

**UGI UTILITIES, INC. – ELECTRIC DIVISION**

**BEFORE**

**THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Information Submitted Pursuant to**

**Section 53.51 et seq of the Commission’s Regulations**

**UGI ELECTRIC STATEMENT NO. 1 – CHRISTOPHER R. BROWN**

**UGI ELECTRIC STATEMENT NO. 2 – TRACY A. HAZENSTAB**

**UGI ELECTRIC STATEMENT NO. 3 – VIVIAN K. RESSLER**

**UGI ELECTRIC STATEMENT NO. 4 – ERIC W. SORBER**

**UGI ELECTRIC STATEMENT NO. 5 – VICKY A. SCHAPPELL**

**UGI UTILITIES, INC. – ELECTRIC DIVISION**

**PA P.U.C. NO. 6, SUPPLEMENT NO. 51**

**PA P.U.C. NO. 2S, SUPPLEMENT NO. 7**

**DOCKET NO. R-2022-3037368**

**Issued: January 27, 2023**

**Effective: March 28, 2023**

**UGI ELECTRIC STATEMENT NO. 1**

**CHRISTOPHER R. BROWN**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Docket No. R-2022-3037368**

**UGI Utilities, Inc. – Electric Division**

**Statement No. 1**

**Direct Testimony of  
Christopher R. Brown**

**Topics Addressed:**                   **Overview of Testimony and Witnesses  
Need for Rate Relief  
UGI-1 Initiative and UNITE Systems  
Modernization  
Management Performance**

Dated: January 27, 2023

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Christopher R. Brown. My business address is 1 UGI Drive, Denver, PA  
4 17517.

5

6 **Q. By whom and in what capacity are you employed?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as its Vice President Finance and Chief  
8 Financial Officer. I have been in this role since January 2023. Prior to this very recent  
9 change, I was Vice President and General Manager Rates and Supply. UGI is a wholly-  
10 owned subsidiary of UGI Corporation (“UGI Corp.”). UGI has two operating divisions,  
11 the Electric Division (“UGI Electric” or the “Company”) and the Gas Division (“UGI  
12 Gas”), each of which is a public utility regulated by the Pennsylvania Public Utility  
13 Commission (“Commission” or “PUC”).

14

15 **Q. Please briefly describe your responsibilities in that capacity.**

16 A. As Vice President Finance and Chief Financial Officer, I have responsibilities over the  
17 finance and accounting functions for the Company including managing cash flow, financial  
18 planning and analysis, and developing the overall business strategy for the Company. In  
19 this role, I report directly to the Chief Financial Officer of UGI Corp.

20 In my prior role as Vice President and General Manager of Rates and Supply, I was  
21 responsible for all rate, supply, and associated regulatory compliance activities for UGI  
22 Electric and UGI Gas. For the rates component, I oversaw the areas of sales and revenue  
23 forecasting, tariff administration and compliance, Choice administration and compliance,

1 rate administration, Section 1307(f) purchased gas cost (“PGC”) filings, electric provider  
2 of last resort (“POLR”) filings, Section 1307(e) filings, base rate cases, and UGI’s energy  
3 management information technology systems. My supply responsibilities included  
4 oversight of supply procurement and contracting, gas and power scheduling, and tracking  
5 of interstate pipeline and wholesale power market activities that affect UGI’s gas and  
6 power procurement costs. My regulatory compliance responsibilities covered a broad  
7 range of oversight and compliance for the state and federal jurisdictional activities of UGI.  
8 Prior to my role as Vice President and General Manager of Rates and Supply, I was Senior  
9 Director of Operations for UGI’s southern operating region.

10  
11 **Q. What is your educational and professional background?**

12 A. Please see my resume, UGI Electric Exhibit CRB-1, which is attached to my testimony.

13  
14 **Q. Have you testified previously before this Commission?**

15 A. Yes. UGI Electric Exhibit CRB-1 contains a list of those proceedings.

16  
17 **Q. Are you sponsoring any exhibits in this proceeding?**

18 A. Yes. In addition to UGI Electric Exhibit CRB-1, mentioned above, I am sponsoring certain  
19 responses to the Commission’s filing requirements. Each filing requirement response  
20 identifies the witness sponsoring it. Specifically, I am sponsoring those schedules that  
21 were prepared by me or under my direction.

1 **II. OVERVIEW OF TESTIMONY AND PRESENTATION OF WITNESSES**

2 **Q. Please describe the purpose of your testimony in this proceeding.**

3 A. My testimony addresses several points. First, I present the Company’s list of witnesses in  
4 this proceeding, including an outline of the subjects covered by each witness in their  
5 testimony. Second, I summarize the rate filing, including a brief explanation of the reasons  
6 for rate relief. Third, I will address the Company’s UGI-1 Initiative and UGI Next  
7 Information Technology Enterprise (“UNITE”) Systems Modernization. Lastly, I will  
8 summarize the evidence of UGI Electric’s successful management performance.

9

10 **Q. Please identify the other witnesses providing direct testimony on behalf of UGI**  
11 **Electric in this proceeding and the subject matter of their testimony.**

12 A. In addition to my testimony, the following witnesses are providing testimony in support of  
13 the Company’s rate request:

14

15 **Tracy A. Hazenstab** (UGI Electric St. No. 2) holds the position of Principal Analyst –  
16 Rates for UGI. Her testimony addresses UGI Electric’s budgeting process; operating  
17 revenues and expenses; compliance with Section 1301.1 of the Public Utility Code; and  
18 the revenue requirement model supporting the Company’s proposed rate increase (UGI  
19 Electric Exhibit A (Fully Projected)). Ms. Hazenstab also sponsors the revenue  
20 requirement models for the future and historic periods, UGI Electric Exhibit A (Future)  
21 and UGI Electric Exhibit A (Historic), respectively.

1           **Vivian K. Ressler** (UGI Electric St. No. 3) serves as Senior Manager, Finance for UGI  
2           and her duties include accounting services for UGI Electric. Ms. Ressler will explain UGI  
3           Electric’s accounting processes. She will present UGI Electric’s rate base claim in this  
4           proceeding and address the accounting for the projected plant additions and retirements, as  
5           well as for the cash working capital. Finally, Ms. Ressler will also address certain operating  
6           expense adjustments within the Company’s expense claim.

7  
8           **Eric W. Sorber** (UGI Electric St. No. 4) is Vice President and General Manager of UGI  
9           Electric. Mr. Sorber is responsible for developing and implementing business unit projects  
10          and long-term strategic infrastructure investment plans. Mr. Sorber provides an overview  
11          of UGI Electric’s operations; reliability and safety commitment; and the impact of inflation  
12          and supply chain challenges on the Company’s operations. Mr. Sorber also discusses  
13          certain tariff modifications proposed in this proceeding and provides an update on items  
14          from the Company’s prior base rate case in 2021 at Docket No. R-2021-3023618.

15  
16          **Vicky A. Schappell** (UGI Electric St. No. 5) holds the position of Principal Analyst –  
17          Capital Planning for UGI. Ms. Schappell addresses the Company’s capital expenditures,  
18          capital planning process, and UGI Electric’s history of performing on its budget.

19  
20          **John D. Taylor** (UGI Electric St. No. 6) is a Managing Partner of Atrium Economics LLC.  
21          Mr. Taylor prepared and sponsors the Company’s fully-allocated cost of service study used  
22          in this case to develop the allocated class costs of service (“ACOSS”), which is found in  
23          UGI Electric Exhibit D. The ACOSS allocates the Company’s cost of service associated

1 with Commission jurisdictional operations to the Company's retail customer classes. Mr.  
2 Taylor also supports the apportionment of the class revenue increase and the Company's  
3 rate design proposals.

4  
5 **John F. Wiedmayer** (UGI Electric St. No. 7) is Senior Project Manager at Gannett  
6 Fleming Valuation & Rate Consultants, LLC. Mr. Wiedmayer developed and supports  
7 UGI Electric's claim for annual depreciation expense and the accumulated depreciation  
8 reserve. His studies are presented in UGI Electric Exhibit C (Fully Projected), UGI Electric  
9 Exhibit C (Future), and UGI Electric Exhibit C (Historic).

