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October 28, 2026

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

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

Dear Secretary Homsher:

Attached for electronic filing please find the Office of Consumer Advocate's Exceptions **PUBLIC** version in the above-referenced proceeding.

Please note that the **CONFIDENTIAL** version of the OCA's Exceptions will only be sent to the parties that have executed the non-disclosure agreement as indicated on the Certificate of Service. The **CONFIDENTIAL** version of the OCA's Exceptions will be e-filed using the Public Utility Commission's Share Point file process.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

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Enclosures
cc: The Honorable Stephen K. Haas (email only: sthaas@pa.gov)
The Honorable Chad L. Allensworth (email only: callenswor@pa.gov)
Certificate of Service

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day filed electronically on the Commission's electronic filing system and served a true copy of the following document, the Office of Consumer Advocate's Exceptions, PUBLIC, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 28th day of October, 2026.

SERVICE BY E-MAIL ONLY

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

EXCEPTIONS
OF THE
OFFICE OF CONSUMER ADVOCATE

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I. INTRODUCTION AND OVERVIEW[1]

On October 16, 2026, Administrative Law Judges Steven K. Haas and Chad L. Allensworth (ALJs) issued their Recommended Decision (Recommended Decision or R.D.). In the Recommended Decision, the ALJs specifically erred in recommending that the OCA's proposed adjustments to the claimed rate base, expenses, and depreciation expense of UGI Utilities, Inc. – Electric Division (UGI or the Company) be denied. Further, the ALJs erred in their determinations regarding the Company's overall revenue requirement, rate design and cost of service, including the excessive customer charge; the procedural issues affecting the proceeding, and customer service, quality of service, customer assistance programs, and low-income issues.

In the Recommended Decision, the ALJs failed to adequately justify or substantiate the need for the proposed rate increase, notwithstanding a record replete with evidence demonstrating customers' inability to afford higher utility bills and the financial hardships such increases would impose. The ALJs' failure to meaningfully address this evidence or explain how the proposed increase is warranted in light of these affordability concerns undermines their conclusions and their recommendation to approve the Company's requested relief.

Further, the ALJs erred in their determinations concerning UGI's overall revenue requirement, depreciation expenses and methodology, rate design and cost of service, including the excessive customer charge; procedural issues, and customer service and quality of service.

[1] The OCA submits that the shortened twelve-day period for filing exceptions, rather than the regulatory twenty-day period provided under 52 Pa. Code § 5.533(a), unduly restricts its opportunity to meaningfully review and respond to the Recommended Decision. Given the complexity of this proceeding and the substantive deficiencies identified herein, the shortened period raises due process concerns. The OCA further submits that compliance with the forty-page limit under 52 Pa. Code § 5.533(c), coupled with the shortened filing period, materially constrains its ability to fully develop its objections. The OCA acknowledges the applicable page limit and does not seek to disregard it; rather, the OCA submits that the brevity of any argument should not diminish its perceived importance or merit, nor prejudice consideration of substantive issues that could not be fully developed within the time and space permitted.

With respect to customer assistance programs and low-income issues, the ALJs improperly conflated distinct legal and substantive concepts and protections, resulting in an erroneous analysis of the applicable safeguards for low-income customers. The ALJs further erred by partially upholding the settlement despite the deficiencies in their analysis and the lack of a clear, adequately supported basis for doing so, while inconsistently referring to the Settlement Petition as a "Rejected Joint Petition." These errors further undermine the clarity, consistency, and soundness of the Recommended Decision.

For the reasons set forth in full below, the OCA excepts to these determinations by the ALJs as unsupported by the evidence of record, inconsistent with applicable law, and/or contrary to the interests of consumers, and respectfully requests that the Pennsylvania Public Utility Commission (Commission) grant the OCA's Exceptions.

II. EXCEPTIONS

A. PROCEDURAL EXCEPTIONS

Exception No. 1: The ALJs Erred by Partially Adopting the Joint Petition for Settlement in Their R.D. Despite Characterizing It as the "Rejected Joint Petition." R.D. at 171-175, 205-218.

The ALJs erred by recommending rejection of the Joint Petition while selectively adopting its provisions in their Recommended Decision.[2] Having rejected the Joint Petition, the ALJs should have resolved the disputed issues based on the evidentiary record and applicable law, rather than effectively incorporating selected settlement terms without clearly establishing their independent evidentiary basis. This inconsistent approach fails to adequately explain the rationale for the R.D. and its dispositions and warrants Commission review to ensure that each recommendation is

[2] R.D. at 171-175, 205-218.

supported by the record and consistent with the governing law.[3] Please also see Exception Numbers 3 and 24.

Exception No. 2: The R.D. Is Deficient Because It Fails to Adequately Explain the Basis for Its Conclusions or Reconcile the ALJs' Evidentiary Findings with Their Recommended Disposition. R.D. at 171-175, 213-218; OCA Comments in Opposition to Joint Petition at 6-8.

The RD is also deficient because it fails to adequately explain the basis for its conclusions or reconcile the ALJs' evidentiary findings with their recommended disposition. Section 335(c)(1) of the Public Utility Code requires the ALJs to state their findings, conclusions, and the reasons or basis therefor on all material issues presented on the record.[4] Here, the ALJs do not consistently explain how the evidence supports their ultimate recommendations, particularly where those recommendations appear to incorporate provisions of the rejected Joint Petition.[5] Without a clear explanation connecting the evidentiary findings to the recommended outcomes, the parties and the Commission cannot adequately evaluate the rationale underlying the ALJs' conclusions.

The deficiency is particularly apparent where the ALJs recommend rejecting the Joint Petition but nevertheless recommend adopting selected settlement provisions.[6] Although the ALJs may reach conclusions consistent with individual settlement proposals if independently supported by the record and applicable law, the RD must explain the basis for doing so and reconcile those recommendations with its stated disposition of the Joint Petition.[7] A generalized assertion that a recommendation serves the public interest cannot substitute for a reasoned explanation of the evidentiary and legal basis for the result.[8] Accordingly, the OCA respectfully requests that the

[3] *See* 66 Pa. C.S. Sec. 335(c)(1) *(requiring a recommended decision to state the findings, conclusions, and reasons or basis therefore on all material issues presented on the record); Popowsky v. Pa. Pub. Util. Comm'n*, 706 A.2d 1197 (Pa. 1997)*(addressing the evidentiary basis for Commission determinations).*
[4] 66 Pa. C.S. Sec. 335(c)(1).
[5] R.D. at 171-175, 205-218.
[6] R.D. at 171-175, 213-218.
[7] *See* 66 Pa. C.S. Sec. 335(c)(1); 52 Pa. Code Sec. 69.406 (governing Commission review of proposed settlements).
[8] *See Nat'l Fuel Gas Distribution Corp. v. Pa. PUC*, 677 A.2d 861 at 864 (Pa. Cmwlth. 1996).

Commission cure these deficiencies by adopting the OCA's recommendations, which are supported by the evidentiary record, and ensure that its final determination is grounded in the record and supported by adequate findings and reasoning. Please also see Exception Numbers 2 and 24.

B. REVENUE REQUIREMENT

Exception No. 3: The ALJs Erred in Finding UGI's Proposed Revenue Increase Justified Without Adequately Considering Affordability and Macroeconomic Conditions. RD at 3–8, 25–28, 40-42, 185–193; OCA M.B. at 11, 15-27, 76, 108-119; OCA R.B. at 2-5, 9, 40-41, 47-49.

The ALJs erred in concluding that UGI met its burden of justifying an increase in annual distribution revenues without adequately evaluating whether the resulting rates are just and reasonable in light of the record as a whole, including the OCA's evidence concerning customer affordability and current macroeconomic conditions.[9] Although the R.D. acknowledges that affordability is a central ratemaking consideration and recognizes evidence of rising customer costs, arrearages, and successive rate increases, it fails to meaningfully explain how those concerns were weighed against UGI's financial interests in determining the appropriate overall revenue increase.[10]

The record demonstrates that UGI failed to establish that its proposed revenue increase is just and reasonable.[11] The OCA presented evidence that UGI's successive rate increases in 2018, 2021, and 2023, coupled with rising costs for food, housing, transportation, and other necessities, have intensified affordability concerns for UGI's captive customers.[12] The OCA further presented evidence concerning inflation, rising energy costs, and broader macroeconomic uncertainty,

[9] OCA M.B. at 11, 15-27, 76, 108-119; OCA R.B. at 2-5, 9, 40-41, 47-49.
[10] R.D., Findings of Fact Nos. 8-26.
[11] R.D. at 3-8.
[12] *Id.* at Findings of Fact Nos. 23-26, pp. 26-28.

demonstrating the need to balance UGI's financial interests against the substantial burden additional rate increases would impose on consumers.[13]

The record evidence clearly establishes that imposing additional distribution charges would exacerbate existing affordability concerns without sufficient justification for doing so. Because UGI bears the burden of proving the justness and reasonableness of its requested increase, the OCA was not required to prove that every component of UGI's request was unreasonable; it was sufficient to demonstrate UGI's failure to meet that burden.[14] Accordingly, the Commission should reject UGI's proposed increase and adopt the OCA's supported litigation position or otherwise determine that no increase is warranted by the evidence.

