chief Accounting Officer and Corporate

Controller (VP CAO) who oversees the Accounting department within UGI Corp. and UGI Utilities. Reporting to the VP CAO is the UGI Utilities' Assistant Controller who is responsible for maintaining the general ledger, overseeing intercompany transactions, compiling financial statements and financial reports, and overseeing plant accounting and process improvement.

Budgeting

UGI Utilities' budgeting process is a shared process with UGI Corp. that is overseen by UGI Corp.'s Vice President Financial Planning and Analysis (FP&A). As shown in Exhibit VI-2, the annual budget process for UGI Utilities begins in late spring and continues through early fall. The result is a two fiscal year operating budget and capital budget, which are ultimately approved by the UGI Corp. Board of Directors.

Exhibit VI-2
UGI Utilities, Inc.
Operating and Capital Budget Process
As of November 2025

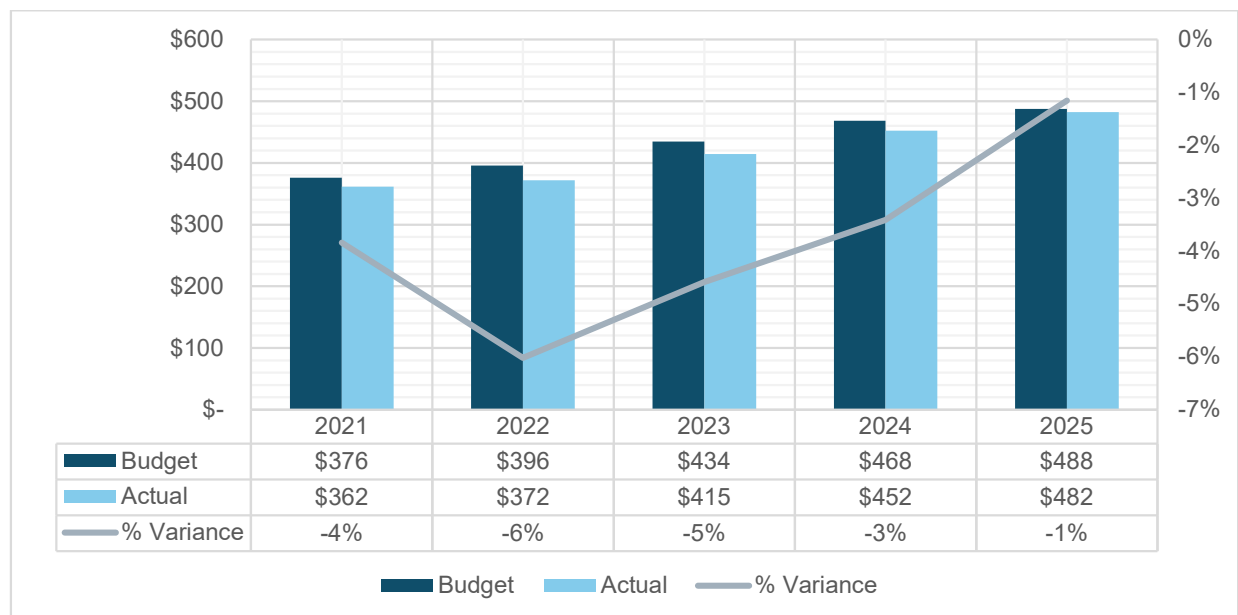


Source: PUC Data Request FM-3 and auditor analysis

UGI Utilities' variance reporting includes data on key financials, with explanations for significant differences in month-to-date or year-to-date actual to budgeted revenues/expenditures. Explanations are required for amounts over/under 10% of the budgeted amount by line item/account.

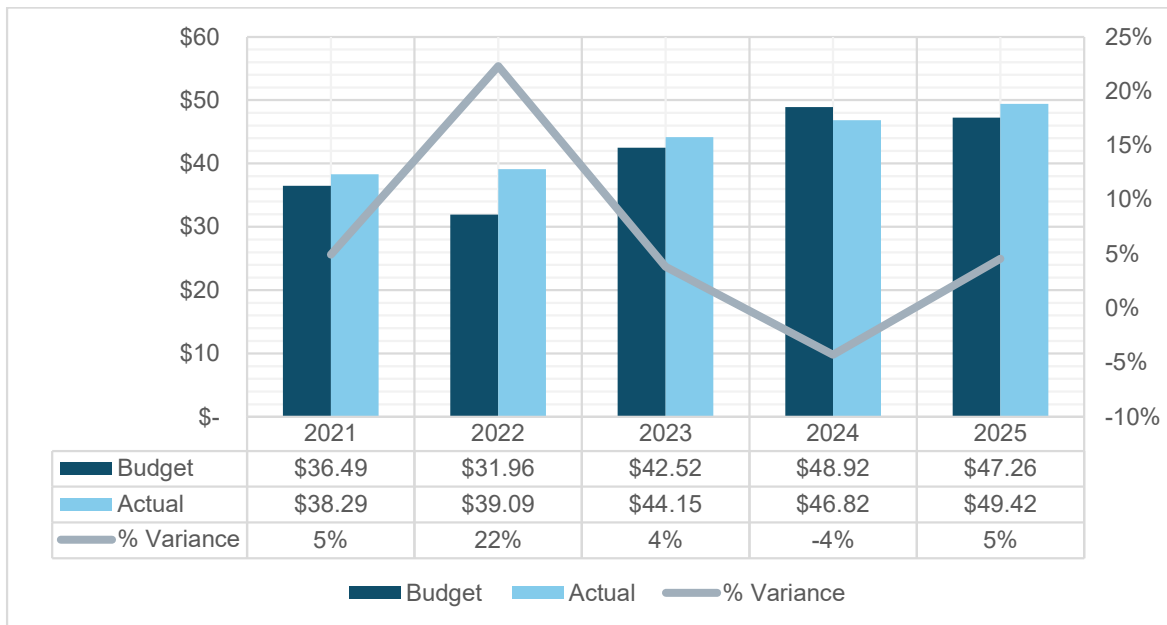
Exhibit VI-3 illustrates UGI Utilities' Gas Division operating budget and actual expenses between 2021 to 2025. Gas Division expenses were within the budget threshold of +/- 10%. The Gas Division reported less spending than budgeted for fleet, fuel and lease expenses; consulting, auditing and legal expenses; and IT repairs and maintenance expenses. For UGI Utilities' Electric Division, as shown in Exhibit VI-4, operating expenses were within the tolerable threshold of 10% in 2021, 2023, 2024 and 2025. However, in 2022, there was a significant variance of 22% which UGI Utilities attributed to unusually low budget amounts for transportation, contracted labor and other professional services.

Exhibit VI-3
UGI Utilities, Inc.
Gas Division Actual vs Budget Operating Expenses (Millions)
Fiscal Years 2021 – 2025



Source: PUC Data Request FM-6 and auditor analysis

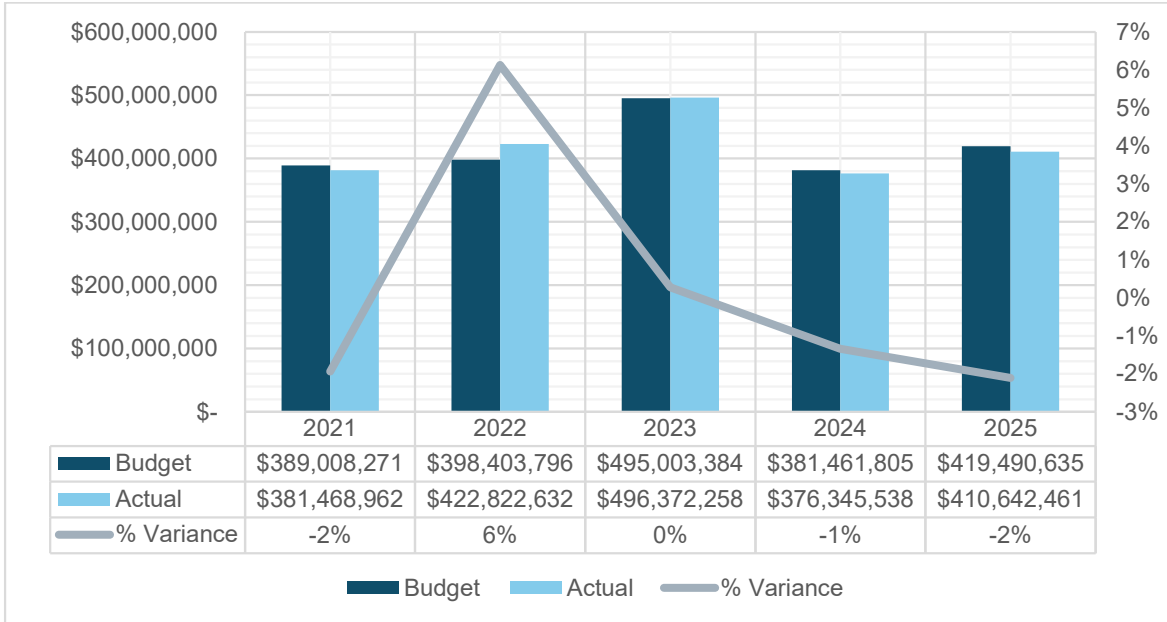
Exhibit VI-4
UGI Utilities, Inc.
Electric Division Actual vs Budget Operating Expenses (Millions)
Fiscal Years 2021 – 2025



Source: PUC Data Request FM-6 and auditor analysis

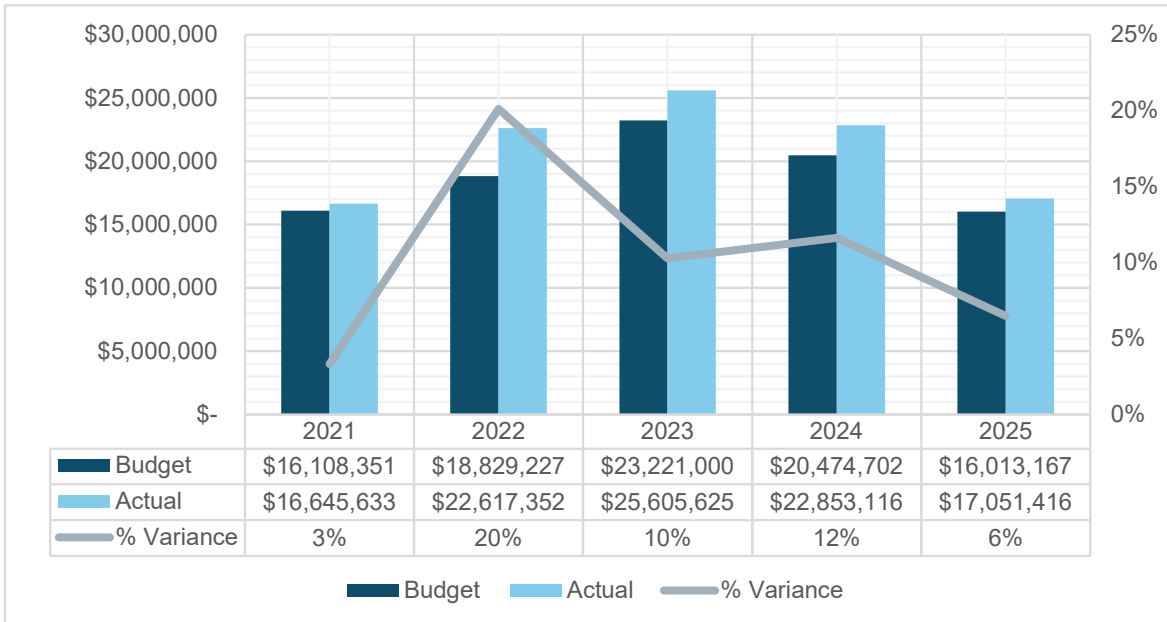
As shown in Exhibit VI-5, variances observed within the budgeted capital expenses for UGI Utilities' Gas Division ranged from -1% to 6% between 2021 to 2025. As such, UGI Utilities Gas Division achieved their targeted threshold variances. The UGI Utilities Electric Division's capital budget variances during 2021, 2023 and 2025 were within the +/-10% target as shown in Exhibit VI-6. However, in both 2022 and 2024, there were variances above the target threshold, at 20% and 12%, respectively. UGI Utilities attributed the 2022 and 2024 variances to an additional new business line extension and several large business projects.

Exhibit VI-5
UGI Utilities, Inc.
Gas Division Actual vs Budget Capital Expenses
Fiscal Years 2021 – 2025



Source: PUC Data Request FM-6 and auditor analysis

Exhibit VI-6
UGI Utilities, Inc.
Electric Division Actual vs Budget Capital Expenses
Fiscal Years 2021 – 2025



Source: PUC Data Request FM-6 and auditor analysis

Dividends

UGI Utilities' annual dividend paid to UGI Corp. is based upon several factors including cash flow from operations, planned expenditures, and status of the debt and equity market. UGI Utilities strives to maintain a capital structure of 46% - 50% debt and 50% - 54% equity. The Commission requires its regulated utility companies to ensure dividend payments are not excessive⁸. Based on Exhibit VI-7, dividends paid from fiscal year 2021 to 2025 by UGI Utilities to UGI Corp. ranged between 23.97% to 61.64%.

Exhibit VI-7
UGI Utilities, Inc.
Dividend Payments to UGI Corporation (Millions of Dollars)
Fiscal Years 2021 – 2025

	2021	2022	2023	2024	2025
UGI Utilities, Inc. to UGI Corporation	\$35	\$ -	\$ -	\$135	\$79
UGI Utilities' Net Income	\$146	N/A	N/A	\$219	\$213
Ratio of Dividend to Net Income	23.97%	N/A	N/A	61.64%	37.09%

Source: Data Request FM-15, UGI Utilities 2025 10K, and auditor analysis

Treasury

The UGI Corp. VP Treasurer reports to the UGI Corp. (as shown in Exhibit VI-1) and oversees the treasury and corporate insurance functions. UGI Utilities receives its treasury function as a shared service, with UGI Corp. responsible for its cash management and cash forecasting to ensure the utility has sufficient cash flow for its business. The UGI Corp. VP Treasurer also ensures that adequate insurance policies are in place for UGI Utilities.

The Treasury function also oversees debt issuance on behalf of UGI Utilities. To fund its capital investment program, UGI Utilities issues senior and medium-term notes. As of September 30, 2025, UGI Utilities held \$1.79 billion in long-term debt comprised of \$1.75 billion in senior notes and \$40 million in medium-term notes. UGI Utilities has an unsecured revolving credit agreement with a group of banks providing borrowings up to \$200 million.

To ensure UGI Utilities maintains financial health and minimizes default risk, UGI Utilities complies with debt covenants, which include provisions related to maintaining certain financial ratios. The VP Treasurer ensures the ratio between capital and debt is within 50%+ in the last five years. UGI Utilities monitors its debt to equity ratio, which has ranged from 51% to 55% equity during the last five years as shown in Exhibit VI-8.

⁸ Annual dividend levels more than 80% of annual net income from PA-regulated utilities to parent corporations are required to submit advanced notice with explanation to the PUC prior to issuance.

Exhibit VI-8
UGI Utilities, Inc.
Debt to Equity Ratio
Fiscal Years 2021 – 2025

	2021	2022	2023	2024	2025
Common Equity	51%	52%	55%	53%	53%
Short-term Debt	3%	2%	2%	0%	0%
Long-term Debt	46%	46%	43%	47%	47%

Source: PUC Data Request FM-13

Another role for the Treasury function is as a financial liaison for pension oversight. UGI Corp. sponsors a defined benefit pension plan that applies to UGI Corp. employees and employees of its domestic, wholly owned subsidiaries (including UGI Utilities employees who were hired before January 1, 2009). See Exhibit VI-9 for the funding status of the pension plan as of September 30, 2025. Employees hired after January 1, 2009 can participate in 401k defined contribution plan known as UGI Utilities, Inc. Saving plan.

Exhibit VI-9
UGI Corporation
U.S. Employee Pension Plan[^]
As of September 30, 2025

	Accumulated Pension Obligation
Projected Benefit Obligation	\$657,000,000*
Fair Value of Assets	\$654,000,000
Percent funded	99.54%

[^]The U.S. Pension Plans consist of (1) a defined pension plan for employees hired prior to January 1, 2009, of UGI, UGI Utilities, and certain of UGI's other domestic wholly owned subsidiaries, and (2) a defined pension plan for Mountaineer employees hired prior to January 1, 2023.

* The Projected Benefit Obligation was obtained by adding the Fair Value as of September 30th, 2025, and the underfunded position of the U.S. Plan. See page 62 of the 10-K for more information about this pension plan.

Source: UGI Corporation 10-K for fiscal year ended September 30, 2025.

Findings and Conclusions

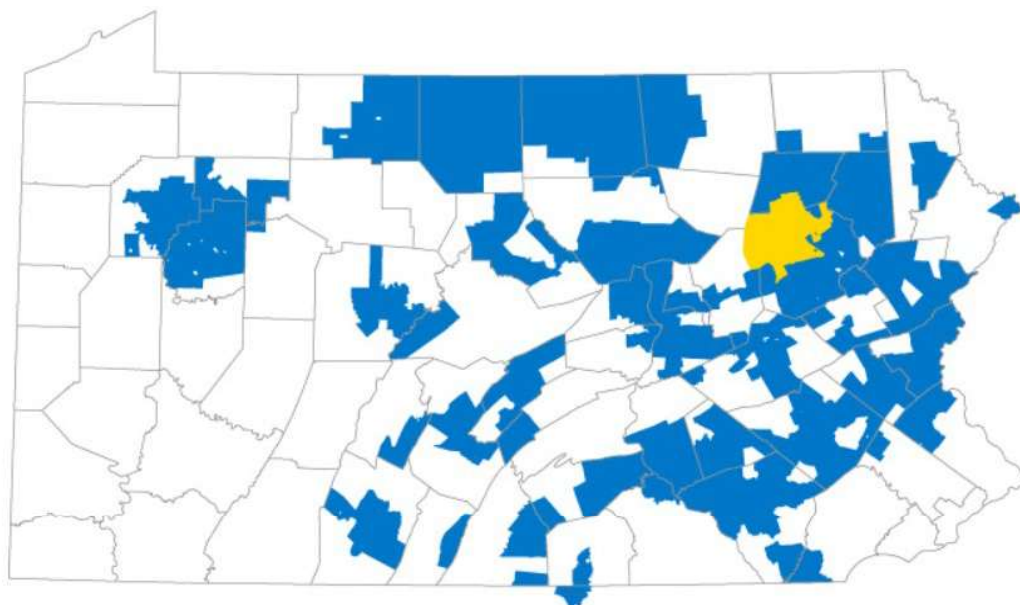
Our examination of Financial Management Structure focused on a review of UGI Utilities' Financial Organizational structure; capital and operating budget process; budget variance tracking and recording; dividend policies; pension program funding; long-term and short-term financing policies. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the Financial Management functional area.

VII – GAS OPERATIONS

Background

UGI Utilities provided natural gas to approximately 707,000 residential, commercial, and industrial customers across 43 Pennsylvania counties and one county in Maryland as of December 31, 2025. The Company's service territory is comprised of customers living in the eastern, central, and northwestern portions of Pennsylvania, with the Lancaster, Luzerne, Berks, Lackawanna, Lehigh, Northampton, Dauphin, and Cumberland counties being the Company's largest regarding customer count. UGI Utilities' service territory is split into northern and southern portions for operational purposes. Exhibit VII-1 shows the Company's service territory.