10  
11 **Darin T. Espigh** (UGI Electric St. No. 8) is Senior Manager Natural Gas Tax Accounting,  
12 Finance for UGI Corp. and oversees the preparation of state and federal tax data, returns,  
13 and tax-related regulatory filings for UGI Electric. Mr. Espigh addresses various tax  
14 issues, including the Company's claim for federal and state income taxes, taxes other than  
15 income taxes, the calculation of the accumulated deferred income taxes ("ADIT") offset to  
16 rate base, the repairs allowance, and the calculation of a hypothetical consolidated tax  
17 savings adjustment as required by Section 1301.1 of the Public Utility Code, 66 Pa. C.S. §  
18 1301.1.

19  
20 **Paul R. Moul** (UGI Electric St. No. 9) is Managing Consultant of P. Moul & Associates,  
21 Inc. Mr. Moul presents expert testimony supporting the Company's claimed capital  
22 structure, cost of debt, cost of common equity, and overall fair rate of return. Schedules  
23 and workpapers supporting Mr. Moul's findings are set forth in UGI Electric Exhibit B.



1           **Sherry A. Epler** (UGI Electric St. No. 10) serves as Sr. Manager – Tariff and Supplier  
2           Administration at UGI. Ms. Epler addresses and sponsors the Company’s proof of  
3           revenues as presented in UGI Electric Exhibit E - Proof of Revenue. Ms. Epler’s testimony  
4           also presents and supports the sales and revenue adjustments. Ms. Epler is sponsoring UGI  
5           Electric Exhibit F, which is Supplement 51 to UGI Electric Pa. P.U.C. No. 6 (“Tariff No.  
6           6”). Ms. Epler provides a summary of the proposed changes to the tariff rules, regulations,  
7           and rate schedules included in UGI Electric’s Tariff No. 6, and the Choice Supplier Tariff,  
8           which is incorporated into Tariff No. 7 as Tariff No. 2S.

9  
10   **III.   NEED FOR RATE RELIEF**

11   **Q.    Please discuss the Company’s proposed rate relief request.**

12   A.    UGI Electric is requesting an increase in its annual base rate operating revenues of \$11.425  
13       million, or 7.5 percent on a total revenue basis, with a proposed effective date of March  
14       28, 2023. The base rate increase requested in this filing is based on the use of a Fully  
15       Projected Future Test Year (“FPFTY”) ending September 30, 2024.

16  
17   **Q.    Why is UGI Electric seeking a rate increase at this time?**

18   A.    The primary need for UGI Electric’s proposed rate increase is the Company’s continued  
19       extensive efforts to repair, replace, improve and modernize the aging portions of its  
20       distribution system. Since 2018, the Company has spent almost \$50 million on these  
21       efforts. The Company anticipates that it will continue its accelerated capital programs over  
22       the coming years, as reflected in its recently approved Second Long-Term Infrastructure

1 Improvement Plan (“Second LTIP”). The extensive capital work being undertaken by  
2 UGI Electric is described by Mr. Sorber in UGI Electric Statement No. 4.

3  
4 **Q. Are there any other reasons that UGI Electric is seeking a rate increase at this time?**

5 A. Yes. Since its last base rate case, significant shifts in the economy occurred, including  
6 high inflation and low unemployment. These market dynamics impacted the Company,  
7 and in this case, UGI Electric reflected the impact of price increases on its operations. UGI  
8 Electric adopted annual wage and salary adjustments in this case and will continue to do  
9 so, where reasonable. The growth in operating and capital costs, along with relatively  
10 stagnant customer usage and growth trends, are the primary reasons why UGI Electric will  
11 not earn a fair rate of return on its investments at present rate levels.

12  
13 **Q. Has the Company evaluated the impact of its proposed rate increase on average  
14 customer bills generally?**

15 A. Yes. As shown on Table 1, below, the Company has evaluated the effect of its proposed  
16 rate increase on the average monthly bill of residential, small commercial, and industrial  
17 customers.

**Table 1. Average Monthly Bill Impact**

	<u>Average Usage</u>	<u>Average Electric Customer Bill Impact</u>			<u>Total</u>
		<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	
Residential	1,000 kWh	\$192.73	\$209.96	\$17.23	8.9%
Small Commercial	1,000 kWh	\$199.06	\$220.49	\$21.43	10.8%
Industrial	50,000 kWh	\$6,455.07	\$6,475.18	\$20.11	0.3%

1 The proposed rate increases shown in Table 1 are required to support important investments  
2 in the repair and replacement of aged and aging infrastructure and to recover reasonable  
3 and necessary increases in operating expenses. Even with such increases, UGI Electric  
4 will continue to have distribution rates that are comparable to other Pennsylvania EDCs.

5

6 **Q. Why is the Company’s proposed rate increase justified?**

7 A. The Company’s current rates do not provide it with a reasonable opportunity to earn a fair  
8 rate of return on its investments made to serve the public in the provision of safe and  
9 reliable electric distribution service. Specifically, as reflected in UGI Electric Exhibit A  
10 (Fully Projected), Schedule A-1, the Company’s operations are projected to produce an  
11 overall return on rate base of just 3.768%, which equates to a return on common equity of  
12 only 3.28%, for the twelve months ending September 30, 2024. As explained by Company  
13 witness Paul R. Moul (UGI Electric St. No. 9), these returns are not adequate based on  
14 applicable financial data and the risks confronted by UGI Electric. Unless UGI Electric  
15 receives the requested rate relief, those returns will continue declining, deny the Company  
16 an opportunity to earn a fair and reasonable rate of return, and jeopardize the Company’s

1 ability to attract the capital needed to make the system investments necessary to support  
2 and ensure continued system reliability, safety, and customer service performance.

3  
4 **IV. UGI-1 INITIATIVE AND UNITE SYSTEMS MODERNIZATION**

5 **Q. What is UGI-1?**

6 A. UGI-1 is a Company-wide improvement initiative focusing on people, tools, and processes.  
7 The centerpiece of UGI-1 is UNITE a business and technology transformation initiative  
8 driving standardization and improvement of business processes through the  
9 implementation of new technology solutions.

10  
11 **Q. What is the history of UNITE?**

12 A. UNITE was established to position UGI to realize its UGI-1 strategic vision and was  
13 planned for implementation across multiple phases. Applying sound project management,  
14 UNITE has a consistent track record of delivering project phases on time and within  
15 budget. Phase I of UNITE replaced UGI Electric's Customer Information Systems ("CIS")  
16 in September 2017, enhancing the overall customer experience and improving back office  
17 support. Phase II of UNITE replaced the Company's Enterprise Resource Planning  
18 ("ERP") system and implemented SAP's Fieldglass solution for contractor billing in 2021.  
19 The Enterprise Performance Management ("EPM") project went live in October 2020. It  
20 implemented the PowerPlan Capital Budgeting and Forecasting solution, which is  
21 integrated with the Company's ERP and PowerPlan Fixed Asset and Tax systems.  
22 PowerPlan provides imbedded lifecycle governance for approving and monitoring Capital  
23 projects; improved visibility to Capital expenditure requests and authorized Capital

1 projects; detailed forecasting for more accurate tracking of ongoing Capital projects; and  
2 improved data analytics for making timely and optimal Capital decisions. Powerplan is a  
3 critical resource for accurately tracking record Capital improvements at UGI Electric since  
4 implementation.

