Post & Schell P.C.
ATTORNEYS AT LAW

One Oxford Centre
301 Grant Street, Suite 3010
Pittsburgh, PA 15219
412-227-8887 Main
412-227-9065 Main Fax
www.postschell.com

Devin Ryan

dryan@postschell.com
717-612-6052 Direct
717-731-1985 Direct Fax
File #: 216478

October 28, 2026

VIA ELECTRONIC FILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission, *et al.* v. UGI Utilities, Inc. – Electric Division
Docket Nos. R-2025-3059430, *et al.*

Dear Secretary Homsher:

Enclosed for filing are the Exceptions of UGI Utilities, Inc. – Electric Division to the Recommended Decision in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Devin Ryan

DR/bfc
Enclosure

cc: The Honorable Steven K. Haas (*via email w/ enclosure*)
The Honorable Chad L. Allensworth (*via email w/ enclosure)*
Office of Special Assistants (*via email w/ enclosure*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL

Adam J. Williams, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
E-mail: adawilliam@pa.gov

Joseph L. Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
E-mail: jlvullo@bvrrlaw.com
Counsel for CEO

Christy M. Appleby, Esquire
Jacob D. Guthrie, Esquire
Katie Kennedy, Esquire
Johnathan Longhurst, Esquire
Crystal M. Zook, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
E-mail: cappleby@paoca.org
E-mail: jguthrie@paoca.org
E-mail: kkennedy@paoca.org
E-mail: jlonghurst@paoca.org
E-mail: czook@paoca.org
E-mail: OCAUGIElec26BRC@paoca.org

Steven C. Gray, Esquire
Senior Attorney
Assistant Small Business Advocate
Office of Small Business Advocate
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
E-mail: sgray@pa.gov

Date: October 28, 2026

Devin Ryan

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

EXCEPTIONS OF UGI UTILITIES, INC. – ELECTRIC DIVISION TO THE RECOMMENDED DECISION

Michael S. Swerling (ID # 94748)
UGI Corporation
500 North Gulph Road
King of Prussia, PA 19406
Phone: 610-992-3203
E-mail: swerlingm@ugicorp.com

Candis A. Tunilo (ID # 89891)
UGI Corporation
1 UGI Drive
Denver, PA 17517
E-mail: tuniloc@oneugi.com

Devin T. Ryan (ID # 316602)
Emily S. Grecu (ID # 337777)
Post & Schell, P.C.
One Oxford Centre
301 Grant Street, Suite 3010
Pittsburgh, PA 15219
Phone: 717-612-6052
Fax: 717-731-1985
E-mail: dryan@postschell.com
E-mail: egrecu@postschell.com

David B. MacGregor (ID # 28804)
Garrett P. Lent (ID # 321566)
Lindsay A. Berkstresser (ID # 318370)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
Phone: 717-731-1970
E-mail: dmacgregor@postschell.com
E-mail: glent@postschell.com
E-mail: lberkstresser@postschell.com

Dated: October 28, 2026

Counsel for UGI Utilities, Inc. – Electric Division

TABLE OF CONTENTS

I. INTRODUCTION 1

II. EXCEPTIONS 3

A. EXCEPTION NO. 1 – THE RD ERRS IN DENYING THE REASONABLE NON-UNANIMOUS SETTLEMENT OF ALL ISSUES ACHIEVED BY UGI ELECTRIC AND OSBA 3

B. EXCEPTION NO. 2 – THE RD'S DECISION TO ADOPT OCA'S RECOMMENDED ROE OF 8.7% CANNOT STAND, AS IT DEPARTS FROM WELL-ESTABLISHED PRECEDENT AND THE RELIABLE EVIDENCE IN THE RECORD 8

1. The RD's Adoption of OCA's ROE Recommendation Is Flawed and Conflicts with Commission Precedent, Including the Most Recent Fully Litigated Base Rate Cases This Year 9

2. UGI Electric's Market-Based ROE of 10.85% Is Fully Supported by the Record and Is Not "Overstated" 16

C. EXCEPTION NO. 3 – THE RD'S ADOPTION OF A HYPOTHETICAL CAPITAL STRUCTURE OF 42.00% EQUITY AND 58.00% LONG-TERM DEBT, DESPITE FINDING THAT UGI ELECTRIC'S ACTUAL CAPITAL STRUCTURE OF 54.25% EQUITY AND 45.75% LONG-TERM DEBT IS NOT "ATYPICAL," CONTRAVENES COMMISSION PRECEDENT AND IS NOT SUPPORTED BY THE RECORD 21

D. EXCEPTION NO. 4 – THE RD INCORRECTLY ADOPTS THE OCA'S RECOMMENDED ADJUSTMENT TO UGI ELECTRIC'S RATE CASE EXPENSE 31

E. EXCEPTION NO. 5 – THE RD ERRS IN APPLYING THE SCALE BACK OF RATES TO THE FIXED CUSTOMER CHARGES 32

F. EXCEPTION NO. 6 – THE RD ERRONEOUSLY RECOMMENDS THAT UGI ELECTRIC'S LIURP BUDGET BE INCREASED AS PROPOSED BY CEO 34

G. EXCEPTION NO. 7 – THE RD INCORRECTLY IMPOSES CERTAIN CUSTOMER SERVICE AND LOW-INCOME RELATED REQUIREMENTS ON UGI ELECTRIC 35

III. CONCLUSION 40

TABLE OF AUTHORITIES

Cases

Butler Township Water Co. v. Pa. PUC,
473 A.2d 219, 222-23 (Pa. Cmwlth. 1984) 32

Carnegie National Gas Co. v. Pa. PUC,
433 A.2d 938 (Pa. Cmwlth. 1981) 22

Popowsky v. Pa. PUC,
642 A.2d 648 (Pa. Cmwlth. 1994) 32

Commission Decisions

Pa. PUC v. ALLTEL Pa., Inc.,
Docket Nos. R-942710, *et al.*, 59 Pa. PUC 447,
1985 Pa. PUC LEXIS 53 (Order entered May 24, 1985) 23, 29-30

Pa. PUC v. Aqua Pa., Inc.,
Docket Nos. R-2021-3027385, *et al.* (Order entered May 16, 2022) 24

Pa. PUC v. City of Bethlehem,
84 Pa. P.U.C. 275 (1995) 22

Pa. PUC v. City of Lancaster - Water,
Docket Nos. R-00984567, *et al.*,
1999 Pa. PUC LEXIS 39 (Order dated Sept. 22, 1999) 22

Pa. PUC v. Columbia Gas of Pa., Inc.,
Docket Nos. R-2020-3018835, *et al.* (Order entered Feb. 19, 2021) 24

Pa. PUC v. Columbia Gas of Pa., Inc.,
Docket Nos. R-2025-3053499, *et al.* (Order entered Dec. 9, 2025) ..... *passim*

Pa. PUC v. Columbia Water Co.,
Docket Nos. R-2023-3040258, *et al.* (Order entered Jan. 18, 2024) 24

Pa. PUC v. Metro. Edison Co.,
1979 Pa. PUC LEXIS 79 (Order entered Mar. 22, 1979) 30

Pa. PUC v. Metro. Edison Co., et al.,
Docket Nos. R-00061366, *et al.*,
2007 Pa. PUC LEXIS 5 (Order entered Jan.11, 2007) 35

Pa. PUC v. Nat'l Fuel Gas Dist. Corp..,
Docket Nos. R-2025-3059428, *et al.* (Order entered July 27, 2026) ..... *passim*

Pa. PUC v. PECO Energy Co. – Gas Div.,
Docket Nos. R-2020-3018929, *et al.* (Order entered June 22, 2021) 24

Pa. PUC v. Pennsylvania-American Water Co.,
Docket Nos. R-2023-3043189, *et al.* (Order entered July 22, 2024) 24

Pa. PUC v. Pennsylvania-American Water Co.,
Docket Nos. R-2025-3057983, *et al.* (Order entered July 27, 2026) ..... *passim*

Pa. PUC v. Phila. Suburban Water Co.,
1991 Pa. PUC LEXIS 206 (Order entered Oct. 18, 1991) 29-30

Pa. PUC v. PPL Elec. Utils. Corp.,
Docket Nos. R-2012-2290597, *et al.* (Order entered Dec. 28, 2012) 23

Pa. PUC v. PPL Elec. Utils. Corp.,
Docket Nos. R-2025-3057164, *et al.*,
2026 Pa. PUC LEXIS 196 (Order entered June 4, 2026). 6

Pa. PUC v. Twin Lakes Utilities, Inc.,
2020 Pa. PUC LEXIS 340 (Order entered Mar. 26, 2020) 15

Pa. PUC v. UGI Utils., Inc. – Elec. Div.,
Docket Nos. R-2017-2640058, *et al.* (Order entered Oct. 25, 2018) 10, 16

Pa. PUC v. W. Pa. Water Co.,
63 Pa. P.U.C. 157, 197 (1987) 29

Miscellaneous

Pa. PUC v. Nat'l Fuel Gas Dist. Corp.,
Docket Nos. R-2025-3059428, *et al.*
(Statement of Vice Chair Kimberly Barrow dated Oct. 22, 2026) 15-16, 31

I. INTRODUCTION

In this proceeding, UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company") proposed an increase in its annual base rate operating revenues of $16.05 million based on the use of a Fully Projected Future Test Year ("FPFTY") ending September 30, 2027 ("2026 Base Rate Case"). This requested increase of $16.05 million was made as part of the Company's rebuttal testimony and was a reduction from the $17.283 million increase that the Company supported in its initial filing. That initial reduction in the proposed rate increase reflected voluntary concessions by the Company regarding legitimate and rate-recoverable expenses, which the Company made to limit the issues in this proceeding and respond to concerns about affordability. UGI Electric later filed a Joint Petition for Non-Unanimous Settlement of All Issues ("Joint Petition" or "Settlement") with the Office of Small Business Advocate ("OSBA"), under which the Company's proposed revenue increase would be further reduced to $10.7 million, along with terms providing for substantial customer benefits beyond those that could be granted as relief in this proceeding. On October 16, 2026, the Commission served the Recommended Decision ("RD") of Administrative Law Judges Steven K. Haas and Chad L. Allensworth ("ALJs"), which recommends rejecting the Settlement and awarding a base rate revenue increase of approximately $10.13 million, or approximately $570,000 less than the increase under the Settlement.

As explained herein, the Commission should reverse the RD's rejection of the Settlement. UGI Electric's proposed base rate revenue increase of $16.05 million is fully supported by the facts and law and, therefore, so too is the revenue increase of $10.7 million under the Settlement. The only way the RD reaches a base rate revenue increase of approximately $10.13 million is by adopting the Office of Consumer Advocate's ("OCA") baseless recommendations of:

1. An 8.7% return on equity ("ROE"), as opposed to UGI Electric's proposed ROE of 10.85% and I&E's recommended ROE of 9.69%; and

2. A hypothetical capital structure of 42.00% common equity and 58.00% long-term debt, as compared to UGI Electric's actual capital structure of 54.25% common equity and 45.75% long-term debt.