Exhibit VII-1
UGI Utilities, Inc.
Electric and Natural Gas Service Territories
As of December 31, 2025



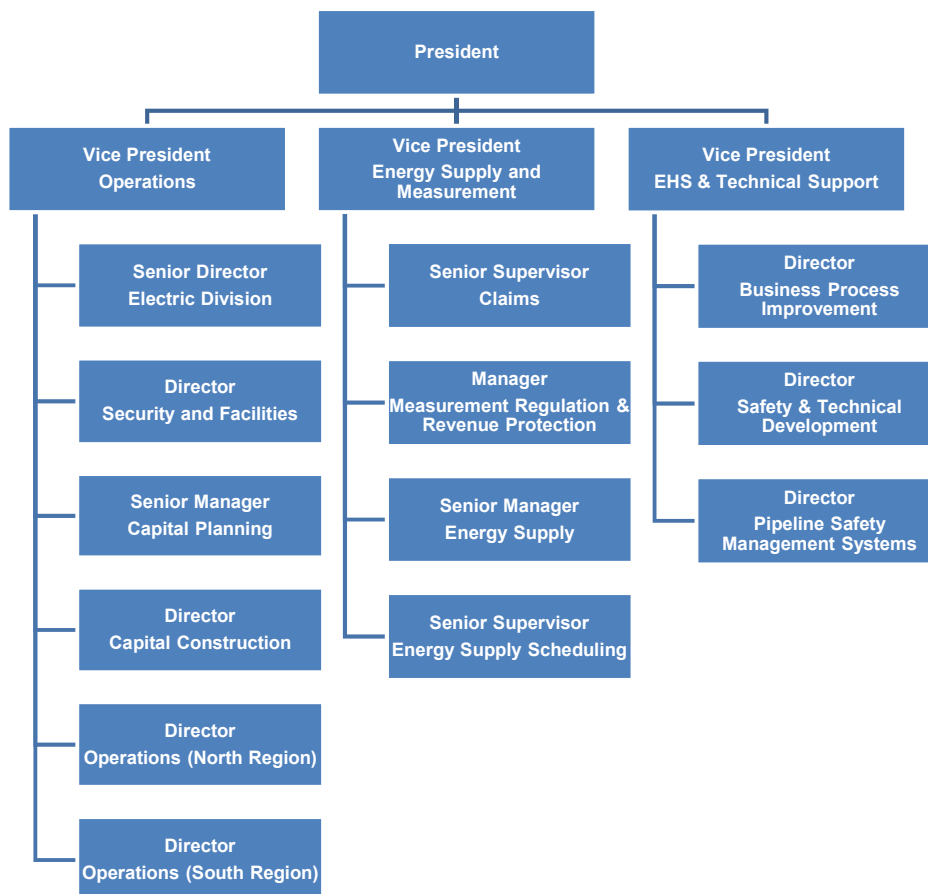
Note: The Company's natural gas-only service territory is highlighted in blue whereas its electric and natural gas service territory is highlighted in yellow.

Source: <https://www.ugi.com/about-us/geographic-footprint/>

The Vice President (VP) Operations (VP Ops.), the VP Environmental, Health, Safety & Technical Support (VP EHS), and the VP Energy Supply and Management (VP Supply) all directly report to the UGI Utilities' President and handle the operation of the gas distribution system. Each of the VPs are responsible for executing different operational tasks. The VP Ops. oversees field operations of both the electric and natural gas divisions, capital budgeting and construction, physical security and business continuity (see Chapter IX – Emergency Preparedness), and fleet management (see Chapter XIII – Fleet Management). The VP EHS assists the Company's operations group

from a technical support perspective; specifically, corrosion control, failure analysis, distribution integrity, and natural gas operator training. Energy supply (i.e., natural gas purchasing and budget forecasting), measurement (i.e., meter testing), and claims are overseen by the VP Supply. Exhibit VII-2 shows an abbreviated UGI Utilities' organization chart as it relates to its gas operations business unit.

Exhibit VII-2
UGI Utilities, Inc.
Abbreviated Gas Operations Organization Chart
As of November 12, 2025



Note: This chart does not show all direct reports of UGI Utilities' President, VP Energy Supply and Measurement, and the VP EHS.

Source: PUC Data Request EM-1

Beginning in 2022, UGI Utilities entered into an Affiliated Interest Agreement (AIA) with its corporate parent, UGI Corporation (UGI Corp.), to form the Global Construction and Engineering Group (C&E Group)⁹. This C&E Group allows UGI Utilities, UGI Corp., and UGI Corp.'s other wholly owned subsidiaries to leverage in-house talent and experience to handle intricate projects across the holding company's various businesses. As it pertains to UGI Utilities, the C&E Group assists with the Company's engineering

⁹ The Company's AIA was approved on August 15, 2022, at Docket No. G-2022-3033065.

design, design of gate stations and regulators, and system optimization and planning efforts¹⁰.

UGI Utilities' distribution system is composed of steel, cast and wrought iron, and plastic main. The Company's 12,502 miles of main and 645,938 service connections vary by in-service age, with certain portions installed pre-1940 whereas other segments have been installed post-2020; the majority of UGI Utilities' main and services have been installed since 1990. UGI Utilities' distribution system has 1,093 pressure zones that range from low, medium, and high pressures. The Company procures its natural gas from a variety of sources, with the Texas Eastern, Columbia, Transco, and Tennessee pipelines being the largest sources of natural gas (by volume) to the Company's system¹¹.

As of December 31, 2025, the Company's gas operations employees consisted of 747 management and field employees of which 585 are unionized employees, and 162 are non-unionized employees. The Company splits its overtime work into two categories: emergent and non-emergent overtime work. Employees can incur overtime for operational-related work (e.g., gas odor response, system repair, main replacement, infrastructure locating, etc.). Overtime as a percent of regular time¹² is shown in Exhibit VII-3.

Exhibit VII-3
UGI Utilities, Inc.
Overtime Hours and Percentages
2021 – 2025

	2021	2022	2023	2024	2025
Non-Union Employees	192	191	170	174	162
Union Employees	612	584	555	574	585
Total Employees	804	775	725	748	747
Emergent Overtime (hrs.)	50,014	52,341	46,105	49,904	57,011
Non-Emergent Overtime (hrs.)	16,633	20,342	17,971	14,931	18,263
Total Overtime (hrs.)	66,647	72,683	64,076	64,835	75,274
Emergent OT (%)	2.99%	3.25%	3.06%	3.21%	3.67%
Non-Emergent OT (%)	0.99%	1.26%	1.19%	0.96%	1.18%
Total OT (%)	3.99%	4.51%	4.25%	4.17%	4.84%
Union Emergent OT (%)	3.93%	4.31%	3.99%	4.18%	4.69%
Union Non-Emergent OT (%)	1.31%	1.67%	1.56%	1.25%	1.50%
Union OT (%)	5.24%	5.98%	5.55%	5.43%	6.19%

Note: Totals may reflect differences in summation due to rounding.

Source: PUC Data Requests GO-25, GO-27, and GO-29

¹⁰ UGI Utilities employees in the C&E Group report directly to UGI Corp.'s VP Global Engineering who reports indirectly to UGI Utilities' President, as shown in Exhibit III-1. See also Chapter III – Executive Management.

¹¹ Other sources of natural gas supplied to the distribution system are the Mt. Bethel and Sunbury pipelines, local wells, and certain renewable natural gas (RNG) pipelines, per the PUC Data Request GO-1.

¹² Regular time hours are determined by multiplying the number of employees by 2,080, the standard number of hours worked by an employee within a year who works 40 hours per week.

UGI Utilities' main replacement efforts are carried out through its replacement and betterment (R&B) work. This work is driven by a comprehensive risk assessment detailed in the Company's Distribution Integrity Management Plan (DIMP), with replacement work outlined in Long-Term Infrastructure Improvement Plans (LTIIIP). In 2025, the Company began its third LTIIIP¹³; UGI Utilities' second LTIIIP¹⁴ detailed its system improvement efforts from 2020 – 2024. For main replacement, the Company prioritizes cast iron, bare steel, wrought iron, and priority plastic (particularly plastic installed between 1965 – 1985) main.

UGI Utilities plans to meet its goal of replacing all cast iron main by 2027, having 4.7 miles¹⁵ of cast iron main in-service as of December 31, 2025. The Company's next goal is replacing all bare steel and wrought iron mains by 2041; the Company replaced 38.8 miles¹⁶ of bare steel and wrought iron in 2025 and has approximately 717 miles of these materials remaining in its distribution system.¹⁷ Between 2021 – 2025, UGI Utilities planned to replace between 328 – 338 miles of main, with the company actually replacing 353.3 miles of main at a cost of \$1.4 billion. Exhibit VII-4 shows the Company's main replacement efforts from 2021 – 2025. While budgeted to actual replacement for any given year varies, UGI Utilities focuses on its five-year performance and was able to exceed its initial five-year plan.

¹³ The Company's third LTIIIP was filed with the Commission at Docket No. P-2024-3050769

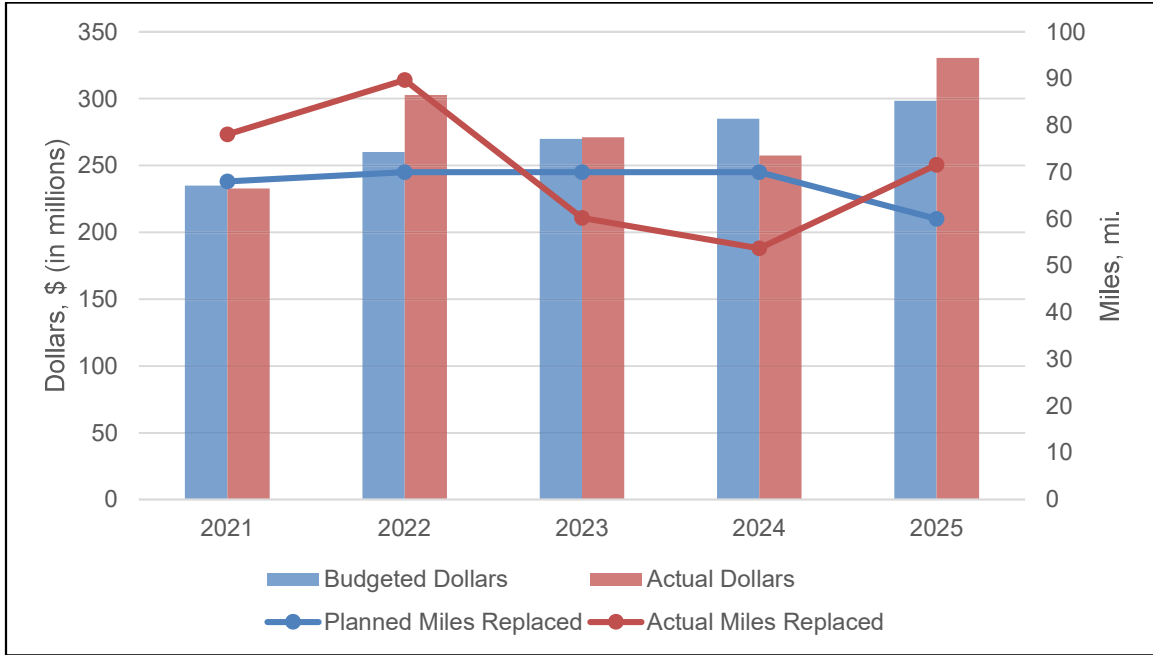
¹⁴ The Company's second LTIIIP was filed with the Commission at Docket No. P-2019-3012337

¹⁵ The amount of cast iron main in-service was determined between the difference of the value provided in the PUC Data Request GO-1 and UGI Utilities' Asset Optimization Plan (AOP) for 2025-2026 at Docket No. M-2026-3060636.

¹⁶ The amount of bare steel replaced is from UGI Utilities' AOP at Docket No. M-2026-3060636.

¹⁷ Remaining bare steel and wrought iron main total was determined from values provided in the Company's third LTIIIP, its AOP for 2024-2025 (Docket No. M-2025-3053687), and its AOP for 2025-2026.

**Exhibit VII-4
UGI Utilities, Inc.
Main Replacement Efforts
2021 – 2025**



Note: Planned miles replaced in 2025 was provided as a range (50-60 miles). The 60-mile replacement target is displayed above.

Source: PUC Data Requests GO-13 and GO-29

Emergency response is a critical component for natural gas distribution companies and performance can be monitored via dispatch and response times. Dispatch time is quantified from the time the emergency call is received by the distribution company to the time company personnel confirm a response. Response time is measured from the time the emergency call is received by the distribution company to the time company personnel arrive on the requested premises. The Commission's Gas Safety Division of the Bureau of Investigation and Enforcement defines adequate dispatch and response times for emergencies as 15 and 60 minutes, respectively. UGI Utilities' central dispatch, headed by a Dispatch Manager and situated within the Business Improvement Process division, has internal dispatch and emergency response time goals of 5 and 45 minutes, respectively. Exhibit VII-5 shows UGI Utilities' average dispatch and response times from 2021 through 2025. Central dispatch will review a dispatch or response time if they fall outside of the Company's internal goals.

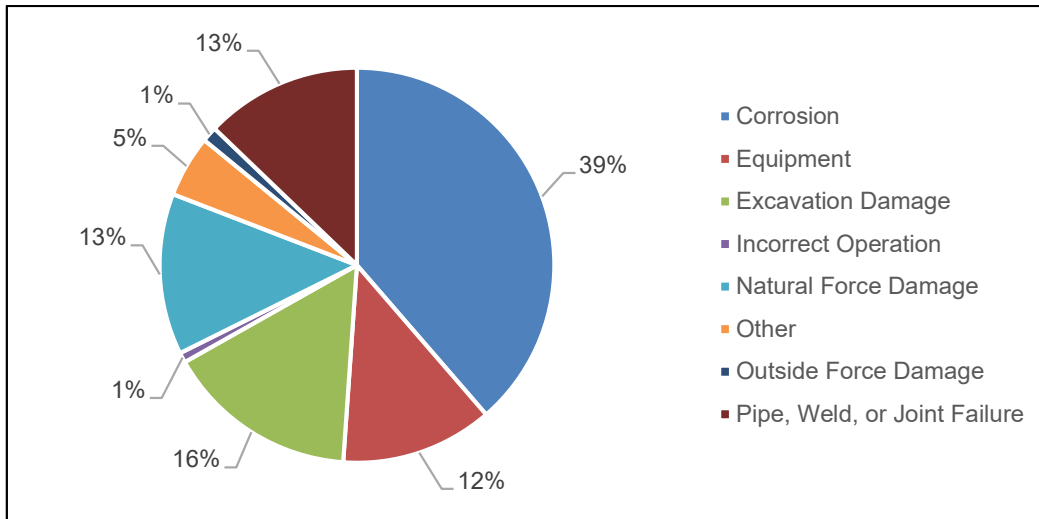
Exhibit VII-5
UGI Utilities, Inc.
Average Dispatch and Response Times
2021 – 2025

	2021	2022	2023	2024	2025
Average Dispatch Time (min.)	3.05	3.19	3.33	3.13	3.10
Average Response Time (min.)	22.06	22.31	21.88	21.74	21.27

Source: PUC Data Requests GO-16 and GO-35

UGI Utilities classifies underground natural gas leaks into three categories: A, B, and C leaks. Beginning in December 2023, the Company created two additional leak classifications to categorize aboveground leaks separately from underground leaks; G and H leaks. Natural gas leaks are investigated and analyzed by Company personnel and the subsequent actions to repair leaks are based off leak severity or classification. C and H leaks are hazardous leaks (i.e., presents an immediate risk to life and property) that UGI Utilities repairs immediately. A, B, and G leaks are non-hazardous leaks that have set time periods for repair. The majority of the Company's leaks are discovered via call-ins, either by customers or field employees, and through routine surveying. UGI Utilities' surveying efforts are conducted through different methods and depend upon material type, location, and the type of work being done. Exhibits VII-6 and VII-7 detail the leaks repaired by UGI Utilities, both by cause and classification, respectively.

Exhibit VII-6
UGI Utilities, Inc.
Leak Repair by Cause
As of December 31, 2025



Note: Beginning in 2024, the "Other" leak classification category was eliminated to align with PHMSA's DOT leak cause classifications and improve data quality.

Source: PUC Data Requests GO-8, GO-29, and GO-34

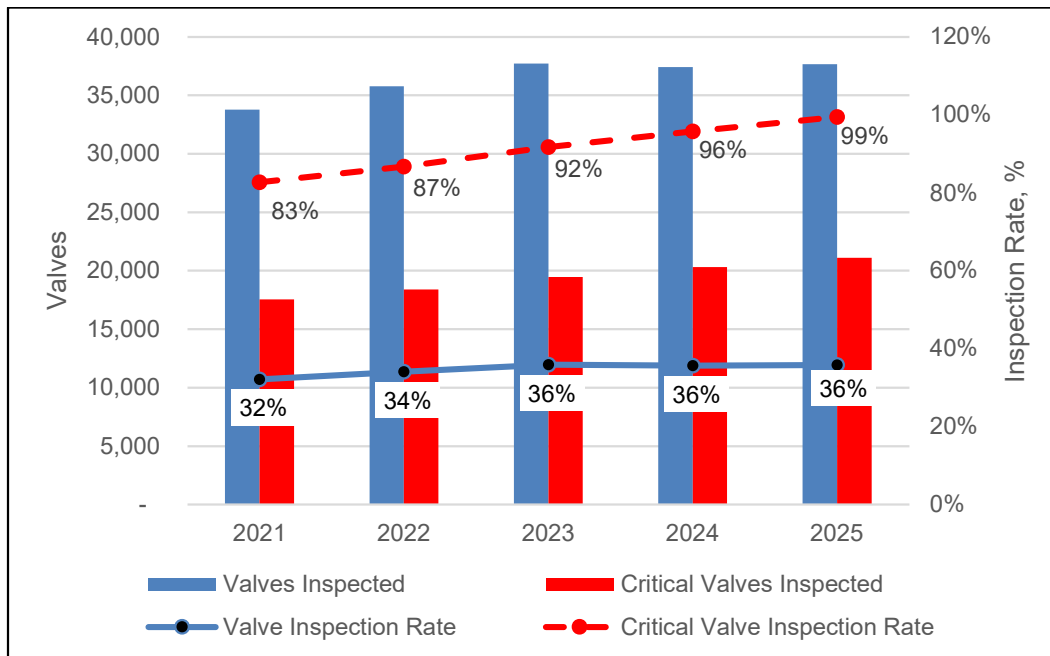
Exhibit VII-7
UGI Utilities, Inc.
Leak Repair Data by Classification
2021 – 2025

	2021	2022	2023	2024	2025
A	539	607	420	361	410
B	1,159	983	950	890	1,043
C	1,084	948	836	827	821
G	-	-	21	152	148
H	-	-	17	217	206
Total	2,782	2,538	2,244	2,447	2,628

Note: The G and H leak classifications were established in December 2023.
Source: PUC Data Requests GO-8 and GO-29

UGI Utilities' valve inspection program ensures that valves are in working order or repaired or replaced if inoperable. The Company separates its valves into two categories: critical and secondary valves. Critical valves are inspected on an annual basis not to exceed 15 months whereas secondary valves are inspected once every 60 months not to exceed 65 months. Company engineers determine if a valve is a critical or secondary valve based on certain criteria such as size, pressure, and the number and type of customers served. UGI Utilities' valve inspection performance is tracked and monitored via its analytics dashboard, which reports on valve inspection progress. Exhibit VII-8 shows the total valves and critical valves exercised and the respective inspection rates on an annual basis.