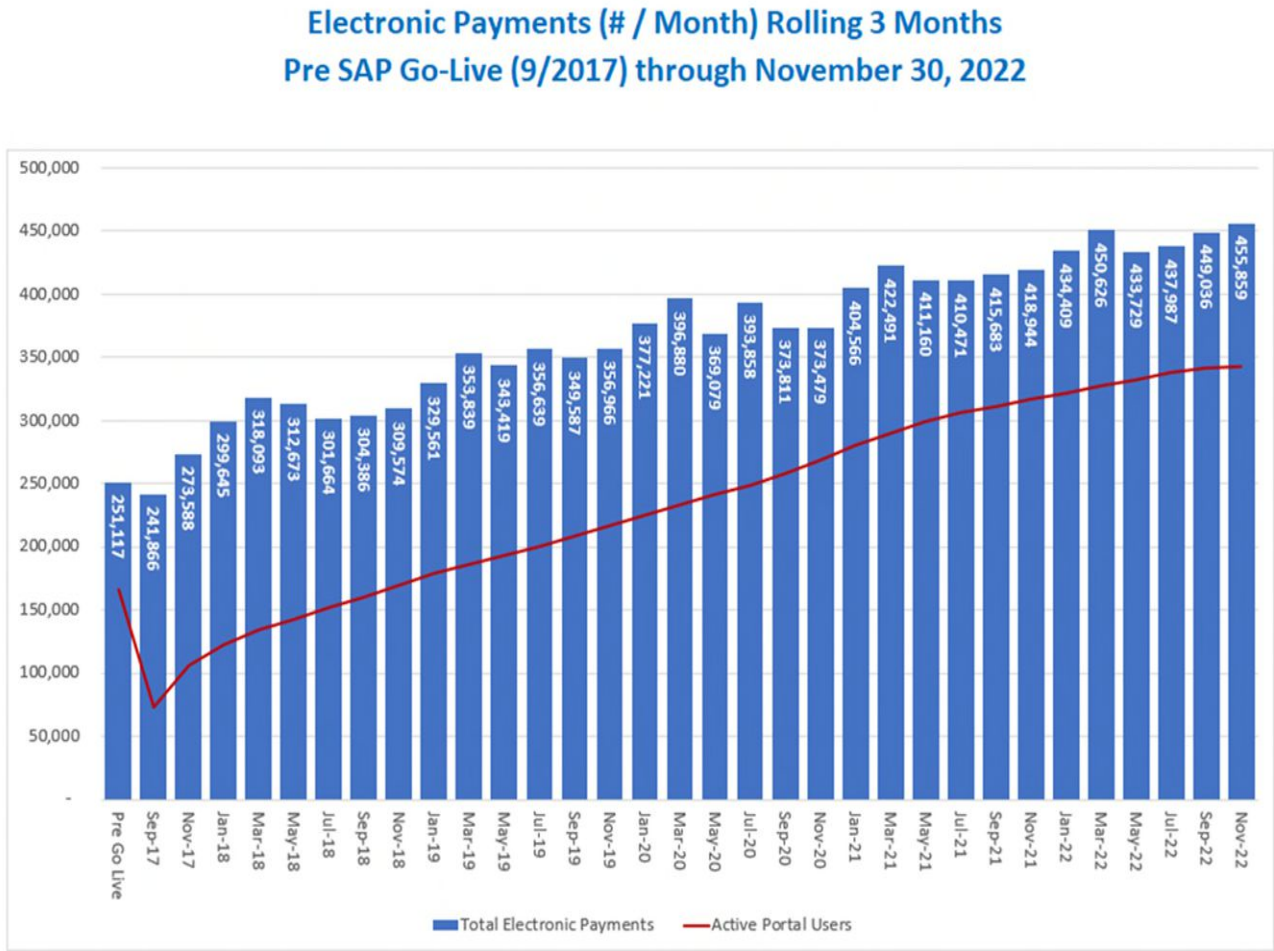
5  
6 **Q. Has UGI Electric implemented any additional UNITE projects since its last base rate  
7 case?**

8 A. Yes. In September 2022, the Asset Data Collection (“ADC”) project, the first part of a  
9 larger Enterprise Asset Management (“EAM”) initiative, was implemented successfully at  
10 UGI Electric. Utilizing automated, digital smart forms, ADC enhanced the field collection  
11 of Operations facility asset data. Included with the ADC implementation was the ability  
12 to utilize high accuracy Global Positioning System (“GPS”) technology. The ADC project  
13 has now created a robust digitized inventory of field assets that is available to support  
14 efficiency gains in record access for both field and analysis work across the Company.

15  
16 **Q. What improvements from UNITE has UGI Electric experienced?**

17 A. Since the beginning of UNITE, electronic payments for UGI’s gas and electric customers  
18 increased by approximately 81% and customer portal profiles increased by approximately  
19 106%. These statistics demonstrate an improved customer experience, i.e., a simplified  
20 process for customers to access information and other services. The upward trend in  
21 electronic payment adoption can be seen in the following Figure 2.

1 **Figure 2. Gas & Electric Electronic Payments Rolling 3 Months Pre CIS Go-Live (Sept.**  
 2 **2017) through Nov. 2022**



3  
 4 In addition, through EPM and the implementation of PowerPlan, UGI experienced  
 5 significant benefits that impact its ability to plan for and manage capital projects and to  
 6 report on those projects. Specifically, PowerPlan allows for project managers and  
 7 engineers to enter the actual in-service date in the system, which interfaces to UGI's  
 8 accounting system and automatically calculates depreciation. Project Managers can enter  
 9 the actual in-service date in PowerPlan as soon as a project is completed, and by doing so  
 10 reduce the delay that the Company previously experienced in the post-implementation

1 accounting process. PowerPlan also automatically generates the depreciation budget and  
2 forecast directly from the construction budget and estimated in-service dates, which  
3 eliminates the time-consuming manual process previously used by UGI. Finally,  
4 PowerPlan allows the Company to: (1) forecast projects and review projects at a more  
5 granular level of detail based on charge type; and (2) move from a spending budget to a  
6 placed in service budget more fluidly and without the manual tracking of project status  
7 historically used by UGI.

8  
9 **Q. What additional UNITE initiatives has UGI identified at this time?**

10 A. As described previously, the first phase of EAM was implemented. While no costs are  
11 included in this rate case, planning is actively underway for the next UNITE project within  
12 EAM, with an anticipated go live date in FY2025. EAM is currently scoped to achieve,  
13 among other things, improved data quality; better facility tracking and traceability; tools  
14 for ensuring ongoing regulatory compliance; a standard dispatching and mobility solution  
15 for field work; enhanced work management capabilities; and improved risk management  
16 capabilities for guiding future betterment decisions.

17  
18 **V. MANAGEMENT PERFORMANCE AND RECOGNITION**

19 **Q. Please summarize the Company's initiatives and activities related to management  
20 performance.**

21 A. UGI Electric focuses on a number of areas to enhance and improve the quality and  
22 effectiveness of UGI Electric's management performance. These management efforts  
23 include:

- 1           • High Standards for Electric Reliability: Historically, UGI Electric has strong reliability  
2 performance as measured by the Commission-established Benchmark levels for service  
3 reliability. The Company has met or performed better than the PUC Benchmark levels  
4 in two of the three categories in 2021 and 2022, with System Average Interruption  
5 Frequency Index (“SAIFI”) being the outlier. For the rolling 12 months ending in the  
6 fourth quarter of calendar year 2022, UGI Electric achieved Customer Average  
7 Interruption Duration Index (“CAIDI”), and System Average Interruption Duration  
8 Index (“SAIDI”) index levels that were 7.7% and 3.6% better than Benchmark levels,  
9 respectively. During that time, SAIFI was 4.8% above the Benchmark but remained  
10 better than the Commission-established Standard level of 1.12 by 22.3%. As noted by  
11 the Commission, reliability performance that is better than the Benchmark is  
12 considered to be “excellent” performance.<sup>1</sup>
- 13           • Consistent Performance on Long-Term Infrastructure Improvement Targets: UGI  
14 Electric consistently met or exceeded its targeted replacement of aged or aging facilities  
15 since it began its accelerated replacement program in 2018. On August 25, 2022, the  
16 Commission approved UGI Electric’s Second LTIP, which covers the period October  
17 1, 2022 through September 30, 2027. Through the Second LTIP, UGI Electric expects  
18 to expend significant capital, approximately \$50.6 million and complete numerous  
19 projects that will enhance distribution system safety and reliability. The Company’s  
20 progress on critical infrastructure replacement programs that enhance safety and  
21 reliability are further explained in Mr. Sorber’s testimony.

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<sup>1</sup> See, e.g., *Electric Service Reliability in Pennsylvania 2021* “2021 Electric Reliability Report”, page 4 (August 2022) (“Performance is considered excellent since [the metric] is below both benchmark and standard”).



- 1           • Energy Efficiency and Conservation Plan: Though UGI Electric is exempt from the  
2 large EDC requirement to have an energy efficiency and conservation plan (“EE&C  
3 Plan”) under Act 129, the Company has voluntarily operated an EE&C Plan since 2012.  
4 UGI Electric’s EE&C Plan provides education and incentives to the Company’s  
5 customers to help reduce their electric consumption and demand. On March 14, 2019,  
6 the Commission entered an Order approving the Company’s five-year Phase III EE&C  
7 Plan, which began on June 1, 2019. In UGI Electric’s most recent EE&C program  
8 year, June 1, 2021 – May 31, 2022, the Company issued \$377,870 in rebates to  
9 residential and commercial customers and achieved savings of 3,935,000 kWh,  
10 resulting in material cost savings for customers and the equivalent greenhouse gas  
11 benefit of avoiding the release of 2,964 metric tons of CO<sub>2</sub>.<sup>2</sup> In addition, through its  
12 EE&C program, UGI Electric supports the School Education Program, which provides  
13 educational presentations and energy saving kits to more than 1,000 elementary and  
14 high school students in the UGI Electric service territory.
- 15           • Enhanced Customer-Service Offerings and Continued Information Technology System  
16 Replacements: As discussed previously in my testimony, the Company’s investments  
17 in IT through the UNITE initiative promoted customer self-service through the  
18 Company’s web portal, increased electronic payments, and improved the customer  
19 experience. UNITE also improved the Company’s accounting processes, management  
20 of its capital programs, and ability to deploy and account for resources more accurately  
21 and precisely. In addition, UGI Electric has continued its efforts to support customers

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<sup>2</sup>This figure was derived from the EPA Greenhouse Gas Equivalencies calculator:  
<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

1 in need. Specifically, for program year 2022, UGI Electric provided 1,396 Low Income  
2 Home Energy Assistance Program (“LIHEAP”) grants totaling more than \$1 million,  
3 and 287 Operation Share grants for more than \$85,000. In 2022, UGI Electric also  
4 supported customers in accessing \$220,400 in weatherization assistance via UGI’s Low  
5 Income Usage Reduction Program (“LIURP”).