Exception No. 4: The ALJ erred in determining that record evidence supports UGI's claimed Vegetation Management expense is necessary for the safe and reliable provision of electric distribution service. R.D. at 70-72; OCA M.B. at 51-52; OCA R.B. at 17-19.

The OCA recommended averaging UGI's $4,141,000 vegetation management expense over a five-year period resulting in a disallowance of $265,000 with an ongoing level of vegetation management expense of $3,876,000.[15] The R.D. lacks compelling analysis for rejecting the OCA's argument. The ALJs recommend accepting UGI Electric's vegetation management expense claim without adjustment, finding that the claimed amount is seemingly justified based on its existing four-year contractor agreement, scheduled annual price increases, and rising labor costs.[16] The ALJs incorrectly reason that these increased costs extend through 2028, beyond the end of the FPFTY, and would not be fully captured under I&E's three-year or the OCA's five-year normalization periods.[17]

[13] *Id*. Findings of Fact Nos. 8, 23-25.
[14] 66 Pa. C.S. Sec. 315(a); R.D. at 3-5.
[15] OCA M.B. at 51-52; OCA R.B. at 18-19.
[16] R.D. at 72 (citations omitted).
[17] *Id*.

However, the OCA provided substantial record evidence that a five-year normalization period should be adopted in this proceeding.[18] OCA witness Mugrace testified that normalization is appropriate because vegetation management is uncontrolled in nature and unplanned in advance.[19] Mr. Mugrace testified that normalizing vegetation management expense better reflects the level of recovery based upon prior cost levels.[20]

Further, the OCA provided substantial record evidence that a five-year normalization of UGI's vegetation management expense would provide greater accuracy.[21] In response to OCA-7-7 UGI provided the historic costs related to its Total Vegetation Management Expenses as follows:

UGI Response to OCA-7-7 Attachment OCA-7-7(b-e)[22]

		Difference	Variance
FY 2021	$3,239,000		
FY 2022	$3,205,000	($33,000)	-1.03%
FY 2023	$3,745,000	$540,000	16.84%
FY 2024	$4,078,000	$333,000	8.88%
FY 2025	$3,790,000	($288,000)	-7.06%
FTY 2026	$3,940,000	$151,000	3.97%
FPFTY 2027	$4,141,000	$201,000	5.09%

OCA witness Mugrace demonstrated that:

> In my opinion, the above balances do not reflect an accelerated activity related to vegetation management. In fact, the Company reduced its expenses from 2021 – 2022, increased the balance by 16.84% in the FY 2023 and increased the balance by 8.88% in FY 2024. In FY 2025, there was a reduction of $288,000 or 7.06%. In the FTY 2026 there was an increase of $151,000 or 3.97% and in the FPFTY 2027 there was an increase of $201,000 or 5.09%. I do not consider these adjustments to

[18] OCA M.B. at 51-52; OCA R.B. at 18-19.
[19] OCA M.B. at 52.
[20] *Id*.
[21] OCA M.B. at 51-52.
[22] OCA M.B. at 51.

> be accelerated in nature; at best it is a slight increase over historical periods. I note that the overall increase in vegetation management (in recent years) has gone from FY 2021 of $3,239,000 to a projected FPFTY 2027 of $4,141,000 or increase of $902,000 or 27.85%. At best, the average annual increase from FY 2021 to the FPFTY period has been 4.64%. The Company's vegetation management expenses are increasing over time but not as much as Mr. DeGiusto has stated.[23]

This evidence undermines the conclusion that the projected expenses warrant acceptance without adjustment merely because UGI's contractor agreement provides for annual price increases extending through 2028. Although the contract may explain UGI's anticipated costs, it does not independently establish that the full amount claimed is reasonable for ratemaking purposes. The Commission should therefore reconsider the vegetation management allowance in light of the historical expense trend presented by the OCA which is supported by substantial record evidence. As such, a five-year normalization of UGI's vegetation management expense is supported by substantial record evidence. The OCA requests the Commission accept the OCA's proposal reducing UGI's Vegetation Management expense by $265,000.

Exception No. 5: The ALJs erred by rejecting the OCA's adjustment related to the growth metric portion of the UGIU Management Incentive Plan in spite of recent Commission Orders and record evidence showing this aspect of the plan is more aligned with shareholder, not ratepayer, interests. R.D. at 74-77; OCA M.B. at 53-54; OCA R.B. at 15-16.

The OCA requested the Commission reduce **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of the UGIU Incentive Compensation plan.[24] The OCA's recommendation is supported by recent Commission decisions and substantial record evidence. The R.D. mistakenly uses the wrong legal standard by reasoning that the spreading of fixed costs will result in a benefit to UGI Electric's customers.

[23] OCA M.B. at 52; OCA St. 2SR at 12.
[24] OCA M.B. at

As outlined in the OCA's main brief, the Commission has established that, for a utility to meet its burden of proof regarding the inclusion of incentive compensation expenses in the utility's rates, the utility must demonstrate that the incentive compensation expense claim aligns primarily with ratepayer, not shareholder, interests.[25] In Columbia's most recent rate case, the Commission disallowed 70% of the claimed incentive compensation because "Columbia did not explain why 70% of the incentive compensation expense is necessary to provide adequate service to ratepayers, given that only 30% of this claimed expense is related to operational safety and customer experience."[26] Similarly, in Pennsylvania American Water's 2025 rate case, the Commission found that the utility:

> Failed to: (1) demonstrate, with credible evidence, that its financial metrics are reasonable or that they provide a benefit to ratepayers; and (2) meet its burden of proving that its claim in allocated performance compensation expenses is fair and necessary, or that it pertains to providing safe, adequate, and reliable service to customers. As noted by the ALJs and I&E, although operational metrics align employees with customers, financial metrics in performance pay align employees primarily with shareholder interests. Therefore, ratepayers should not be required to exclusively fund the payout of financial metrics, particularly given that PAWC did not establish that such costs are fair and necessary, or that they pertain to providing safe, adequate, and reliable service to customers.[27]

Despite this precedent, the ALJs are persuaded by UGI Electric witness Ressler, who testified that customer growth can spread fixed costs across more customers, lowering per-customer costs and potentially delaying future base rate cases.[28] The ALJs accept UGI's argument that adding even one large customer can significantly reduce allocated costs for a smaller utility and that growth in either UGI Gas or UGI Electric contributes to the Growth Metric under UGIU's Management Incentive Plan and can benefit fixed-cost allocation.[29]

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[25] 66 Pa. C.S. Sec. 315(a).
[26] *Pa. PUC v. Columbia Gas of Pa., Inc.*, 2025 PA. PUC LEXIS 395, *86-87 (Dec. 4, 2025) (*Columbia 2025*).
[27] *Pa. PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 114 (July 27, 2026).
[28] R.D. at 76 (citations omitted).
[29] *Id*.

The R.D. states "[w]e find that UGI Electric has provided adequate record evidence in support of its position that costs related to its Incentive Compensation claim, as revised during the course of this proceeding, **will provide benefits to its customers**."[30] In matters related to incentive compensation providing a "benefit to customers" alone is not the standard used by the Commission. Further, in the Recommended Decision, the ALJs conflate the spreading of costs between UGI Gas and UGI Electric as a benefit to customers when a true benefit to customers would be not to be burdened with the cost in the first place.[31] The ALJs should have applied the full standard articulated by the Commission in recent cases, which requires that the program provide a benefit to customers and "pertain to providing safe, adequate, and reliable service to customers."[32]

The OCA provided substantial record evidence that UGI failed to meet its burden of proof that the Growth Portion of the UGIU incentive compensation plan pertained to the safe, adequate, and reliable service to its customers.[33] OCA witness Mugrace demonstrated that the **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** As such, the OCA provided substantial record evidence that UGI failed to meet its burden of proof that the disallowed portion relates the providing safe, adequate and reliable service to customers.

Exception No. 6: The ALJs erred in determining that record evidence supports UGI's claimed Injuries and Damages expense is necessary for the safe and reliable provision of electric distribution service. R.D. at 77-79; OCA M.B. at 34; OCA R.B. at 19-20.

[30] R.D. at 76-77 (emphasis added).
[31] R.D. at 74-77.
[32] *Id*.
[33] OCA M.B. at 46-48; OCA R.B. at 45-16.
[34] OCA M.B. at 48.

The OCA recommended averaging the costs associated with UGI's Injury and Damages (I&D) expense over a three-year period resulting in a decrease to UGI's I&D expense by $209,000.[35] The ALJs rejected the OCA's recommendation stating UGI's claim "more accurately reflects the Company's actual costs."[36] However, the OCA provided substantial record evidence that UGI's I&D expense fluctuates year to year up to 34%.[37] OCA witness Mugrace testified that I&D costs fluctuate and vary from year to year depending on the activities related to damages, litigation, and changes in claims.[38] OCA witness Mugrace testified that due to these fluctuations UGI's I&D costs should be normalized over a three year period for ratemaking purposes.[39] As such, the Commission should decrease UGI's claimed I&D expense by $209,000 because it more accurately reflects UGI's costs when accounting for the year over year fluctuations.