Exhibit VII-8
UGI Utilities, Inc.
Valve and Critical Valve Totals and Number Exercised
2021 – 2025



Note: Inspection Rates are based off Company valve and critical valve totals as of December 31, 2025.
Source: PUC Data Requests GO-19, GO-29, and GO-33

The Company's energy supply group, overseen by the VP Supply, is responsible for capacity planning. Capacity planning ensures that a natural gas distribution company has enough natural gas to continuously supply its customers year-round. For UGI Utilities, this is accomplished via contract agreements with natural gas suppliers. Another responsibility of this group includes forecasting the Company's future capacity and demand. The group deploys a model that uses historical winter data and factors in customer growth to project future natural gas volumes for UGI Utilities' customers. To assess the distribution system's efficiency at delivering this natural gas, UGI Utilities monitors and tracks unaccounted for gas (UFG). UFG is a metric that represents the difference between the total amount of gas delivered into a natural gas distribution system and the total amount of gas delivered to the system's residential, commercial, and industrial customers. Regulations at 52 Pa. Code § 59.111 allows for adjustments to this difference and may include company use, purging, temperature and pressure adjustments, etc.; company use and heat adjustment factors are included in the Company's UFG calculation. Exhibit VII-9 shows the Company's UFG volume and percentages for 2021 through 2025.

**Exhibit VII-9
UGI Utilities, Inc.
Unaccounted for Gas
2021 – 2025**

	2021	2022	2023	2024	2025
UFG (Mcf)	1,471,869	1,083,244	1,398,026	2,339,551	2,007,651
UFG (%)	0.34%	0.34%	0.43%	0.71%	0.61%

Source: PUC Data Requests GO-4 and GO-36

Findings and Conclusions

Our examination of gas operations at UGI Utilities focused primarily on a review of the operation and maintenance policies and procedures, main replacement program, leak repair and surveying efforts, the damage prevention program, unaccounted for gas, meter testing, staffing levels, contractor utilization, etc. Based on our review, UGI Utilities should initiate or devote additional effort to improving its gas operations function by addressing the following:

Finding VII-1 – UGI Utilities’ damage collection rate for not at-fault hits has decreased.

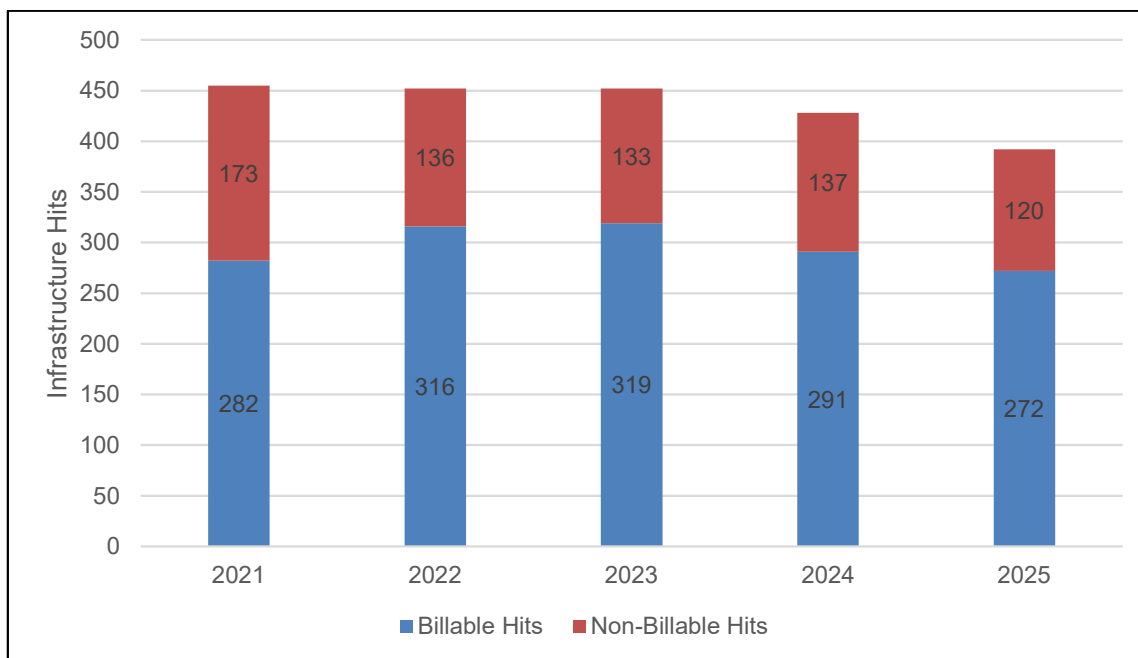
UGI Utilities participates in the Pennsylvania One Call System, also known as PA 811. The Company is notified when an outside party (e.g., other facility owners, excavators, designers, homeowners, etc.) plans to conduct excavation work within its service territory. Outside parties create a ticket (a.k.a., locate request) via the Pennsylvania One Call’s ticketing system; UGI Utilities receives tickets via this system if its infrastructure is near proposed excavation locations. The Company has its own internal system to track the locate requests it receives. Company personnel review mapping records and systems and verify in the field if its infrastructure will be impacted by the proposed excavation. Either UGI Utilities’ internal personnel or its contractors flag the Company’s infrastructure if affected by the proposed work. This damage prevention process is documented in UGI Utilities’ Damage Prevention Program.

Despite these damage prevention efforts, infrastructure (line) hits do still occur. When UGI Utilities’ infrastructure is hit during excavation work, the priority is to ensure the damage does not threaten life and property. Once made safe, Company employees will document, take photographs, and collect information on line hits. Using the evidence obtained, the Manager of Pipeline & Public Safety will investigate the line hit to determine a root cause.

For damages where the Company is found to be at-fault, the Pipeline & Public Safety group holds safety meetings and follow-up trainings for its employees and contractors to minimize future damages. For damages from improper excavation, an alleged violation report (AVR) will be submitted to the Pennsylvania One Call System and an invoice will be prepared and delivered to the responsible party to recoup the cost from the line hit. Exhibit VII-10 shows the billable and non-billable line hits UGI Utilities’

infrastructure incurred from 2021 through 2025. Total line hits and non-billable line hits decreased whereas billable hits have been constant during this time.

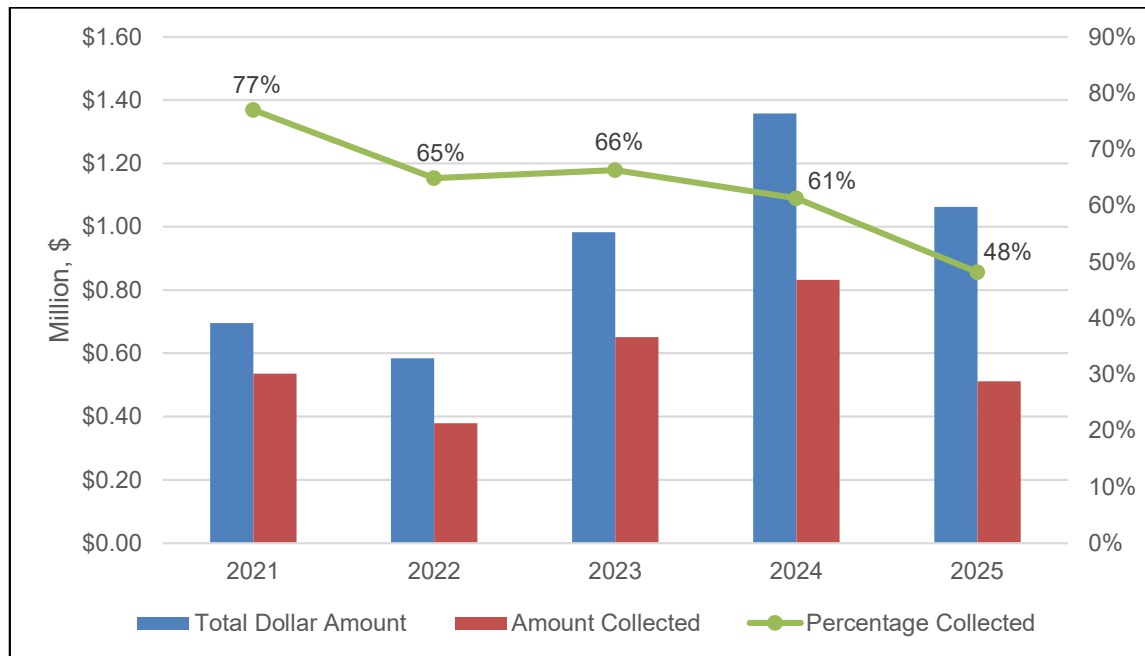
Exhibit VII-10
UGI Utilities, Inc.
Billable and Non-Billable Hits
2021 – 2025



Source: PUC Data Requests GO-12 and GO-29

For the Company's billable hits, UGI Utilities' Claims Group is responsible for sending out invoices to outside parties and ensuring that the associated damages are collected. After the invoice is sent, the group sends out three follow-up notices to collect as much as it can from at-fault parties. If at-fault parties do not respond to these notices, the Claims Group will defer its collection efforts to a third-party adjustment company to pursue damages from these non-responsive parties. UGI Utilities receives a recurring report from this adjustment company, detailing which damages were successfully collected and which are still outstanding. Exhibit VII-11 shows the Company's damage collection efforts from infrastructure damage. Of the approximately \$4.7 million dollars owed to UGI Utilities from 2021 through 2025, the Company has recovered almost \$2.9 million.

Exhibit VII-11
UGI Utilities, Inc.
Damage Collection Efforts
2021 – 2025



Note: The Company's collection efforts may have changed, as UGI Utilities may have received additional collections that were outstanding when this data was requested.

Source: PUC Data Requests GO-12 and GO-29

The Company attributed the decrease in its damage collection efforts to the lag between assessment of billable damage and collection, as well as unresponsive, at-fault parties' perception that they will be unaffected if damages go unpaid. Beginning in July 2025, UGI Utilities has taken steps to be more aggressive on its damage collection efforts by filing civil suits for the damages its third-party adjustment company could not collect.

It is a best business practice for utilities to pursue collections to damages for which it is determined that the facility owner is not at-fault. Additionally, an adequate system for recovering financial damages is an effective way of deterring at-fault parties from hitting company infrastructure in the future. While some actions were taken by the Company, UGI Utilities should continue to enhance its damage collection efforts for not at-fault hits.

Recommendation VII-1 – Increase damage collection efforts for third-party at-fault hits.

Finding VII-2 – The Company’s inside meter relocation replacement rates are not on pace to meet the 2034 statutory deadline.

Historically, natural gas meters installed inside customer structures was a common practice to insulate meters from cold weather and reduce physical damage. However, inside meters also presented safety and logistical issues. An inside meter increases the likelihood of an indoor gas leak and delays company personnel from repairing and making a gas leak safe. Recognizing these concerns, the natural gas industry has moved away from placing meters inside residences.

UGI Utilities is actively relocating inside meter sets throughout its service territory. The Company will relocate meters during R&B projects. During these projects, Company employees check for leaks along customer service lines; and evaluate the residence to confirm if an inside meter could be relocated while replacing a leaky service line. Meanwhile, UGI Utilities’ Operations Group will proactively relocate inside meters connected to high-risk steel services (i.e. bare steel services without an excess flow valve¹⁸ [EFV installed] or in areas the Company will not be working on in the foreseeable future). To track its relocation efforts, UGI Utilities created a dashboard to monitor its progress. Exhibit VII-12 shows the Company’s inside meter relocation efforts since 2021.

Exhibit VII-12
UGI Utilities, Inc.
Inside Meter Relocation Data
2021 – 2026

	2021	2022	2023	2024	2025	2026
Inside Meter Inventory	116,728	110,126	103,572	96,563	90,665	83,319
Inside Meters Relocated	6,602	6,554	7,009	5,898	7,346	N/A*

* The number of meters relocated in 2026 was not available.

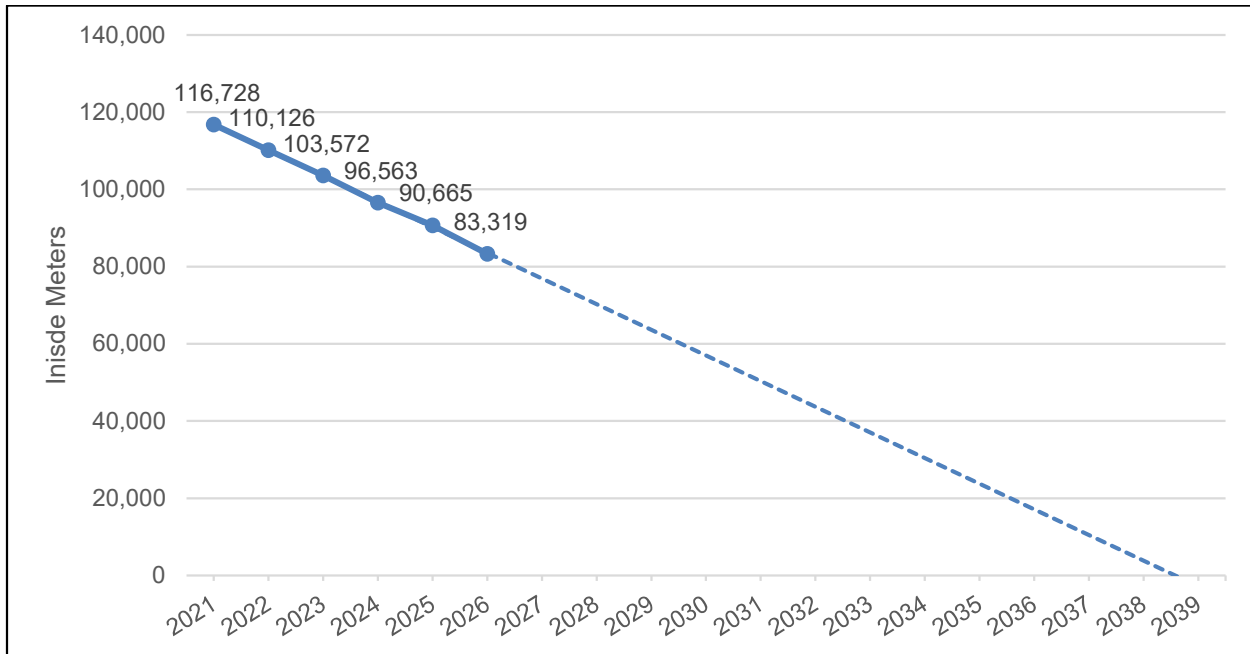
Note: Inside meter inventory is from January 1st of each calendar year.

Source: PUC Data Requests GO-29 and GO-39

As an internal goal, the Company is currently aiming to replace 1/9th of its inside meter inventory each year to comply with the regulatory deadline set by 52 Pa. Code § 59.18 (g) (3). The regulatory deadline states that, “By September 13th, 2034, utilities shall complete replacement of existing facilities in compliance with this section or incorporate the requirements of this section in a distribution integrity management plan”. Using the inside meter data provided by the Company, UGI Utilities’ inside meter relocation efforts could be projected, as shown in Exhibit VII-13. At the Company’s current pace, all inside meter sets within its service territory will be relocated by mid-2038, almost four years after the regulatory deadline.

¹⁸ An EFV is a device installed within a service line that can limit natural gas flow when flow outweighs design parameters.

Exhibit VII-13
UGI Utilities, Inc.
Inside Meter Relocation Projections
2021 – 2026



Note: Trendline indicates the Company's projected relocation rate, based on UGI Utilities' current relocation efforts.
Source: PUC Data Requests GO-29 and GO-39 and auditor analysis to create a straight line projection to reach zero inside meters.

In addition to complying with the regulatory deadline, it is an industry standard to relocate inside meters whenever feasible, as having meters inside residences is an antiquated practice and presents an elevated safety risk to customers. UGI Utilities indicated that inside meters in historical districts, limited access to premises, practical limitations (e.g., glass buildings, limited outdoor space, etc.), and street moratoriums have all been challenges to relocate inside meters. While PUC Auditors acknowledge UGI Utilities has made appreciable efforts to relocate inside meters, its efforts will fall short of the regulatory deadline at the current pace. The Company should continue to prioritize and accelerate relocating inside meters throughout its service territory.

Recommendation VII-2 – Continue to prioritize and accelerate the Company's relocation of inside meters to meet the statutory deadline.

Finding VII-3 – UGI Utilities’ annual reports submitted to the PUC for the years 2021 through 2025 contain inaccuracies within its schedules.

As part of its annual report submission to the PUC¹⁹, UGI Utilities provides information about its system, such as financial and operating data. This information includes items such as an accounting of its natural gas²⁰ (Schedule 505); gas and oil well data (Schedule 515); gas lines, meters, and services (Schedule 516); number of employees (Schedule 605); and territory served (Schedule 610). The PUC Auditors identified discrepancies in the Company’s annual reports submitted to the Commission for the years 2021 through 2025. Discrepancies include natural gas well data from 2022 – 2024, the transmission main mileage in 2022, and the number of employees in 2024. The PUC Auditors requested additional information to verify the information, and the Company provided updated data, which confirmed the data submitted with the annual reports were inaccurate.

The most significant discrepancy observed was in Schedule 505 of the Company’s 2025 annual report. In this submission, Line 14 of Schedule 505, “Total Receipts”, was reported as 389,033,684 Mcf whereas Line 39 (“Total Deliveries and Unaccounted For”), was reported as 346,525,792 Mcf. As a result, 42,507,892 Mcf volume of natural gas was not accounted for in the schedule. This unexplained volume loss was brought to the attention of the Company, whose response indicated that the volume of natural gas purchased in Line 5 of the schedule was overstated and will be restated to correct the error²¹.

Accurate reporting is a fundamental necessity to ensure that a business is operating effectively. Accurate reporting provides regulatory bodies with a framework to assess if a company’s performance is acceptable and is compliant with regulations when applicable. To ensure UGI Utilities is regulatory compliant, PUC Auditors recommend that the Company improves the internal controls around its annual report filing processes to ensure accurate reporting and to correct errors on previous filings.

Recommendation VII-3 – Improve internal controls for the Company’s Annual Report filing process to ensure accurate reporting and correct any errors on prior filings.

¹⁹ 52 Pa. Code § 59.48 (1) states that, “a public utility...shall file with the Commission annual financial reports by April 30 immediately following the reporting year”.

²⁰ UFG values in the annual report’s Schedule 505 are different than those presented in Exhibit VII-9, as the UFG values in the annual report are for a calendar year whereas those in Exhibit VII-9 are for UGI Utilities’ fiscal year (October – September).

²¹ As of the end of audit fieldwork, UGI Utilities had not yet resubmitted its 2025 annual report.

Finding VII-4 – UGI Utilities’ meter testing procedures allow errors to appear in its meter testing records.

As a natural gas distribution company, UGI Utilities is required to perform meter testing in compliance with 52 Pa. Code § 59.21. Meters are tested based upon age, customer complaints, etc. UGI Utilities’ meter tests are performed by the Measurement and Revenue Protection Group, within the Company’s Energy Supply and Measurement Division. Meters are placed through a variety of tests to determine the accuracy, functionality, and safety of its meters. Meter tests are recorded and processed in the Company’s meter testing software.

Some test results conducted in 2025²² revealed discrepancies with Pennsylvania regulations²³. For example, 55 meters were found to be within the acceptable performance standards but showed a variance greater than the allowable $\pm 2\%$ deviation. UGI Utilities elaborated that these 55 meter tests were the initial bench test results and the data provided by the Company did not capture the post-repair test results. In addition, the PUC Auditors noted 155 meters were identified by the Company as having failed testing, but test results indicated that these meters were still within acceptable performance standards. The Company explained that these meters failed from either a prior practice or a duplicative test result in its database. UGI Utilities acknowledged that both situations, not capturing post-repair test results in its meter testing system and duplicative test results, were not being handled correctly. Furthermore, UGI Utilities indicated that new procedures were implemented in all cases to resolve the process gaps identified by the PUC Auditors.