- 6 • Safety Focus: Safety is a fundamental imperative at UGI Electric. The Company  
7 continues to foster a robust safety culture that ensures the safety of employees,  
8 customers, and the communities we operate in. As just one example of the ways in  
9 which UGI Electric makes its community safer, the Company engages with local first  
10 responders to provide electric safety awareness training so that those first on the scene  
11 in an emergency will know how to safely identify and avoid electric hazards. UGI  
12 Electric also provides electrical safety tips as well as safety and conservation education  
13 through many mediums to the public. The Company’s commitment to safety is  
14 described by UGI Electric witness Mr. Sorber (UGI Electric St. No. 4).
- 15 • Community Support: UGI Electric supports a variety of projects that benefit  
16 communities throughout its service territory. These include American Red Cross blood  
17 drives, ‘Sound the Alarm’ fire preparedness awareness events, the Commission on  
18 Economic Opportunity Thanksgiving food drive, Reading is Fundamental book  
19 distributions, Touch-a-Truck community events, S.P.A.R.K.S. foundation science  
20 explorer school events, and United Way of Wyoming Valley book drive and Day of  
21 Caring events, among many others. UGI invests more than \$1.5 million annually to  
22 support education improvement programs, including approximately \$270,000 in the  
23 overlapping UGI Electric and UGI Gas service territories. These programs support

1 pre-K, childhood literacy and enhanced “STEM” (science, technology, engineering and  
2 math) curriculum in elementary schools, fund technical training programs for high  
3 school students, and provide support and mentoring for women and minority  
4 engineering school students.

5 The above-described initiatives, as well as the operating factors addressed by other  
6 Company witnesses, demonstrate the role of exceptional management performance in UGI  
7 Electric’s commitment to, and focus on, providing safe, reliable, and quality distribution  
8 service to its customers.

9

10 **Q. Does this conclude your direct testimony?**

11 **A. Yes, it does.**

**UGI ELECTRIC**

**EXHIBIT CRB-1**

## **CHRISTOPHER R. BROWN**

### **VICE PRESIDENT – FINANCE AND CHIEF FINANCIAL OFFICER**

#### **UGI Utilities, Inc.**

Vice President – Finance and Chief Financial Officer	January 2023 - Present
Vice President and General Manager, Rates and Supply (Denver, Pa.)	May 2019 – January 2023
Sr. Director- Operations South Region (Reading, Pa.)	July 2015- May 2019
Manager - Operations (Reading, Pa.)	July 2013 – July 2015
Director- Central Services (Reading, Pa.)	October 2010 – July 2013
Manager – Strategy Processes and Implementation (Reading, Pa.)	February 2010 – October 2010
Manager – Customer Accounting Services (Reading, Pa.)	May 2009 – February 2010
Marketing Manager – East Region (Allentown, Pa.)	April 2008 – May 2009

#### **Amerigas Propane, Inc.**

Market Manager (Stroudsburg, Pa.)	June 2005 to April 2008
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#### **UGI Utilities, Inc.**

Supervisor – Gas Supply and Transportation (Reading, Pa.)	September 2003 – June 2005
Distribution Superintendent (Harrisburg, Pa.)	September 2001 – September 2003
Staff Engineer – Commercial Marketing (Reading, Pa.)	September 1999 – September 2001
New Business Engineer (Allentown, Pa.)	June 1997 – September 1999

#### **Education**

**MBA**, Lebanon Valley College, Annville, Pa.  
**BS**, Civil Engineering, Lehigh University, Bethlehem, Pa.

#### **Previous testimony provided before the Pennsylvania Public Utility Commission:**

Docket No. R-00050539	UGI Utilities Inc. - Annual 1307(f) Filing
Docket No. C-2015-2516051	Centre Park Historic District v. UGI Utilities, Inc.
Docket No. C-2016-2530475	City of Reading v. UGI Utilities, Inc.
Docket No. R-2019-3015162	UGI Utilities, Inc. Gas Division - Base Rate Case Proceeding
Docket No. R-2021-3023618	UGI Utilities, Inc. Electric Division - Base Rate Case Proceeding
Docket No. R-2021-3030218	UGI Utilities, Inc. Gas Division – Base Rate Case Proceeding

**UGI ELECTRIC STATEMENT NO. 2**

**TRACY A. HAZENSTAB**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Docket No. R-2022-3037368**

**UGI Utilities, Inc. – Electric Division**

**Statement No. 2**

**Direct Testimony of  
Tracy A. Hazenstab**

**Topics Addressed:**

**Budget Process  
Revenue Requirements  
Operating Revenues and Expenses  
Compliance with PA Act 40 of 2016**

Dated: January 27, 2023

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Tracy A. Hazenstab. My business address is 1 UGI Drive, Denver,  
4 Pennsylvania 17517.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as Principal Analyst, Rates. UGI is a wholly-  
8 owned subsidiary of UGI Corporation (“UGI Corp.”). UGI has two operating divisions,  
9 the Electric Division (“UGI Electric” or the “Company”) and the Gas Division (“UGI  
10 Gas”), each of which is a public utility regulated by the Pennsylvania Public Utility  
11 Commission (“Commission” or “PUC”).

12  
13 **Q. What are your responsibilities as Principal Analyst, Rates?**

14 A. I am primarily responsible for various tariff filings and related computations for UGI Gas  
15 and UGI Electric rate and regulatory filings before federal and state regulatory  
16 commissions. As part of these responsibilities, I am responsible for budgeting/financial  
17 planning for UGI, which is a joint effort with the Rates Department (verifying the revenue  
18 and margin budgets) and the Financial Planning and Analysis Department (preparing the  
19 operating and capital budgets). I report directly to the Director, Rates and Regulatory  
20 Planning of UGI.



1 **Q. What is your educational background?**

2 A. I received an undergraduate degree in International Politics from Pennsylvania State  
3 University.

4

5 **Q. Please describe your professional experience.**

6 A. Please see my resume, UGI Electric Exhibit TAH-1, which is attached to my testimony.

7

8 **Q. Have you testified previously before this Commission?**

9 A. Yes. Attached to my direct testimony is UGI Electric Exhibit TAH-1, which contains a  
10 list of the Commission's proceedings in which I previously testified. Additional exhibits  
11 that I am sponsoring are described below.

12

13 **II. PURPOSE OF TESTIMONY**

14 **Q. Please describe the purpose of your testimony in this proceeding.**

15 A. I am providing testimony on behalf of UGI Electric in support of the Company's proposed  
16 revenue requirement. First, I will explain UGI Electric's budgeting processes (Part III).  
17 Next, I will present UGI Electric's ratemaking presentations for the historic test year ended  
18 September 30, 2022 ("HTY"), future test year ending September 30, 2023 ("FTY") and the  
19 fully projected future test year ending September 30, 2024 ("FPFTY"), including its  
20 principal accounting exhibits, operating expenses claims, and certain *pro forma*  
21 adjustments (Part IV). The Company's rate proposal in this case is predicated on its  
22 FPFTY exhibit, which demonstrates the need for a revenue increase of \$11.425 million. I  
23 will also address the Company's compliance with Act 40 of 2016 (Part V).