Exception No. 7: The ALJs erred in determining that record evidence supports UGI's claimed Membership Dues expense is necessary for the safe and reliable provision of electric distribution service. R.D. at 80; FOF 22-23; OCA M.B. at 34; OCA R.B. at 13-14.

The OCA recommended decreasing UGI's Membership dues expense by $51,770.[40] The ALJs did not support the OCA's recommendation stating, "[w]e find that the testimony of UGI Electric witness Ressler provides sufficient support for the Company's position that membership in EEI and EAP results in benefits to customers sufficient to justify their recovery in rates."[41] However, the OCA provided substantial record evidence that UGI's Membership dues expense should be excluded from rates.[42] Specifically, the OCA demonstrated that the UGI's Membership Dues expense is a request to recover costs associated with engaging with legislators, regulators

[35] OCA M.B. at 54
[36] R.D. at 79.
[37] OCA R.B. at 19.
[38] OCA R.B at 20.
[39] *Id*.
[40] OCA M.B. at 56; OCA R.B. at 22.
[41] R.D. at 81
[42] OCA M.B. at 54-56; R.B. at 13-14.

and other policymakers to advocate with regulated utilities in regulatory proceedings.[43] The OCA also provided substantial record evidence that there is no nexus between the costs claimed by UGI and ratepayer benefits.[44] The ALJs ignore the Commission recent ruling in *Columbia 2025*, where the Commission ruled that a utility should not be permitted to recover costs which mainly benefit the Company as being a good corporate citizen, advocacy on policy issues before various agencies, and civic related initiatives.[45]

The OCA continues to maintain that ratepayers must not be required to pay a single cent towards UGI's lobbying and other political actions.[46] As such the OCA provided substantial record evidence that UGI's claimed expenses relating to membership dues should be excluded from rates resulting in a decrease of $51,770.

Exception No. 8: The ALJs erred in finding that UGI-E's activities and procedures establish compliance with Chapter 56 and justify its claimed credit-and-collection expenses as necessary for the safe and reliable provision of electric distribution service, while improperly discounting or rejecting the contrary record evidence. R.D. at 3-5, 56-60, 68-70, 195-198; OCA M.B. at 41-44, 53, 124-129; OCA R.B. at 11-14, 53-58.

The ALJs erred in accepting UGI Electric's $941,028 credit-and-collections expense claim based on the Company's description of its existing procedures, without adequately considering whether those activities are efficient, effective, and adequate as required by 66 Pa.C.S. Sec. 523.[47] The record shows that the Commission can and should find that UGI Electric has neither demonstrated nor proven that its credit and collection activities are "efficient and effective" pursuant to Section 523 of the Public Utility Code.[48] The OCA presented record evidence of higher

[43] OCA M.B. at 55.
[44] *Id*.
[45] *Columbia 2025* at *101.
[46] OCA R.B. at 21.
[47] *See* RD at 68-70, 195-198.
[48] OCA M.B. at 124; OCA Corrected St. 6 at 4.

arrearages among Confirmed Low-Income customers and the absence of differentiated collection practices, raising legitimate concerns regarding the effectiveness of UGI Electric's approach.[49] Compliance with Chapter 56, even if established, does not independently demonstrate that the Company's collection activities are efficient or that the full claimed expense is reasonable.[50] Because UGI Electric bears the burden of establishing the justness and reasonableness of its requested rates, and failed to do so, the Commission should sustain this Exception and adopt the OCA's proposed $470,514 reduction as the Company has failed to demonstrate the efficiency and effectiveness of the claimed expenses.

C. DEPRECIATION

Exception No. 9: The ALJs erred by rejecting the OCA's proposed adjustments to the Depreciation Service Lives of accounts 364, 365 and 368.1. R.D. at 56-60; OCA M.B. at 41-44; OCA R.B. at 11-14; OCA Corrected St. 6 at 4.

The OCA recommended that the Commission reduce UGI's depreciation expense by approximately $400,000 by changing the life and curves of accounts 345, 365, and 368.1.[51] The ALJs did not support the OCA's recommendation stating in the recommended decision "we find the record supports the Company's position that its proposed service lives for the above accounts are based on actual service life studies and more accurately reflect the actual service lives of the relevant plant."[52] The ALJs ignore the substantial record evidence presented by the OCA and fails to provide coherent reasoning as to why it accepts UGI's classification.[53]

The OCA presented substantial record evidence that the best fitting line and curves for accounts 364, 365, and 368.1 are R3-95, 67-R2, and 55-L1 respectively.[54] The OCA demonstrated

[49] *Id*.; *See also* OCA R.B. at 53-58.
[50] *See* 66 Pa.C.S. Sec. 315(a); RD at 3-5, 19-198.
[51] OCA M.B. at 41-42.
[52] R.D. at 60.
[53] R.D. at 56-60.
[54] OCA M.B. at 41-44.

that UGI's proposed life and curves for these accounts were inappropriate because they relied too heavily on subjective and/or vague factors while inappropriately disregarding UGI's own experts analysis of the historical data.[55] Further, UGI failed to meet its burden of proof by failing to provide adequate justification for disregarding the historical data that the proposed life and curves for these accounts would result in just and reasonable rates.[56] As such, the OCA request the Commission adopt the OCA's requested life and curve adjustments as reasonable decreasing UGI's depreciation expense by roughly $400,000.

Exception No. 10: The ALJs erred by failing to recommend the Commission adopt the average life group method of depreciation when setting UGI's base rates thereby causing unjust and unreasonable rates. R.D. at 60-66; OCA M.B. at 29-41; OCA R.B. at 5-11.

The OCA recommends that UGI utilize the Average Life Group (ALG)[57] depreciation procedure as UGI's decision to continue using the Equal Life Group (ELG) procedure results in customers paying nearly $1.8 million more than they otherwise would.[58] Substantial record evidence shows that UGI's continued use of the ELG procedure accelerates depreciation recovery at the expense of current customers and creates intergenerational inequity.[59] Moreover, the OCA presented substantial record evidence that the ELG's precision but lack of accuracy is a detriment to ratepayers.[60]

At no point in this proceeding did UGI rebut the fact that under the ELG procedure current customers are paying higher amounts of depreciation expense than they otherwise would. UGI's own evidence showed that ELG results in customers paying higher depreciation expense.[61] The

[55] OCA M.B. at 41-42.
[56] *Id*.
[57] Also referred to as the Average Service Life, or ASL, procedure.
[58] OCA M.B. at 31.
[59] OCA M.B. at 29-38; OCA R.B. at 6-9.
[60] OCA M.B. at 33-35.
[61] UGI M.B. at 35.

OCA presented substantial record evidence that at a time when every dollar counts, the Commission must ensure that ratepayers are not paying more than necessary.[62] Under the ELG procedure, UGI's current customers are unnecessarily paying more than their fair share of depreciation expense causing their rates to be unjust and unreasonable. During the affordability crisis affecting our Commonwealth[63] the Commission must act to protect ratepayers from an unfair depreciation procedure.

In rejecting the OCA's proposal to require UGI to switch to the ALG procedure the ALJs cite to the Commission's Orders in *Columba Gas 2025* and *PAWC 2026*.[64] However, the ALJs improperly ignored the substantial record evidence presented in this proceeding that UGI's circumstances are different from those in *Columbia 2025* and *PAWC 2026*. First, UGI is an Electric Distribution Company (EDC) which is unlike Columbia and PAWC which operate in the Natural Gas and Water and Wastewater industries.[65] The OCA presented substantial record evidence that the majority of the large EDC's in Pennsylvania utilize the ALG depreciation procedure.[66] Not only is UGI's choice of depreciation procedure atypical at the national level, but it is also atypical for the Pennsylvania EDC industry. Requiring UGI to adopt the ALG procedure will provide consistency in how depreciation is treated for all Pennsylvania EDCs.

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[62] OCA M.B. at 10.
[63] *Pa. PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 2012 (July 27, 2026)(Noting that increases in fuel prices because of inflation and the conflict in Iran have cause ratepayer to pay more for gasoline, diesel, and heating oils.)(citations omitted).
[64] R.D. at 65.
[65] However, *See* Statement of Vice Chair Kimberly Barrow, *Pennsylvania Public Utility Commission*, Docket No. R-2025-3057163, at 3, https://www.puc.pa.gov/pcdocs/1939894.pdf ("The ALG/ASL method of depreciation slows depreciation while taking nothing from [the utility] other than time, but it gives ratepayers time to absorb the rate impact of capital expenditures.") (supporting a more measured approach to depreciation recovery that mitigates near-term rate impacts and underscores the need to scrutinize continued use of the ELG method in light of ratepayer affordability).
[66] OCA M.B. 29.