The 52 Pa. Code § 59.21 (m) states that meter test records, “shall be in complete form so as to permit the convenient checking of the methods employed”. Although UGI Utilities was able to provide meter test records to the PUC Auditors, numerous inconsistencies were noted. The Company’s documented meter testing policies and procedures were varied based on the date they were last updated; two documents were last updated in 2018 while one document was updated as recently as October 2025. With UGI Utilities’ responses indicating multiple, recently implemented procedures, it is prudent to update related documentation to minimize the chance of inaccurate data being recorded.

Recommendation VII-4 – Improve meter testing controls and procedures and update the documentation governing these procedures.

²² 2025-meter testing data included meter tests performed from January 1, 2025, through October 17, 2025.

²³ 52 Pa. Code § 59.21 (d) (3) states that, “for a group to remain in service, at least 80% of the meters in the sample test shall meet the accuracy limits of 98% average accuracy (2% slow) and 102% accuracy (2% fast)”.

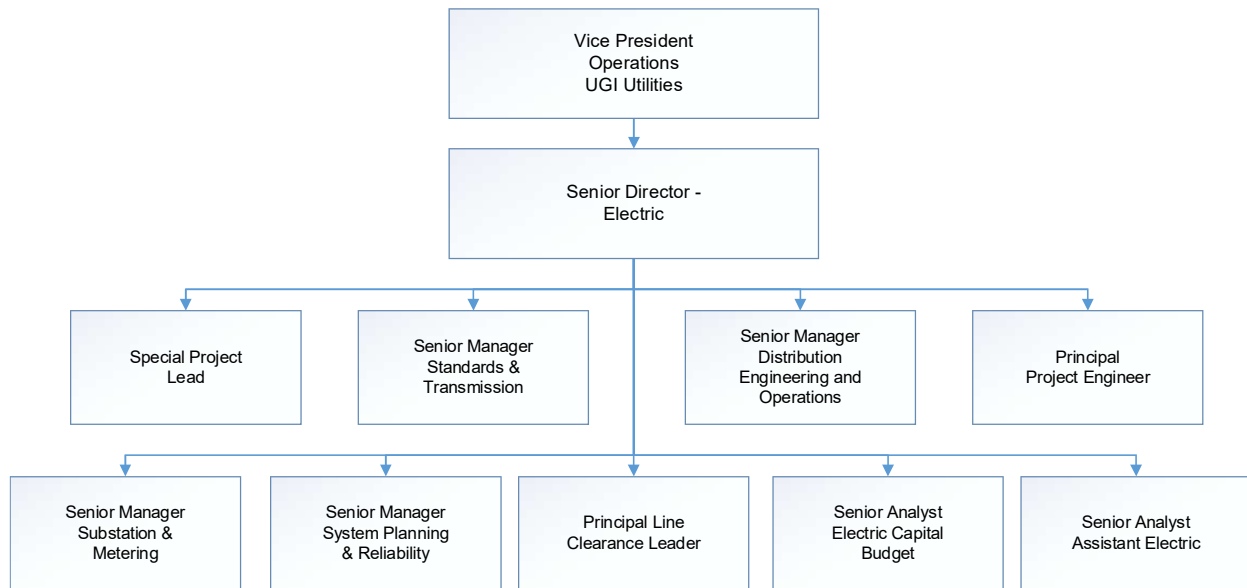
VIII – ELECTRIC OPERATIONS

Background

UGI Utilities' Electric Division (UGI Utilities – Electric or Company) provides electric distribution service to approximately 63,000 customers in portions of Luzerne and Wyoming counties in Pennsylvania. Approximately 87.5% of UGI Utilities – Electric customers are residential and 12.4% are commercial/industrial customers.²⁴ To serve these customers, the Company operates approximately 2,100 miles of aerial and underground distribution lines and transmission lines, and 14 substations. UGI Utilities – Electric's service territory covers approximately 410 square miles.

UGI Utilities – Electric's function is overseen by the Senior Director – Electric Division (Sr. Dir. – Electric) who reports to UGI Utilities' Vice President Operations (VP Ops). As shown in Exhibit VIII-1, five Senior Managers, one Principal Projects Engineer, one Special Project Lead, one Principal Line Clearance Leader, and one Senior Analyst report directly to the Sr. Dir. – Electric.

Exhibit VIII-1
UGI Utilities, Inc.
Electric Division Organization Chart
As of November 12, 2025



Source: PUC Data Request EM-1

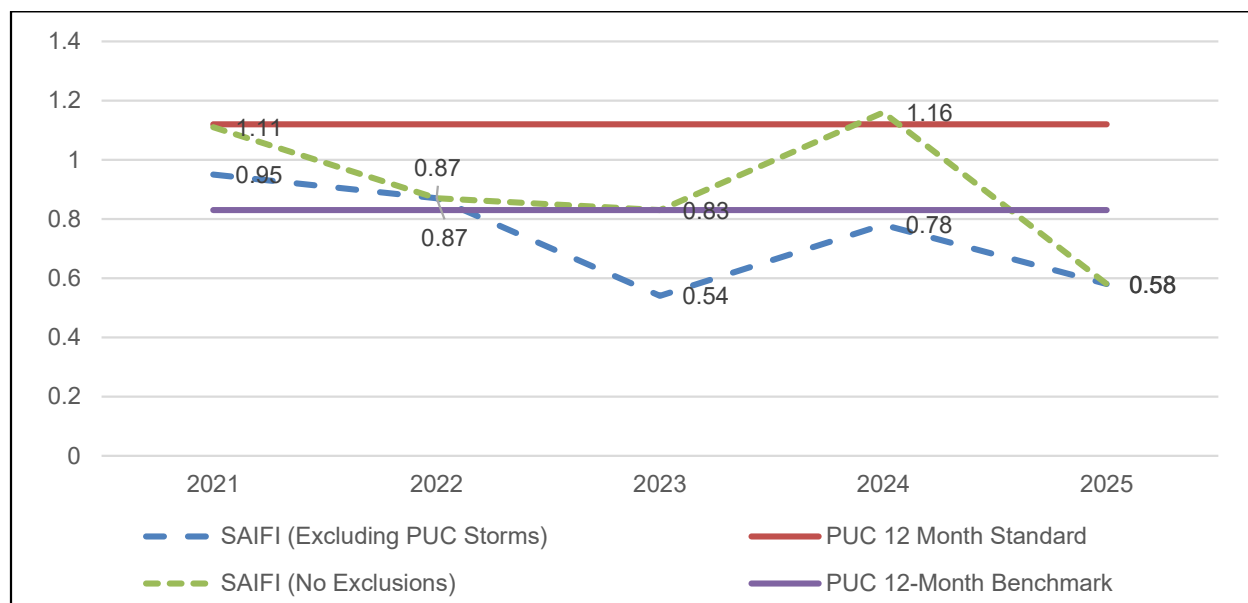
The Senior Manager of Systems Operations and Compliance manages the Electric Distribution Control Center, all switching activities, outage management, emergency

²⁴ UGI Utilities – Electric customer base also includes approximately 0.1% public customers.

response, NERC compliance, and business continuity. The Senior Manager of Substations and Metering is responsible for the substations, including the Company's 230kV substation, as well as the metering function (meter technology, meter readers, meter testing, etc.). The Senior Manager of Distribution Engineering and Operations is responsible for the distribution system as a whole. The Senior Manager of Standards and Transmission is responsible for the transmission system, the Standards Group, and the Electric Division warehouse. The Senior Manager of System Planning and Reliability is responsible for both distribution and transmission planning, reliability, PUC reporting, and the make-ready program (pole attachments for communications companies). In addition, the Principal Line Clearance Leader is responsible for vegetation management. The Senior Analyst for the Capital Budget handles detailed analysis of the capital and O&M budgets and provides reporting and analysis on trends, income statements, etc. The Principal Project Engineer is primarily responsible for the make-ready projects, including liaising with the engineering contractors; as well as investigating high-frequency customer complaints; and management of street lighting. The Special Project Lead is a part-time position focused on rate case work.

Exhibits VIII-2, VIII-3, and VIII-4, illustrate UGI Utilities' electric distribution system reliability metrics:

Exhibit VIII-2
UGI Utilities, Inc.
Electric Distribution System SAIFI Trends
2021 - 2025

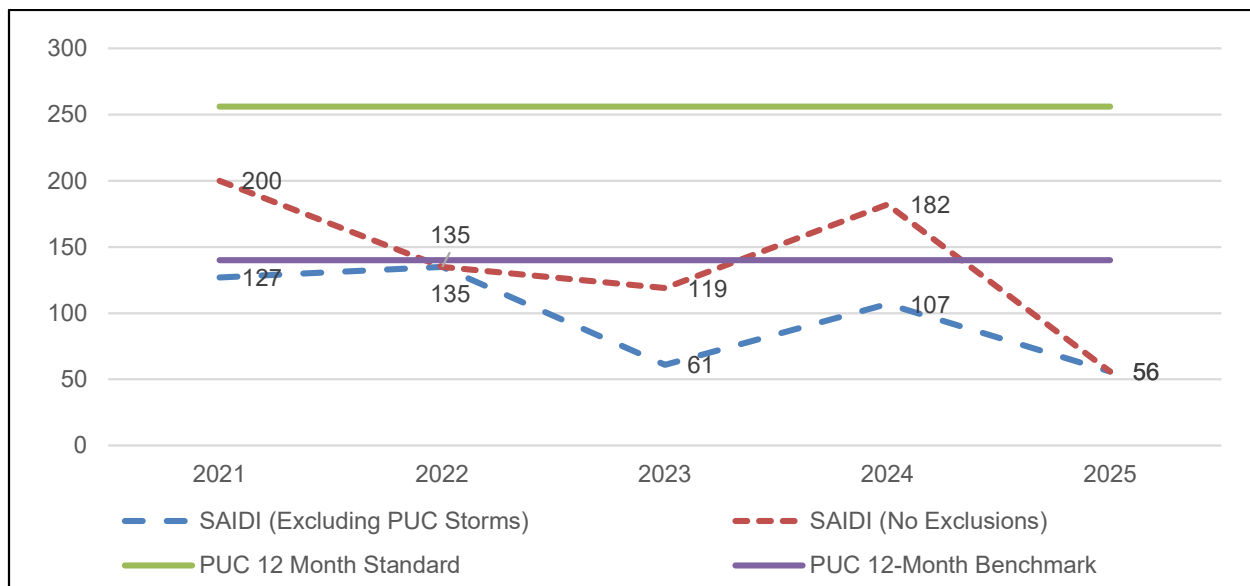


Source: PUC Data Request EO-9

The SAIFI (System Average Interruption Frequency Index) is a measure of how often the average customer experiences a sustained, unplanned power outage in a year. The Company's SAIFI is decreasing, showing an improving trend. SAIFI (No Exclusions) cannot be compared to the PUC 12 Month Standard (Standard) or the PUC 12 Month

Benchmark (Benchmark) as these standards were designed to exclude major storm events. However, looking at storm activity can provide meaningful context and it is worth noting that in 2023 and 2024, approximately one third of all sustained unplanned customer interruptions were caused by PUC excludable storms at UGI Utilities. With the trending increase in storm activity over the last 10 years, customers will likely continue to be impacted.

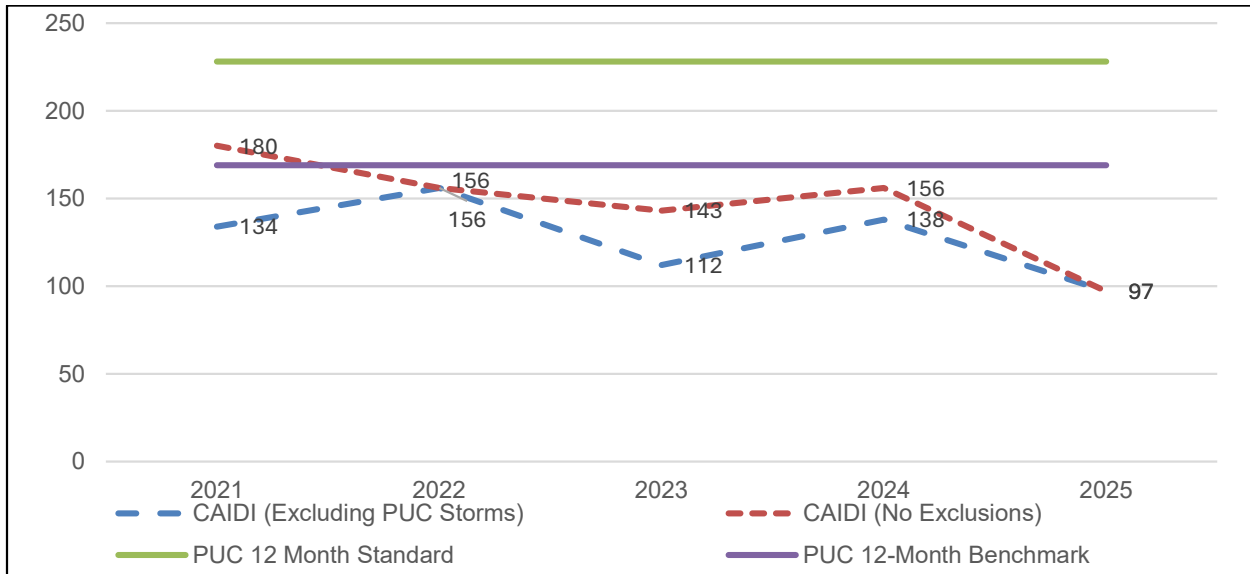
**Exhibit VIII-3
UGI Utilities, Inc.
Electric Distribution System SAIDI Trends
2021 – 2025**



Source: PUC Data Request EO-9

The SAIDI (System Average Interruption Duration Index) is a measure of the total amount of time in minutes that the average customer experiences a sustained, unplanned interruption over the course of a given year. Similar to SAIFI, the Company's SAIDI metrics are improving, though when including major storms SAIDI almost doubles in 2023 and 2024.

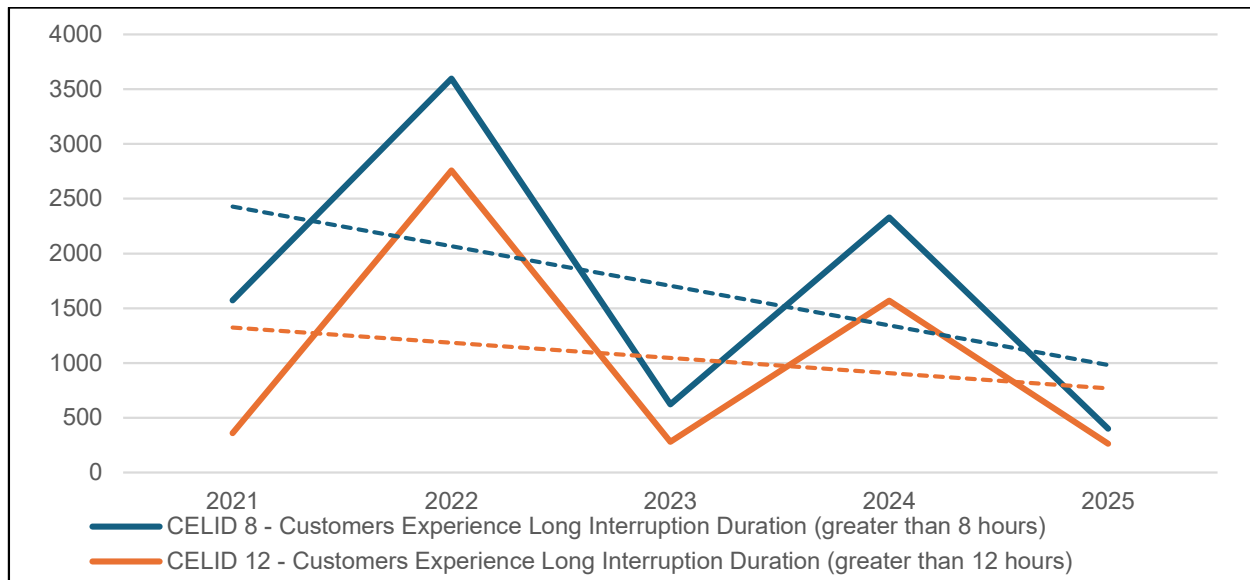
Exhibit VIII-4
UGI Utilities, Inc.
Electric Distribution System CAIDI Trends
2021 – 2025



Source: PUC Data Request EO-9

CAIDI (Customer Average Interruption Duration Index) measures the average time it takes to restore power to customers who actually experience an unplanned, sustained outage (as opposed to the average impact across all customers as measured by SAIDI). The Company also demonstrated an improving CAIDI trend from 2021 through 2025. In addition to tracking CEMI, or Customers Experiencing Multiple Interruptions, as further explored in Finding VIII-4, UGI Utilities – Electric tracks Customers Experiencing Long Interruption Duration (CELID) data. Where CEMI includes all unplanned outages lasting longer than five minutes, CELID is tracked for both 8+ hour and 12+ hour duration interruptions. CELID for both duration interruptions is trending downward, as illustrated in Exhibit VIII-5.

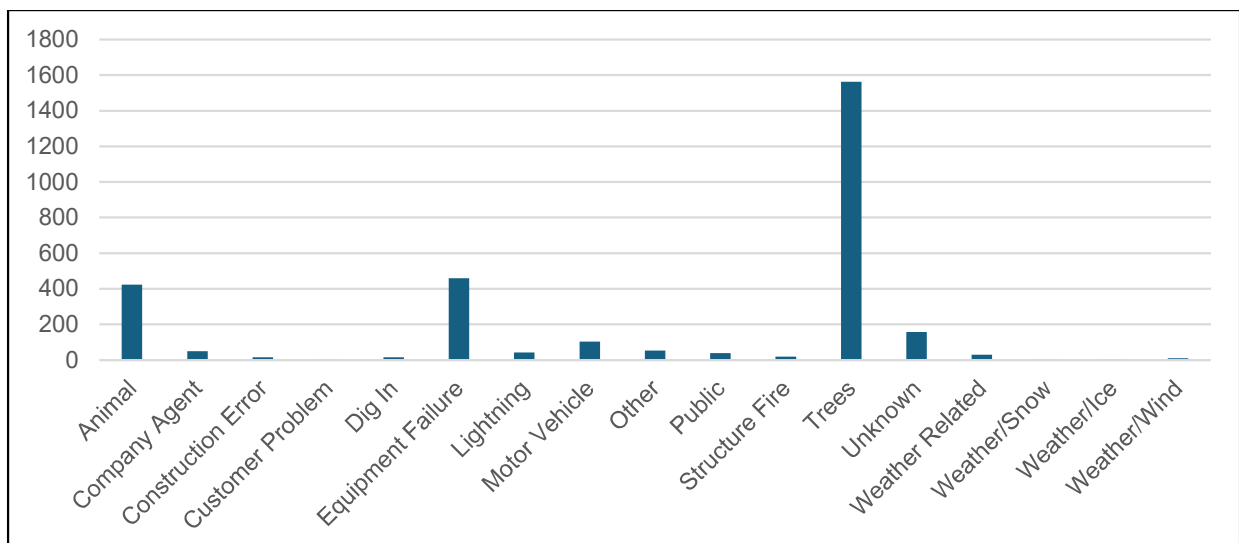
**Exhibit VIII-5
UGI Utilities, Inc.
Customers Experiencing Long Interruption Durations
2021 – 2025**



Source: PUC Data Request EO-28

An examination of the causes of interruptions can aid in illuminating the most effective remedies to prevent interruptions. Exhibit VIII-6 shows the number of interruptions by cause from 2021 through 2025.