1 **Q. Are you sponsoring any exhibits in this proceeding?**

2 A. Yes. In addition to UGI Electric Exhibit TAH-1 mentioned above, I am sponsoring UGI  
3 Electric Exhibit TAH-2, which provides the summary statements of Operating Income  
4 before Income Taxes of the Company on a FERC and PUC jurisdictional basis for the  
5 HTY, FTY and FPFTY. I am also sponsoring the principal accounting exhibits UGI  
6 Electric Exhibit A (Fully Projected), Exhibit A (Future) and Exhibit A (Historic). Other  
7 Company witnesses present testimony in support of various portions of these exhibits,  
8 including rate base (Vivian R. Ressler, UGI Electric Statement No. 3), fair rate of return  
9 (Paul R. Moul, UGI Electric Statement No. 9), depreciation expense (John F. Wiedmayer,  
10 UGI Electric Statement No. 7), operating revenue (Sherry A. Epler, UGI Electric Statement  
11 No. 10), and taxes (Darin T. Espigh, UGI Electric Statement No. 8). I am further  
12 sponsoring the Company's responses to the Commission's filing requirements and standard  
13 data requests where my name is indicated as the sponsoring witness.

14

15 **III. OVERVIEW OF PRINCIPAL ACCOUNTING EXHIBITS**

16 **Q. Please describe the principal accounting exhibits used to support UGI Electric's**  
17 **claims in this proceeding.**

18 A. UGI Electric Exhibit A (Fully Projected) provides the calculation of the revenue  
19 requirement for the FPFTY including principal accounting exhibits, rate base claims,  
20 operating expenses claims, and certain *pro forma* adjustments. The FPFTY information is  
21 derived from UGI Electric's operating and capital budgets for the 12 months ending  
22 September 30, 2024. UGI Electric Exhibit A (Future) is the principal accounting exhibit  
23 for the FTY ending September 30, 2023, including certain *pro forma* adjustments. The  
24 FTY information is derived from UGI Electric's operating and capital budgets for the 12-

1 month period ending September 30, 2023. UGI Electric Exhibit A (Historic) is the  
2 principal accounting exhibit for the HTY ended September 30, 2022, with appropriate  
3 ratemaking adjustments. The HTY information is derived from the book accounting data  
4 for the 12-months ended September 30, 2022. The FTY and HTY schedules are provided  
5 as a comparative benchmark with the FPFTY claim, which as explained above is the basis  
6 for UGI Electric’s proposed revenue increase of \$11.425 million.

7 The Company’s principal accounting exhibits and cost of service study include the  
8 revenues and expenses associated with default generation supply service, but these  
9 revenues and expenses are equal as shown in UGI Electric Exhibit D, Section II – Summary  
10 of Results, and have no impact on the Company’s requested distribution revenue  
11 requirement.

12  
13 **Q. Please provide an overview of UGI Electric’s principal accounting exhibits.**

14 A. UGI Electric’s claims in this case are based on UGI Electric Exhibit A (Fully Projected),  
15 which is comprised of four sections:

- 16 • Section A summarizes UGI Electric’s requested *pro forma* rate base, revenues, and  
17 expenses at present rates and the calculation of its requested revenue increase.
- 18 • Section B includes basic accounting data extracted from UGI Electric’s financial,  
19 accounting, operating and capital budgets, and other records. This data includes a  
20 balance sheet, a statement of net operating income and test year revenues, a  
21 schedule of expense items by cost element, and a tax expense calculation. Also  
22 included are schedules showing UGI Electric’s embedded cost of debt, year-end  
23 capital structure and overall claimed rate of return.

- 1 • Section C provides the elements of UGI Electric’s rate base claim and how each  
2 element of that claim is derived. UGI Electric’s rate base includes utility plant in  
3 service, cash working capital, materials and supplies inventory, and offsets for  
4 accumulated depreciation, accumulated deferred income taxes, and customer  
5 deposits.
- 6 • Section D presents UGI Electric’s revenues and expenses on a *pro forma*  
7 ratemaking basis. Necessary adjustments to budgeted levels of expense items and  
8 revenues are summarized in Schedules D-1 through D-2 and detailed in the  
9 remaining schedules. The resulting FPPTY expense and revenue levels are shown  
10 on Schedule D-3 and were used to establish UGI Electric’s *pro forma* income at  
11 present and proposed rates as set forth in Schedule A-1.

12  
13 **Q. What information is included in UGI Electric Exhibits A (Future) and A (Historic)?**

14 A. UGI Electric Exhibits A (Historic) and A (Future) follow the format of UGI Electric  
15 Exhibit A (Fully Projected), but reflect data for the fiscal year ended September 30, 2022,  
16 and the fiscal year ending September 30, 2023, respectively. This information is provided  
17 to comply with the Commission’s filing requirements and provides a basis for comparing  
18 our FPPTY claims with actual and projected results from the HTY and FTY.

19  
20 **Q. What are the data sources for the UGI Electric Exhibit A (Future) and UGI Electric  
21 Exhibit A (Historic)?**

22 A. This data is derived from UGI Electric’s books and records, and capital and operating  
23 budgets. UGI Electric Exhibit A (Future) is based on adjusted budgeted data for the fiscal

1 year ending September 30, 2023. UGI Electric Exhibit A (Historic) is based on adjusted  
2 experienced data for the fiscal year ended September 30, 2022.

3  
4 **IV. BUDGETING PROCESS**

5 **Q. Please explain UGI Electric’s budgetary preparation and approval process.**

6 A. UGI Electric’s fiscal year begins on October 1 and ends on September 30 of the following  
7 year. Preparation of the UGI Electric Operating Budget for the subsequent fiscal year  
8 begins during the spring, *i.e.*, the budget process for the October 1, 2022 through September  
9 30, 2023 fiscal year begins in the spring of 2022, with information being requested and  
10 incorporated from all departments. Internal reviews and revisions occur throughout the  
11 spring and summer before the final budget is approved by the UGI Board of Directors in  
12 September – immediately prior to implementing the budget.

13 The revenue portion of the budget is developed by the Financial Planning and  
14 Analysis (“FP&A”) Department. It determines customer counts, develops normalized  
15 usage per customer for core customer classes, and annualizes sales and total revenues. This  
16 process is further explained in the direct testimony of UGI Electric witness Ms. Epler (UGI  
17 Electric Statement No. 10). The number of customers by customer class is determined  
18 using the average customer count for fiscal year 2022. Usage per customer is developed  
19 by reviewing the long-term usage trends and current and anticipated levels of operation.  
20 The budgeted number of customers and usage per customer are combined to produce  
21 monthly budgeted sales. The revenue budget is calculated by applying tariff rates for each  
22 customer class to budgeted sales, plus an adjustment for unbilled revenue. The sales and  
23 revenue budget is then reviewed with, and approved by, senior management.

1            Concurrently, the expense portion of the Operating Budget is prepared. Operating  
2 and maintenance expenses are developed by each functional manager based upon review  
3 of trends, monthly expenditure patterns, and new or changed programs. Employee levels  
4 are reviewed, and appropriate staffing levels are set for the upcoming fiscal year. The  
5 direct expense portion of the Operating Budget is submitted for review and approval by  
6 senior management. UGI Electric's direct expenses are then consolidated with allocated  
7 expenses from shared administrative and general functions within UGI and from other  
8 affiliated companies providing shared services to UGI Electric to develop the budgeted  
9 Statement of Operations. Allocated expenses in the Statement of Operations include  
10 functions such as accounting, rates, electric supply, human resources, information systems,  
11 payroll, and remittance processing, which are performed in accordance with PUC-  
12 approved methods of allocation and affiliated interest arrangements or agreements.

13            The final Operating Budget is then submitted to UGI's President and Board of  
14 Directors for their review and approval. Each element of the UGI Electric Operating  
15 Budget is formulated by personnel with responsibilities specific to each aspect of the  
16 operation. The first and primary use of the Operating Budget is as a working tool for the  
17 management and planning of the business.

18            Operating personnel in each functional area prepare a detailed list of capital  
19 projects. Each project is identified, described and justified along with a breakdown of the  
20 costs associated with it. These projects are presented to senior management, which reviews  
21 them in terms of priority, capital availability, and strategic alignment with the operating  
22 budget. After due consideration, the Capital Budget is set and presented to senior  
23 management in a series of review meetings. The final Capital Budget is approved by the

1 UGI Board of Directors in September immediately prior to implementing the budget.  
2 Additional information concerning the factors considered in establishing the UGI Electric  
3 Capital Budget is provided in the direct testimony of Vicky A. Schappell (UGI Electric  
4 Statement No. 5).