Further, the ALJs improperly hold that the longstanding use of the ELG procedure is evidence for its continued use.[67] UGI's current and historical use of the ELG procedure is not the correct legal standard, nor does it provide substantial evidence that UGI's use of the ELG procedure results in just and reasonable rates. Depreciation methodology is a matter within the Commission's ratemaking authority.[68] Nothing in 66 Pa. C.S. Section 1703 requires the Commission to accept a utility's chosen depreciation procedure or resulting depreciation expense as just and reasonable for ratemaking purposes.[69] Rather, the Commission must independently evaluate whether the proposed depreciation expense is reasonable and appropriate based on the record.[70]

Moreover, the Public Utility Code and Commission regulations do not prohibit the adoption of the ALG procedure in Pennsylvania and many Pennsylvania public utilities currently utilize the ALG procedure for all plant.[71] The Public Utility Code also does not require that a utility's currently utilized depreciation procedure must be accepted indefinitely.[72] Merely because a utility used a depreciation procedure in the past is not a justification nor limitation for determining what constitutes just and reasonable rates in this proceeding.[73]

In conclusion, the ALJs erred when they failed to recommend UGI be required to switch to the ALG procedure because the OCA presented substantial record evidence that the ELG procedure is inequitable and results in unjust and unreasonable rates. The Commission is empowered to act in the public interest by requiring UGI to switch to the ALG procedure which

[67] R.D. at 65-66.
[68] OCA M.B. at 35-36, 38-40.
[69] 66 Pa. C.S. Sec. 1703.
[70] OCA M.B. at 38-40.
[71] *Id*.
[72] *Id*.
[73] *Id*.

will result UGI's customers paying an equitable amount of depreciation expense and provide greater consistency in how depreciation is treated among Pennsylvania EDCs.

D. REVENUE ALLOCATION AND RATE DESIGN

Exception No. 11: The ALJs erred in recommending adoption of UGI's proposed cost-of-service methodology and resulting revenue allocation despite record evidence showing a limited relationship between customer numbers and the costs of serving them. R.D. at 141-42, 146; FOF 73, 75, 76; OCA M.B. at 69-78; OCA R.B. at 31-39.

UGI proposed an allocated cost of service study (ACOSS) methodology which allocated the costs of primary and secondary distribution plant[74] based on the results of a "minimum system study" (MSS), which included a customer component in the allocation of such costs, and proposed a revenue allocation consistent with the results of its ACOSS. The OCA recommended that the costs of UGI's primary and secondary distribution plant be allocated on a 100% demand basis and proposed a revenue allocation based on the results of its ACOSS.[75]

The ALJs recommended that the Commission adopt UGI's proposed ACOSS based on the MSS because of the Commission's determination that the approach was reasonable in UGI's 2018 general rate increase request proceeding, as well as generic and unqualified statements made by UGI's witness.[76] The ALJs also recommended that the Commission adopt UGI's proposed revenue allocation based on its ACOSS proposal, in part, because they recommend that UGI's proposed ACOSS be adopted and, in part, based on erroneous and misleading statements made by UGI.[77]

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[74] Primary and secondary distribution plant includes plant recorded in accounts 364 (Poles, Towers, and Fixtures), 365 (Overhead Conductors and Devices), 367 (Underground Conductors and Devices), and 368 (Transformers). OCA Corrected St. 1 at 29. OCA witness Deupree and UGI witness Fang also refer to primary and secondary distribution plant as including account 366 (Underground Conduit); however, UGI allocated the cost of account 366 in accordance with the allocation of account 367, meaning that any reference to account 367 applies equally to account 366. UGI Exh. D at 5.

[75] OCA M.B. at 69-78; OCA Corrected St. 1 at 29-40; OCA St. 1SR at 8-13.

[76] R.D. at 141-42.

[77] R.D. at 146.

As discussed in full in the OCA's Main and Reply Briefs, UGI did not submit sufficient evidence in this case to indicate that the MSS ACOSS is appropriate for the unique design and buildout of its distribution facilities.[78] The MSS method fails to accurately reflect UGI's distribution system because its primary and secondary facilities are capable of carrying load.[79]

Second, the ALJs blindly adopted UGI's results-based analysis concluding that the MSS should be adopted because of the outcome it produces, lower allocated costs for larger customers, without evidence that the method's underlying assumptions are appropriate for UGI's particular system.[80] UGI witness Fang's testimony on this issue relies on general assumptions, similar to those underlying her proposed MSS ACOSS, without demonstrating their applicability to UGI's specific system, such as by showing that UGI's residential customers have higher unit costs per kilovolt-ampere.[81] As the OCA identified in its Reply Brief, UGI witness Fang also failed to account for UGI's service territory and population density, which further undermines the MSS method's applicability to UGI's system, as these characteristics affect the infrastructure required to serve customers and the resulting cost allocation.[82]

Third, the ALJs did not address the OCA's analysis regarding the relationship between UGI's plant additions and customer count, and did not include the same in the summary of the

[78] OCA M.B. at 71-75; OCA R.B. at 33-36.
[79] OCA M.B. at 71; OCA Corrected St. 1 at 31 ("An MSS study estimates the hypothetical costs of developing a minimum system to serve customers with no load."). As OCA witness Duepree testified at the evidentiary hearings, despite the assumptions of the MSS method, he is not aware of poles that are manufactured which cannot carry conductors, nor conductors which cannot carry load. Tr. 239-40. By contrast to the assumptions of the MSS, UGI's poles can carry conductors, and its conductors can carry load.
[80] R.D. at 142 (*quoting* UGI M.B at 111; UGI St. 11-R at 7).
[81] UGI St. 11-R at 7.
[82] OCA R.B. at 33 (*citing* OCA Corrected St. 1 at 32); *see also* OCA St. 1SR at 9-10 (*quoting* Electric Utility Cost Allocation Manual (January 1992), NARUC at ii; James C. Bonbright, et al., *Principles of Public Utility Rates*, 1988 Edition. Arlington, VA: Public Utilities Reports, Inc. at 491-92). "The incremental cost of constructing an appropriate distribution system to serve an additional customer within an urban area with existing nearby infrastructure is substantially less than the cost to extend an existing utility system by potentially miles to serve an additional customer located in a rural area, a fact inherently ignored by MSS and zero-intercept methodologies." OCA Corrected St. 1 at 32.

OCA's position.[83] However, OCA witness Duepree prepared an analysis which demonstrates that the average number of customers on UGI's distribution system does not vary directly with the investment in primary and secondary distribution plant.[84] This analysis is directly relevant to determining whether UGI met its burden of proof, because it pertains to the ability of the Commission to distinguish UGI's evidence presented in this proceeding to prior proceedings wherein the MSS method was adopted.[85] Had the ALJs considered the evidence, they would have found that OCA witness Deupree presented that there is a lack of a statistically signification correlation between growth in primary and secondary distribution investment and the change in UGI's customer base.[86] If customer interconnections were a driver of UGI's costs, then there would be a "discernable empirical relationship between changes in Company customer counts and Company investments into distribution plant Accounts 364-368."[87]

For these reasons, the ALJs erred in adopting UGI's proposed MSS ACOSS by relying on prior Commission orders without identifying evidence specific to this proceeding demonstrating the methodology's appropriateness, as well as on a conclusory statement by UGI's witness unsupported by analysis. The ALJs likewise erred in adopting UGI's proposed revenue allocation based on the MSS ACOSS, implicitly relying on UGI's repeated but mistaken assertion that the OCA's proposed revenue allocation is inconsistent with moving customer classifications toward their indicated cost of service.[88] As explained in the OCA's Reply Brief, UGI's apples-to-oranges comparison in its Main and Reply Briefs improperly assumes that the MSS ACOSS provides the indicated cost of service for each customer classification underlying the OCA's proposed revenue

[83] R.D. at 140-42.
[84] OCA M.B. at 73-74; OCA R.B. at 35; OCA Corrected St. 1 at 34; OCA Exh. MWD-2.
[85] *See Pa. PUC v. PECO Energy Co., Docket No. R-2020-3018929, Order at 230-31 (June 22, 2021)(PECO Gas 2021)*; *PAWC 2026* at 228.
[86] OCA Exh. MWD-2; OCA St. 1SR at 11.
[87] OCA St. 1SR at 11.
[88] R.D. at 146 (*quoting* UGI M.B. at 116).

allocation, when the OCA instead relied on its own proposed ACOSS. Under the OCA's proposed ACOSS, its recommended revenue allocation moves each customer classification toward its cost of service, consistent with the cost-causation principle.[89] Accordingly, the Commission should adopt the OCA's proposed ACOSS, which allocates the costs of primary and secondary distribution plant on a 100% demand basis, and the revenue allocation derived from that study. [90] The OCA excepts to the ALJs' recommendations adopting UGI's proposed ACOSS methodology and resulting revenue allocation.

Exception No. 12: The ALJs erred in recommending UGI's proposed revenue allocation without a 1.15-times system-average increase cap for all customer classifications, contrary to the principles of gradualism and the record evidence. R.D. at 146; FOF 76; OCA M.B. at 76-78; OCA R.B. at 36-39.