To adopt these recommendations, the Commission would need to depart from longstanding precedent, including the Commission's recent rulings in the *Columbia Gas 2025 Order*,[1] the *PAWC 2026 Order*,[2] and the *NFG 2026 Order*.[3] In fact, if the Commission followed the same approaches on ROE and capital structure that it took in those cases, the authorized ROE would be 9.75% and the capital structure should be UGI Electric's actual capital structure of 54.25% common equity and 45.75% long-term debt. Nevertheless, if the RD adopted I&E's proposed ROE (i.e., 9.69%) and capital structure (i.e., 50% equity and 50% long-term debt) instead of OCA's recommendations, the RD would have produced a revenue increase of $12.698 million.[4] Given the flaws with even I&E's proposed ROE and capital structure, this fact alone shows that the Settlement's $10.7 million revenue increase would produce just and reasonable rates.

The RD's rulings on other issues demonstrate the Settlement's reasonableness. For example, the RD produces a higher residential customer charge of $17.64, as opposed to the $12.00 charge under the Settlement. Further, despite rejecting the Settlement, the RD decides to impose several of the Settlement's provisions on UGI Electric as requirements. However, the Company's and OSBA's agreement to those terms was part of a complete settlement package. If the RD

[1] *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2025-3053499, *et al.* (Order entered Dec. 9, 2025) ("*Columbia Gas 2025 Order*").

[2] *Pa. PUC v. Pennsylvania-American Water Co.*, Docket Nos. R-2025-3057983, *et al.* (Order entered July 27, 2026) ("*PAWC 2026 Order*").

[3] *Pa. PUC v. Nat'l Fuel Gas Dist. Corp.*, Docket Nos. R-2025-3059428, *et al.* (Order entered Oct. 22, 2026) ("*NFG 2026 Order*").

[4] This statement assumes all other components of the RD remain the same. This statement is not an endorsement of I&E's positions on capital structure and ROE, both of which were flawed for the reasons identified herein. This statement merely shows that even using inappropriately low inputs from the record, the Settlement very clearly balances the Company's need for rate relief with customer affordability.

wished to keep those aspects of the Settlement, the RD should have adopted the Settlement with modification, thereby preserving UGI Electric's and OSBA's rights under the Settlement to withdraw if they disagreed with the modifications.

In addition to these fundamental missteps, the RD errs in adopting OCA's proposed adjustment to UGI Electric's rate case expense, applying the scale back of rates to the fixed customer charges for Rates R and GS-1, and recommending an increase in UGI Electric's Low Income Usage Reduction Program ("LIURP") budget despite the Commission on Economic Opportunity ("CEO") failing to advance this proposal in briefs. As explained in these Exceptions, the Commission should reject the RD's recommendations on these points.

For these reasons, and as more fully explained in UGI Electric's Main Brief, Reply Brief, and Statement in Support of the Settlement, the Commission should grant Exception No. 1 and modify the RD to approve the Settlement without modification. Assuming *arguendo* that the Commission decides to still deny the Settlement, the Commission should grant Exceptions Nos. 2 through 7 and modify the RD accordingly.

II. EXCEPTIONS

A. EXCEPTION NO. 1 – THE RD ERRS IN DENYING THE REASONABLE NON-UNANIMOUS SETTLEMENT OF ALL ISSUES ACHIEVED BY UGI ELECTRIC AND OSBA[5]

The RD's fundamental error is recommending rejection of the Settlement.[6] The only reasoning put forth by the RD is that "[t]he case" should be "determined based on a full review of all issues and all record evidence," evidently taking issue with the "black box" nature of the Settlement's revenue requirement increase.[7] The RD also asserts that the Settlement lacked

[5] *See* RD at 2, 11-13, 24-28, 40-42, 52, 227; RD Findings of Fact Nos. 8, 13, 15, 19, 22-26, 33-35; RD Ordering Paragraphs Nos. 2, 4.
[6] RD at 11-13.
[7] RD at 12-13.

"reference to substantial record evidence to support approval of the various settlement terms."[8] However, as explained in UGI Electric's Briefs and Statement in Support, the Settlement is more than reasonable, is supported by substantial evidence in the record, and contains well-designed provisions that balance the interests of all the parties and, in particular, prioritize affordable and high quality customer service to UGI Electric's customers.[9]

The Settlement's revenue requirement increase of $10.7 million[10] is key evidence of the Settlement's reasonableness, where the strongest evidentiary support is found in the RD's rulings on all revenue requirement issues in the case. Under the RD, UGI Electric would receive a base rate revenue increase of approximately $10.13 million.[11] **The only way the RD produced a revenue increase slightly below the $10.7 million in the Settlement was by adopting OCA's extreme positions on return on equity (i.e., 8.7%) and capital structure (i.e., 42% equity and 58% long-term debt)**. Not only do those positions lack credible evidentiary support, as described in Exception Nos. 2 and 3 below, but they depart from longstanding and recent Commission precedent, including the most recent fully litigated base rate cases involving Pennsylvania-American Water Company ("PAWC") and National Fuel Gas Distribution Corporation ("National Fuel").[12] **Notably, if the RD had adopted I&E's flawed positions on ROE (i.e., 9.69%) and capital structure (i.e., 50% equity and 50% long-term debt) in place of OCA's recommendations, while holding all else equal, the RD would have produced a base rate revenue increase of $12.698 million**, well above the RD's recommended increase of approximately $10.13 million and the Settlement's proposed increase of $10.7 million. Although

[8] RD at 12.

[9] *See, e.g.*, UGI Electric Statement in Support, pp. 1-32; UGI Electric MB, pp. 1, 3, 10-11, 14-15, 20-21; UGI Electric RB, pp. 1-9; *see also* OSBA RB, pp. 3-5.

[10] Settlement ¶ 29.

[11] RD at 227.

[12] *See* Sections II.B and C, *infra*.

there remain significant issues with I&E's positions on ROE and capital structure, which for the reasons explained herein should not be adopted by the Commission,[13] this comparison demonstrates the reasonableness of the Settlement's revenue increase of $10.7 million.

Another critical item within the Settlement is the residential customer charge. The Settlement, if approved, would only increase the residential customer charge from $10.75 to $12.00.[14] That agreed-upon Rate R customer charge of $12.00[15] is: (1) $1.30 less than the customer charge of $13.30 advocated by I&E[16]; (2) only $1.25 higher than the existing charge of $10.75 supported by OCA and CEO[17]; and (3) $10 less than the Company's proposed charge of $22.00 supported by UGI Electric's evidence.[18] The RD adopts UGI Electric's litigation position on the residential customer charge, correctly finding that it is "reasonable, supported by record evidence, and balances gradualism and affordability with cost causation considerations."[19] When paired with the RD's ruling on the scale back,[20] **the RD would result in a residential customer charge of $17.94, which is $5.94 above the Settlement's residential customer charge of $12.00**. Therefore, although UGI Electric maintains that its proposed customer charges should be adopted if the Settlement is rejected, this comparison shows how the Settlement represents a reasonable compromise of the parties' positions on the residential customer charge and a significant concession by UGI Electric that is designed to address affordability concerns.

In addition, the "black box" nature of the Settlement should not prevent the Commission from approving it. PPL Electric Utilities Corporation ("PPL Electric") proposed a Joint Petition

[13] *See* Sections II.B and C, *infra*.
[14] Settlement ¶ 31.
[15] The Rate GS-5 customer charge must equal the Rate R customer charge. *See* UGI Electric St. No. 1-R, pp. 29-30.
[16] I&E St. No. 3, p. 10.
[17] OCA St. 1, p. 51; CEO St. No. 1, p. 7.
[18] *See, e.g.*, UGI Electric St. No. 11, pp. 43-47.
[19] RD at 152-53.
[20] RD at 154.

for Non-Unanimous Settlement of All Issues in its 2025 Base Rate Case, which I&E, OCA, and other parties joined, which did not identify all the components underlying the agreed-upon revenue increase of $275 million.[21] The Commission approved the settlement in that proceeding.[22] Also, as explained above, the RD's rulings on all the revenue requirement issues in this case, including the severely flawed adoption of OCA's ROE and capital structure positions, produce a revenue requirement increase of approximately $10.13 million, only slightly less than the Settlement's increase of $10.7 million. When adjusting the RD's calculated revenue requirement increase to include even I&E's incorrect positions on ROE and capital structure, the revenue increase would be approximately $2 million more than the Settlement's increase of $10.7 million. Additionally, the Settlement's revenue increase of $10.7 million is approximately $1.46 million less than I&E's calculated base rate revenue increase of $12.164 million, before I&E's baseless, erroneous, and unprecedented adjustment related to the Argo Transaction, which the RD soundly rejects.[23] Therefore, although the Settlement is a "black box," the RD's full examination of all revenue requirement issues confirms the reasonableness of the Settlement's revenue increase.

Furthermore, although the RD rejects the Settlement, the RD decides to impose several customer service and low-income related requirements from the Settlement on UGI Electric.[24] Some of those provisions were not advanced by parties in testimony, namely: (1) the Company's Expanded Arrearage Forgiveness Pilot Program; (2) the waiver of reconnection fees for confirmed low-income customers who provide household income verification; (3) the Company's performance of screening for residential space heating customers; and (4) the updates to UGI

[21] *See Pa. PUC v. PPL Elec. Utils. Corp.*, Docket Nos. R-2025-3057164, *et al.*, 2026 Pa. PUC LEXIS 196, at *12, 15-16, 264-70 (Order entered June 4, 2026).

[22] *Id.*

[23] *See* UGI Electric MB, pp. 11-12; RD at 55.

[24] *See* Section II.G, *infra*.

Electric's policies applicable to victims of domestic violence. As explained in Section II.G, *infra*, the RD's imposition of these requirements after rejecting the Settlement is inappropriate.[25] If the RD wished to adopt these provisions, it should have approved the Settlement with or without modification. Instead, the RD rejects the Settlement but then still addresses these proposals in the Settlement and imposes them on the Company. Also, UGI Electric was clear in its Statement in Support that the Settlement's provisions cannot and should not be viewed in isolation.[26] The Company's agreement to the Settlement's provisions was contingent on approval of the entire Settlement without modification.[27] Thus, unlike the RD, the Commission should view the Settlement as a whole and, as set forth in the Company's Statement in Support, find that the Settlement is reasonable and in the public interest and would produce just and reasonable rates. Notwithstanding, the RD's decision to incorporate various provisions of the Settlement into its ruling after rejecting the Settlement is evidence, in and of itself, that the Settlement's provisions are just, reasonable, and in the public interest.

Moreover, as noted in UGI Electric's Statement in Support, the Settlement was achieved only after a comprehensive investigation of UGI Electric's operations and finances, which included: (1) parties conducting a detailed examination of the Company's rate case filing and proposals; (2) parties collectively submitting **thousands** of pages of direct, rebuttal, surrebuttal, and rejoinder testimony and exhibits covering a wide range of issues; (3) parties engaging in extensive formal discovery; (4) parties engaging in informal discovery throughout the proceeding; (5) the Commission holding two in-person public input hearings and two telephonic public input hearings; and (6) the ALJs holding in person hearings where witnesses were cross examined.[28]

[25] *See* Section II.G, *infra*.
[26] UGI Electric Statement in Support, p. 2.
[27] Settlement ¶ 61.
[28] UGI Electric Statement in Support, p. 1.