5 The UGI Electric Capital Budget is prepared in conjunction with the Operating  
6 Budget. With the passage of Act 11 of 2012, UGI Electric has also instituted a process for  
7 establishing an Operating Budget and Capital Budget for an additional fiscal year in the  
8 future, *i.e.*, the FPFTY. This process is the same as outlined above; however, the starting  
9 point for the additional year is the FTY budget. The FPFTY revenue budget is based on  
10 normalized weather conditions, per customer usage trends, and projections concerning  
11 growth in numbers of customers. Similarly, FPFTY budget expense amounts are adjusted  
12 for salary and personnel increases, known program changes and expense needs. For the  
13 capital budget, projects are included based on the process described above, which is further  
14 described in Ms. Schappell's testimony (UGI Electric Statement No. 5).

15  
16 **Q. Please explain how expenses from affiliated companies are allocated to develop the**  
17 **budgeted Statement of Operations.**

18 A. UGI Electric incurs costs for services provided by UGI Corp., and other affiliated  
19 companies, in accordance with affiliated interest arrangements authorized by the  
20 Commission. UGI also allocates or assigns costs between UGI Electric and UGI Gas. All  
21 costs which can be identified as pertaining exclusively to an operating unit are billed  
22 directly to that unit. Those costs which cannot be directly associated with the operation of  
23 an individual operating unit are allocated to the various companies benefiting from the  
24 service. Allocations are done by a methodology applicable to the cost (*e.g.*, budgeted time

1 allocations, number of employees, etc.) or, if no one methodology is specific to the cost,  
2 by a formula referred to as the Modified Wisconsin Formula (“MWF”) or another  
3 reasonable allocation methodology. The MWF or other allocation methodology achieves  
4 an equitable distribution of common expenses based on the relative activity and size of  
5 each operating unit to the total of all operating units, which benefit from the respective  
6 activities. Activity is measured by total revenues and total operating expenses and size is  
7 measured by tangible net assets employed (excluding acquisition goodwill).

8  
9 **Q. How is this budget information used to support UGI Electric’s requested revenue**  
10 **increase?**

11 A. This budget information is the starting point for UGI Electric’s claims and is adjusted as  
12 appropriate to reflect new information gained since the completion of the budgeting  
13 process and through application of other appropriate ratemaking principles. Total UGI  
14 Electric system rate base and components of operating income are assigned and/or  
15 allocated between the FERC and PUC jurisdictions, and the proposed revenue increase is  
16 determined on a PUC jurisdictional basis. Revenue in the amount of \$10.323 million  
17 related to transmission revenue was excluded from this filing. In addition, expenses related  
18 to the transmission operations were also adjusted and excluded from this filing. Please see  
19 UGI Electric Exhibit TAH-2, pages 1 through 3, for the summary statements of  
20 Pennsylvania Jurisdictional Operating Income before Federal and State Income Taxes,  
21 which will tie to Schedule D-2, Column 2, for the test periods presented.



1 V. **REVENUE REQUIREMENTS FOR THE FULLY PROJECTED FUTURE TEST**  
2 **YEAR**

3 Q. **How is your discussion of UGI Electric’s FPFTY revenue requirement presentation**  
4 **organized?**

5 A. In Section V.A, I present a summary of UGI Electric’s FPFTY revenue requirement. In  
6 Section V.B, I discuss UGI Electric’s proposed rate base. In Section V.C, I explain the  
7 determination of UGI Electric’s revenues and operating expenses, depreciation, and  
8 income taxes.

9  
10 A. **FULLY PROJECTED FUTURE TEST YEAR REVENUE REQUIREMENT**

11 Q. **How were the *pro forma* revenue increase and revenues at proposed rates established?**

12 A. This calculation is shown at a summary level on Schedule A-1, column 3 of UGI Electric  
13 Exhibit A (Fully Projected) beginning with Present Rates. Lines 1-8 summarize the *pro*  
14 *forma* measure of value (rate base). Lines 9-18 show *pro forma* revenues at present rates,  
15 *pro forma* expenses, taxes at present rates, *pro forma* net operating income at present rates,  
16 and the calculated rate of return at present rates. Lines 19-22 show the increase in net  
17 operating income required to permit UGI Electric to earn its required overall rate of return  
18 of 8.15%. Application of the Gross Revenue Conversion Factor (“GRCF”) on line 23  
19 establishes the revenue increase shown on line 24 needed to generate that net operating  
20 income. Column 4 of Schedule A-1 shows the level of the revenue increase and the  
21 increase in expenses associated with the revenue increase. Column 5 of Schedule A-1  
22 shows the revenue, expenses, and rate base at proposed rates, as well as the resulting overall  
23 rate of return of 8.15%.

1 **Q. What is the overall requested increase in revenue?**

2 A. The overall requested increase in revenue is \$11.425 million. This represents the difference  
3 between the *pro forma* FPFTY revenue requirement of \$164.116 million and the annual  
4 level of operating revenues of \$152.691 million under existing rates. These figures are  
5 shown on line 12 of Schedule A-1 of UGI Electric Exhibit A (Fully Projected).

6

7 **B. RATE BASE**

8 **Q. With reference to UGI Electric Exhibit A (Fully Projected), please discuss how the**  
9 **Company's specific rate base items are determined.**

10 A. UGI Electric's rate base presentation is shown in UGI Electric Exhibit A (Fully Projected),  
11 Schedule C-1. Schedule C-1 summarizes the UGI Electric rate base values for the FPFTY.  
12 Column 1 indicates the schedule upon which the calculation of each of the rate base  
13 elements is found. Columns 3 and 5 show the amounts at present and proposed rates,  
14 respectively. UGI Electric's total FPFTY rate base claim is \$172.242 million. Please see  
15 the direct testimony of Vivian K. Ressler (UGI Electric Statement No. 3) for a discussion  
16 of the rate base components.

17

18 **C. REVENUES AND EXPENSES**

19 **Q. How were revenues at present rates determined?**

20 A. Revenues at present rates were determined by adjusting the budgeted revenues to reflect  
21 the anticipated change in the number of customers, the projected change in existing  
22 customer usage, and other *pro forma* normalizing adjustments. The net effect of these  
23 adjustments is shown in UGI Electric Exhibit A (Fully Projected), Schedule D-5, and is  
24 discussed in the direct testimony of Sherry A. Epler (UGI Electric Statement No. 10).

1 **Q. Please provide an overview of UGI Electric’s principal accounting exhibits relative to**  
2 **operating expense claims.**

3 A. UGI Electric’s principal accounting exhibit is UGI Electric Exhibit A (Fully Projected),  
4 which includes a presentation for the FPFTY ending September 30, 2024. Section D of  
5 UGI Electric Exhibit A (Fully Projected) presents UGI Electric’s claims and necessary  
6 adjustments to budgeted levels of expense items and revenues. The *pro forma* adjustments  
7 related to expense are summarized in Schedules D-3 and D-6 through D-34. These expense  
8 adjustments are used, in part, to derive UGI Electric’s *pro forma* income at present and  
9 proposed rates as set forth in Schedule D-1.

10 UGI Electric Exhibits A (Historic) and A (Future) follow the format of UGI Electric  
11 Exhibit A (Fully Projected) but reflect data for the appropriate test years ending September  
12 30, 2022 and 2023, respectively. This information is provided in an effort to comply with  
13 the Commission’s filing requirements and provides a basis for comparing our FPFTY  
14 claims with prior results.

15  
16 **1. Summary**

17 **Q. Please describe Schedule D-1 of UGI Electric Exhibit A (Fully Projected).**

18 A. Schedule D-1 presents a summary income statement that includes UGI Electric’s claimed  
19 electric revenues, expenses, and taxes at present and proposed rate levels. The direct  
20 testimony of Sherry A. Epler (UGI Electric Statement No. 10) addresses the presentation  
21 of *pro forma* revenues, adjustments thereto, and the supporting schedules. Schedule D-1  
22 also shows the proposed revenue increase of \$11.425 million on line 5 in column 2.

1 **Q. What is the level of net income at proposed rates?**

2 A. As shown on column 3, line 20, this amount is \$14.038 million. This represents a \$7.548  
3 million increase from the level under current rates (i.e., \$6.490 million), as shown on line  
4 20 in column 1 of Schedule D-1.

5  
6 **Q. Please describe Schedule D-2.**

7 A. Schedule D-2 shows the development of the various line items found on Schedule D-1.  
8 Column 2 contains the Company's budgeted level of revenues and expenses for the 12-  
9 month period ending September 30, 2024. Column 3 shows adjustments to the Column 2  
10 figures, where applicable, to reflect various annualization and/or normalization  
11 adjustments. Column 4 is the sum of Columns 2-3. The amount of the revenue increase  
12 and related expenses are shown in Column 5 with the resulting revenues and expenses at  
13 proposed rates shown in Column 6.