**Exhibit VIII-6
UGI Utilities, Inc.
Number of Interruptions by Cause
2021 – 2025**



Source: PUC Data Requests EO-11 and EO-27.

Trees, equipment failure, and animals are the cause for most interruptions; they collectively account for 81.9% of all interruptions on UGI Utilities' electric distribution system. However, trees have the greatest effect on all three interruption related metrics (accounting for 52.3% of interruptions, 53.0% of customers interrupted, and 62.6% of customer minutes interrupted).

UGI Utilities – Electric is planning for a number of major projects or system upgrades in the next few years. This includes a \$22 million major transmission project to replace eight transmission poles and install new conduit and conductors. In addition, the Company has ongoing projects to upgrade eight kV circuits to 13 kV and replace automatic reclosers that do not have communications capabilities with ones that do. Furthermore, a major focus over the next five years is increasing or improving the communication capabilities of the transmission or distribution infrastructure. Finally, while not considered a single “major project,” UGI Utilities – Electric has prioritized “make-ready” work to accommodate the expansion of fiber optic communications in its service territory.

Findings and Conclusions

Our examination of Electric Operations focused primarily on a review of UGI Utilities' vegetation management, electric reliability, maintenance policies and procedures, staffing levels, etc. Based on our review, UGI Utilities should initiate or devote additional effort to improving its Electric Operations by addressing the following:

Finding VIII-1 – The Plymouth and Kingston Substations have not had a major renovation since 1965 and have some high-risk equipment from 1925.

The Kingston and Plymouth substations were both built in 1925 and last renovated in 1965. When asked about system improvements at the substations, the Sr. Dir. – Electric stated that the Kingston substation will get open air transformers within the next three years. Meanwhile, the Plymouth Substation will be relocated and completely rebuilt because it is currently in the floodplain and last flooded in 2011. In addition, the Plymouth Substation is currently comprised of two separate transmission and distribution yards. The replacement will be a combined substation without the space limitations at Plymouth. However, the PUC Auditors found that project management controls for addressing both substation projects was limited and lacked key details establishing timeframes or targets for the upgrades.

The Company uses a few documents to detail capital improvements, like substation improvements or replacements. However, these documents fit into normal business operations and unfortunately lack project management controls like project timelines, goals, milestones, etc. For instance, the Plymouth Substation replacement project is not found in the Long-Term Infrastructure Improvement Plan (LTIIP) as a stand-alone project or in the Electric Operations Division Five-Year List of Capital Projects. In addition, the Long Term Substation Plan mentions a planned finish by 2028 for the Plymouth Substation replacement, but no additional steps or completion goals are highlighted. Reportedly, the Company was able to close on the new site for the Plymouth

Substation (Greenfield) and ordered some materials, but there are still a number of steps before completion so PUC Auditors could not verify if the project was on schedule. Similarly, projects for the Kingston substation were identified in the Long Term Substation Plan such as converting enclosed switch gear to open circuit breakers and increasing the bus capacity from 1,200 to 2,000 amps.

As equipment reaches its end of life it is a best practice to replace it before it becomes a hazard. UGI Utilities – Electric has a number of pieces of equipment nearing or at end of life at the Plymouth and Kingston Substations with some equipment dating back to 1925. As a result, some of the equipment at the Kingston and Plymouth substations is well past its useful life, may impact reliability, and/or pose a risk to health and safety. While the Company is clearly working towards committed improvements for Plymouth and Kingston substations, the lack of project management controls made it difficult for the PUC Auditors to verify progress. Using a project management approach is solely at the discretion of the Company; however, the PUC Auditors strongly suggest that additional controls be considered for large projects like the Plymouth and Kingston substation projects.

Recommendation VIII-1 – Improve the project management controls of large capital projects and complete the replacement of the Plymouth Substation and renovation of the Kingston Substation transformers.

Finding VIII-2 – UGI Utilities – Electric lacks a Damage Prevention Program.

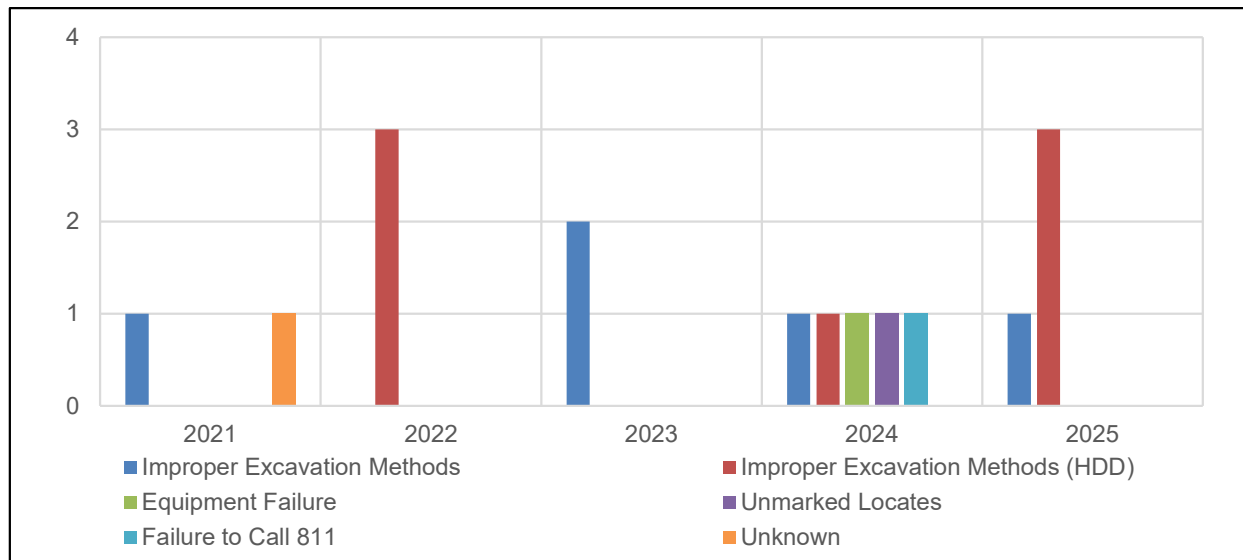
UGI Utilities – Electric does not maintain a damage prevention manual. Instead, it relies on an engineering guideline document titled “UGI Engineering Instructions: Guidelines for Underground Locate Requests”. This document contains guidelines on communication surrounding excavation, such as who in the company (and/or contractors) is responsible for contacting PA One Call to initiate or extend a ticket. There is also a description of what to expect during the call and what information will be needed. While the Company’s internal process has not changed, the engineering guideline has not been updated since 2018 despite the change in PA One Call oversight. Furthermore, the engineering guideline is not a complete damage prevention control manual, because it lacks:

- Written procedures or standard operating procedures (SOPs) around excavation
- Requirements related to an inspection program for excavation
- Provisions for investigating and correcting internal teams, contractors, or third parties who have a history of damaging any underground infrastructure
- Reporting requirements for when Company personnel or contractors are involved in damaging underground utility infrastructure (internal and external)

- Provisions for investigating and correcting internal teams or contractors who violate PA One Call requirements
- Outreach education about PA One Call and safe excavation

UGI Utilities – Electric provided data reflecting two to five excavation damages to its facilities annually between 2021 and 2025 by third parties. Thus, while UGI Utilities – Electric’s Guidelines for Underground Locate Requests do not mention tracking third-party hits, the Company has established tracking of these damages. Furthermore, according to the VP Ops. and the Sr. Dir. – Electric, UGI Utilities – Electric also tracks the causes of these damages, as shown in Exhibit VIII-7.

Exhibit VIII-7
UGI Utilities, Inc.
Third-Party Excavation Damages by Cause
2021 – 2025



Source: PUC Data Request EO-30

Improper excavation damages accounted for 75% of all underground excavation damages from 2021 through 2025. The other 25% of damages were caused by equipment failure, failure to mark locates, failure to call 811, and unknown. Two of these causes are also preventable through training and education, therefore 87.5% of all third-party damages²⁵ to UGI Utilities – Electric’s underground infrastructure were preventable with proper training and education, both important parts of a robust damage prevention program. UGI Utilities – Electric also tracks third-party damage collections, as illustrated in Exhibit VIII-8.

²⁵ This includes all improper excavation damagers, failure to mark locates, and failure to call 811.

Exhibit VIII-8
UGI Utilities, Inc.
Third-Party Collection for Damage to Electric Facilities
2021 – 2025

	2021	2022	2023	2024	2025
3rd Party Excavation Damages	2	3	2	5	4
Amount Billed	-	-	-	\$24,466	\$24,123*
Amount Collected	-	-	-	\$14,699	-

*Billing for 2025 was still in process as of the end of field work.

Source: PUC Data Requests EO-7 and EO-27.

While there were two to three excavation damages by third parties per year from 2021 through 2023, none were billed or collected. According to the VP Ops. and the Sr. Dir. – Electric, this oversight was due to a personnel change and a training issue which led to UGI Utilities – Electric’s new Underground Engineer not being aware that they were supposed to initiate the collections process for third-party damages. However, this problem was corrected and UGI Utilities – Electric started billing for damages in 2024. In 2024 and 2025 there were five and four excavation damages by third parties, respectively, with \$24,466.19 billed in 2024 and \$24,122.88 billed in 2025. For 2024, UGI Utilities successfully collected 60% of the dollars billed; billing for 2025 was still in progress, during audit fieldwork. According to the VP Ops. and the Sr. Dir. – Electric, the increase in excavation damages from 2023 to 2024 was attributed to increased telecom company excavation and the related make-ready work.

In addition, UGI Utilities – Electric outsources a number of damage prevention functions like underground locating work and damage prevention outreach. Because these functions are outsourced, the VP Ops. and the Sr. Dir. – Electric indicated that the Company has not documented procedures or guidance on these tasks. Similarly, UGI Utilities – Electric lacks written procedures or SOPs relating to excavation. UGI Utilities – Electric does not verify that locates were marked by their locating contractor but instead relies on excavation crews to inform them if something was not marked. However, as mentioned above, a comprehensive damage prevention manual would include this type of information whether the task is outsourced or not.

A comprehensive damage prevention program should address excavation damage to electrical infrastructure as a hazard to excavators, to encourage the reduction of occurrences. UGI Utilities – Electric has not established a robust damage prevention program due to the low percentage of underground electric infrastructure and the low dollar amount of damages to this infrastructure. UGI Utilities – Electric does benefit from the outreach performed by UGI Utilities – Gas as part of its much more robust damage prevention program. One way to improve UGI Utilities – Electric damage prevention manual would be to integrate it with the UGI Utilities – Gas manual; however, with a pending sale of UGI Utilities – Electric, integrating the damage prevention process may not be practical. Nonetheless, the gas damage prevention manual could still be used as a template and include guidance on the pieces missing from UGI Utilities – Electric’s damage prevention manual. As a result of the limited excavation damage prevention

outreach, UGI Utilities – Electric has an increased risk of excavation damage; most third-party damage likely would have been avoided through proper procedure and education.

Recommendation VIII-2 – Establish and document a robust Electric Division Damage Prevention Program.

Finding VIII-3 – UGI Utilities – Electric’s Inspection and Maintenance Plan goals are not aligned with the Inspection and Maintenance Program metrics.

UGI Utilities – Electric’s Inspection and Maintenance Plan (I&M Plan) and the Inspection and Maintenance Goals (I&M Goals) tracked for the Annual Report to the PUC are not aligned. For instance, the I&M Plan presents tree trimming goals in linear miles, but the I&M Goals presents distribution tree trimming in actual number of trees cut down. In addition, the I&M Goals for vegetation inspection are set for distribution lines by number of distribution circuits, whereas the I&M Plan’s goals are presented in miles.

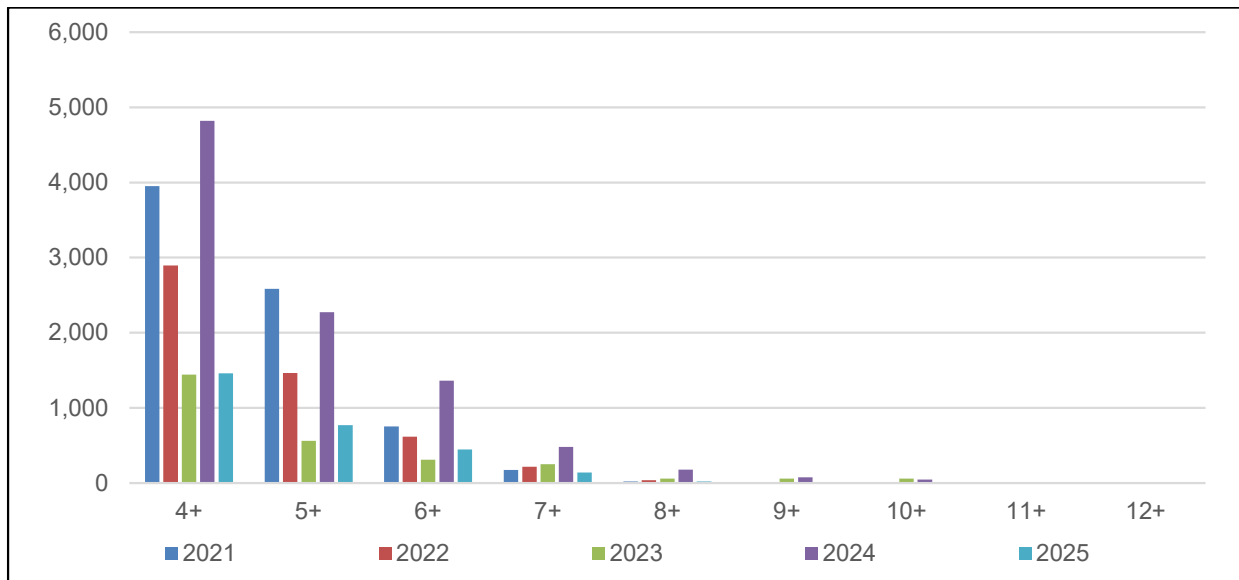
The I&M Plan appears to be the governing document because it is the most complete and matches actual performance. Company management were uncertain why the goals differed between the I&M Plan and I&M Goals or why the I&M Plan was not updated to match the Annual Reliability Report to the PUC. Therefore, UGI Utilities – Electric should update its I&M Plan goals and metrics to be consistent with the Annual Reliability Report to eliminate confusion and strengthen management oversight of performance.

Recommendation VIII-3 – Adjust the Inspection and Maintenance Plan goals to match the metrics being tracked and reported in the Company’s Annual Reliability Reports.

Finding VIII-4 – UGI Utilities – Electric has customers experiencing 10 or more interruptions per year.

CEMI is a metric that measures the number of customers experiencing a certain number of extended duration unplanned outages per year. This metric excludes momentary interruptions which are less than five minutes in duration. The metric is expressed as CEMI X+, where X is the number of outages a customer experiences in a year. For instance, CEMI 10+ means customers experiencing at least 10 unplanned interruptions per year. CEMI counts below four are generally considered normal or circumstantial. However, it is important to examine CEMI counts greater than four (CEMI 4+) to understand systemic trends and potential problem areas. Exhibit VIII-9 shows CEMI counts for customers experiencing at least four unplanned outages each year.

Exhibit VIII-9
UGI Utilities, Inc.
CEMI Customer Counts for CEMI 4+ and Higher
2021 – 2025



Note: This data set excludes PUC reportable storm events.
Source: PUC Data Requests EO-10 and EO-27

As shown in Exhibit VIII-4, CEMI data varies by year with 2023 generally being the best performance year between 2021 and 2025 with 2024 being the worst. Company management attributed the poor performance in 2024 due to storms and the end of a vegetation management trimming cycle which both contributed to outages or problem spots.

The more outages a customer experiences in a year's time correlates to negative satisfaction with the utility. Exploring the areas experiencing the most outages can give an indicator of reliability performance and its impact on the customer. While less than 5% of UGI Utilities – Electric customers have four or more outages per year, there were 63 customers in 2021 and 47 customers in 2024 that experienced 10 or more outages for those years with one customer in 2024 experiencing at least 12 sustained outages.

UGI Utilities – Electric engages in several programs to improve reliability for its customers, including the Worst Performing Feeder Program. The Company uses metrics, systemwide SAIDI (System Average Interruption Duration Index) and circuit-level SAIFI (System Average Interruption Frequency Index), to identify and rank the worst performing feeder circuits in its distribution system. Then UGI Utilities – Electric identifies the 10 worst circuits and develops targeted remediation like trimming trees, creating ties, sectionalizing the circuit, automating existing ties, replacing equipment, etc. CEMI is not currently a factor for the worst performing circuit program. Instead, CEMI performance is used as a separate metric in various other reliability programs like targeted trimming or to prioritize improvement projects. By using CEMI separately, UGI Utilities – Electric hopes to catch segments of a circuit that the Worst Performing Feeder Program does not identify.

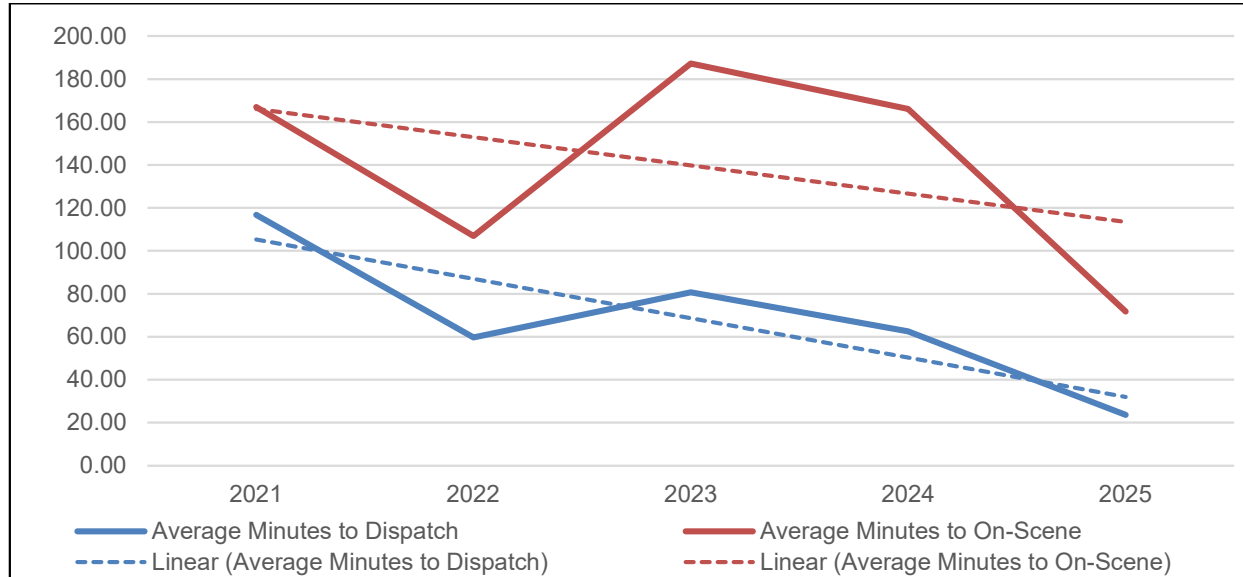
Despite numerous programs aimed at fixing repeat causes of outages, the leading cause of outages (i.e., vegetation off right of way) is mostly outside the control of the Company. In addition, fixes to worst performing circuits or CEMI areas are often complex, expensive, and take time. While UGI Utilities – Electric has been working to reduce reliability concerns, additional work is needed. Multiple outages negatively impact the customer experience and lead to poor satisfaction. Furthermore, 66 Pa.C.S. § 1501 states that, “Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service... Such service also shall be reasonably continuous and without unreasonable interruptions or delay.” The PUC Auditors maintain that any value for CEMI 10+ indicates poor performance and should be remediated.