Therefore, the Settlement is based on a detailed investigation of UGI Electric's base rate case filing and constitutes a fair compromise of the parties' positions in this proceeding.

Based on the foregoing, and as explained further in UGI Electric's Briefs and Statement in Support, as well as OSBA's Reply Brief, the Settlement represents a reasonable compromise of all the issues in the case, is supported by the record, and will produce just and reasonable rates. Therefore, the Commission should grant this Exception No. 1, reverse the RD's ruling on this fundamental issue, and approve the Settlement without modification.

B. EXCEPTION NO. 2 – THE RD'S DECISION TO ADOPT OCA'S RECOMMENDED ROE OF 8.7% CANNOT STAND, AS IT DEPARTS FROM WELL-ESTABLISHED PRECEDENT AND THE RELIABLE EVIDENCE IN THE RECORD[29]

The RD's next critical error is adopting OCA's ROE recommendation of 8.7%.[30] According to the RD, UGI Electric's proposed ROE of 10.85% is "overstated" because: (1) the growth rate used by the Company in its Discounted Cash Flow ("DCF") analysis is too high; and (2) the earnings risk premium ("ERP") calculations used in the Company's Capital Asset Pricing Model ("CAPM") analysis are "flawed when compared against I&E, OCA and other leading experts."[31] As for I&E's recommended ROE of 9.69%, the RD devotes a single sentence to its basis for rejecting that position: "We also find that I&E's recommendation in this matter would provide an excessive return on equity."[32] Ultimately, the RD adopts OCA's recommended ROE of 8.7%, which the RD claims "includes Commission accepted DCF and CAPM, including reasonable reliance on expert surveys for ERP and use of a perpetual growth rate of 3.8%."[33] As

[29] *See* RD at 24-28, 33, 40-42, 52, 108-36, 227; RD Findings of Fact Nos. 8, 13, 15, 19, 22-26, 33-35, 65, 70; RD Ordering Paragraphs Nos. 1-2, 4.
[30] RD at 135-36.
[31] RD at 136.
[32] RD at 136.
[33] RD at 136.

explained herein, if the Settlement is not approved without modification, the Commission should reverse the RD's recommendation on ROE and adopt UGI Electric's proposed ROE.

1. The RD's Adoption of OCA's ROE Recommendation Is Flawed and Conflicts with Commission Precedent, Including the Most Recent Fully Litigated Base Rate Cases This Year

Despite the record evidence supporting the Company's proposed ROE of 10.85%,[34] as well as I&E's arguments in favor of its recommended ROE of 9.69% (which, although flawed, is still substantially higher than OCA's ROE of 8.7%), the RD concludes that OCA's recommended ROE of 8.7% should be adopted.[35] As alleged support, the RD offers the following reasons: (1) "the Commission does not have a history of authorizing a[n] ROE as high as the Company's proposed . . . ROE of 10.85% in this matter"; (2) OCA's recommended ROE of 8.7% is "based on OCA's DCF and CAPM models"; (3) OCA's recommended ROE "include[s] reasonable reliance on expert surveys for ERP and use of a perpetual growth rate of 3.8%"; (4) "UGI Electric's ERP calculations utilized in its CAPM are flawed"; (5) "UGI Electric has shown strong financial performance contradicting that a lower ROE will impair financial integrity"; (6) the RD "ha[s] already recommended adoption of UGI Electric's proxy group, which OCA also used"; and (7) "I&E's recommendation in this matter would produce an excessive return on equity."[36] Apart from the adoption of UGI Electric's proxy group, every one of these findings lacks merit.

First, the RD overlooks the other side of its comparison of UGI Electric's proposed ROE to recent Commission decisions—the Commission has not awarded ROEs in recent cases even close to the RD's unreasonably low recommended ROE of 8.7%.[37] For UGI Electric specifically,

[34] *See* Section II.B.2, *infra*.
[35] RD at 135-36.
[36] *Id.*
[37] The RD and OCA also have not identified any rate case in recent decades where the Commission awarded an investor-owned utility a ROE equal to or less than 8.7%.

the Company's last fully litigated rate case in 2018 resulted in a 9.85% ROE, inclusive of a 0.05% adder for management effectiveness.[38] Further, in the most recent fully litigated rate cases, all within the last year, the Commission awarded ROEs of: (1) 10.00% to Columbia Gas of Pennsylvania, Inc. ("Columbia") (after making a downward adjustment to its calculated ROE of 10.22%); (2) 9.55% to PAWC (after making an upward adjustment of 0.10% and a downward adjustment of 0.25%); and (3) 9.86% to National Fuel (after giving "consideration of a variety of factors such as increasing inflation and the Iran conflict"). In all three of those cases, the Commission took the same approach to calculate the base authorized ROE: the Commission averaged I&E's DCF and composite CAPM results.[39] Also, the Commission recently rejected I&E's use of a "national average of authorized ROEs" for utilities in its *NFG 2026 Order*, an approach which I&E proposed to use here as well.[40]

If the Commission were to use the same approach it took in those three cases for determining UGI Electric's authorized ROE in this proceeding, **the resulting authorized ROE would be 9.75%** (i.e., 10.18% + 9.32% ÷ 2 = 9.75%).[41] The authorized ROE would be an even higher 10.44%, after accounting for the errors within I&E's DCF and CAPM analyses that were identified by UGI Electric.[42] Once corrected, I&E's analyses would produce ROEs of 10.60% under the DCF and 10.27% under the CAPM (i.e., 10.60% + 10.27% ÷ 2 = 10.435%).[43] Both of

[38] *Pa. PUC v. UGI Utils., Inc. – Elec. Div.*, Docket Nos. R-2017-2640058, *et al.*, p. 119 (Order entered Oct. 25, 2018).

[39] *NFG 2026 Order*, p. 203 (stating that its "calculation of the ROE using this method is consistent with the same approach used by the Commission in its recent decisions in *Columbia Gas 2025* and *PAWC 2026*"); *PAWC 2026 Order*, pp. 209-10 ("[T]he Commission determined in *PAWC 2024* and *Columbia Gas 2025* that taking an average of I&E's DCF and CAPM produces a reasonable ROE, and we see no reason to deviate from this recent precedent in this instant proceeding.").

[40] *NFG 2026 Order*, p. 202 (finding "that I&E's proposed use of the recent national average of authorized ROEs for NGDCs across all jurisdictions in the United States is not a reliable factor to consider in setting the ROE for NFGD in this proceeding"); *see* I&E MB, p. 23.

[41] UGI Electric RB, pp. 51-52.

[42] *Id.*, p. 52.

[43] *Id.*

these results are higher than I&E's recommended ROE of 9.69% and much higher than the RD's and OCA's recommended ROE of 8.7%.[44]

Second, contrary to the RD's finding, OCA's recommended ROE is not truly based on OCA's DCF and CAPM models. As explained in UGI Electric's Main Brief, OCA witness Garrett's ROE recommendation of 8.7% (at his hypothetical capital structure) is tied to his CAPM analysis showing a cost of equity of 8.7%.[45] Therefore, contrary to the RD's finding, Mr. Garrett's DCF analysis apparently played no role in his ultimate ROE recommendation. Given the importance that the Commission places on the DCF, including in the most recent fully litigated rate cases involving Columbia, PAWC, and National Fuel,[46] the RD's recommendation is grounded in OCA's CAPM analysis and, therefore, should be rejected for that reason alone.

Third, the RD errs in disregarding the fatal flaws with OCA's DCF and CAPM analyses, which serve to understate the market-based ROE. When performing his DCF analysis, OCA witness Garrett assumed a single, perpetual growth rate of 3.8% for all of his proxy group companies which is equal to the nominal Gross Domestic Product ("GDP").[47] The RD incorrectly gives credence to Mr. Garrett's use of the single, perpetual growth rate of 3.8%, calling it "reasonable and supported by the record."[48] As UGI Electric established, this growth rate of 3.8% is not based on any measure of company-specific growth, or growth in the utility industry in general.[49] UGI Electric witness D'Ascendis also explained that:

> Under the DCF model's strict assumptions . . . [,] expected growth and dividend yields are inextricably related. Mr. Garrett's assumption that one growth rate applies to all companies, even

[44] *Id.*
[45] UGI Electric MB, p. 101.
[46] *See NFG 2026 Order*, pp. 186-90, 201-03; *PAWC 2026 Order*, pp. 197-98, 209-10; *Columbia Gas 2025 Order*, pp. 234-36.
[47] UGI Electric MB, pp. 101-02.
[48] RD at 136.
[49] UGI Electric MB, p. 101.

> though dividend yields vary across those companies, has no basis in theory or practice.[50]

Moreover, OCA witness Garrett is not aware of any instance where the Commission has relied upon the GDP to establish the growth rate used in the DCF analysis.[51] In fact, the Commission rejected OCA's claim that the DCF analysis should use a GDP growth rate in the *PAWC 2026 Order*.[52] Nothing presented by OCA here warrants deviation from that precedent.

Additionally, by assuming a single, perpetual growth rate of 3.8% for all of his proxy group companies, OCA witness Garrett, and by extension the RD, is assuming that these companies will grow at real rates of approximately 1.60% in perpetuity.[53] Essentially, Mr. Garrett assumes that an investor would rationally take on the risks of equity ownership in exchange for expected growth barely greater than expected inflation.[54] However, under such conditions, an investor would more likely determine that the risks are not worth the expected return.[55] Also, as a practical matter, because they are generic in nature, Mr. Garrett's estimate fails to account for the risks and prospects faced by the proxy companies.[56]

The Company also demonstrated the flaws within OCA's CAPM analysis, which, as noted previously, is the methodology used to derive OCA's recommended ROE of 8.7%. Specifically, UGI Electric showed that OCA witness Garrett's conclusions are undermined by his selected MRP and his failure to perform an ECAPM analysis.[57] With respect to his proposed MRP estimate of 4.90%, Mr. Garrett relied upon: (1) a survey of expected returns from IESE Business School

[50] *Id.*, pp. 101-02 (emphasis added).
[51] *Id.*, p. 102.
[52] *Columbia Gas 2025 Order*, pp. 219 *PAWC 2026 Order*, pp. 191-92, 196-98 (denying OCA's exception to the recommended decision, which rejected OCA's sustainable growth rate DCF analysis that utilized the projected long-term GDP growth rate of 3.7%).
[53] UGI Electric MB, p. 102.
[54] *Id.*
[55] *Id.*
[56] *Id.*
[57] *Id.*, pp. 102-03.

(5.30%); (2) an expected return reported by Kroll (Duff & Phelps) (5.00%); (3) implied MRP from Damodaran (5.00%); and (4) an "Implied Equity Risk Premium" calculation (5.00%).[58] Based on those results, he concluded that the average of his range, 4.90%, is appropriate.[59] However, the Kroll estimate of 5.00% is flawed because Kroll: (1) does not define how they calculate their expected market return or how they derive their normalized risk-free rate; and (2) is a less accurate predictor of returns as compared to the long-term arithmetic mean return.[60]

Also, UGI Electric witness D'Ascendis explained that survey-based MRPs are not widely relied upon.[61] Regarding Mr. Garrett's implied MRP, Mr. D'Ascendis explained that the first stage and terminal growth rates assumed by Mr. Garrett are significantly flawed.[62] Further, the implied market returns relied upon by OCA are even less accurate than the Kroll estimates relied upon by I&E.[63] Moreover, in both the *Columbia Gas 2025 Order* and the *PAWC 2026 Order*, the Commission did not utilize OCA's CAPM analysis that "relied upon expert surveys and an implied ERP."[64] Accordingly, the Commission should disregard OCA's CAPM analysis entirely.