The OCA recommended that the Commission adopt a gradualism ceiling of 1.15 times the system average increase when allocating revenue in this proceeding,[91] particularly in light of the significant affordability challenges that UGI's customers face.[92] The ALJs did not discuss the OCA's proposed gradualism constraint in the R.D. in the course of making a recommendation regarding the Commission's revenue allocation determination.[93] The OCA excepts to the ALJs' failure to address and adopt the OCA's proposed gradualism ceiling.

Based on the analysis of OCA witness Deupree, regarding of the ACOSS selected in this proceeding, adopting a gradualism ceiling of 1.15 times the system average increase will move all customer classifications towards their cost of service while mitigating the significant impact that the Company's proposal would have on residential and small general service customers in

[89] OCA R.B. at 36-38; UGI R.B. at 58. Any argument viewing the results of the OCA's proposed revenue allocation in the context of UGI's proposed ACOSS should be rejected as demonstrating a fundamental misunderstanding of what it means for a revenue allocation to move customer classifications towards an indicated cost of service.
[90] OCA Exh. MWD-5; *Lloyd v. Pa. PUC*, 904 A. 2d 1010, 1020 (Pa. Cmwlth. 2006).
[91] OCA M.B. at 76-78; OCA R.B. at 36-39; OCA Corrected St. 1 at 39-40; OCA St. 1SR at 12-13.
[92] OCA Corrected St. 1 at 5-20; OCA St. 1SR at 2-7; OCA Corrected St. 6 at 6-41; OCA Corrected St. 6SR at 2-4, 13-18, 22-23, 30-44.
[93] R.D. at 146

allocating the two classes over 95% of the total revenue increase.[94] No party submitted testimony that the OCA's proposed gradualism constraint was unreasonable.[95] Indeed, the OSBA submitted testimony supporting OCA witness Deupree's proposed gradualism constraint of 1.15.[96] For these reasons, the OCA respectfully requests that the Commission grant this Exception and implement the OCA's proposed ceiling, that no customer classification should receive a revenue apportionment of greater than 1.15 times the system average increase.

Exception No. 13: The ALJs erred in recommending UGI's proposed residential customer charge because it conflicts with record evidence on gradualism, rate affordability, and conservation impacts, as well as relevant Commission orders. R.D. at 152-53; FOF 78; OCA M.B. at 78-82; OCA R.B. at 39-41.

UGI proposed an enormous increase of 104.7% to its residential customer charge, increasing from $10.75 to $22.00, or by $11.25.[97] The OCA recommended that the Commission deny UGI's requested residential customer charge increase because granting the same would create rate shock, deprive customers of the ability to control their bills through usage reduction,[98] disproportionately negatively impact low-income customers,[99] and position UGI as having one of the highest customer charges in the region.[100]

The ALJs recommended that the Commission adopt UGI's full customer charge proposal, finding that the customer charge would move UGI's residential customers towards paying their full customer cost without becoming more than half of a typical customer's bill.[101] The ALJs did not adequately consider gradualism, affordability, or the impact of the recommended customer

[94] OCA Corrected St. 1 at 39-40.
[95] *See* UGI St. 11-RJ at 6 (stating a preference for the Company's proposed revenue allocation but not opining that the OCA's proposed gradualism constraint is unreasonable).
[96] OSBA St. 1-R at 2:10-12 ("Regardless of which ACOSS methodology the Commission accepts, I find OCA's rate gradualism constraints to be reasonable given the size of the proposed rate increases in this proceeding.").
[97] OCA Corrected St. 1 at 42.
[98] OCA Corrected St. 1 at 46-49.
[99] OCA Corrected St. 1 at 49-50.
[100] OCA Corrected St. 1 at 45; OCA Exh. MWD-3.
[101] R.D. at 152.

charge increase on customers' incentives to conserve, a recommendation that is inconsistent with the evidentiary record and recent Commission orders.

The ALJs did not consider the Commission's recent statement in *Columbia 2025* that "[r]ate design requires a careful balance of the competing interests of customer classes, as well as prudent application of the principles of cost causation, gradualism, and overall fairness."[102] Namely, the ALJs adopted UGI's proposed customer charge increase based solely on UGI's claim that it reflected the indicated customer-related costs for residential customers, without addressing other ratemaking principles beyond cost causation.[103] UGI currently recovers a sufficient portion of its customer-related costs through its existing residential customer charge.[104] The ALJs rely exclusively on the fact that UGI's proposal was not as high as it could have been, which is not an appropriate basis.[105]

As the Commission noted in *NFG 2026*, even where a utility proposed an increase of less than its indicated customer-related costs for the residential class, customer cost analyses "support movement toward a more cost-based customer charge, but they do not establish that the entire proposed increase from $14.00 to $19.00 must occur in this proceeding."[106] UGI's customer charge increase proposal is nearly four times the system average increase of 26.5%, which far exceeds the gradualism consideration the Commission applied in *Columbia 2025* and what the Commission approved in *NFG 2026*.[107] UGI's proposed residential customer charge increase is likely to induce rate shock.

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[102] *Columbia 2025* at *178-79.
[103] R.D. at 152.
[104] OCA M.B. at 79; OCA Corrected St. 1 at 44.
[105] *Id.*
[106] *Pa. PUC v. Nat'l Fuel Gas Dist. Corp.*, Docket Nos. R-2025-3059428 *et al*, Order at 244 (Oct. 22, 2026) (*NFG 2026*).
[107] OCA Exh. MWD-4; OCA M.B. at 80; *Columbia 2025* at *182; *NFG 2026* at 244.

Second, UGI's proposed residential customer charge will negatively impact incentives to conserve energy; the appropriate consideration is not whether a majority of a customer's bill will be occupied by usage-based, variable charges,[108] but, rather, whether the relationship between a customer's total bill and the fixed portion remains consistent.[109] Under UGI's proposal, the portion of a residential customer occupied by the customer charge will increase from 5.5% of the bill for a customer using 1,000 kWh to 9.7% of their monthly bill.[110] This represents a significant shift in bill composition that will weaken customers' incentives to conserve energy by diminishing the bill-reduction benefits of energy efficiency investments and reduced usage.

Third, the ALJs also failed to consider the impact of the proposed customer charge increase on low-income customers and affordability. OCA witness Deupree presented an analysis that shows that low-income customers are disproportionately low usage customers.[111] The improved "bill stability" associated with the customer charge increase has only an illusory effect on bill affordability. Under UGI's proposal, low usage customers will face a higher energy burden under the Company's proposal than under the current customer charge or a customer charge increase which would occupy the same proportion of a customer's monthly bill.[112]

For these reasons, the OCA excepts to the ALJ's recommendation to approve UGI's proposal for an exorbitant customer charge increase, which failed to balance UGI's interests with those of its customers. The OCA recommends that the Commission reject UGI's request to increase its residential customer charge.

[108] R.D. at 152.
[109] OCA M.B. at 80; OCA R.B. at 40; OCA Corrected St. 1 at 46.
[110] OCA M.B. at 80; UGI St. 11-R at 26.
[111] OCA M.B. at 81; OCA Corrected St. 1 at 50.
[112] OCA Corrected St. 1 at 49-51.

E. CUSTOMER SERVICE ISSUES

Exception No. 14: The ALJs erred by rejecting the OCA's recommendation that UGI, as a condition of receiving any rate increase, meet its 2024-2025 call center performance standards. R.D. at 170-71; OCA M.B. at 86-88; OCA R.B. at 2-5; OCA Comments in Opposition to Non-Unanimous Settlement at 50-52.

The OCA recommended that the Commission require UGI to maintain its levels of call center performance 2024-2025 as a result of being granted any rate increase.[113] The OCA provided sufficient record evidence to justify this requirement.[114] The OCA's testimony also demonstrated that it is in the public interest and within the Commission's power to require that UGI do so.[115]

The ALJs erred in determining that the OCA failed to justify that UGI should be required to make the recommended changes based on the record.[116] The ALJs further erred in rejecting the OCA's recommendation on the basis that the Commission has rejected similar recommendations in the past.[117] These are errors given the ALJs agreement with the OCA that "it is in the public interest for UGI Electric's call center performance to be maintained" and their subsequent adoption of the settlement term from the rejected Joint Petition as their recommendation.[118]

Contrary to UGI's arguments as adopted by the ALJs,[119] a utility's adoption of internal performance indicators is simply not a substitute for a level of accountability to the Commission or its customers.[120] Moreover, a recommendation that only requires that UGI "be required to *make efforts to maintain* its call center performance" falls short of a requirement that is in the public

[113] OCA M.B. at 87; OCA R.B. at 43-44; OCA St. 5 (PUBLIC) at 14.
[114] OCA M.B. at 86-87; OCA R.B. at 43; OCA ST. 5 (PUBLIC) at 12-14; OCA St. 5SR at 6, 11-13.
[115] OCA M.B. at 87; OCA R.B. at 43-44; OCA St. 5 (PUBLIC) at 14.
[116] R.D. at 170-71.
[117] R.D. at 170-71.
[118] *Id.*
[119] *See* R.D. at 171.
[120] OCA M.B. at 87; OCA R.B. at 43-44; OCA St. 5 (PUBLIC) at 14.

interest.[121] Simply put, if customers are being asked to pay more for service, they should be assured that customer service will, at a minimum, remain the same and not be allowed to deteriorate.[122]

The OCA's testimony demonstrates that the ALJs' recommendation is not record-based and would allow UGI to meet a lesser standard for customer service because it is tied to UGI's average 2025-2026 call center performance metrics. Specifically, OCA witness Alexander testified that UGI's call center performance in 2025 and 2026 reflected a significant deterioration for abandonment of rates.[123] The record shows that customer call center performance has deteriorated since the 2024-2025 year, even though UGI argues that it has adopted internal performance indicators and is already performing at a high level, which is already unacceptable, particularly if UGI is granted an increase in this rate case.[124] Requiring UGI to maintain its established performance standards as a condition of receiving any rate increase, while addressing the deterioration in performance during periods of increased call volume, is a reasonable, evidence-based measure to ensure that customers receive adequate and reliable service, particularly when they are paying higher rates. As a result, the Commission should reject the ALJs' adoption of the term from the rejected Joint Petition and adopt the OCA's recommendation.