Recommendation VIII-4 – Reduce CEMI 10+ to zero and establish goals for the reduction of CEMI 4+.

Finding VIII-5 – UGI Utilities – Electric’s average dispatch time to lines down or other hazards is suboptimal.

Exhibit VIII-10 presents UGI Utilities – Electric’s average emergency dispatch and response times to lines down and other hazards.

Exhibit VIII-10
UGI Utilities, Inc.
Average Emergency Dispatch and Response Times
(Line Down and Other Hazard Calls Only)
2021 – 2025



Notes: Minutes to on scene is measured from when the crew is placed in route to when it arrives on scene, so it does not include the dispatch time. Therefore, total time from the initial notification of the hazard to the time a crew arrives on scene is the addition of the dispatch time to the minutes to on scene.

Source: PUC Data Requests EO-20 and EO-27.

The average dispatch and response (or “minutes to on scene”) times for line down and other hazard calls reflected an improving trend between 2021 and 2025. UGI Utilities – Electric’s average dispatch time was 68.6 minutes, which constitutes approximately 32.9% of the total time from notification of a hazard to getting a team on scene. The annual average minutes to dispatch for downed line and other hazard calls ranged from 116.8 minutes in 2021 to 23.59 minutes in 2025. While the Company appears to be making improvements, the PUC Auditors contend that more work is needed to attain a natural gas dispatch time goal of 15 minutes.

One problem is UGI Utilities – Electric’s size and limited number of resources. For instance, UGI Utilities – Electric has gaps in its “round the clock” coverage for its trouble trucks and lacks redundancy in emergency response capabilities. The Company has designed its schedule to ensure coverage and overlap during the busiest times but there are gaps during historically non-busy times. Because emergencies are often unpredictable, large delays, sometimes measured in hours, are occurring before a responder is able to be dispatched to the scene for line down and hazard calls. While response times will vary based on traffic and crew availability, it is a best practice to reduce the “minutes to dispatch” time to as near zero as possible for “line down” and other hazard calls where the risk to human life or the risk of causing a fire are high. Another challenge is storm conditions where numerous emergency, line down, or power related calls can occur in a relatively short period of time.

UGI Utilities – Electric does not have specific goals for minutes to dispatch or for minutes to on scene for emergency response calls. The PUC Auditors note that while UGI Utilities – Gas has established goals for gas-related emergencies, UGI Utilities – Electric has not implemented any commensurate goals. Therefore, UGI Utilities – Electric should establish goals for dispatch times for normal operations and consider doing so for response times and storm situations. The PUC Auditors suggest the target goal for dispatch times be similar to the natural gas industry during normal operations, noting that storm situations may require a separate goal.

Recommendation VIII-5 – Establish dispatch time goals for line down and other hazard calls and create a metric to monitor dispatch performance for normal and/or storm operations.

IX – EMERGENCY PREPAREDNESS

Background

On June 11, 2005, Regulations at 52 Pa. Code § 101 (Chapter 101) went into effect that require jurisdictional utilities to develop and maintain written physical security, cybersecurity, emergency response, and business continuity plans to protect infrastructure within the Commonwealth of Pennsylvania and to ensure safe, continuous, and reliable utility service. A jurisdictional utility is required to maintain these “emergency preparedness” plans and annually file a Self-Certification Form to the Pennsylvania Public Utility Commission (PUC or Commission) documenting compliance with Chapter 101. This form, available on the PUC website, is comprised of 13 questions as shown in Exhibit IX-1.

Exhibit IX-1
Pennsylvania Public Utility Commission
Public Utility Security Planning and Readiness Self-Certification

Item No.	Classification	Response (Yes–No–N/A)
1	Does your company have a physical security plan?	
2	Has your physical security plan been reviewed in the last year and updated as needed?	
3	Is your physical security plan tested annually?	
4	Does your company have a cyber security plan?	
5	Has your cyber security plan been reviewed in the last year and updated as needed?	
6	Is your cyber security plan tested annually?	
7	Does your company have an emergency response plan?	
8	Has your emergency response plan been reviewed in the last year and updated as needed?	
9	Is your emergency response plan tested annually?	
10	Does your company have a business continuity plan?	
11	Does your business continuity plan have a section or annex addressing pandemics?	
12	Has your business continuity plan been reviewed in the last year and updated as needed?	
13	Is your business continuity plan tested annually?	

Source: Public Utility Security Planning and Readiness Self-Certification Form, as available on the PUC website at https://www.puc.pa.gov/documents/utility-files/279/Security_Planning_Self-Cert_Checklist2021-F.pdf

The PUC Auditors use a NIST (National Institute of Standards and Technology) Cybersecurity Framework-based audit plan, modified to address the needs and capabilities of the PUC and the Pennsylvania utility companies. Our examination of UGI Utilities’ emergency preparedness included a review of the Company’s Physical Security Plan (PSP), Cybersecurity Plan (CSP), Emergency Response Plan (ERP), Business Continuity Plan (BCP), and the Company’s security measures associated with these plans. In addition, the PUC Auditors performed inspections at a sample of UGI Utilities’ facilities, including city gate stations, district regulators, substations, operating centers, warehouses, and office locations. Due to the sensitive nature of the information reviewed,

specific information is not revealed in the audit report; instead, the generalities of the information reviewed are discussed.

The Company's Director of Security and Facilities²⁶ is responsible for the Company's physical security measures and business continuity efforts. This role directly reports to the VP of Operations, who oversees security and business continuity at UGI Utilities. Both positions are responsible for reviewing and approving updates to the Company's Physical Security Plan whereas the Manager of Business Continuity and Security reviews and approves the Business Continuity Plans for each of the business units within UGI Utilities.

Personnel at both UGI Corporation (UGI Corp.) and UGI Utilities oversee cybersecurity measures at the Company; some of the cybersecurity assets are deployed at UGI Utilities as well as throughout the UGI Corp. umbrella²⁷ while other cybersecurity measures are implemented locally for UGI Utilities. The Deputy Chief Information Security Officer (CISO) is responsible for reviewing and updating the Company's Cybersecurity Plan and other governing documents. The Company's emergency response is split based on the emergency's nature. Emergencies that occur at UGI Utilities' office locations or operating centers falls under the Security and Facilities Group whereas the electric and natural gas operations group are responsible for emergencies that occur throughout each of the Company's respective systems.

The Company has deployed standard physical security measures at its facilities (e.g., gate stations, substations, etc.), which UGI Utilities' security personnel routinely inspect. Additionally, UGI Utilities' emergency plans advise Company staff on how to mitigate a variety of emergencies should they occur. The Company's Cybersecurity Plan details UGI Utilities' objectives as they relate to cybersecurity and what equipment, systems, and services the Company has in place to safeguard its infrastructure. Lastly, UGI Utilities' business continuity plan highlights the steps each business unit will take to recover after an emergency and how it will resume its normal business operations.

UGI Utilities tests its emergency preparedness by performing various assessments and conducting exercises for physical security, emergency response, cybersecurity, and business continuity. The Company's respective plans are updated to reflect the opportunities and lessons learned from assessments and exercises. All Company employees are required to complete physical security, cybersecurity, emergency response (at Company facilities), and business continuity training. Additionally, UGI Utilities' operations employees receive qualification and requalification training to ensure adequate emergency response for emergencies throughout the Company's service territory.

²⁶ The Company's Director of Security & Facilities was on long-term leave during the audit. The Manager of Business Continuity and Security was assigned the role's responsibilities as it pertains to UGI Utilities' security.

²⁷ See Chapter II – Background for more information on UGI Corp.'s entity structure.

Findings and Conclusions

Our examination of emergency preparedness at UGI Utilities included a review of the Company's PSP, CSP, ERP, BCP, risk assessments, and other associated security measures. Based on our review, UGI Utilities should initiate or devote additional effort to improving its emergency preparedness function by addressing the following:

Finding IX-1 – Minor security deficiencies were observed during UGI facility inspections.

Various minor physical security deficiencies were noted during inspection of UGI Utilities' facilities. Most of these deficiencies were due to facility age, oversight, weather, or general wear and tear. These included concerns such as barbed wire problems, fencing issues, vegetation issues, gate misalignments, etc.

Physical security should be continuously addressed, and any security deficiencies identified should be remediated in a timely manner. UGI Utilities has established tiers that security personnel apply to facilities to determine the frequency of in-depth security assessments. However, security deficiencies can still occur in between assessments which can render security layers ineffective. Therefore, any deficiency should be repaired or mitigated as soon as practicable in the interest of maintaining multiple, functional layers of security throughout UGI Utilities' facilities.

Recommendation IX-1 – Correct minor physical security deficiencies at UGI facilities.

Finding IX-2 – UGI Utilities does not have an appropriate level of oversight on the physical security of its assets within affiliate-owned facilities.

UGI Utilities' shares some of its natural gas facilities with its affiliates (e.g., UGI Energy Services, LLC). The documented relationship of UGI Utilities and its sister companies at these shared facilities is based on regulatory needs. The Company explained that demarcation points at these shared facilities are spelled out in interconnect agreements with the other party; however, it does not clarify physical security requirements. While each company would be responsible for the physical security of its own assets, a deficiency in the sister company's assets could lead to an elevated security risk for UGI Utilities' property or vice versa. The Company's Physical Security Plan did not detail responsibilities at these shared facilities, but the most recent Affiliated Interest Agreement (AIA) filed with Commission²⁸ mentioned that security is a shared priority and will be accomplished via physical security support, background investigations, and investigative services.

²⁸ The most recent AIA submitted to the Commission was filed under Docket No. G-2024-3050728

Appropriate mitigation or security infrastructure is needed to secure assets whenever physical security risks are possible. Additionally, the 52 Pa. Code § 101.3 (1), and § 101.3 (e) states that a physical security plan should detail procedures and identify responsibilities to ensure facility protection. To further safeguard its own assets, UGI Utilities should work with its sister companies to identify how each company will communicate responsibilities to address physical security deficiencies observed within the other party's facilities, as well as deficiencies in their own security infrastructure. Lack of defined processes for remediation of deficiencies in shared locations could lead to delays resolving security issues; therefore, the PUC Auditors recommend increased coordination between all interested parties. Formal documentation should be established detailing responsibilities that ensure prompt resolution of deficiencies affecting both parties.

Recommendation IX-2 – Increase coordination with sister companies to address physical security management at shared facilities.

X – MATERIALS MANAGEMENT

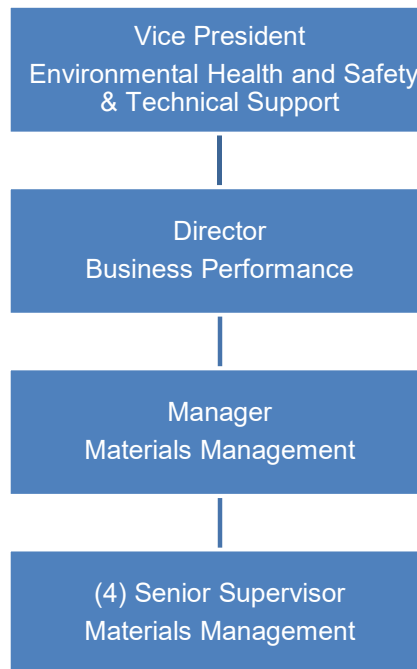
Background

As discussed in Chapter II – Background, UGI Utilities, Inc. (UGI Utilities or Company) is a regulated utility providing natural gas and electric distribution service to customers throughout Pennsylvania. All procurement and materials management activities (i.e., the supply chain function) include both natural gas and electric distribution services. Procurement and materials management were previously situated under the Senior Manager Supply Chain and reporting to the VP Finance & Chief Financial Officer (CFO). Beginning in October 2022, the procurement function was restructured under the UGI Corporation umbrella as a centralized service for all UGI Corp. companies. UGI Corporation's VP Head of Global Procurement is responsible for all UGI Utilities' procurement of goods and services; meanwhile, UGI Utilities' VP Environment, Health, and Safety & Technical Support (VP EHS) maintains oversight of UGI Utilities materials management function.

The Manager Operational Procurement, who reports to the VP Head of Global Procurement, maintains oversight of all purchasing activities of materials and services for UGI Utilities and UGI Energy Services. This procurement group is comprised of eight UGI Utilities employees and three UGI Energy Services employees with each group focusing on their respective company's needs (see Chapter V – Cost Allocations and Affiliated Interests for additional information on shared services).

A visual depiction of the materials management organization is shown in Exhibit X-1. Managerial oversight and executive sponsorship for the materials management function are handled by UGI Utilities' Director of Business Performance, who reports directly to the VP EHS. Meanwhile the Manager Materials Management (Materials Manager) is responsible for the supply chain and inventory management activities at UGI Utilities. Reporting to the Materials Manager are four Materials Management Senior Supervisors (MM Supervisor) responsible for the day-to-day onsite management of UGI Utilities warehouses.

Exhibit X-1
UGI Utilities, Inc.
Materials Management Organization Chart
As of November 12, 2025



Source: PUC Data Request EM-1

The materials management department under the MM Supervisors consists of 24 employees throughout UGI Utilities' service territory. Due to the significant travel time between UGI Utilities' service areas and the need to immediately respond to outages and other emergencies, inventory is held at 29 storeroom and warehouse locations spread across Pennsylvania. The Company operates on a hub and spoke model²⁹ with two central warehouses in Reading and Wilkes-Barre for Gas Operations and one central warehouse supporting Electric Operations³⁰.

Materials management and procurement utilize SAP for most inventory management and purchasing functions. The major functions include material requisition, inventory control, cycle counting, material issues and transfers, forecasting and planning, and generating reports. Management relies on several key performance indicators (KPI) to monitor and track productivity and efficiency. Procurement's most significant KPI is an Annual Value Delivery Goal that tracks savings and added value based upon certain guidelines developed by management. Materials management produces a monthly report that tracks non-emergency and emergency inventory value, inventory turnover, value of issued materials, value of material transfers, cycle count accuracy, and a summary of inventory by warehouse and storeroom.

²⁹ Hub and spoke model describes a network in which a central location (i.e., the hub) manages communication, traffic, or distribution for outlying locations (i.e., the spokes)

³⁰ As noted in Chapter VIII – Electric Operations, UGI Utilities electric distribution services are concentrated within Luzerne and Wyoming counties Pennsylvania.

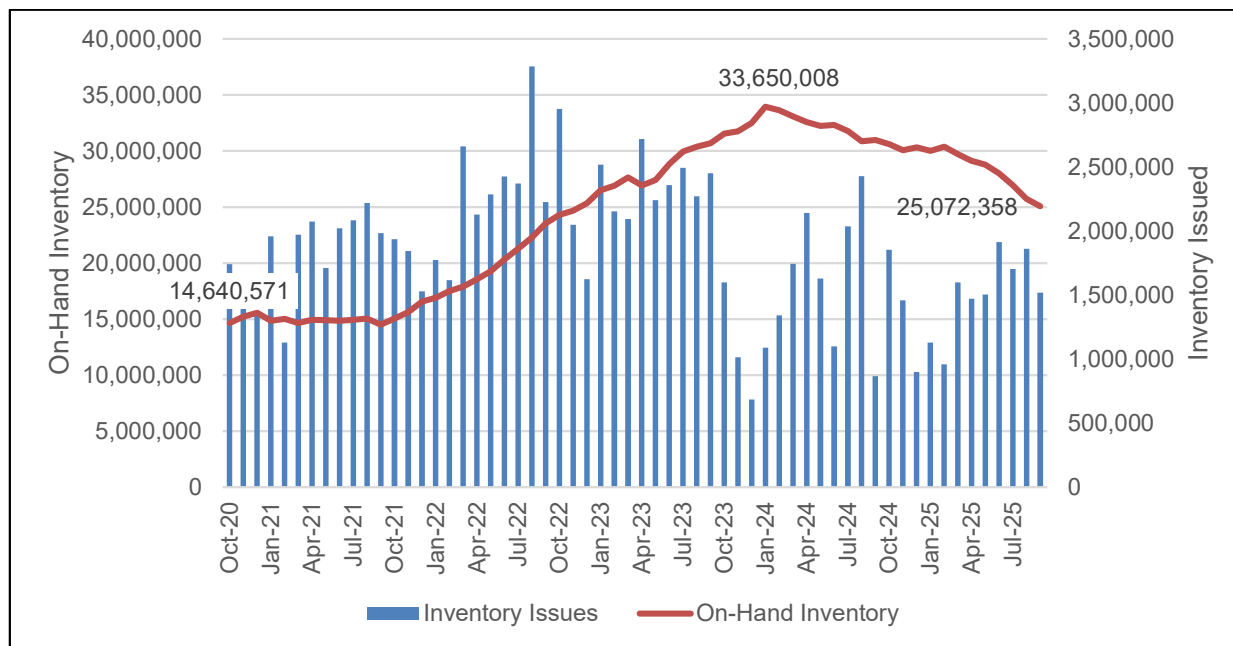
Findings and Conclusions

Our examination of the Materials Management function focused primarily on a review of the organizational structure, policies and procedures, information systems, reporting capabilities, inventory controls, inventory levels, inventory turnover rates, procurement, and warehouse operations. Based on our review, UGI Utilities should devote additional efforts to improving its materials management function by addressing the following:

Finding X-1 – The total value of UGI’s inventory more than doubled between 2021 and 2024 and inventory turnover decreased well below the industry average.

Analysis of inventory levels revealed the dollar value of on-hand non-emergency materials increased significantly throughout 2021 to 2024. Exhibit X-2 below details the extent of this increase, from \$14.64 million in October 2020 to a high of \$33.65 million by January 2024.

Exhibit X-2
UGI Utilities, Inc.
Monthly Non-Emergency Inventory Levels and Inventory Issues
Fiscal Years 2021 – 2025



Source: PUC Data Request MM-11

While inventory issues increased between October 2021 and September 2023, UGI Utilities did not sustain an increased level of issues. Significant increases in overall total inventory levels without commensurate increases to inventory issues negatively affected inventory turnover rates. The PUC Auditors calculated inventory turnover at

approximately 0.5 to 1.5 turns³¹, reflecting significant weakness in turnover performance. Inventory turnover ratios in the range of 2.0 – 4.0 are considered optimal for utilities.

UGI Utilities Management indicated the rise in inventory levels was due to panic purchasing during and following the COVID-19 pandemic. Most utilities faced significant supply chain challenges from the pandemic, including delays to acquire materials, unavailability of materials, and increased stock outs. As a mitigating strategy, UGI Utilities purchased additional inventory to ensure availability of critical materials. As an example, UGI Utilities has not bought any risers since 2022 due to excess on-hand inventory. UGI Utilities began reducing inventory levels in early 2024 but additional reductions are needed to return to efficient inventory turnover levels. By reaching an inventory turnover of 2.0, UGI Utilities could improve the operational efficiency of the materials management function and save approximately \$2.8 million annually in associated carrying costs³².

Recommendation X-1 – Continue efforts to reduce inventory and maintain inventory turnover of at least 2.0 annually.

Finding X-2 – UGI Utilities’ internal reporting incorrectly calculated inventory turnover since 2021.

As discussed in the Background section of this chapter, UGI Utilities’ Materials Management tracks inventory turnover as part of their monthly KPI. PUC Auditor analysis of the Company’s inventory turnover using monthly on-hand inventory levels and monthly inventory issues revealed a discrepancy between the inventory turnover reported internally and the data being used to calculate those figures. In response, UGI Utilities reviewed the data and discovered certain materials within their materials management information system (MMIS) were not assigned to any warehouse or storeroom. These materials were being excluded by the MMIS when UGI Utilities would run reports. Exhibit X-3 below provides an example and visualization of the impact on turnover. The amount of on-hand non-emergency inventory is for September of each year (the end of UGI Utilities’ fiscal year) from 2021 – 2025. These fiscal year inventory turnover ratios were calculated using an average inventory level of the first and last months of the fiscal year for non-emergency stock and a 12-month total for inventory issues.