Fourth, UGI Electric's ERP[65] calculations were not flawed. As explained previously, UGI Electric witness D'Ascendis used five measures of MRPs in his updated CAPM analysis: three analyses using historical market data and two analyses using projected market data.[66] Mr. D'Ascendis used the average of measures one through four of MRPs, excluding the MRP based on the total return on the market based on the S&P 500, which resulted in a market risk premium

[58] *Id.*, p. 103.
[59] *Id.*
[60] *Id.*, pp. 99, 103.
[61] *Id.*, p. 103.
[62] *Id.*
[63] *Id.*
[64] *Columbia Gas 2025 Order*, pp. 223, 225-26, 234-38; *PAWC 2026 Order*, pp. 194-95, 197-98.
[65] ERP is also referred to as MRP in the context of CAPM analyses.
[66] UGI Electric MB, p. 93.

of 8.34%.[67] Based on the average market risk premium of 8.34% and the risk-free rate of return of 4.84%, Mr. D'Ascendis calculated the average CAPM cost rates for his Electric Utility Proxy Group of 10.17% (using his traditional approach which includes both *Value Line* and Bloomberg betas) and 11.30% (using only *Value Line* betas).[68] Therefore, UGI Electric witness D'Ascendis took a multilayered, conservative approach to deriving the MRPs for his updated CAPM analysis, and nothing credible supports a finding that those calculations were flawed.

Fifth, no credible record evidence supports the RD's conclusion that "UGI Electric has shown strong financial performance contradicting that a lower ROE will impair financial integrity."[69] UGI Electric presented unrebutted evidence that the Company has been significantly underearning with an earned return of less than 8% since at least 2019, that the Company's ROE in fiscal year 2025 (i.e., the Historic Test Year) was 6.15%, that the last quarterly earnings report filed by UGI Electric showed an actual earned return of 6.08%, for the 12 months ended December 31, 2025 (compared to the ROE of 10.05% authorized for the DSIC in the same quarterly earnings report), and that the Company's ROE in the FPFTY would be 1.95% at present rates, a level that is well below the rate of inflation and the yield on 10-year or 30-year Treasury bonds.[70] For the Commission to award an ROE of 8.7% as recommended by the RD, especially when UGI Electric has excellent reliability metrics and strong customer service performance[71] and when the RD and OCA fail to identify any rate case for an investor-owned utility in decades where the authorized

[67] *Id.*, p. 93; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 32.
[68] UGI Electric MB, pp. 93-94; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, pp. 30-31.
[69] RD at 135.
[70] UGI Electric MB, pp. 8, 104; UGI Electric RB, pp. 8, 13-14; UGI Electric St. No. 1-R, pp. 18-19.
[71] *See, e.g.*, UGI Electric St. No. 1-R, p. 15.

ROE was 8.7% or less,[72] the Commission would be denying UGI Electric a fair opportunity to earn a just and reasonable return on its investments as constitutionally required.[73]

Sixth, I&E's recommended ROE would not produce an excessive return, as alleged by the RD. As explained in these Exceptions and UGI Electric's Main Brief and Reply Briefs, I&E's recommended ROE of 9.69% is flawed and should be rejected. However, if the Commission were to reject UGI Electric's arguments to adopt UGI Electric's ROE or correct certain components of I&E's recommended ROE, then the Commission should take the same approach that it took in its most recent decisions in fully litigated base rate cases, by averaging I&E's DCF and composite CAPM results, which produces an ROE of 9.75%.[74] Doing so not only comports with those rulings but the recent statement of Vice Chair Barrow in National Fuel's 2026 rate case, where she declared:

> Based on analysis of the record evidence, Staff recommends an ROE of 9.86% based upon the use of: (1) I&E's DCF ROE result of 10.47%; and (2) I&E's composite CAPM result of 9.25% that was produced using the average of I&E's traditional CAPM result and its CAPM result calculated using Kroll's inputs. Taking the average of these results produces a final authorized ROE of 9.86%. [(10.47% + 9.25%) ÷ 2 = 9.86%]. Although the capital structure used by Staff is different from the 53/47 capitalization I propose, I support the Staff recommended ROE of 9.86% as it appears to be reasonable.[75]

Finally, the RD overlooks OCA witness Garrett's statement that the few times a regulatory

[72] *See* note 37, *supra*.

[73] Even in *Pa. PUC v. Twin Lakes Utilities, Inc.*, 2020 Pa. PUC LEXIS 340 (Order entered Mar. 26, 2020), the Commission awarded an ROE of 9.23% despite the utility having severe quality of service issues and failing to meet prior rate case settlement commitments to improve its system. *Id.* at *35-46.

[74] *See, e.g.*, *NFG 2026 Order*, p. 203 (stating that its "calculation of the ROE using this method is consistent with the same approach used by the Commission in its recent decisions in *Columbia Gas 2025* and *PAWC 2026*"); *PAWC 2026 Order*, pp. 209-10 ("[T]he Commission determined in *PAWC 2024* and *Columbia Gas 2025* that taking an average of I&E's DCF and CAPM produces a reasonable ROE, and we see no reason to deviate from this recent precedent in this instant proceeding.").

[75] *Pa. PUC v. Nat'l Fuel Gas Dist. Corp.*, Docket Nos. R-2025-3059428, *et al.*, p. 4 (Statement of Vice Chair Kimberly Barrow dated Oct. 22, 2026) (emphasis added).

commission has adopted his position on an authorized ROE were when he proposed upward adjustments to the ROE results of his analysis to account for gradualism.[76] As Mr. Garrett testified, "I was recommending an authorized ROE on the basis of gradualism and just taking into account all relevant factors that arguably would have been unfair for those utilities to have such a huge drop in their authorized ROE in one case."[77]

Here, UGI Electric's last authorized ROE from a litigated rate case was 9.85%, consisting of an unadjusted DCF common equity rate of 9.80% plus 0.05% for management effectiveness.[78] If the Commission were to accept the RD's recommended adoption of OCA's 8.7% ROE, UGI Electric would see a significant drop from the 9.85% ROE authorized in the 2018 rate case to an authorized ROE of 8.7%.[79] Such a huge drop in the Company's authorized ROE would be unfair and fail to incorporate the gradualism concerns raised by OCA witness Garrett in other matters.[80]

2. UGI Electric's Market-Based ROE of 10.85% Is Fully Supported by the Record and Is Not "Overstated"

The Commission also should reverse the RD's findings on the Company's proposed ROE of 10.85%. UGI Electric's proposed ROE was derived based upon multiple market-based models, which showed that an appropriate, market-based ROE would fall within the range 10.63% to 12.17%.[81] A summary of the common equity rates determined by using these models is set forth below:

---

[76] UGI Electric MB, p. 50.

[77] *Id.*, pp. 50-51. Also, as noted in Section II.C, *infra*, Vice Chair Barrow recently suggested the use of gradualism when evaluating National Fuel's capital structure for purposes of calculating the overall rate of return. *Pa. PUC v. Nat'l Fuel Gas Dist. Corp.*, Docket Nos. R-2025-3059428, et al., p. 3 (Statement of Vice Chair Kimberly Barrow dated Oct. 22, 2026) (emphasis added).

[78] *Pa. PUC v. UGI Utils., Inc. – Elec. Div.*, Docket Nos. R-2017-2640058, *et al.*, p. 119 (Order entered Oct. 25, 2018).

[79] UGI Electric MB, p. 51.

[80] *Id.*

[81] *Id.*, p. 87.

Discounted Cash Flow Model (DCF)	10.82%
Risk Premium Model ("RPM")	10.71% - 11.10%
Capital Asset Pricing Model (CAPM)	10.17% - 11.30%
Cost of Equity Models Applied to Comparable Risk, Non-Price Regulated Companies	10.93% - 11.71%
Indicated Range of Common Equity Cost Rates Before Adjustments for Company-Specific Risk	10.17% - 11.71%
Business Risk Adjustment	0.40%
Credit Risk Adjustment	-0.06%
Flotation Cost Adjustment	0.12%
Indicated Range of Common Equity Cost Rates after Adjustment	10.63% - 12.17%
Recommended Cost of Equity	10.85%

[82]

UGI Electric presented substantial expert testimony and analysis in support of its proposed ROE of 10.85%, including, but not limited to, the utilization of the DCF and CAPM methodologies and the business risk, credit risk, and flotation cost adjustments.[83] Based on the above table, even if the Commission were to take the bottom of the range and remove the Company-specific risk adjustments, the ROE justified by the Company's market analysis in the record would be 10.17%.

On the DCF, UGI Electric witness D'Ascendis based his analysis on the most widely-used form of the DCF (i.e., the single-stage constant growth DCF).[84] The dividend yields that Mr. D'Ascendis used to apply the DCF model were based on the dividends of the companies in the Electric Utility Proxy Group as of June 12, 2026, divided by the average closing market price for the 60 trading days ending on that date.[85] Because dividends are paid quarterly, not continuously

[82] *Id.*
[83] *See id.*, pp. 88-96.
[84] *Id.*, p. 88.
[85] *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 7.