Exception No. 15: The ALJs erred by rejecting the OCA's specific recommendations on field agent training and compliance documentation in favor of the term in the rejected Joint Petition, despite agreeing with the OCA's testimony. R.D. at 172-73 OCA M.B. at 88-90; OCA R.B. at 44; OCA Comments in Opposition to Non-Unanimous Settlement at 34-35.

The OCA recommended that UGI be required to develop proper agent training and compliance related documents that include "a written manual that includes a complete description

[121] R.D. at 170.
[122] *See* OCA M.B. at 87; OCA R.B. at 43-44.
[123] OCA M.B. at 86-87; OCA R.B. at 43; OCA ST. 5 (PUBLIC) at 12-14; OCA St. 5SR at 6, 11-12; *see also* OCA Comments in Opposition to Non-Unanimous Settlement at 51-52.
[124] *See* R.D. at 170; OCA M.B. at 87; OCA R.B. at 43-44; *see also* OCA Comments in Opposition to Non-Unanimous Settlement at 51-52.

of the obligation to knock on the customer's door prior to termination of service" and a requirement that field agents are familiar with and can properly react to evidence of customer protections from terminations.[125] The OCA also recommended it be high priority for UGI to train and supervise its field agents for compliance on the training materials and with 52 Pa. Code Sec. 56.94(1).[126] The OCA supported these recommendations with substantial record evidence.[127]

The ALJs stated their agreement with the OCA's testimony.[128] However, the ALJs failed to adopt the OCA's recommendations, in favor of adopting the term in the rejected Joint Petition.[129] This failure was error, particularly because the ALJs provided no explanation of why they failed to adopt the specific recommendations for training materials as supported by the OCA's testimony, and with which the ALJs agreed.[130] Moreover, as explained by the OCA in its Comments in Opposition to the rejected Joint Petition, the requirement adopted by the ALJs falls short of addressing the concerns established by OCA witness Alexander's testimony.[131]

Because the OCA's testimony fully supported its recommendations and the ALJs agreed with the testimony, the ALJs erred by not adopting the OCA's recommendations. The OCA's recommendations are supported by the evidentiary record,[132] while the term in the rejected Joint Petition represents a term that is insufficient to ensure proper compliance with 52 Pa. Code Sec. 56.94(1).[133] The Commission should thus adopt the OCA's recommendations.

Exception No. 16: <u>The ALJs erred by failing to recommend that UGI revise its written payment-arrangement confirmations to include a notice of customers' rights, as recommended by the OCA.</u> R.D. at 170-71; OCA M.B. at 90-91; OCA R.B. at 44.

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[125] OCA M.B. at 88-89; OCA R.B. at 44; OCA St. 5 (PUBLIC) at 17-18; OCA St. 5SR at 12-13.
[126] OCA M.B. at 88-89; OCA R.B. at 44; OCA St. 5 (PUBLIC) at 17-18; OCA St. 5SR at 12-13.
[127] OCA M.B. at 88-89; OCA R.B. at 44; OCA St. 5 (PUBLIC) at 17-18; OCA St. 5SR at 12-13.
[128] R.D. at 173.
[129] *Id.*
[130] R.D. at 172-73.
[131] OCA Comments in Opposition to Non-Unanimous Settlement at 34-35; *see also* OCA M.B. at 88-90; OCA R.B. at 44; OCA ST. 5SR at 13.
[132] OCA M.B. at 88-90; OCA R.B. at 44; OCA St. 5 (PUBLIC) at 17-18; OCA St. 5SR at 12-13.
[133] OCA Comments in Opposition to Non-Unanimous Settlement at 35.

The OCA recommended that UGI be required to further revise the written communication it provides to customers when confirming a payment arrangement to include a notice of customer rights. The OCA's testimony provided substantial record evidence to support its recommendation to provide notice of customer rights when sending confirmation of a payment arrangement.[134] The OCA established, through its testimony, that this revision is necessary to inform the customer that their rights with UGI and before the Commission continue, even though the customer has entered into a payment arrangement.[135]

Rather than separately addressing the merits of the OCA's recommendation, the ALJs improperly grouped their consideration of this issue with the OCA's recommendations concerning retail shopping communications and bill presentation, without independently evaluating the record evidence and rationale supporting the customer rights notice.[136] This issue was presented as a separate issue and the ALJs should have considered it on its own merits and not as part of the issues surrounding retail shopping.[137] The ALJs' failure to adopt the OCA's recommendation is further error because the OCA's position was unrebutted: UGI did not brief this issue or present any argument demonstrating why the proposed requirement should not be adopted.[138] Moreover, contrary to the ALJs' determination, the OCA's testimony supported its recommendation.[139] Therefore, the Commission should adopt the OCA's recommendation.

Exception No. 17: The ALJs erred by rejecting the OCA's recommendations on shopping communications and bill presentation in favor of requiring UGI to convene a stakeholder collaborative to discuss customer communications, as provided in the rejected Joint Petition. R.D. at 171-172; OCA M.B. at 91-93; OCA R.B. at 45-46; OCA Comments in Opposition to Non-Unanimous Settlement at 48-50.

[134] OCA M.B. at 90-91; OCA St. 5 (PUBLIC) at 19.
[135] OCA M.B. at 90-91; OCA St. 5 (PUBLIC) at 19.
[136] R.D. at 170-71.
[137] *See* OCA M.B. at 90-91.
[138] *See* OCA R.B. at 44 (noting that UGI did not address the OCA's recommendation in its Main Brief).
[139] R.D. at 170-71.

The OCA made several recommendations in the area of retail shopping communication and bill presentation to address UGI's obligations to address its customers' understanding related to Electric Generation Supplier (EGS) Charges.[140] The ALJs erred in rejecting the OCA's recommendations and accepting UGI's arguments against them, despite substantial record evidence supporting the OCA's recommendations and the OCA's rebuttal of UGI's arguments in its reply brief.[141]

UGI specifically argued that the OCA's recommendations were "unnecessary, costly and in opposition of regulations regarding the proposed change of the PTC to "Generation Charge" on the bill."[142] First, the OCA noted that UGI only provided estimated costs for the OCA's recommendation that UGI provide more targeted alerts to customers with an EGS but wholesale rejected all of the OCA's recommendations as costly.[143] The OCA also established that the record showed that in comparison to the excess charges customers paid, the amount it would cost is a *de minimus* cost that would save ratepayer money.[144] Second, the OCA did not propose to change the PTC to "Generation Charge" but instead recommended that UGI more directly link the terms to provide increased understanding to its customers.[145] Further, although UGI contends this proposal would conflict with Commission regulations it failed to demonstrate why this would be the case.[146] Finally, the OCA noted that its recommendation about more directly linking the terms were not at issue in the *Columbia 2025* case and should not be improperly grouped in with the OCA's recommendation regarding more targeted customer communications and its belief that this is a

[140] OCA M.B. at 91-93; OCA R.B. at 45-46; OCA St. 5 (PUBLIC) at 19-23; OCA St. 5SR at 14-15.
[141] OCA M.B. at 91-93; OCA R.B. at 45-46; OCA St. 5 (PUBLIC) at 19-23; OCA St. 5SR at 14-15.
[142] R.D. at 171-72.
[143] OCA R.B. at 45.
[144] OCA R.B. at 45-46.
[145] R.D. at 171-72; OCA M.B. at 93; OCA R.B. at 46
[146] R.D. at 171; OCA R.B. at 46.

customer service issue that can be addressed in a base rate proceeding as it is directly applicable to UGI's distribution services and affects its customers.[147]

F. LOW-INCOME CUSTOMER ISSUES

Exception No. 18: The ALJs Erred by Rejecting the OCA's Recommendations Regarding UGI's Collection and Retention of Customer Social Security Numbers. R.D. at 168-170, 174-175; R.D. at 174-75; OCA M.B. at 137-43; OCA R.B. at 61-62; OCA Corrected St. 6 at 78.