14

15 **Q. Are there schedules showing the derivation of the adjustments shown in Schedule D-  
16 2, Column 3?**

17 A. Yes. The derivation of the various Column 3 revenue adjustments in Schedule D-2 is  
18 included in UGI Electric Exhibit A (Fully Projected) in summary fashion on Schedule D-  
19 3, page 1, lines 1-14, and then listed by individual adjustment on Schedule D-5. Customer  
20 charge and distribution rate revenue adjustments for each customer class are shown on  
21 Schedule D-5, lines 1-6. Electric Cost revenue adjustments for each customer class are  
22 shown on lines 7-12 and details of other revenue adjustments are shown on lines 14-17.  
23 Details for each revenue adjustment are shown in Schedules D-5 (including supporting

1 Schedule D-5A) and D-6, which are discussed in the direct testimony of UGI Electric  
2 witness Ms. Epler (UGI Electric Statement No. 10). Regarding *pro forma* expenses, the  
3 derivation of the various adjustments are summarized individually on pages 1 and 2 of  
4 Schedule D-3, lines 17-26 and lines 45-55. The details for these adjustments are found in  
5 Schedules D-5 through D-31.

## 6 7 **2. Operating Expense**

8 **Q. How were the claimed operating expenses for the FPFTY determined?**

9 A. *Pro forma* FPFTY expenses are based on the PUC jurisdictional budgeted level of expenses  
10 as a starting point. The budgeted data, by FERC account, was then adjusted in accordance  
11 with Commission precedent and generally accepted ratemaking principles to reflect a  
12 normal, ongoing level of operations. Schedules supporting those adjustments are found in  
13 UGI Electric Exhibit A (Fully Projected), Section D.

14  
15 **Q. Does UGI Electric budget its operating expenses by FERC account?**

16 A. Yes, it does. UGI Electric budgets its operating expenses both by FERC account and by  
17 cost element, such as payroll, employee benefits, rent, etc. UGI Electric uses historic data  
18 as a basis for the distribution of expenses to each FERC account. This is shown in Schedule  
19 B-4 and is the starting point to determine the FPFTY adjusted operating expenses shown  
20 on Schedule D-3.

1 **Q. Were each of the *pro forma* adjustments reflected on Schedule D also charged to an**  
2 **appropriate FERC account?**

3 A. Yes. Each *pro forma* adjustment was calculated based on the appropriate cost element and  
4 then distributed to FERC accounts directly or by using the ratio used to distribute the  
5 budgeted cost for that element.

6

7 **Q. Does Schedule D-3 depict the *pro forma* expense adjustments using FERC accounts?**

8 A. Yes. These *pro forma* expense adjustments are presented by major FERC account  
9 category. These adjustments are also shown in the Section D summary schedules.

10

11 **3. Salary and Wages Adjustments**

12 **Q. Please discuss the Salaries and Wages (“S&W”) adjustment shown on Schedule D-7.**

13 A. Schedule D-7 shows a \$33,000 increase to budgeted salaries and wages to reflect end of  
14 FPFTY operating conditions. This adjustment annualizes payroll expense and is  
15 distributed among the various cost accounts. Page 2 shows the development of this  
16 adjustment.

17

18 **Q. Please describe the annualization adjustment.**

19 A. This adjustment annualizes the effect of wage increases for unionized, and non-exempt  
20 employees that will take place during the FPFTY. Schedule D-7, page 2, line 2, reflects  
21 the increased percentages for each classification of employee. Lines 3 through 5 indicate  
22 the percentage of the year for which the salaries and wages increases are not reflected in  
23 the budget. Wage increases for exempt employees begin at the start of the fiscal year,  
24 therefore, no annualization adjustment is required for this employee classification.

1 **Q. How did you determine the split of the budgeted salaries among the various employee**  
2 **classifications shown on Schedule D-7?**

3 A. The split of the budgeted salaries among the various classifications shown on Schedule D-  
4 7, page 1, was determined using the allocations of labor and headcount for Operating and  
5 Maintenance expense in the budget. These employee groupings are the same groupings  
6 utilized in developing the labor budget. These categories were used in UGI Electric's  
7 budgeting process for the operating expense portion of salaries and wages.

8

9 **4. Rate Case Expense Adjustment**

10 **Q. Please discuss Schedule D-10, which shows an adjustment to Rate Case Expense.**

11 A. Lines 1 through 3 show the rate case expense UGI Electric expects to incur in this case, in  
12 the amount of \$769,000.<sup>1</sup> That amount is then normalized over a two-year period in the  
13 amount of \$385,000 per year, reflecting the expected period between this case and a future  
14 base rate case filing. The rate case expense is incurred in the FTY, however, the FTY does  
15 not include any rate case expense related to this proceeding. The FPFTY budget includes  
16 a rate case expense in the amount of \$444,000, representing one-year of normalized  
17 expense. This results in an increase in the level of rate case expense for the FPFTY from  
18 the budgeted amount of \$444,000 as shown on line 5. Therefore, rate case expense was  
19 decreased by \$59,000 to reflect a normal annual level of rate case expense. We believe  
20 that UGI Electric will make regular rate case filings going forward, given the significant  
21 capital investments it has undertaken in accordance with its PUC-approved Long-Term  
22 Infrastructure Improvement Plan.

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<sup>1</sup> By way of comparison, the actual rate case expense in UGI Electric's last base rate case totaled \$717,886.

1                   **5.       Uncollectible Accounts Expense Adjustments**

2   **Q.     What is the nature of the two adjustments shown in Schedule D-11 for Uncollectible**  
3       **Accounts Expense?**

4   A.     The first adjustment in Schedule D-11, \$557,000, adjusts the budgeted uncollectible  
5       accounts expense to reflect a longer-term average charge-off ratio. Lines 1 through 4 of  
6       Schedule D-11 develop this adjustment by showing a ratio that represents the three-year  
7       average rate of uncollectible accounts expense for the fiscal years 2020 to 2022. The  
8       baseline amount for 2022 is \$2.133 million. This ratio is used to adjust the amount of  
9       uncollectible expense in the budget to conform to the three-year average for the charge-  
10      offs. The resulting 1.838 percent ratio shown on line 4 in column 5 is applied on line 7 to  
11      the *pro forma* revenues at present rates to calculate the *pro forma* uncollectible accounts  
12      expense of \$2.796 million shown in column 4 on line 7. This results in an increase in the  
13      level of uncollectible accounts expenses for the FPFTY from the budgeted amount of  
14      \$2.239 million as shown on line 5. The 1.838 percent figure is then applied to determine  
15      the level of uncollectible accounts expense at *pro forma* proposed rates through the gross  
16      revenue conversion factor, as shown in column 3, line 10 of Schedule D-35.

17           The second adjustment in Schedule D-11 represents the amortization of the  
18      regulatory asset balance \$1.013 million over a three-year amortization period. The  
19      amortization period was approved in the settlement to the 2021 UGI Electric Rate Case at  
20      Docket No. R-2021-3023618. The amortization amount of \$338,000 was included in the  
21      FPFTY, therefore as shown on Line 14, no *pro forma* adjustment was included.

22           The third adjustment in Schedule D-11 represents the amortization of the regulatory  
23      asset balance of \$315,000 for uncollectible expense related to COVID-19 that was recorded



1 after the filing of the 2021 UGI Electric Rate Case. The Company is proposing to amortize  
2 this amount over three years and is recording an adjustment to its budgeted bad debt  
3 expense in the amount of \$105,000 as shown on Line 19. The total increase in the  
4 uncollectible account expense for the FPFTY is \$662,000 as shown on line 20.

5  
6 **6. Benefits Expense Adjustment**

7 **Q. Please explain the adjustment shown on Schedule D-14.**

8 A. The adjustment shown on Schedule D-14 in the amount of \$427,000 is designed to reflect  
9 an update of estimated pension expense prepared after the budget was finalized. The  
10 updated estimate is based on a more recent calculation and reflects the cash to be  
11 contributed to the plan in the FPFTY. The amounts reflected in the calculation for the  
12 pension adjustment include those directly attributable to the UGI Electric pension in  
13 addition to the portion of the UGI Corp. and UGI pension expense that is included in the  
14 expenses allocated to UGI Electric. A portion of this adjustment has been allocated to  
15 Transmission Operations and is excluded from the revenue claim in this proceeding.