(daily), the yield must be adjusted to reflect the growth in dividends.[86] Under the broadly accepted Gordon Periodic version of the DCF model, an adjustment is made to reflect *annual* (i.e., one full year's) growth in dividends in order to properly reflect the dividends to be paid in the *next* 12-month period.[87] Because the Electric Utility Proxy Group companies increase their dividends at various times throughout the year, Mr. D'Ascendis made the conservative decision to adjust the dividend yield to reflect *only one-half* the annual dividend growth.[88]

For the DCF growth rate, Mr. D'Ascendis used analysts' five-year forecasts of earnings per share ("EPS") growth rate projections from three different sources.[89] As Mr. D'Ascendis explained, it is proper to use growth in EPS as the growth component in the DCF formula (and not dividends per share ("DPS") growth or growth in book value) because dividends cannot grow without growth in earnings.[90] The results of applying the DCF to the Electric Utility Proxy Group are shown below.[91]

Mean	10.85%
Median	10.78%
Average of Mean and Median	10.82%

Mr. D'Ascendis then relied upon an average of the mean and the median results of the DCF applicable to the Electric Utility Proxy Group, specifically 10.82%, to take into consideration all proxy company results while mitigating high- and low-side outliers.[92]

As for the CAPM, Mr. D'Ascendis used the average of the traditional CAPM and the Empirical CAPM ("ECAPM"), a well-established model that is used and relied upon by regulators

[86] UGI Electric MB, p. 88.
[87] *Id.*
[88] *Id.*
[89] *Id.*
[90] *Id.*, p. 89.
[91] UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 7.
[92] UGI Electric MB, p. 89; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 7.

and the academic community, to calculate his proposed CAPM equity cost rate.[93] Mr. D'Ascendis obtained betas for the Electric Utility Proxy Group from *Value Line*, which calculates beta over a five-year period, and Bloomberg, which calculates beta over a two-year period.[94] Both sources adjust their beta to reflect the tendency of beta to regress to the market mean of 1.00 over time.[95]

For the risk-free rate of return used in both the CAPM and ECAPM applications, Mr. D'Ascendis employed the average forecast of 30-year Treasury bonds for the six quarters ending in the third calendar quarter of 2027 as well as longer-term projections for the years 2028 to 2032 and 2033 to 2037.[96] This calculation produced a risk-free rate of 4.84%.[97] Mr. D'Ascendis also used five measures of market risk premiums in his updated CAPM analysis: three analyses using historical market data and two analyses using projected market data.[98] The market risk premiums based on historical market data are 7.37%, 7.67%, and 10.81%, while the market risk premiums based on projected market data are 7.53% and 18.60%.[99] Mr. D'Ascendis used the average of measures one through four of market risk premiums, excluding the MRP based on the total return on the market based on the S&P 500, which resulted in a market risk premium of 8.34%.[100] Using the average market risk premium of 8.34% and the risk-free rate of return of 4.84%, Mr. D'Ascendis calculated the average CAPM cost rates for his Electric Utility Proxy Group of 10.17% (using his traditional approach which includes both *Value Line* and Bloomberg betas) and 11.30% (using only *Value Line* betas).[101]

[93] UGI Electric MB, pp. 92-93.
[94] *Id.*, p. 93.
[95] *Id.*
[96] UGI Electric MB, p. 93; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 32.
[97] UGI Electric MB, p. 93.
[98] *Id.*
[99] *Id.*
[100] *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 32.
[101] UGI Electric MB, pp. 93-94; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, pp. 30-31.

UGI Electric's proposed ROE of 10.85% was further informed by and based upon Mr. D'Ascendis's Risk Premium Model ("RPM") analysis and his Non-Price Regulated Proxy Group analysis. Those analyses showed that UGI Electric's proposed ROE: (1) fell conservatively within the RPM's range of 10.71% - 11.10%; and (2) was below the Non-Price Regulated Proxy Group analysis's range of 10.93% - 11.71%.[102]

Additionally, UGI Electric supported its ROE adjustments to reflect sized-based business risk, credit risk, and flotation costs.[103] The business risk adjustment of 0.40% is necessary because the Company has greater relative risks than the Electric Utility Proxy Group due to its size, as demonstrated through two studies performed by UGI Electric witness D'Ascendis.[104] The credit risk adjustment of -0.06% is required to "reflect the less risky credit rating, i.e., A3" of the Company compared to the average Moody's bond rating of the Electric Utility Proxy Group.[105] To derive the amount of the downward adjustment, Mr. D'Ascendis took one-third of a recent three-month average spread between Moody's Baa2- and A-rated public utility bond yields of 0.17%, shown on page 21 of UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, or 0.06%.[106] Lastly, the flotation cost adjustment of 0.12% is necessary to recognize that for every dollar raised through debt or equity offerings, the Company receives less than one full dollar in financing, where this fact cannot otherwise be recognized in ratemaking.[107] Therefore, Mr. D'Ascendis applied an adjustment of 0.12% based upon issuance costs shown in UGI Electric Rebuttal Exhibit B, Schedule DWD-1R.[108]

[102] UGI Electric MB, p. 94.
[103] *See id.*, pp. 95-96.
[104] *Id.*
[105] *Id.*, p. 96.
[106] *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 45.
[107] UGI Electric MB, p. 96.
[108] *Id.*; UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 45.

As such, the Company demonstrated that its proposed ROE of 10.85% is not "overstated," as alleged by the RD; the 10.85% ROE is market-based, reasonable, and necessary to provide the Company with a fair opportunity to earn a just and reasonable return on its investments.[109]

For these reasons, the Commission should grant UGI Electric's Exception No. 2 and reject OCA's arguments and the RD's recommended ROE of 8.7%, as such ROE is unreasonably low and would deny UGI Electric a fair opportunity to earn a just and reasonable return on its investments as constitutionally required. Likewise, the Commission should adopt UGI Electric's proposed ROE of 10.85% or, at the very least, follow the same approach it took in its recent orders by awarding an ROE based on the average of I&E's DCF and composite CAPM results (i.e., 10.44% after correcting the errors with I&E's analyses or 9.75% without those corrections).

C. EXCEPTION NO. 3 – THE RD'S ADOPTION OF A HYPOTHETICAL CAPITAL STRUCTURE OF 42.00% EQUITY AND 58.00% LONG-TERM DEBT, DESPITE FINDING THAT UGI ELECTRIC'S ACTUAL CAPITAL STRUCTURE OF 54.25% EQUITY AND 45.75% LONG-TERM DEBT IS NOT "ATYPICAL," CONTRAVENES COMMISSION PRECEDENT AND IS NOT SUPPORTED BY THE RECORD[110]

The RD's decision to reject UGI Electric's actual capital structure and, instead, impose a drastically different hypothetical capital structure departs from the record evidence and Commission precedent. In this case, UGI Electric proposed to use its actual capital structure of 54.25% common equity and 45.75% long-term debt for the FPFTY.[111] Despite correctly acknowledging that the Commission's precedent requires the use of an actual capital structure absent evidence of atypical circumstances, and finding that "there is nothing in the record to support that UGI Electric's capital structure is atypical," the RD nonetheless adopts OCA's

[109] *See* UGI Electric MB, pp. 85-96; UGI Electric RB, p. 49.

[110] *See* RD at 24-28, 32-33, 40-42, 52, 88-102, 136, 227; RD Findings of Fact Nos. 8, 13, 15, 19, 22-26, 33-35, 57-58, 63-66; RD Ordering Paragraphs Nos. 1-2, 4.

[111] UGI Electric MB, p. 81.

hypothetical capital structure of 42.00% common equity and 58.00% long-term debt.[112] The RD's recommendation, if adopted, would, for ratemaking purposes, reduce UGI Electric's actual equity ratio by an astounding 1,225 basis points and increase the Company's actual long-term debt ratio by the same amount. This recommendation is severely flawed.

UGI Electric utilized its actual capital structure as part of its weighted average cost of capital calculation consistent with well-established Commission precedent.[113] The Commission has repeatedly and recently reaffirmed that a utility's actual capital structure is to be used, absent circumstances where the actual capital structure is atypical for the type of utility service being offered or would be too heavily weighted on either the debt or equity side.[114] In determining whether the claimed capital structure is atypical, the Commission has looked to see whether the capital structure used by the utility is outside the range of that employed by the barometer group of companies considered in the rate of return analysis.[115] If a utility's capital structure is within a reasonable range of similar risk barometer group companies, the utility's capital structure should be used and not a hypothetical capital structure.[116]

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

> The ALJ recommended use of the Company's stand-alone capital structure since it met the following characteristics of an appropriate capital structure: (1) It was within a reasonable range of similar risk barometer group companies. (2) It reflected the Company's actual capital structure and projected near term capital structure. (3) It is consistent with the Company's apparent capital structure goal. (R.D., p. 28).

[112] RD at 101-02.

[113] *See* UGI Electric MB, p. 78.

[114] *See, e.g., NFG 2026 Order*, p. 167; *PAWC 2026 Order*, p. 184; *Columbia Gas 2025 Order*, pp. 210-11; *Pa. PUC v. City of Lancaster - Water*, Docket Nos. R-00984567, *et al.*, 1999 Pa. PUC LEXIS 39, at *17 (Order dated Sept. 22, 1999); *Pa. PUC v. City of Bethlehem*, 84 Pa. P.U.C. 275, 304 (1995); *Carnegie National Gas Co. v. Pa. PUC*, 433 A.2d 938, 940 (Pa. Cmwlth. 1981).

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

[116] *See, e.g., Columbia Gas 2025 Order*, pp. 212-13.

> We concur with the recommendation of the ALJ, particularly for the reason that the Company's actual capital structure falls within a range employed by similar risk barometer group companies, described by Mr. Shiavo as commensurate with capital ratios employed by other independent telephone operating companies.[117]

This analysis was reaffirmed by the Commission in the *PPL Electric 2012 Order*. In that case, PPL Electric proposed to use its actual capital structure, but both I&E and OCA proposed to use a hypothetical capital structure.[118] I&E argued in favor of a hypothetical capital structure based upon a calculated industry average.[119] OCA proposed a hypothetical capital structure that was based on an average of PPL Electric's capital structure for a recent period.[120] OCA further supported its proposal by reference to the average common equity ratio of the barometer group sponsored by the Company.[121] The Commission rejected I&E's and OCA's contentions and adopted the Company's proposed capital structure, concluding:

> Absent a finding by the Commission that a utility's actual capital structure is atypical or too heavily weighted on either the debt or equity side, we would not normally exercise our discretion with regard to implementing a hypothetical capital structure. With regard to these factors, we are persuaded by the arguments of PPL that its actual capital structure is not atypical, is with a range of reasonableness, and, pursuant to precedent, provides no basis to employ a hypothetical capital structure. Also, we are further swayed by PPL's assertion that it requires an equity ratio near the high end of the historic range employed by the barometer group companies to support its expanded infrastructure replacement program and its credit rating.[122]

The Commission has reaffirmed its prior decisions on capital structure in several recent decisions. In the *Columbia Gas 2021 Order,* the Commission rejected an OCA proposal to adopt

---

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

[118] *Pa. PUC v. PPL Elec. Utils. Corp.*, Docket Nos. R-2012-2290597, *et al.*, pp. 63-65 (Order entered Dec. 28, 2012) ("*PPL Electric 2012 Order*").

[119] *Id.*, pp. 65-66.

[120] *Id.*, p. 60.

[121] *Id.*, pp. 63-64.

[122] *Id.*, p. 68 (citations omitted).

a hypothetical capital structure of 50% common equity and 50% debt, stating "we find no reason to deviate from the established Commission precedent, . . . or to impose OCA's hypothetical capital structure on the Company."[123] The Commission adopted similar conclusions in the *PECO Gas 2021 Order*, the *Aqua 2022 Order*, the *Columbia Water 2024 Order*, and the *PAWC 2024 Order*.[124] The Commission later reaffirmed these principles in the *Columbia Gas 2025 Order*, stating:

> We find it appropriate to reinforce our finding, which we have outlined in several recent base rate proceedings before this Commission, that "the use of an actual capital structure represents the Company's decision, in which it has full discretion, on how to capitalize its rate base. This actual capitalization forms the basis upon which the Company attracts capital.[125]

Here, UGI Electric has proposed a capital structure of 54.25% common equity and 45.75% long-term debt.[126] This is based upon how the Company anticipates financing necessary infrastructure investments during the FPFTY. In support of this capital structure, UGI Electric witness D'Ascendis explained that the Company's proposed capital structure is within the range of capital structures presented by his Electric Utility Proxy Group.[127] In addition, the Company's proposed capital structure satisfies the guidelines established in in The Cost of Capital – A Practitioner's Guide ("CRRA Guide"), as well as other academic literature and the approach taken by the Federal Energy Regulatory Commission ("FERC").[128]

---

[123] *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2020-3018835, p. 118 (Order entered Feb. 19, 2021) ("*Columbia Gas 2021 Order*") (adopting the utility's proposed actual capital structure of 54.19% common equity, 42.22% long-term debt, and 3.59% short-term debt).