³¹ See Finding X-2 for additional details related to UGI Utilities reporting and calculation of inventory turnover.

³² Assumes a carrying cost of 15% and an overall turnover of 2.0 generating a reduction of inventory levels of \$18.9 million or corresponding increase in inventory issues.

Exhibit X-3
UGI Utilities, Inc.
Revised Inventory Turnover
Fiscal Years 2021 – 2025

	2021	2022	2023	2024	2025
Assigned Inventory	9,275,998	15,343,339	19,291,499	16,629,783	6,661,652
Unassigned Inventory	5,225,524	8,185,113	11,416,528	14,352,919	18,410,706
Total Inventory	\$14,501,521	\$23,528,452	\$30,708,027	\$30,982,702	\$25,072,358

Unassigned % of Total	36.0%	34.8%	37.2%	46.3%	73.4%
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	2021	2022	2023	2024	2025
Turnover (Pre-Adjustment)	2.342	1.699	1.446	1.063	2.683
Adjusted Turnover	1.498	1.108	0.908	0.571	0.713

Note: Turnover (pre-adjustment) is calculated by dividing inventory issues by assigned inventory each year. Adjusted inventory is calculated by dividing inventory issues by total inventory for the same period.

Source: PUC Data Requests MM-11 and MM-17 and Auditor Analysis

As also reflected in Exhibit X-III, the Company's unassigned inventory represented 36% of all non-emergency inventory in fiscal year 2021, but this increased to over 73% of inventory by the end of the 2025 fiscal year. The exclusion of unassigned inventory resulted in the overstatement of inventory turnover by 0.5 to 2 turns depending on the year. A review of UGI Utilities' internal reporting indicates management has been reporting the preadjusted turnover KPI since at least October 2020 (i.e., the beginning of the fiscal year 2021).

Although the specific cause for this error is unknown, it is clear the Company failed to properly validate inventory data and formulas used to calculate the inventory turnover KPI. KPIs represent an important measurement for management to evaluate performance, address concerns, and make sound business decisions. KPIs provide an opportunity to benchmark the Company's performance with its peers. Therefore, both the integrity of the data and the process by which a KPI is calculated must be beyond reproach. Inaccurate or misleading KPIs can lead to efficiency loss, mismanagement of assets, and increased costs.

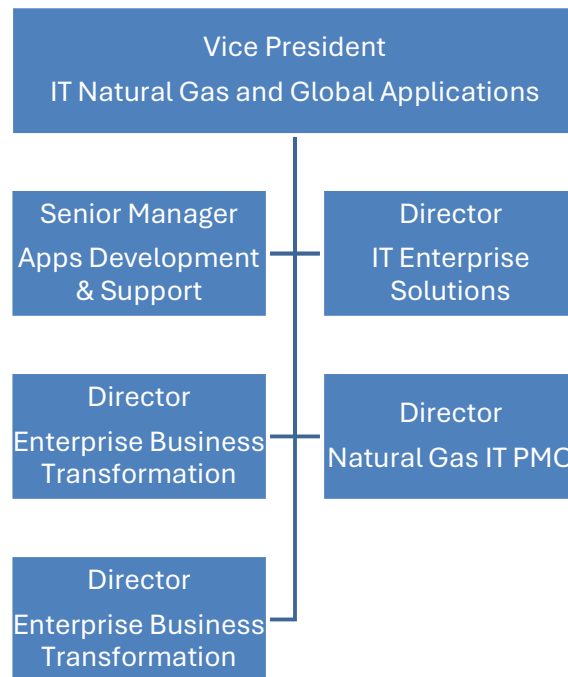
Recommendation X-2 – Review and correct the process to calculate inventory turnover.

XI – INFORMATION TECHNOLOGY

Background

The Information Technology (IT) department provides consolidated IT-related services for all of UGI Utilities, including both the UGI – Electric Division and UGI – Gas Division. The IT Department is managed by the UGI Corp. Vice President IT Natural Gas and Global Applications (VP IT NG & GA) who oversees IT functions at UGI Utilities and has additional responsibilities to UGI Corp, where he reports to the Global CIO (UGI Corp.). UGI Corp.'s IT Department is a shared service, handling cybersecurity, end user support (help desk), and operations and infrastructure. As shown in Exhibit XI-1, UGI Utilities' IT Department is organized across multiple functions including Applications Development & Support, IT Enterprise Solutions, Enterprise Business Transformation, etc.

Exhibit XI-1
UGI Utilities, Inc.
Abbreviated IT Department Organization Chart
As of November 12, 2025



Note: The above chart is limited to UGI Utilities' IT Department staff reporting to UGI Corp. VP IT NG & GA. The UGI Corp. VP IT NG & GA reports indirectly to the UGI Utilities' President (see also Chapter III – Executive Management, Exhibit III-1).

Source: PUC Data Request EM-1

The Applications Development and Support team handles development of applications at UGI Utilities and provides support for these programs. The IT Enterprise Solutions team architects, implements, and manages large-scale software systems such

as the Company's customer information system (CIS), or its Enterprise Resource Planning (ERP) systems. The Enterprise Business Transformation team is focused on UGI Utilities' Next Information Technology Enterprise (UNITE) program. The Director of Natural Gas IT PMO is in charge of the IT Department's Project Management Organization, which manages the IT Department's projects from a portfolio perspective. The PMO uses an 18 month active project list, with resources identified by name for the current and upcoming quarter and identified by subject area for the subsequent four quarters.

Since 2016, the IT Department has been working on a series of upgrades, replacements, and modifications of IT systems in support of UGI's UNITE program. The UNITE program is the primary focus within the IT three-year strategic plan and is a major use of IT resources. UNITE is a three-phase project aimed at upgrading UGI Utilities' IT systems and capabilities. The first phase was completed in September 2017 and centered on the deployment of a new CIS, which replaced two older mainframe-based customer information systems. This phase covered customer relationship management functions as well as the meter-to-cash process. As part of this project, UGI Utilities added a fully integrated customer web portal and a companion mobile device platform for Android and iOS. These initiatives provided customers with improved access to their accounts, visibility to their usage and billing information, and access to pay their bills online. Since 2017, UGI Utilities has improved the user experience for their CIS and implemented billing components in support of renewable natural gas. UGI Utilities plans to add the ability to schedule and track the status of service requests in the future.

The second phase began in March 2018 and continued through 2023. Phase 2 of the UNITE program included several interconnected projects, including the replacement or deployment of ERP systems (i.e., finance, plant accounting, supply chain, inventory, and warehouse); implementation of a new human capital management system (talent and learning management, performance, goals, and compensation management); and implementation of the third-party contractor management system. The third-party contractor management system allows UGI Utilities and its contractors to initiate, approve, track, and generate invoices with shared visibility at all stages of work execution.

The third phase began in fiscal year 2020 and is planned to continue through fiscal year 2027. UNITE Phase 3 projects include capital planning and budgeting (implemented in October 2020), asset data collection (ADC), enterprise asset management (EAM), and gas outage management. ADC will consolidate, digitize and field mobilize the governance of facilities and asset data. Meanwhile, the EAM will provide capabilities to design, plan and execute all long-cycle work processes such as construction and maintenance and provide details like lifecycle costs and asset identification. The gas outage management will leverage hydraulic modeling, asset, GIS, and work management information to provide gas outage management capabilities.

UNITE is envisioned as a transformational program, supporting the IT Department's strategy to guide the IT function through a defined and managed framework. Prior to implementation of the UNITE program, many of the IT systems were legacy-based or end of life, offering limited capabilities. However, with the host of capabilities offered by the various UNITE systems, UGI Utilities seeks to align with and

support effective automation and streamlining of business processes, procedures, and practices. The IT Department's goal is to replace the aged IT application portfolio with more modern solutions using standardized, enterprise-wide solutions. See Finding XI-2 for more information about the need to modernize UGI Utilities' legacy systems.

Findings and Conclusions

Our examination of Information Technology (IT) focused primarily on a review of the IT department budget and related policies, procedures, and performance; a review of asset levels, system development lifecycles and access controls; a review of key IT performance indicators, computer systems monitoring, software evaluation, change metrics, and internal client satisfaction; a look at project management and contractor management, etc. Based on our review, UGI Utilities, Inc. should initiate or devote additional effort to improving its IT function by addressing the following:

Finding XI-1 – The IT Department's reporting to UGI Utilities' management is limited to the status of active projects and does not include performance metrics on service to end users.

It is an industry best practice to consistently collect and track key performance metrics in a timely manner to support the evaluation of IT Department performance. Identification of appropriate key performance indicators is critical and must be evaluated based upon timely, consistent, and complete data. UGI Utilities' IT department level reporting to management from 2021 through 2025 was limited to the timing and expenses of active IT projects. The limited reporting lacks data on helpdesk performance, service quality, and contains no tracking for the training or performance of employees.

Organizational changes and adoption of new services have caused IT metrics to be tracked inconsistently. While the Company provided some first contact resolution (FCR) reporting, those metrics were not tracked consistently and are no longer routinely reported to UGI Utilities' management. UGI Utilities lacks timely, comprehensive confirmation of the effectiveness of its IT service. PUC Auditors recommend that the Company expand its IT Department reporting to include key performance indicator metrics (i.e., help desk, training, FCR, etc.) to ensure adequacy of oversight and confirm the function is operating effectively.

Recommendation XI-1 – Expand reporting to UGI Utilities Management to include IT operational performance metrics not captured by the IT Status Reports.

Finding XI-2 – UGI Utilities’ Work Management System (WMS) is outdated and in need of replacement.

UGI Utilities’ WMS is called DOJM (Distributional Operational Job Management) and was implemented in 1973. DOJM runs on a mainframe and has been identified for replacement. However, in the interim, in order to serve the work management function, DOJM requires storage supplementation from a separate system to process its calculations. UGI Utilities implemented an Asset Data Gathering project to create a discrete data store to work around DOJM’s limitations. Replacement of DOJM is scheduled to begin in fiscal year 2028 with the targeted completion in fiscal year 2030 as part of the UNITE program.

UGI Utilities generally has a five-year refresh cycle to ensure the company is not relying on outdated hardware, with exceptions for specific systems that are still supported by the supplier. However, UGI Utilities began its current refresh of IT systems in the UNITE program on customer facing applications. This has left internal working systems like the WMS less of a priority and has caused reliance upon duplicative processes to address system limitations. The current system is unable to store enough data to meet operational requirements, which has led to duplicative processes including a complicated separate storage and input solution requiring an inefficient process to process the needed data. Unfortunately, given the current timeline, it will take UGI Utilities’ IT department four years from now until an upgraded system is in place. Therefore, UGI Utilities should explore ways to expedite or at least ensure the WMS replacement remains on track.

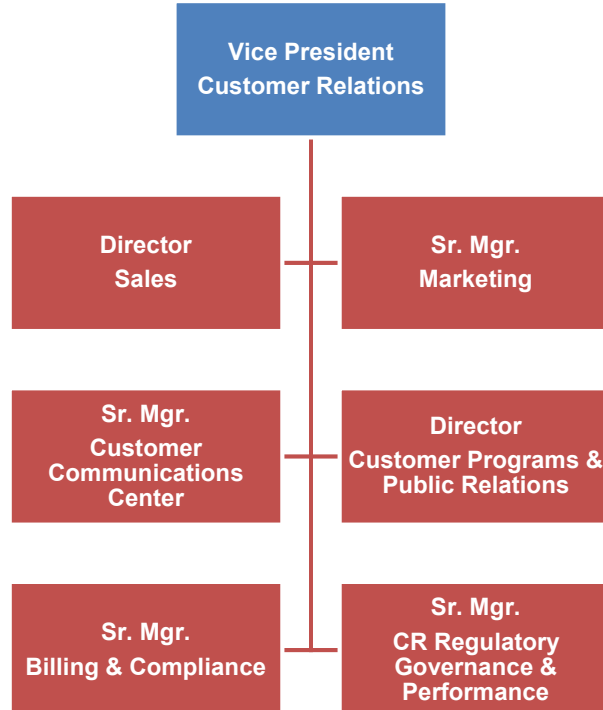
Recommendation XI-2 – Assure the replacement for the work management system remains on schedule.

XII – CUSTOMER SERVICE

Background

As of December 2025, UGI Utilities, Inc. (UGI Utilities or Company) served more than 700,000 natural gas customers and approximately 63,000 electric customers in Pennsylvania. As shown in Exhibit XII-1, UGI Utilities' Vice President Customer Relations (CR) is responsible for the business development and customer service departments. UGI Utilities' business development services are conducted via its Sales and Marketing groups and focuses on promoting utility service, connecting new customers, etc. Whereas, UGI Utilities' customer service department provides a range of services and functions to ratepayers, including customer communications, billing, collections, low income and hardship assistance programs, and customer experience administration via the Company's Customer Communications Center, Customer Programs and Public Relations, Billing and Compliance, and CR Regulatory Governance groups, as shown in Exhibit XII-1.

Exhibit XII-1
UGI Utilities, Inc.
Customer Service Organization Chart
As of November 12, 2025



Source: PUC Data Request EM-1

The Senior Manager Customer Communications Center oversees the customer care center (Contact Center), the training quality assurance (TQA), and credit &

collections (C&C) teams. The Contact Center is led by the Senior Supervisor Customer Care. Customer Care Representatives (CCR) in the Contact Center are available to handle calls weekdays from 8am until 5pm. CCRs accept payments by phone, answer billing inquiries, respond to emails, create service orders (including starting/stopping service), and take outage and emergency calls. A third-party contractor provides additional customer service representatives for support during periods of excess call volume and to respond to gas and electric emergencies after hours. The same phone number is used to report gas and electric emergencies and is available 24 hours a day, 7 days a week. CCRs work remotely from home, though newly hired employees are initially required to be onsite at their Wilkes-Barre or Denver offices during the training and nesting period.

Training and development for the Contact Center is provided by the TQA team. The TQA team is led by the Senior Supervisor TQA who has five direct reports, including a Quality Assurance (QA) Coordinator and four Customer Care Trainers (Trainers). The QA Coordinator is responsible for compiling internal call metrics such as call performance and customer satisfaction data provided by third-party vendors. Meanwhile, Trainers are responsible for all customer service-related training including third-party training and support within the Contact Center and C&C teams. The TQA team provides ongoing training and coaching assistance, including annual, emergency, new hire, and remedial training.

The Director of Customer Programs and Public Relations maintains oversight of the Customer Program group which is responsible for the Universal Service Program (USP), energy efficiency and conservation, customer relations, and media relations teams. The USP is a multifaceted program designed to assist low-income customers maintain natural gas and electric utility service and includes:

- **Customer Assistance Program (CAP)** – payment assistance and debt forgiveness program for qualified payment-troubled low-income customers, where payments are based on the lower of a percentage of income or average monthly bill
- **Operation Share Energy Fund** – annual crisis grants available to customers who are not active CAP participants to assist in the repayment of outstanding balances
- **Low Income Usage Reduction Program (LIURP)** – energy conservation and education program that provides qualifying low-income customers with household energy audits, which may result in installation of energy conservation and efficiency measures and provides free education to facilitate energy conservation and usage reduction
- **Customer Assistance & Referral Evaluation Services (CARES)** – outreach and referral service for customers with special needs and/or hardships

Natural gas and electric utility customers are invoiced through UGI Utilities' Billing and Compliance (Billing) group. The Billing group is responsible for all customer invoicing and billing exceptions, including natural gas, electric, and dual service for residential,

commercial, and industrial customers. The Billing group is also responsible for compliance such as responding to informal and formal disputes from customers.

UGI Utilities' CR Regulatory Governance group is led by a Senior Manager and is responsible for supporting IT systems and analytics. The CR Regulatory Governance group also provides support for the Customer Service Department's IT vendors (e.g., call center platform, dialer, etc.). Analytics support includes reporting on all Customer Service Department metrics: customer satisfaction and Contact Center metrics. The Company's call center quality of service metrics are provided below in Exhibit XII-2.

Exhibit XII-2
UGI Utilities, Inc.
Call Center Quality of Service Measurements
2021 – 2025

Service Measurement	2021	2022	2023	2024	2025
Average busy-out rate	0.00%	0.00%	0.00%	0.00%	0.00%
Abandonment rate	5.25%	8.63%	7.13%	4.39%	4.74%
Percentage of calls answered in 30 seconds	82.1%	73.0%	82.4%	85.5%	86.1%

Source: PUC Data Requests CS-4, CS-9, and CS-25

Findings and Conclusions

Our examination of the Customer Service function focused primarily on a review of the policies and procedures, organizational structure, staffing levels, customer service performance, customer information system, meter reading, billing, payment, credit and collections processes, etc. Based on our review, UGI Utilities should devote additional efforts to improving its customer service function by addressing the following:

Finding XII-1 – UGI Utilities' Customer Service Department is unable to evaluate the promptness and consistency of email inquiries and communications.

Management estimated UGI Utilities receives approximately 10,000 emails per month on average compared to 120,000 phone calls. Although only a fraction of customer inquiries, emails represent a significant point of contact for the Company. Email communications are managed through a shared inbox overseen by one of the Contact Center Supervisors. On a weekly basis, a rotating group of CCRs is assigned responsibility for responding to emails. The Company indicated an informal goal of responding to customer emails within two business days, although no method of tracking or recordkeeping is in place to review and evaluate service quality and promptness of customer interactions.

As discussed in this chapter's Background, UGI Utilities tracks quality of service call center performance metrics required under 52 Pa. Code § 62.33. However, none of the regulations related to quality control and oversight of customer phone contact apply

to customer email interactions. Measurement of the tasks completed, and resources assigned to handle customer email inquiries provide visibility to ensure expected performance is achieved. The inability to critically evaluate routine customer service interactions presents a gap or blind spot when attempting to determine overall performance and service levels. Failure to measure activities requiring CCR intervention prevents holistic evaluation of performance levels and service quality. It may lead to service decline in a specific area without sufficient information to identify all causes of the deficiency, hinder or prevent customer adoption of certain communication methods, and delay the timely implementation of corrective actions.

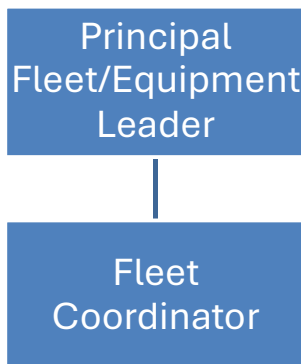
Recommendation XII-1 – Establish reporting and key performance indicators for email communications that support evaluating timely and sufficient communications with customers.

XIII – FLEET MANAGEMENT

Background

UGI Utilities' Fleet Department manages the maintenance program, fleet vendors, fuel cards, procurement of vehicles and equipment, asset disposal, and the budgets for fleet related capital expenditures and operation expenses. The Fleet Department organizational structure shown in Exhibit XIII-1, is composed of the Principal Fleet/Equipment Leader and one direct report, Fleet Coordinator. The Principal Fleet/Equipment Leader has direct oversight of sourcing vehicles and equipment, fuel card program, routine maintenance, Department of Transportation regulations, etc. The Fleet Coordinator reconciles and processes vendor invoices and fuel cards accounts for timely payment, and secures and maintains valid vehicle titling, registration, and operating licenses.