The ALJs erred by rejecting the OCA's recommendation that UGI be required to develop a plan to eliminate the collection and retention of customer Social Security Numbers (SSNs) and instead recommending a study of the feasibility of ceasing their use.[148] Although the ALJs acknowledged that retaining customer SSNs increases the risk of identity theft, they concluded that the OCA's recommendation was not supported by law because UGI does not require applicants to provide an SSN.[149] This conclusion fails to address the OCA's substantive concerns regarding UGI's collection, use, and retention of sensitive customer information.

The record reflects that UGI collects SSNs from approximately 99.3% of its customers and uses them to conduct identity-verification checks through Experian.[150] The OCA also presented evidence that UGI had not established the necessity of collecting SSNs to verify applicants' identities or creditworthiness.[151] Further, UGI's assertion that it does not share SSNs with affiliates or other corporate entities does not eliminate the risks associated with collecting and retaining this sensitive information.[152] The ALJs' reliance on the fact that applicants may provide a driver's license number instead does not address these concerns or the demonstrated risks of maintaining

[147] R.D. at 171-72; OCA R.B. at 46; *Columbia 2025* at 381-90.
[148] R.D. at 175.
[149] R.D. at 174-175.
[150] OCA Corrected St. 6 at 78, (citing UGI Electric response to OCA-IV-8).
[151] OCA M.B. at 141-142.
[152] *Id*.

SSNs in UGI's information technology systems.[153] At a minimum, UGI should be required to limit retention to no more than 30 days after service is established, refrain from disclosing customer SSNs to entities outside the Company, and notify customers if their SSNs will be retained indefinitely.[154] The record evidence should be given due consideration in determining the appropriate remedy. Rather than deferring action pending a study of feasibility, the Commission should require UGI to develop a plan to eliminate the collection and retention of customer SSNs, consistent with the OCA's recommendation and the record evidence demonstrating the risks associated with retaining this sensitive information.

Exception No. 19: The ALJs Erred in Their Treatment of Low-Income Customer Screening and Deferred Payment Agreements by Recommending a Standardized Screening Process Without Reconciling Their Evidentiary Findings with Their Public-Interest Determination, Explaining the Basis for Their Recommendation, or Properly Considering the OCA's Record Evidence. R.D. at 198-200, 204-05, 211; OCA M.B. at 98-99, 117-119, 129-35; OCA R.B. at 47-49, 58-61; OCA Corrected St. 6 at 62-63.

The OCA excepts to the ALJs' rejection of its proposals to improve the identification of low-income customers and ensure that eligible customers are informed of available assistance., Although the ALJs recognized the importance of identifying low-income customers and found that a standardized screening process would serve the public interest, they rejected the OCA's proposals as unsubstantiated and unnecessary without adequately addressing the supporting record evidence or explaining why the proposed measures were unwarranted.[155]

The record demonstrates that UGI's existing practices inadequately identify and assist low-income customers.[156] The OCA presented evidence that these customers experience higher arrearages and that UGI continues to under-enroll eligible customers in its Customer Assistance

[153] R.D. at 175-176.
[154] OCA M.B. at 169.
[155] R.D. at 205-206.
[156] R.D. at 198 (*citing* OCA Corrected St. 6 at 43-44).

Program (CAP).[157] Critically, identifying a Confirmed Low-Income Customer is distinct from verifying income eligibility for CAP enrollment.[158] CAP enrollment requires an affirmative application and verification of income eligibility; by contrast, a customer may be identified as a Confirmed Low-Income Customer based on a reasonable expectation that the customer is low-income.[159] The R.D. adopts UGI's inappropriate conflation of the two.[160]

The ALJs nevertheless rejected the OCA's proposal to accept alternative documentation, including COMPASS information, to identify Confirmed Low-Income Customers, without adequately addressing the distinction between identifying customers based on a reasonable expectation of low-income status and verifying income eligibility for CAP enrollment.[161] The OCA did not propose that such documentation replace the income-verification requirements for CAP enrollment.[162] Instead, the OCA proposed using information from established public-benefit systems to identify customers who may qualify for low-income protections and facilitate appropriate outreach.[163] By failing to address this distinction, the ALJs did not adequately explain why the OCA's approach was unsupported or unnecessary, particularly when they simultaneously recognized the public-interest benefits of a standardized screening process.[164]

The ALJs also erred by rejecting the OCA's proposal to provide a stand-alone, plain-language notice to Confirmed Low-Income Customers negotiating a Deferred Payment Agreement (DPA), as well as customers for whom UGI has information placing them within the 0%-150% Federal Poverty Level income range.[165] The notice would explain that eligible customers may have

[157] *Id*.
[158] OCA M.B. at 130 -131; OCA R.B. at 63-64.
[159] R.D. at 198-99 (*citing* 52 Pa. Code Sec. 69.265; OCA Corrected St. 6-SR at 24-26).
[160] *Id*.
[161] R.D. at 198-200, 205-06.
[162] OCA M.B. at 130-134.
[163] *Id*.
[164] R.D. at 198-200.
[165] R.D. at 199-201.

the option of enrolling in CAP rather than entering into a DPA.[166] The record demonstrates that this distinction is material because CAP may provide reduced monthly bills and forgiveness of qualifying arrearages, whereas a DPA requires customers to repay arrearages in addition to their regular monthly bills.[167] As the record has also made abundantly clear, merely asking customers whether they want information about programs with reduced rates does not ensure that customers facing payment difficulties receive meaningful notice of the specific assistance available to them.[168]

Accordingly, the OCA respectfully requests that the Commission reject the ALJs' dispositions and adopt the OCA's proposals. Specifically, the Commission should require UGI to accept reliable alternative documentation, including COMPASS information, to identify Confirmed Low-Income Customers where appropriate; use a reasonable-expectation standard consistent with the applicable regulations rather than require CAP-level income verification for that identification; and provide the proposed stand-alone, plain-language notice informing affected customers of the potential CAP alternative before they enter into a DPA. These measures would better align UGI's identification and outreach practices with the applicable regulatory framework and ensure that low-income customers receive meaningful information about the protections and assistance available to them.[169]

Exception No. 20: The ALJs erred by rejecting the OCA's recommendations regarding security deposit exemptions. R.D. at 178-179, 205-08; OCA M.B. at 135-37; OCA R.B. at 62-63; OCA Comments in Opposition to Non-Unanimous Settlement at 36-43.

[166] *Id*.; OCA M.B. at 134-135; OCA R.B. at 60-61.
[167] *Id*.
[168] OCA M.B. 134-135; OCA Corrected St. 6 at 62-63.
[169] *See* 52 Pa. Code Sec. 69.265(8)(i) (providing that utilities should make automatic referrals to CAP when low-income customers call to make payment arrangements).

The record supports the OCA's recommendation that UGI Electric conduct quarterly reviews of its cash security deposits to identify Confirmed Low-Income customers eligible for an exemption and ensure that any deposits held for those customers are refunded consistent with Commission precedent.[170] As the OCA demonstrated, applicable Commission regulation does not require customers to complete CAP or LIHEAP income verification to qualify for a deposit exemption; rather, customers need only demonstrate receipt of public assistance through a program with income eligibility requirements consistent with those for CAP.[171]

The RD recounts UGI Electric's position that the OCA's recommendations are unnecessary because CAP enrollment is not required for a security deposit exemption, the CAP application merely streamlines and standardizes the process, recent LIHEAP recipients need not separately verify income, and the Company has implemented IT systems to release deposits upon completion of income verification.[172] However, these assertions do not resolve the OCA's concerns. The Company's streamlined process does not ensure that all eligible customers can establish eligibility through the alternative documentation permitted by Commission regulations, nor does its automated refund system ensure that all eligible customers are identified, and their deposits timely refunded. Accordingly, periodic reviews and clear procedures for accepting qualifying documentation are necessary to ensure UGI Electric consistently complies with the Commission's security deposit requirements.

The ALJs erred in failing to fully adopt the OCA's recommendations regarding security deposit exemptions for low-income customers.[173] Although the ALJs recognized that clarifying the security deposit exemption process would serve the public interest, the Commission should

[170] OCA M.B. at 136.
[171] *See* 52 Pa. Code Sections 56.32(e), 56.41(4); RD at 205-208.
[172] R.D. at 205-208.
[173] R.D. at 205-208.

require additional measures to ensure that UGI Electric consistently identifies eligible customers and provides the exemptions and refunds required by Commission regulations.[174] The Company's assertion that its systems automatically release deposits following income verification does not establish that all eligible customers are identified, deposits are refunded, or alternative eligibility documentation is accepted.[175] Nor does automation obviate the need for oversight.[176]

Exception No. 21: The ALJs Erred by Failing to Adopt the OCA's Proposed Allocation of Universal Service Costs to Nonresidential Customers, Instead Recommending a Limited, Negotiated Application of the Universal Service Program Rider to Rate HTP Contracts. R.D. at 203-08; OCA M.B. at 119-124; OCA R.B. at 49-53; OCA Comments in Opposition to Non-Unanimous Settlement at 65-68; OCA Corrected St. 6 at 82-94; OCA Corrected St. 6SR at 5-7.