[124] *See Pa. PUC v. PECO Energy Co. – Gas Div.*, Docket Nos. R-2020-3018929, *et al.*, pp. 144-47 (Order entered June 22, 2021) ("*PECO Gas 2021 Order*"); *Pa. PUC v. Aqua Pa., Inc.*, Docket Nos. R-2021-3027385, *et al.*, pp. 138-41 (Order entered May 16, 2022) ("*Aqua 2022 Order*"); *Pa. PUC v. Columbia Water Co.*, Docket Nos. R-2023-3040258, *et al.*, pp. 83-86 (Order entered Jan. 18, 2024) ("*Columbia Water 2024 Order*"); *Pa. PUC v. Pennsylvania-American Water Co.*, Docket Nos. R-2023-3043189, *et al.*, pp. 157-60 (Order entered July 22, 2024) ("*PAWC 2024 Order*").

[125] *Columbia Gas 2025 Order*, pp. 210-11.

[126] UGI Electric MB, p. 81.

[127] *Id.*

[128] *Id.*

Yet, the RD recommends the adoption of OCA's hypothetical capital structure on the alleged grounds that: (1) "there are more factors to consider when determining an appropriate capital structure that will result in just and reasonable rates"; (2) OCA's "proposed hypothetical capital structure is aligned with proxy group averages"; (3) "UGI Electric failed to provide . . . a critical look at its capital structure," as requested by Vice Chair Barrow; and (4) the Company's capital structure has "higher amounts of high-cost equity rather than low-cost debt," is "much lower than the parent company's debt ratio and the debt ratios observed in comparable industries in the United States," and "will harm ratepayers through the concept of double leveraging."[129] The Commission should reject the RD's recommendation for several reasons.

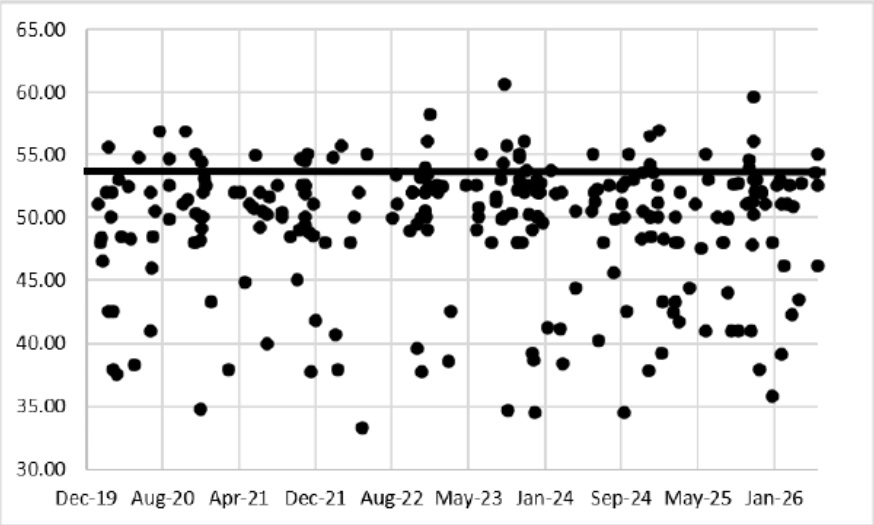
Foremost, the standard for evaluating whether a hypothetical capital structure is appropriate remains unchanged. As reaffirmed in its recent decisions, the Commission evaluates whether the actual capital structure is atypical or too heavily weighted to the equity or debt side.[130] To the extent that the RD considered any other "factors" when "determining an appropriate capital structure," such consideration was in error.[131] Also, when appropriately confining the analysis to this standard, UGI Electric demonstrated fully that its actual capital structure should be utilized. Indeed, the RD correctly finds that "there is nothing in the record to support that UGI Electric's capital structure is atypical."[132] Therefore, all that remains is determining whether UGI Electric's capital structure is too heavily weighted to the equity or debt side.

In this case, UGI Electric established that its capital structure of 54.25% equity and 45.75% long-term debt is not too heavily weighted to either the equity or debt side.[133] In fact, UGI Electric

[129] RD at 101-02.
[130] *See, e.g.*, *NFG 2026 Order*, pp. 167-71; *PAWC 2026 Order*, pp. 182-87.
[131] *See, e.g.*, UGI Electric MB, p. 83.
[132] RD at 101.
[133] RD at 101.

witness D'Ascendis showed that the Company's actual equity ratio is within the range of authorized equity ratios of other electric utilities and should be deemed reasonable, as shown in the following chart[134]:

Chart 1: Authorized Equity Ratios for Electric Utilities – 2020 to Present[14]



The Company's proposed capital structure also is within the range of typical utilities, as represented by the Electric Utility Proxy Group (notably utilized by both UGI Electric and OCA in this proceeding) and its operating subsidiaries, and within the range of equity ratios authorized by utility regulatory commissions.[135]

By contrast, the OCA's proposed hypothetical capital structure, which the RD adopts, is atypical and too heavily weighted to the debt side.[136] In fact, the Commission has recently approved equity ratios, both actual and hypothetical, that are higher than UGI Electric's actual equity ratio. Specifically:

[134] UGI Electric MB, pp. 81-82.
[135] *Id.*, p. 82.
[136] *See id.*, p. 18

1. In its *Columbia Gas 2025 Order*, the Commission rejected the imposition of OCA's hypothetical capital structure of 50.00% common equity and 50.00% long-term debt and, instead, adopted Columbia's actual capital structure of 54.40% common equity, 43.28% long-term debt, and 2.32% short-term debt.[137]
2. In its *PAWC 2026 Order*, the Commission imposed a hypothetical capital structure for PAWC's water operations, consisting of 55.00% common equity, 44.99% long-term debt, and 0.01% preferred stock, instead of PAWC's actual capital structure of 56.13% common equity, 43.68% long-term debt, and 0.01% preferred stock.[138] Notably, PAWC's actual capital structure with a 56.13% equity ratio was accepted by OCA and its same expert witness on rate of return in this case, Mr. David Garrett.[139]
3. In its *NFG 2026 Order*, the Commission imposed a hypothetical capital structure of 55.00% common equity and 45.00% long-term debt, instead of National Fuel's actual capital structure of 56.40% common equity and 43.60% long-term debt.[140] In so doing, the Commission reversed the ALJ's recommendation to adopt OCA's hypothetical capital structure of 50.00% common equity and 50.00% long-term debt.[141]

The RD, however, deviates significantly from this precedent and imposes a hypothetical capital structure that would more than reverse UGI Electric's actual capital structure and would reduce UGI Electric's equity ratio by 1,225 basis points, far beyond even the hypothetical capital

[137] *Columbia Gas 2025 Order*, pp. 209-13.
[138] *PAWC 2026 Order*, pp. 179, 181-87.
[139] *Id.*, p. 179; UGI Electric MB, p. 84.
[140] *NFG 2026 Order*, pp. 163-71.
[141] *See id.*

structures adopted in the *PAWC 2026 Order* and the *NFG 2026 Order*, where the equity ratios were reduced by only 113 and 140 basis points, respectively.

In addition, the RD erroneously finds that UGI Electric did not take a critical look at its capital structure in this proceeding.[142] UGI Electric presented extensive testimony and devoted significant portions of its Main and Reply Briefs on this very issue, including detailed examinations of the Company's capital structure compared to its peers in the proxy group and the Commission's recent precedent.[143] As part of that analysis and argument, the Company demonstrated that even I&E's hypothetical capital structure of 50.00% common equity and 50.00% long-term debt is unwarranted,[144] let alone OCA's extreme hypothetical capital structure.[145] Also, UGI Electric has proposed an equity ratio of 54.25%, which is not only much lower than National Fuel's proposed equity ratio of 56.40%[146] and PAWC's proposed equity ratio of 56.31%,[147] but falls well within the equity ratios for the proxy group's subsidiary operating companies for 2025, which range from 39.28% to 63.08%.[148]

The Company also explained that OCA's and I&E's decisions to adopt the Company's long-term debt cost rate of 5.22% in the context of its hypothetical capital structure create a mismatch that further demonstrates why their proposed hypothetical capital structures should be

---

[142] RD at 101.

[143] *See, e.g.*, UGI Electric St. No. 1-R, pp. 7-8, 21; UGI Electric St. No. 8-R, pp. 5-19; UGI Electric St. No. 1-RJ, pp. 6-7; UGI Electric St. No. 8-RJ, pp. 2-4; UGI Electric MB, pp. 78-85; UGI Electric RB, pp. 46-48.

[144] *See* UGI Electric MB, pp. 82-83.

[145] *See id.*, pp. 82-85. Notably, the Commission explicitly rejected OCA's proposals for a 50/50 capital structure in the *Columbia Gas 2025 Order* and the *NFG 2026 Order*. *See Columbia Gas 2025 Order*, pp. 209-13; *NFG 2026 Order*, pp. 163-71.

[146] *NFG 2026 Order*, p. 168.

[147] *PAWC 2026 Order*, p. 185.

[148] *See* UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 6. Also, like in the *PAWC 2026 Order*, UGI Electric's actual equity ratio is only slightly higher than the "high end of the five-year average range of the common equity ratios." *PAWC 2026 Order*, p. 185. In particular, UGI Electric's proposed equity ratio of 54.25% is only 87 basis points higher than the highest 5-year average equity ratio in the Company's proxy group and only 89 basis points higher than the highest 5-year average equity ratio in I&E's proxy group. *See* UGI Electric Rebuttal Exhibit B, Schedule DWD-1R, p. 5.

rejected.[149] By imputing much higher debt ratios than UGI Electric's actual debt ratio, the RD's capital structure necessarily assumes more in debt than the actual debt outstanding for the Company.[150] The same holds true for the RD's adoption of OCA's hypothetical capital structure, given that the RD recommends approval of UGI Electric's debt cost rate.[151] However, the RD, OCA, and I&E do not price this additional long-term debt into their proposed hypothetical capital structures.[152] Nor do they account for the potential impacts on the Company's debt costs that would result from forcing UGI Electric to finance a greater percentage of its capital investments with debt.[153] Indeed, "if the Company had a capital structure with more leverage, the Company's cost of long-term debt would be somewhat higher than the updated debt cost rate of 5.22%."[154] Thus, the hypothetical capital structures proposed by the RD, OCA, and I&E are incomplete and do not fully capture the Company's debt financing costs.