**Exhibit XIII-1
UGI Utilities, Inc.
Fleet Department Organization Chart
As of November 12, 2025**



Source: PUC Data Request EM-1

UGI Utilities outsources all vehicle and equipment maintenance, including preventive maintenance, state inspections, and vehicle repairs through contracts with two vendors; one serves as a general fleet management company, handling some maintenance in addition to other services³³ and the other vendor is the primary maintenance provider. The vendors use their own preferred network of repair shops and dealerships for maintenance. As such, the preferred repair shops hold inventory in stock specifically for UGI Utilities' fleet. Fleet vendors are authorized to make repairs for up to \$1,000 without preauthorization. Any repair over the threshold requires approval by the Principal Fleet/Equipment Leader.

The primary maintenance provider contract encompasses over 900 of UGI Utilities' vehicles or assets. The vendor assigns dedicated mechanics to UGI Utilities' fleet at a

³³ Other services include titling, licensing, and purchasing fleet assets.

number of locations throughout UGI Utilities' service territory. Meanwhile, the general fleet management company includes a limited number of maintenance locations in areas where the primary maintenance vendor does not operate. Representatives from both vendors initiate contact when vehicles are due for preventive maintenance or inspections. Once a vendor confirms a vehicle is available for service, the vendor coordinates a convenient pickup to assist in minimizing operational downtime.

The Fleet Management System (FMS) is a centralized platform that integrates information from both vendor hosted web-based applications. The FMS is leveraged for the management of fleet records as well as facilitating vehicle acquisition. The platform centralizes and automates routine reporting on fuel usage, Compressed Natural Gas utilization in bi-fuel vehicles, operating and capital expenses, overall vehicle utilization, new vehicle production schedules, and asset sales. Additionally, vehicle and equipment assets have embedded telematics enabling the continuous monitoring of real time data such as vehicle utilization and current location. As of November 2025, UGI Utilities had 1,062 assets in its fleet. See Exhibit XIII-2 for the number of vehicles by classification.

Exhibit XIII-2
UGI Utilities, Inc.
Number of Vehicles by Class
As of November 13, 2025

Vehicle by Class	Number of Vehicles
SUV	127
Heavy Duty Truck	85
Medium Duty Truck	116
Light Duty Truck	520
Van	214
Total Vehicles	1,062

Source: PUC Data Request FT-3

The Principal Fleet/Equipment Leader oversees the strategic replacement of assets past their economic service life. To assist in optimizing its fleet lifecycle, the Company established a 10 year threshold for asset replacement, phasing out vehicles with chronic maintenance downtime. By establishing a replacement threshold and transitioning to a more modernized fleet, UGI Utilities expects to realize cost savings through advanced safety features and fuel efficiency. From 2019 through 2025, the Fleet Department has successfully lowered their average fleet age as depicted in Exhibit XIII.3.

Exhibit XIII-3
UGI Utilities, Inc.
Average Age of Fleet
2019 – 2025

	2019	2020	2021	2022	2023	2024	2025
Average Fleet Age (in years)	7.9	8.3	6.3	5.5	5.6	5.9	5.4

Source: PUC Data Request FT-16

On an annual basis, the Fleet Department reviews highest lifetime maintenance costs to determine which vehicles are eligible for replacement. Fleet replacement criteria include miles driven or engine hours on the unit, age and physical condition of the unit, operational and safety performance, and obsolescence. Occasionally, alternative criteria are used to evaluate vehicles or equipment replacement eligibility including the history of the vehicle, the physical condition, department use of the vehicle, and past and present monthly mileage. Once a vehicle has been deemed end of life, the Fleet Department engages with its auctioneering company for sale of the asset. The auctioneering company will pick up the vehicle and take it to their auction location to sell, typically occurring within 45 days.

Findings and Conclusions

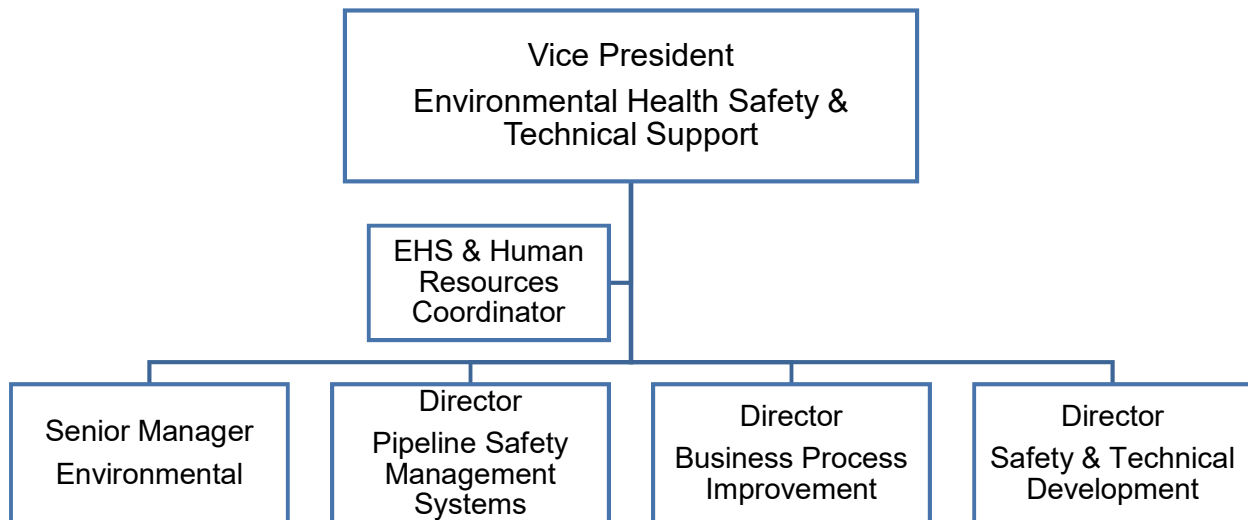
Our examination of Fleet Management focused primarily on a review of operating policies and procedures, staffing, vehicle maintenance, vehicle replacement, fleet vendor contracts, fleet management system, reporting, etc. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the Fleet Management functional area.

XIV – SAFETY

Background

UGI Utilities' Parent Company has established Safety as a core value, identifying key performance indicators of safety culture as one pillar of its core corporate strategy. Thus, UGI Utilities' strategic planning aligns with UGI Corp. core values including safety culture, see Chapter III – Executive Management for additional information about the strategic plan. Additionally, UGI Utilities' organizational structure supports safety culture via its Environmental Health Safety and Technical Support (EHS) department which has oversight of the Company's safety program and supporting activities as led by the VP EHS who reports directly to UGI Utilities' President.

Exhibit XIV-1
UGI Utilities, Inc.
Environmental Health Safety & Technical Support Department Organization Chart
As of March 30, 2026



Source: PUC Data Request SA-20

The VP EHS is responsible for EHS, which supports all UGI Utilities' operations via its structure, including Environmental, Pipeline Safety Management Systems (PSMS), Business Process Improvement (BPI), and Safety & Technical Development (Safety). The EHS department is supported by the EHS & Human Resources (HR) Coordinator who provides administrative assistance and supports interactions with HR. The Environmental group is responsible for managing all environmental engineering-related activities including permitting, sustainability management, policies and supporting plans (manufacturer gas, mercury regulator removal, etc.). The PSMS group supports UGI Utilities - Gas Division through policy governance, alignment of best practices through regulatory standards, material testing, failure analysis, etc. Additionally, the PSMS group has responsibility for maintaining updated procedures for Gas Operations

and regulatory filings including UGI Utilities' distribution integrity management plan (DIMP), see Chapter VII – Gas Operations for additional information on UGI Utilities - Gas DIMP. The BPI group is responsible for supporting UGI Utilities' operations and managing the leak survey program. The BPI group is also responsible for dispatch, materials management, and office services. The Safety group has responsibility for UGI Utilities' Safety Program (including both Gas and Electric divisions), training and development, oversight of internal and external parties' operator qualifications (OQ), UGI Utilities' Learning Center, and the quality assurance team.

UGI Utilities' Safety Program uses a company-wide, multi-layered approach to communication and engagement through regular meetings of various levels of its Safety Committees. A combination of local, central, and lead safety committee meetings provide a conduit for communication on safety-related matters from local field employees to Company leadership that help identify improvement opportunities. A monthly Safety Executive Steering Committee³⁴ provides direction through review of safety performance results, incidents, corrective actions, and improvement opportunities. Furthermore, the localized safety committees also provide a forum for Management's communication of process changes, handling of new personal protective equipment (PPE), risk mitigation efforts, etc. In addition to the various layers of Safety Committee meetings, UGI Utilities' Safety Program includes:

- **Routine communication** – monthly safety meetings & tailgates
- **Training** – Learning Management System (LMS) available to all employees on demand as well as in-person trainings
- **Field Audit & Incident Investigation** – participation in contractor safety meetings to facilitate communication of infractions, sharing of lessons learned between all parties (internal and external) from incident investigations
- **Learning Center** – dedicated site for immersive training, including driver safety, classroom, simulated residential and construction environments, hands-on equipment training and support, materials/equipment/tool evaluation and testing, including OQ testing

UGI Utilities' Learning Center was established in 2023. The complex includes multiple structures and supports classroom and hands-on training. The facility also houses various types of Company equipment found within UGI Utilities' service territory. Stations to practice and obtain training on use of specialty maintenance (respirators, various technologies and material composition, required tool handling, etc.). Also addressed are customer-owned materials including uncommon, outdated technology

³⁴ The Executive Steering Committee is composed of staff from UGI Corp.'s regulated utilities, Mountaineer Gas and UGI Utilities. Mountaineer Gas staff includes: President – Mountaineer Gas, VP Gas Supply & Technical Services, Sr Manager, Safety & Health and UGI Utilities staff includes: President – UGI Utilities, VP EHS, VP Operations – Utilities, Senior Director – Electric Division, Director Operations South Region, Director Operations North Region, Director Capital Construction, Director Safety & Technical Development, Director Pipeline Safety Management Systems, Director HR Business Partner – UGI Utilities, Manager Safety, and Principal Project Leader – Safety

(e.g., natural gas-powered refrigeration) which may still be actively in use by customers to more fully educate all employees by providing exposure to a variety of equipment which could potentially endanger employees and the public at large. Furthermore, in recognition of the prevalent safety risk involving motor vehicle accidents, UGI Utilities leveraged the facilities for company-wide comprehensive foundational and refresher training on driving safety for all employees.

UGI Utilities routinely surveys employees for feedback about its safety culture. These surveys are used to provide insights into the effectiveness of its efforts and identify weaknesses or opportunities for improvement. Another method of evaluation of its safety performance has been the tracking of certain key performance indicators. These metrics capture both proactive and reactive measures which allow Management to implement changes as appropriate to remediate weaknesses, including robust reporting on all incidents and near misses. The key performance indicators³⁵ included two key metrics comparable to the U.S. Bureau of Labor Statistics' (BLS) published information. As reflected in Exhibit XIV-2, UGI Utilities' OSHA recordable rate and DART rate performance improved during the audit period, outperforming average rates for utilities in 2024.³⁶

Exhibit XIV-2
UGI Utilities, Inc.
OSHA Recordable and DART Rates Comparison with
U.S. Bureau of Labor Statistics Data
Fiscal Years 2021 – 2025

	2021	2022	2023	2024	2025
OSHA Recordable Injury Rate*	2.35	2.20	1.87	1.69	1.75
U.S. BLS OSHA Rate	1.7	1.7	1.8	4.3	NA^
DART Rate*	1.78	1.81	1.27	1.04	1.37
U.S. BLS OSHA DART Rate	1.1	1.1	1.1	2.8	NA^

*Fiscal year rates per 200,000 hours worked

^U.S. BLS data not yet available for 2025

Source: PUC Data Request SA-5 and U.S. BLS Data (Code 22 - Utilities)

Findings and Conclusions

Our examination of Safety function focused primarily on corporate culture safety strategy, safety program goals and metrics, training, Safety Committee, tracking and reporting, operations, etc. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the Safety functional area.

³⁵ Additional safety key performance indicators include employee completion of safe driver refresher training, confirmation of supervisor coaching on qualifying events, participation rate in monthly safety meetings, and accountable vehicle incident rates.

³⁶ U.S. BLS information for 2025 was not available for comparison due to the lag time (generally 12-14 months) between data collection, analysis, and publication.

XV – HUMAN RESOURCES AND DIVERSITY

Background

As discussed in Chapter II – Background, UGI Utilities, Inc. (UGI Utilities) is a wholly owned subsidiary of UGI Corporation (UGI Corp.) subject to regulations by the Public Utility Commission. In October 2021, UGI Corp. restructured the Human Resources (HR) department by migrating certain HR functions into UGI Corp. HR as centralized, shared services to be provided to UGI Corp. affiliates, including UGI Utilities. These centralized services are grouped by teams within UGI Corp.'s HR Center of Excellence (UGI Corp. HR COE) which provides a range of shared services that support UGI Utilities' Human Resources (UGI Utilities' HR) department. UGI Corp. HR shared services operates through centralized and specialized teams that design, develop, and govern core HR programs, including:

- **Performance and Talent Management** – manages performance appraisal, succession planning, talent assessment, and leadership development programs
- **Learning and Development** – oversees the Learning Management System (LMS), curates training courses and professional development
- **Workforce Analytics and Planning** – develops HR metrics and dashboards, reporting, budgeting and strategic planning
- **HR Strategy and Projects** – leads HR initiatives, policy development, and effectiveness efforts

Employees within the UGI Corp. HR COE are responsible for designing programs to implement and ensure compliance in:

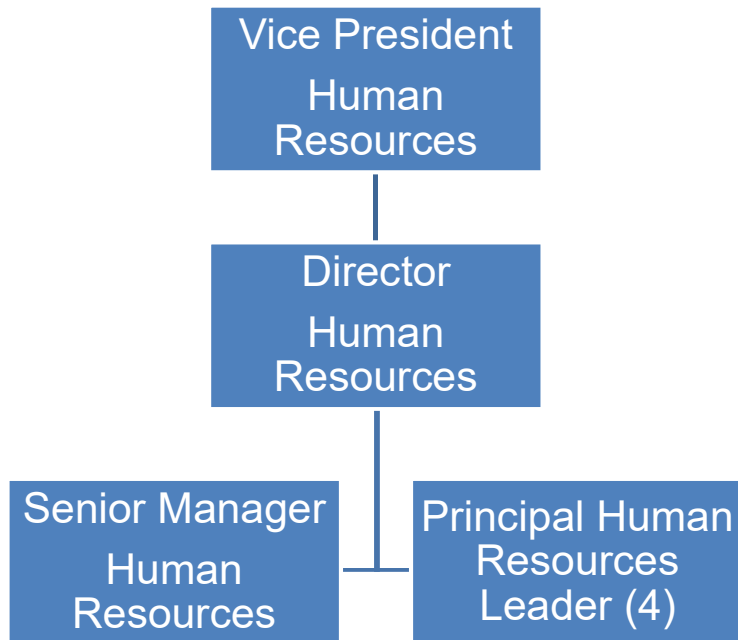
- **Benefits** – plan design and administration, open enrollment, leave of absence, carrier management, escalated inquiries
- **Compensation** – design compensation structures, merit increase and incentive plan processes, position grading and salary recommendations
- **Talent Acquisition** – job postings, recruiting, screening, interview coordination, offer processing, onboarding initiation, pre-employment administration
- **Payroll/HRIS** – payroll processing and Human Resources Information System administration and system updates

As mentioned above, the UGI Corp. HR COE's Talent Acquisition Team is responsible for posting positions, recruiting, screening qualified candidates, and coordinating interviews. When a position becomes available, UGI Utilities' HR collaborates with the hiring manager to align job duties with the posting. UGI Utilities' HR

is then involved in the hiring process by helping to interview, set compensation, etc. Additionally, UGI Utilities works with local colleges, universities, and technical schools, which serve as a primary recruitment channel for intern or summer positions and offer pathways for full-time employment.

As summarized in Exhibit XV-1, UGI Utilities retained a contingent of HR staff which is led by the Director of Human Resources, who directly reports to UGI Corp's VP of HR. UGI Utilities HR is responsible for addressing employee relation issues, conducting workplace investigations, overseeing employee engagement and performance management, designing career paths, and guiding hiring managers. Additionally, some HR functions are shared between UGI Utilities and UGI Corp HR. For example, UGI Corp. HR partners with UGI Utilities' HR team for succession planning and talent management. Both groups aim to use a matrix approach to identify high potential candidates and ensure they get the opportunities or training to develop necessary skills. In this way, UGI Corp. HR is responsible for the overall process and ensures key positions at UGI Utilities are covered whereas UGI Utilities' HR provides day-to-day support on development or specific position succession planning.

Exhibit XV-1
UGI Utilities, Inc.
Human Resource Department Organization Chart
As of November 12, 2025



Source: PUC Data Request EM-1

Annually, UGI Utilities' HR assesses salary ranges to ensure that employee compensation is within the midpoint market range. On an ad hoc basis, the salary review process is supported by a third-party compensation survey. In 2024, UGI Utilities used a third-party to evaluate 100 unique job title focusing on executive level or other critical

positions. This external benchmarking evaluated comparable positions within energy and utility specific companies nationwide. Opportunities for adjustment are considered when ranges are outside market level, prompting conversations with executives to determine the appropriateness of the salary comparables.

UGI Utilities' HR department is supported by their human resource information system (HRIS). The HRIS maintains a variety of information about UGI Utilities' workforce including employee demographics, applicant tracking, onboarding, assignment and completion of required courses, annual performance reviews, compensation, and payroll. The HRIS produces routine or ad hoc HR reports covering various topics such as new hires, transfers, separations, compliance orders, and span of controls. Separate software is used for employee timesheets and time off tracking, and enrollment for company benefits.

To establish a standardized service delivery and track operational volume, HR Corp. COE developed a centralized HR software tool to provide employees with self-service capabilities alongside a formalized ticketing system for escalated issues that are directed to subject matter experts. By centralizing these workflows, the system generates metrics on common inquiries, such as benefits and leave, enabling management to implement improvements on HR resources.

Diversity

The PUC has encouraged utilities to proactively improve diversity in their workforce and purchasing efforts for more than three decades. In March 1992, the PUC issued a Secretarial letter directing all jurisdictional utilities affected by Section 516 of the Public Utility Code (i.e., utilities whose plant-in-service exceeds \$10 million) to file quarterly diversity status reports with the PUC. In May 1994, the Commission issued an Order directing Section 516 utilities to file diversity status reports semi-annually rather than quarterly, to submit Equal Employment Opportunity (EEO) plans annually, and to file specified diversity procurement data. In February 1995, the PUC adopted Chapter 69 regulations that encouraged utilities to include diversity efforts as part of their business strategy. Later, in March 1997, the PUC's diversity filing requirements changed from semi-annual to annual. After reviewing its diversity requirements, the Commission issued its final rulemaking order at Docket No. L-2020-3017284 at its April 14, 2022 Public Meeting.

Based on the January 2025 Executive Order 14151, the Company's diversity program was limited to compliance-based measures with some engagement and administrative support for initiatives leveraged to meet underutilization as required by Federal/state regulations. In addition, UGI Utilities and UGI Corp participate with a number of organizations that promote vendors and support three employee resource groups; Women's impact Network, Black organization and Leadership Development, and Veteran Employee Team. UGI Utilities' HR ensures their continued efforts to comply with regulations and submitted all annual PUC diversity filings as encouraged by 52 Pa. Code Chapter 69 during the audit period.

Findings and Conclusions

Our examination of Human Resources and Diversity focused primarily on a review of the Company's policies and procedures, HRIS, compensation levels, PUC diversity filings, hiring and recruiting, and employee training. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the Human Resources and Diversity functional area.



Pennsylvania Public Utility Commission

400 North Street
Harrisburg, PA 17120
1-800-692-7380
www.puc.pa.gov