The ALJs also erred by failing to adopt the OCA's proposed allocation of Universal Service Program costs to nonresidential customers.[177] The record shows that costs for CAP should be shared across all customer classes.[178] Mr. Colton explained that this would not require developing a new allocation factor.[179] For example, if UGI's proposed allocations in its rate case filing were used, the costs allocated among the customer classes would be as shown in the Table below.

[174] R.D. at 207-208.
[175] R.D. at 179.
[176] *See* 52 Pa. Code Sec. 56.53(f) (requiring a public utility to refund a security deposit, with applicable interest, within 60 days after determining that a customer qualifies for an exemption)
[177] R.D. at 207-08.
[178] OCA M.B. 120-124; OCA R.B. 49-53; OCA Comments in Opposition to Non-Unanimous Settlement at 65-68; OCA Corrected St. 6 at 82-94; OCA Corrected St. 6SR at 5-7.
[179] OCA M.B. at 121.

Table 18. Inter-Class Allocation of CAP Costs (UGI Electric)
(per each $1 million of CAP costs of increments thereof)[145]

Customer Class	Revenue Requirement Allocation (Rev.Req. excluding taxes)	CAP Cost Allocation (per million $s)
Residential	79.40%	$794,000.00
General Service	4.20%	$42,000.00
General Service (4)	8.00%	$80,000.00
Flood Control Power	0.00%	$0.00
Large Power	7.40%	$74,000.00
Lighting	1.00%	$10,000.00
Sum		$1,000,000.00

Given that Mr. Colton proposed that the non-residential class allocations be done on a "fixed fee" basis, he also recommended that the dollar amount of the non-residential allocations be fixed until the Company files its next base rate proceeding.[180] UGI did not dispute Mr. Colton's Direct Testimony observing that the cost of providing service through the Company's CAP program is not a cost that has a cost causation that can be limited to the residential class.[181] UGI also failed to refute record evidence that the Commission has previously recognized that universal service costs are caused by factors endemic to society as a whole and are not caused by factors specific to residential customers.[182] Rather than being a cost "caused" by the residential class, the Commission explicitly found that "[c]early, there is a persuasive argument to be made that home heating and energy assistance for low-income households serves a public good whose responsibility is not merely other residential ratepayers."[183]

[180] OCA Corrected St. 6 at 93.
[181] OCA Corrected St. 6SR at 6.
[182] OCA Corrected St. 6SR at 6.
[183] *Id*. (*citing to* Final Policy Statement and Order, Docket M-2019-3012599, at 94-95).

The record demonstrates that it is incorrect to say that businesses and other non-residential customers have nothing to do with the need for universal service programs.[184] One major reason these programs are necessary is that some workers do not earn enough to cover their basic living expenses.[185] As explained in full in OCA's Main Brief, if UGI charges all of the universal service costs to residential customers, residential customers are effectively paying a cost that businesses otherwise would have to bear.[186] In other words, businesses can benefit from employing low-wage workers while residential utility customers help fund the public assistance those workers rely on.[187] Mr. Colton explains, in detail, how that structure is essentially a subsidy from residential customers to businesses if nothing changes.[188]

UGI merely responded that this concept is better suited for a policy docket before the Commission.[189] OSBA agreed with UGI's recommendation.[190] UGI's recommendation to address this issue on a state-wide basis, rather than a utility-specific basis, however, is in explicit derogation of the Commission's previous holding, which stated: "the Commission finds it appropriate to consider recovery of the costs of CAP costs from all ratepayer classes. Utilities and stakeholders are advised to be prepared to address CAP cost recovery in **utility-specific rate cases** consistent with the understanding that the Commission will no longer routinely exempt non-residential classes from universal service obligations."[191]

Despite the Final Policy Statement and Order stating that the OCA's recommended relief is appropriate for an EDC-specific case such as this, the ALJs recommended a limited, negotiated

[184] OCA Corrected St. 6SR at 6.
[185] *Id*.
[186] *Id*.
[187] *Id*.
[188] OCA Corrected St. 6SR at 6.
[189] OCA Corrected St. 6SR at 7, *citing* UGI Electric Statement 1, at 27.
[190] R.D. at 203.
[191] *Id*. (*citing to* Final Policy Statement and Order, Docket M-2019-3012599, at 97)(emphasis added).

application of the Universal Service Program (USP) Rider to Rate HTP contracts, leaving the broader allocation of universal service costs unaddressed.[192] Although offsetting residential ratepayer costs may serve the public interest, universal service program costs must still be properly accounted for under 52 Pa. Code Sections 54.71–54.78 and 62.1–62.8. Requiring UGI Electric to negotiate applying the Universal Service Program Rider to Rate HTP contracts, subject to a cap tied to the residential rider rate, does not explain how the arrangement would ensure regulatory compliance or prevent residential ratepayers from bearing costs attributable to other customer classes.

The record therefore supports allocating CAP costs across all customer classes and adopting Mr. Colton's recommendation to assess non-residential customers a fixed fee, with the dollar amount held constant until UGI Electric's next base rate proceeding. This approach would provide certainty in cost allocation, protect residential ratepayers from bearing a disproportionate share of CAP costs, and allow the allocation methodology to be reviewed in the next base rate proceeding, and is supported by record evidence. Accordingly, the Commission should sustain this Exception and adopt the OCA's proposed allocation of universal service costs to non-residential customers.

Exception No. 22: The ALJs Erred by failing to recognize OCA's support of the reconnection-fee waiver as a beneficial but insufficient measure, and instead interpreting their position as opposition in full, rather than opposed to approving the settlement absent additional substantive reforms. R.D. at 212-214; OCA Comments in Opposition to Non-Unanimous Settlement at 43-44.

The ALJs erred in mischaracterizing the OCA's position on the proposed reconnection-fee waiver and failing to distinguish its concerns regarding the waiver from its broader opposition to

[192] *Id*.

the Settlement.[193] Although the OCA recognized the potential benefits of waiving reconnection fees for low-income customers, the OCA maintained that the waiver alone was insufficient to address its concerns with the Settlement.[194] The Commission should recognize the reconnection-fee waiver as a beneficial customer protection without treating it as a substitute for the additional substantive reforms sought by the OCA. Those reforms are necessary to address the OCA's remaining concerns and ensure that the Settlement, considered as a whole, adequately protects customers. Accordingly, the ALJs erred in recommending partial approval of the Settlement without requiring additional substantive reforms to address the OCA's outstanding concerns, and the Commission should reject that recommendation.

Exception No. 23: The ALJs Erred by Rejecting the Joint Petition for Settlement While Adopting Selected Low-Income Customer Protections Without Fully Addressing the OCA's Recommended Reforms. R.D. at 212-214; OCA Comments in Opposition to Non-Unanimous Settlement at 43-44.

The ALJs erred by selectively adopting beneficial settlement provisions while discounting or rejecting record evidence supporting the OCA's proposed broader protections for low-income customers. As stated and explained in Exception Numbers 1 and 2, above, the Commission's settlement rules expressly recognize full and partial settlements, but any approved resolution must be evaluated in light of the public interest.[195] This Exception, and Exception Numbers 1 and 2, should not be construed as opposition to the reconnection-fee waiver, expanded arrearage forgiveness pilot, electric-resistance space-heating screening, or domestic-violence protections; rather, the OCA recognizes the potential benefits of these measures but maintains that they are

[193] R.D. at 212-214; OCA M.B. 120-124; OCA R.B. 49-53; OCA Corrected St. 6 at 82-94; OCA Corrected St. 6SR at 5-7.
[194] OCA Comments in Opposition to Non-Unanimous Settlement at 43-44.
[195] *See* 52 Pa. Code Sections 69.401, 69.406.

insufficient, standing alone, to resolve its broader concerns regarding the adequacy of customer protections.[196]

Although the Recommended Decision adopts certain beneficial customer-protection measures, those measures cannot be evaluated in isolation from the overall affordability of UGI Electric's proposed rates or the substantial record evidence demonstrating that customers need more comprehensive protections than the piecemeal adoption of selected Settlement provisions provides. For low-income customers already struggling to pay their electric bills, the benefits of arrearage forgiveness, reconnection-fee waivers, and other protections may prove insufficient if the resulting rates remain unaffordable. Accordingly, the OCA respectfully requests that the Commission cure these deficiencies by adopting the OCA's recommendations, which are supported by the evidentiary record, and ensure that its final determination is grounded in the record and supported by adequate findings and reasoning. Please also see Exception Numbers 1 and 2.

III. CONCLUSION

Based on the foregoing and for the reasons articulated in the OCA's Main and Reply Briefs, as well as the OCA's Comments in Opposition to the Non-Unanimous Settlement, the OCA respectfully requests that the Commission sustain the OCA's Exceptions and adopt the OCA's positions as discussed above.

[196] OCA Comments in Opposition to Non-Unanimous Settlement at 26, 33-36, 43-47, 50, 65-66.

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