Next, nothing in the record supports the RD's finding that UGI Electric is engaging in double leverage. The Commission has rejected "double leverage" adjustments when the utility's actual capital structure falls within the range of capital structures utilized by "similar risk barometer group companies."[155] As explained previously, UGI Electric's actual capital structure falls within the proxy group's range of capital structures. Also, the double leverage argument fails to account for UGI Corporation's diverse operations, with subsidiaries that are engaged in non-regulated operations.[156] When these circumstances are present, the Commission has rejected

[149] UGI Electric MB, p. 84.
[150] *Id.*
[151] RD at 108.
[152] UGI Electric MB, p. 84.
[153] *Id.*
[154] *Id.*
[155] *ALLTEL*, 1985 Pa. PUC LEXIS 53, at *107-08; *see Pa. PUC v. Phila. Suburban Water Co.*, 1991 Pa. PUC LEXIS 206, at *112 (Order entered Oct. 18, 1991) ("*Philadelphia Suburban 1991 Order*") (quoting *Pa. PUC v. W. Pa. Water Co.*, 63 Pa. P.U.C. 157, 197 (1987)).
[156] UGI Electric St. No. 8-R, p. 15.

OCA's arguments about double leverage.[157] Additionally, UGI Electric witness D'Ascendis explained how a double leverage adjustment: (1) violates the widely accepted "stand-alone" regulatory principle, which treats each utility subsidiary as its own company; (2) has several flaws in it that have been identified in longstanding academic literature; and (3) has been rejected by several regulatory commissions.[158] UGI Electric also is unaware of the Commission expressly adopting a double leverage adjustment for decades,[159] and even OCA witness Garrett testified that he was unaware of when the Commission last made a double leverage adjustment.[160] The RD's hypothetical capital structure also would essentially encourage UGI Electric to pay a dividend to UGI Corporation with the Company's retained earnings in order to reduce UGI Electric's actual equity ratio.[161] In so doing, the RD's hypothetical capital structure could actually encourage the double leverage that it is supposedly intended to address. Thus, the RD's finding of double leverage is critically flawed, contravenes Commission precedent, and should be rejected.

Finally, the RD's recommendation to impose a hypothetical capital structure consisting of 42.00% equity instead of UGI Electric's actual capital structure that has 54.25% equity violates the principle of gradualism. In fact, Vice Chair Barrow recently applied gradualism when

---

[157] As the Commission reasoned in *ALLTEL* when rejecting OCA's double leverage adjustment, "ALLTEL is in effect a holding company, and, as such, its consolidated capital structure reflects not only the operations of other independent telephone companies but also the operation of other subsidiaries engaged in non-regulated activities although admittedly somewhat related to the telephone business." *ALLTEL*, 1985 Pa. PUC LEXIS at *107. Also, as the Commission held in in its *Philadelphia Suburban 1991 Order*, "OCA's position discriminates against holding company systems," and the "adoption of the OCA approach, would, in effect" make the utility's "return dependent upon the operations of its sister subsidiaries, both regulated and unregulated." *Philadelphia Suburban 1991 Order*, 1991 Pa. PUC LEXIS at *112. Here, UGI Corporation's other subsidiaries span a range of non-regulated operations that are very dissimilar to UGI Electric's electric utility service, with financial operations highly distinguishable from UGI Electric. *See, e.g.*, UGI Electric St. No. 8-R, pp. 11-12.

[158] UGI Electric St. No. 8-R, pp. 13-18.

[159] *See Pa. PUC v. Met. Edison Co.*, 1979 Pa. PUC LEXIS 79, at *71-72 (Order entered Mar. 22, 1979) (stating that "[a]though such an adjustment has been previously made, in another proceeding, we choose not to do so in this case").

[160] Tr. 387.

[161] *See* UGI Electric Attachment VI-A-1 (showing retained earnings of approximately $64.93 million for the FPFTY compared to the total proprietary capital of approximately $91.28 million).

evaluating National Fuel's capital structure for purposes of calculating the overall rate of return, stating the following in her dissenting statement:

> While it is my ultimate goal that utilities utilize the 50/50 capitalization so long as market conditions support this ratio as reasonable, based on the record in this proceeding and in the interest of gradualism, I advocate a hypothetical capital structure of 53.00% common equity and 47.00% long-term debt.[162]

As observed previously, the Commission decided to only impose a hypothetical capital structure that contained an equity ratio of 55.00% in that case. Certainly, when applying that principle here, a reduction in UGI Electric's equity ratio from 54.25% to 42.00% (or to even 50.00%) violates the principle of gradualism.

For these reasons, the Commission should grant this Exception No. 3, reverse the RD's recommendation on capital structure, and adopt UGI Electric's actual capital structure.[163]

D. EXCEPTION NO. 4 – THE RD INCORRECTLY ADOPTS THE OCA'S RECOMMENDED ADJUSTMENT TO UGI ELECTRIC'S RATE CASE EXPENSE[164]

The RD errs in adopting OCA's recommended adjustment of $179,000 to UGI Electric's rate case expense claim of $536,000, which results in a total rate case expense allowance of $357,000.[165] According to the RD, "[t]he company's proposal to use a two-year normalization period based on anticipated spending is speculative and not based on historical rate case filing patterns."[166] The Commission should reverse the RD on this point and adopt UGI Electric's full claim for rate case expense.

---

[162] *Pa. PUC v. Nat'l Fuel Gas Dist. Corp.*, Docket Nos. R-2025-3059428, et al., p. 3 (Statement of Vice Chair Kimberly Barrow dated Oct. 22, 2026) (emphasis added).

[163] Assuming *arguendo* that the Company's actual capital structure is not adopted, the Commission must modify the RD's recommendation on interest synchronization, as it is based on "UGI Electric's actual weighted cost of debt and capital structure." RD at 86. Therefore, the RD is inherently inconsistent, and the Commission's Final Order must align the weighted cost of debt approved by the Commission with the interest synchronization.

[164] *See* RD at 30, 40-42, 52, 66-68, 227; RD Finding of Fact No. 46; RD Ordering Paragraphs Nos. 1-2, 4.

[165] RD at 66-68.

[166] RD at 68.

As explained in UGI Electric's Main Brief, setting rates is a prospective exercise, as the Company's revenue increase was based on the FPFTY.[167] The Company's expectation that it will file another base rate case in two years is based upon an assessment of future capital requirements, continued information system improvements, and the need to continue modernizing its system through the replacement of aged infrastructure through its LTIIP.[168] UGI Electric's current base rate case, and its anticipated need for future base rate cases, is overwhelmingly driven by critical replacement and betterment investments that will enable the system to continue functioning safely and reliably, as well as investments that will make the Company more efficient and allow it to provide high-quality service to its customers.[169] If the Company's position is rejected, the Commission should at least adopt I&E's proposed 33-month normalization, which results in a an allowance of $389,000, because it is based on a more accurate calculation of UGI Electric's historic filing frequency than OCA's proposal and comports with Finding of Fact No. 32.[170]

Based on the foregoing, the Commission should grant UGI Electric's Exception No. 4 to the RD, reverse the RD's finding as to rate case expense, and adopt the Company's position.

E. EXCEPTION NO. 5 – THE RD ERRS IN APPLYING THE SCALE BACK OF RATES TO THE FIXED CUSTOMER CHARGES[171]

The RD incorrectly adopts the positions of I&E and OCA that the scale back of rates should "reduce both the customer charges and usage rates proportionally to the percent increase originally

[167] *See* UGI Electric MB, p. 53; *see also Popowsky v. Pa. PUC*, 642 A.2d 648, 650 (Pa. Cmwlth. 1994) ("Ratemaking, by its nature, is prospective.") (citation omitted); *Butler Township Water Co. v. Pa. PUC*, 473 A.2d 219, 222-23 (Pa. Cmwlth. 1984) (affirming that while historic practice was informative it need not be the exclusive factor relied upon by the Commission).

[168] UGI Electric MB, p. 53.

[169] *Id.*

[170] *See, e.g.*, RD at 28, 67; I&E St. No. 1, pp. 9-10. When updating his recommended normalization period, OCA witness Mugrace stated that "[t]here is a 3-year gap between the 1996 and the 1993 filing," while there was "a gap of 22 years between the 1996 filing and the 2018 filing"; therefore, "[g]iven this anomaly," Mr. Mugrace "recommend[ed] a 3-year normalization period." OCA St. 2SR, p. 14.

[171] *See* RD at 153-54, 227; RD Ordering Paragraph No. 4.

requested."[172] As alleged support for its finding, the RD stated that it believes this approach is consistent with recent orders and "includes a degree of gradualism that provides a level of benefit especially to residential and GS-1 rate class customers."[173]

At the outset, UGI Electric observes that the Settlement rejected by the RD would actually result in a lower customer charge for residential customers (i.e., $12.00) than the residential customer charge produced by the RD (i.e., $17.94), as noted previously in Section II.A, *supra*. Setting that aside, however, the record supports excluding at least the Rate R and Rate GS-1 customer charges from the proportional scale back. In particular, UGI Electric witness Fang testified that some proportional class-level scale back may be appropriate if the Commission approves a lower revenue requirement, but she disagreed that the proposed Rate R and Rate GS-1 customer charges should be scaled back proportionally.[174] Customer charges serve a distinct rate-design function: they recover customer-related costs that are incurred to provide access to the distribution system regardless of usage.[175] Where the proposed Rate R and Rate GS-1 customer charges remain below the cost-based levels indicated by the Company's customer cost analysis, reducing those charges as part of a proportional scale-back would move those rate components further away from cost causation and shift additional recovery back to volumetric rates.[176] That result would weaken the bill-stability and cost-alignment benefits of the Company's proposal and would not be preferable from a rate-design perspective.[177] Therefore, Ms. Fang explained that if the Commission approved a lower overall revenue requirement, any necessary reduction should first be reflected through volumetric charges that currently recover costs above cost-reflective

[172] RD at 154.
[173] *Id.*
[174] UGI Electric MB, p. 129.
[175] *Id.*
[176] *Id.*
[177] *Id.*

levels, while maintaining the proposed Rate R and Rate GS-1 customer charges as measured steps toward cost-based fixed-cost recovery.[178]

For these reasons, the Commission should grant this Exception No. 5, reverse the RD, and exclude the Rate R and Rate GS-1 customer charges from the scale back of rates.

F. EXCEPTION NO. 6 – THE RD ERRONEOUSLY RECOMMENDS THAT UGI ELECTRIC'S LIURP BUDGET BE INCREASED AS PROPOSED BY CEO[179]

The RD recommends that "UGI Electric comply with the budget increase terms it proposed in its 2026 USECP and that were approved by the Commission" and that "UGI Electric increase its LIURP budget consistent with any residential rate increase approved in this proceeding."[180] In making this recommendation, the RD rejects the positions of I&E and UGI Electric opposing CEO's proposal in its testimony that the Company's LIURP budget be increased.[181] However, CEO did not file a Main Brief in support of its recommendation, and no other party in the case proposed an increase in the Company's LIURP budget. Even in CEO's "Reply Brief and Statement in Opposition to Nonunanimous Settlement," CEO did not support its proposal to increase UGI Electric's LIURP budget. Instead, CEO stated that it "supports and joins in the positions and arguments set forth" in Sections III, IX(C), and XI of OCA's Main Brief.[182] Nothing in OCA's Main Brief expressly proposes an increase in UGI Electric's LIURP budget.

UGI Electric did not propose any adjustments to its LIURP as part of its base rate case filing. As such, CEO bears the burden of proof concerning its proposed increase in UGI Electric's

[178] *Id.*

[179] *See* RD at 24-28, 181-82, 208-10, 227; RD Findings of Fact Nos. 8, 13, 15, 22-26, 33-35; RD Ordering Paragraph No. 4.

[180] RD at 210.

[181] RD at 208-10.

[182] CEO RB, p. 1.

LIURP budget.[183] By not filing a Main Brief or addressing the proposal in its Reply Brief, CEO waived its proposal.[184] Thus, the RD errs in adopting CEO's proposal for that reason alone.[185]

Even assuming *arguendo* that CEO did not waive its proposal, the Commission should reverse the RD's recommendation. The Company has not spent its full LIURP budget in the 2022-2025 timeframe; therefore, some or potentially all of the additional funding to this program would likely go unspent.[186] Further, CEO witness Warabak did not analyze the ability of community-based organizations ("CBOs") to: (1) utilize increased LIURP budgets commensurate with the increase in rates for the residential class that results from this proceeding; or (2) spend to their increased budget that resulted from the 2023 Base Rate Case Settlement.[187]

Based on the foregoing, the Commission should grant this Exception No. 6 and reverse the RD's adoption of CEO's proposed increase in the LIURP budget.

G. EXCEPTION NO. 7 – THE RD INCORRECTLY IMPOSES CERTAIN CUSTOMER SERVICE AND LOW-INCOME RELATED REQUIREMENTS ON UGI ELECTRIC[188]

The RD also errs in imposing various customer service and low-income related requirements on the Company, many of which are set forth in or based on the Settlement that the RD rejects. For example, after rejecting the Settlement, the RD addresses and ultimately adopts recommendations based on the Settlement's provisions, such as those relating to customer service performance, shopping communications and bill presentation, field agent training, website reform,

---

[183] *See, e.g.*, *Pa. PUC v. Metro. Edison Co., et al.*, Docket Nos. R-00061366, *et al.*, 2007 Pa. PUC LEXIS 5, at *111-12 (Order entered Jan.11, 2007).

[184] *See id.* at *172-76 (citations omitted).

[185] The same logic holds true for CEO's proposal to increase the funding for UGI Electric's hardship fund, Operation Share. *See* RD at 212. However, given that the RD rejected that proposal on the merits, UGI Electric has chosen not to except to that finding.

[186] UGI Electric MB, p. 143. Specifically, in 2024, UGI Electric spent 83% of its Commission-approved LIURP budget, and in 2025, performance declined to only 60% of its budget. *Id.*

[187] *Id.*

[188] *See* RD at 35-40, 155-218, 227; RD Findings of Fact Nos. 81-82, 86, 89-90, 92-96, 98-101, 104-06, 108-10; RD Ordering Paragraph No. 4.

social security numbers, low-income customer identification, customer deposits, universal service cost recovery, the Customer Assistance Program ("CAP"), Operation Share contributions, reconnection fees, an Expanded Arrearage Forgiveness Pilot Program, residential space heating screening, victims of domestic violence, and small business payment arrangements.[189] For some, like the Expanded Arrearage Forgiveness Pilot Program, small business payment arrangements, the RD even imposes requirements that differ from the Settlement's provisions.[190]

As explained in UGI Electric's Statement in Support, the Company fully supports the terms and conditions of the Settlement because they are reasonable and in the public interest and would produce just and reasonable rates.[191] However, the Settlement is a package deal, meaning that its provisions cannot and should not be viewed in isolation.[192] The Settlement even contains the standard language that "[i]f the Commission modifies the non-unanimous Settlement, then any Joint Petitioner may elect to withdraw from th[e] Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect."[193] Instead of adopting the Settlement with modification, however, the RD rejects the Settlement entirely and then picks and chooses to impose various Settlement provisions on UGI Electric, some of which could only be achieved through a settlement, like the Expanded Arrearage Forgiveness Pilot Program and the provisions relating to reconnection fees, victims of domestic violence, and screening for residential electric space heating. The RD's approach is inappropriate and should be reversed, particularly when the RD rejects the OCA's positions on many subjects, such as shopping communications, bill presentation, and website reform, as well as OSBA's position on universal service cost recovery.[194]

[189] RD at 170-75, 204-08, 210-18.
[190] *See* RD at 213-16, 217-18.
[191] *See* UGI Electric Statement in Support, pp. 1-32.
[192] *See id.*, p. 2.
[193] Settlement ¶ 61.
[194] RD at 171-72, 173-74, 207-08.

In addition, the RD erroneously agrees with OCA's positions, in whole or in part, with respect to: (1) call center performance; (2) field agent training; (3) social security numbers; (4) low-income screening; and (5) security deposits. As explained below and in UGI Electric's Main Brief and Reply Brief, OCA's arguments and related recommendations should be rejected.

First, on call center performance, the RD correctly finds that "OCA failed to justify that UGI Electric should be required to make its recommended changes in this proceeding based on the record," that "the Commission has already rejected similar recommendations," and that there is "no basis to come to a different conclusion in this proceeding."[195] However, the RD goes on to recommend that "it is in the public interest for UGI Electric's call center performance to be maintained" and imposes the commitments on call center performance under the Settlement on UGI Electric.[196] Again, the Company's agreement to be subject to this requirement should not be viewed in isolation. Moreover, UGI Electric witness Adamo noted that OCA witness Alexander made the same recommendation regarding any rate increase being contingent on maintaining call center performance in the *Columbia Gas 2025 Rate Case*.[197] In that proceeding, the Commission could "find no reason to adopt the OCA's proposal.[198] Further, the Company already submits customer service performance metrics on an annual basis to demonstrate its compliance.[199] The Company's internal performance metrics used to measure management quality are already evaluated through the periodic Commission Management Efficiency Audits in which the Company participates.[200] As such, OCA's proposal is not necessary. In addition, the Company responded to OCA's data request OCA-3-47 regarding the Company's performance compared to its peers, and

[195] RD at 171.
[196] RD at 171.
[197] *Columbia Gas 2025 Order*, pp. 311-12.
[198] *Id.*, p. 311.
[199] UGI Electric MB, p. 130.
[200] *Id.*

those results show that the Company is performing at a high level.[201] Thus, the RD errs in imposing any requirements concerning call center performance on UGI Electric.

Second, with respect to field agent training, UGI Electric witness DeGiusto testified that field technicians "are not trained to function as customer service representatives or to assess sensitive customer matters such as medical conditions or income status," so "they are not the appropriate resource to solicit or evaluate this type of information."[202] Mr. DeGiusto further explained that customers facing termination receive multiple notifications outlining their rights and available protections, including written correspondence such as the initial notice, 10-day notice, in-person contact via telephone three days prior to termination,[203] and a post-termination notice.[204] Therefore, the Company already provides multiple notices to customers explaining their rights and protections available related to medical conditions, income eligibility, and protections for victims of domestic violence as applicable.[205]

Third, the RD inappropriately imposes requirements on UGI Electric related to the treatment of social security numbers.[206] Despite rejecting OCA's arguments and proposals on this subject, the RD concludes that "maintaining customer SSNs does increase the risk of identity theft" and therefore imposes the Settlement's provisions regarding social security numbers on the Company.[207] However, OCA's concerns and recommendations should be rejected. As explained by UGI Electric witness Adamo:

---

[201] *Id.*

[202] *Id.*, p. 133.

[203] If a telephone number is not available or is invalid, UGI Electric will attempt to provide the notice by home visit. *Id.*

[204] *Id.*

[205] *Id.*; *see also Columbia Gas 2025 Order*, pp. 325-26 (rejecting "OCA's proposal that Columbia be required to revise its training materials and provide additional training to field technicians to ensure compliance with consumer protections and rights for residential customers facing termination").

[206] RD at 174-75.

[207] RD at 174-75.

> [T]he Company asks for a new customer's SSN when they apply for service so that an Experian check can be run to verify their identity. If a customer does not wish to provide their SSN, they are able to provide their driver's license number as an alternative. Regarding enrollment for the Company's Universal Service Programs, SSNs were previously requested. However, pursuant to Paragraph 59(a) of the UGI Gas 2025 Rate Case Settlement, the Company agreed to implement the Commission's Common Application Form and is utilizing it for its Customer Assistance Program ("CAP") and Operation Share as of December 2025. This form does not request a SSN from applicants. Additionally, a SSN is requested, but not required, on the [LIURP] application. This information is used for validation in the event that the Company finds that the same household members are listed in applications for separate properties.[208]

The Company also does not share SSNs with affiliates or other corporate entities.[209] Again, the RD imposes a settlement condition on the Company because UGI Electric was willing to agree to it as part of a comprehensive settlement, even though the record does not warrant doing so.

Fourth, although the RD soundly rejects OCA's arguments and recommendations on security deposits and the identification of low-income customers, the RD incorrectly requires the Company to comply with the Settlement provisions on those subjects.[210] However, the Company's agreement to those provisions as part of a comprehensive settlement cannot be used as grounds to impose them on UGI Electric, particularly when other parties did not raise them in their testimony.

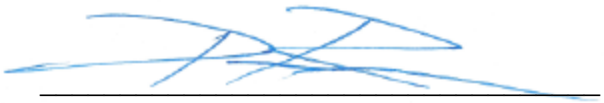
Based on the foregoing, if the Commission does not grant Exception No. 1 to approve the Settlement without modification, then the Commission should grant this Exception No. 7 to reverse these portions of the RD imposing these various customer service and low-income requirements on the Company that were not raised or advanced by parties in this proceeding.

[208] UGI Electric MB, pp. 135-36.
[209] *Id.*, p. 136.
[210] RD at 204-07.

III. CONCLUSION

For these reasons, and as explained in the Company's Briefs, UGI Electric's proposed base rate revenue increase of $16.05 million is fully supported by the record. Also, as explained in the Company's Briefs and Statement in Support, the Settlement reached by UGI Electric and OSBA, under which the Company's revenue increase would be reduced to $10.7 million, represents a fair and reasonable compromise of all cost-of-service based revenue requirement-related issues in this matter, is completely justified based on the record evidence in this proceeding, and serves the public interest by striking the right balance in considering affordability and the continued provision of high-quality customer service. Thus, the Commission should grant these Exceptions and modify the Recommended Decision accordingly.

Respectfully submitted,



Michael S. Swerling (ID # 94748)
UGI Corporation
500 North Gulph Road
King of Prussia, PA 19406
Phone: 610-992-3203
E-mail: swerlingm@ugicorp.com

Candis A. Tunilo (ID # 89891)
UGI Corporation
1 UGI Drive
Denver, PA 17517
E-mail: tuniloc@oneugi.com

Devin T. Ryan (ID # 316602)
Emily S. Grecu (ID # 337777)
Post & Schell, P.C.
One Oxford Centre
301 Grant Street, Suite 3010
Pittsburgh, PA 15219
Phone: 717-612-6052
Fax: 717-731-1985
E-mail: dryan@postschell.com
E-mail: egrecu@postschell.com

David B. MacGregor (ID # 28804)
Garrett P. Lent (ID # 321566)
Lindsay A. Berkstresser (ID # 318370)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
Phone: 717-731-1970
E-mail: dmacgregor@postschell.com
E-mail: glent@postschell.com
E-mail: lberkstresser@postschell.com

Dated: October 28, 2026

Counsel for UGI Utilities, Inc. – Electric Division