16  
17 **7. Customer Deposit Interest Adjustment**

18 **Q. The next adjustment on Schedule D-15 shows a \$66,000 cost item for Interest on**  
19 **Customer Deposits at line 1. Please discuss.**

20 A. Under the Company's tariff, the Company is required to pay interest on Customer Deposits  
21 it holds in accordance with other requirements of its tariff. As this is a typical business  
22 expense, the Company has added this amount to its expense claim that is otherwise not  
23 reflected in the Company's operations budget. It is calculated by using the 13-month  
24 average level of customer deposits anticipated for the FPFTY (*i.e.*, \$949,000) times the

1 required interest rate (*i.e.*, 7 percent) anticipated for the FPPTY, as published by the  
2 Pennsylvania Department of Revenue and required under the Company's tariff.

3  
4 **8. Universal Service Expense Adjustment**

5 **Q. Please discuss the *pro forma* adjustment on Schedule D-16 for Universal Service**  
6 **expense.**

7 A. This adjustment in the amount of \$96,000 normalizes the amount of Universal Services  
8 Program ("USP") expense recovered through the Company's USP Rider based on the level  
9 of the Universal Service Rider charge effective at the time of the Company's filing in this  
10 proceeding. The USP Rider recovers the Company's Customer Assistance Program  
11 ("CAP") Credits, Pre-Program Arrearages, third party administrator expense, Low Income  
12 Usage Reduction Program ("LIURP") expense, and administrative costs associated with  
13 its hardship program. The Company's claim represents the ongoing normalized level of  
14 costs based on anticipated levels of CAP program participation. This adjustment increases  
15 the Company's budgeted expense by \$96,000 to align the Company's current USP Rider  
16 charge. As the USP Rider is a fully reconcilable rider, the USP adjustment assures that  
17 expenses related to the existing rider are aligned with revenues and no impact related to  
18 USP flows through to the revenue requirement calculation. Please see the direct testimony  
19 of Ms. Epler (UGI Electric Statement No. 10) for additional discussion of the Universal  
20 Service Rider.

1                   **9.      Gross Receipts Tax Adjustment**

2   **Q.    Please explain the adjustment on Schedule D-17.**

3   A.    This adjustment, in the amount of \$310,000, is due to a Gross Receipts Tax adjustment and  
4        is based on total revenues for the *pro forma* test year at present rates plus other operating  
5        revenues reduced by the uncollectible expense. The Gross Receipts Tax rate applied to  
6        this amount is 5.9%.

7  
8                   **10.     Power Supply Expense Adjustment**

9   **Q.    Please explain the adjustment on Schedule D-18.**

10   A.   This adjustment, in the amount of \$5.225 million, is to adjust the Power Supply Expense  
11        for the normalized and annualized use per customer. This adjustment is designed to  
12        increase power supply expense (net of Gross Receipts Tax) in order to match power supply  
13        revenue at current December 1, 2022 Generation Supply Revenue (“GSR”) levels and  
14        remove any potential distribution base rate impacts related to 1307(e) power cost recovery.  
15        Corresponding revenue adjustments are discussed in the direct testimony of Ms. Epler  
16        (UGI Electric Statement No. 10).

17  
18                   **11.     Energy Efficiency and Conservation Expense Adjustment**

19   **Q.    Please discuss the *pro forma* adjustment on Schedule D-19 for Energy Efficiency and  
20        Conservation program expenses.**

21   A.    As with the USP Rider adjustment discussed above, this adjustment in the amount of  
22        (\$89,000) aligns the amount of EE&C expense with the EE&C Rider charge (based on the  
23        level of the EE&C Rider charges effective at the time of the Company’s filing in this  
24        matter). The EE&C Rider recovers the Labor and Administrative, Prescriptive Program,

1 Retrofit Program, New Construction Program, Custom Program, Legal and Consulting,  
2 Combined Heat and Power, and other Costs associated with the Company's Energy  
3 Efficiency and Conservation Program. This adjustment decreases the Company's  
4 budgeted expense to align with the Company's current EE&C charge. As the EE&C Rider  
5 is a fully reconcilable rider, the EE&C adjustment assures that expenses related to the  
6 existing rider are aligned with revenues and that no impact related to EE&C flows through  
7 to the revenue requirement calculation. Please see the direct testimony of Ms. Epler (UGI  
8 Electric Statement No. 10) for additional discussion of the EE&C Rider. The Company's  
9 Phase III EE&C program received PUC approval at Docket No. M-2018-3004144.

## 11 12. Depreciation Expense Adjustment

12 **Q. How was the level of depreciation expense for the FPFTY determined?**

13 A. UGI Electric's depreciation study is set forth in UGI Electric Exhibit A (Fully Projected)  
14 and shows the determination of *pro forma* depreciation expense. This study uses the  
15 FPFTY ending September 30, 2024 plant in service and the applicable depreciation rates,  
16 service lives, and procedures. A summary of the budgeted depreciation expense and  
17 adjustments thereto is found in UGI Electric Exhibit A (Fully Projected), Schedule D-21,  
18 and is further explained in the direct testimony of John F. Wiedmayer (UGI Electric  
19 Statement No. 7).

21 **Q. Please describe the depreciation expense adjustments shown on Schedule D-21.**

22 A. UGI Electric witness John F. Wiedmayer (UGI Electric Statement No. 7.) presents the  
23 depreciation analysis that serves as the foundation of the depreciation adjustment. The  
24 adjustment for depreciation expense of \$703,000 set forth on Schedule D-21, Column 3,

1 line 53, is designed to annualize budgeted FPFTY depreciation expense to calculate an  
2 entire year's worth of depreciation on plant in service as of the end of the FPFTY. This  
3 schedule also shows an increase to the net negative salvage amortization of \$75,000. The  
4 total annualized depreciation expense for the FPFTY, net of costs charged to clearing  
5 accounts and net salvage amortization, is (\$522,000) as shown on Schedule D-3, page 2,  
6 Column 10, line 53.

### 8 **13. Taxes other than Income Taxes Adjustment**

#### 9 **Q. Please describe the taxes other than income adjustments shown on Schedule D-31.**

10 A. Schedule D-31 contains the details for taxes other than income adjustments. The  
11 adjustment to the Public Utility Realty Tax (“PURTA”) in the amount of \$31,000 on line  
12 1 provides for a pro forma tax expense of \$76,000. The valuation is based on the  
13 Pennsylvania Department of Revenue’s 2021 Revised Notice of Determination, dated  
14 August 1, 2022 for UGI. The total PURTA liability per this notice is \$957,873 with 10.71%  
15 allocated to the Electric operations resulting in the amount of \$102,588. An additional  
16 allocation of 25.6247% is made to transmission operations in the amount of \$26,288,  
17 resulting in a pro forma expense of \$76,300. Line 2 provides an adjustment to the Gross  
18 Receipts tax in the amount of \$310,000 and this amount is supported by the calculation on  
19 Schedule D-17 as discussed above. The adjustments to the payroll tax expenses on lines  
20 4-6 are calculated by multiplying the ratio of tax expense to payroll expense included in  
21 the FPFTY budget by the amount of the payroll adjustment derived in Schedule D-7 to  
22 produce an adjustment to the amount of social security, Federal Unemployment Tax  
23 (“FUTA”) and State Unemployment Tax (“SUTA”) expense in the amount of \$3,000. The  
24 calculation of these adjustments is shown in more detail on Schedule D-32.

1                   **14.     Gross Revenue Conversion Factor**

2   **Q.     What is the purpose of Schedule D-35?**

3   A.     Schedule D-35 shows the calculation of the Gross Revenue Conversion Factor used on  
4           Schedule A-1 to calculate the level of revenues required to achieve the net operating  
5           income required to generate the rate of return supported by the direct testimony of Mr.  
6           Moul (UGI Electric Statement No. 9). These additional revenues are required to recognize  
7           that uncollectible accounts expense vary with the level of revenue, and to recognize the  
8           Gross Receipts Tax and additional state and federal income taxes attributable to the  
9           proposed rate increase.

10  
11   **VI.    PA ACT 40 REQUIREMENTS**

12   **Q.     Ms. Hazenstab, are you familiar with Section 1301.1 of the Pennsylvania Public Utility**  
13           **Code, which is otherwise known as PA Act 40 of 2016?**

14   A.     Yes, I am. The legislation, among other things, eliminated the use of consolidated tax  
15           savings adjustments for setting rates for public utilities in Pennsylvania. It requires a public  
16           utility to demonstrate that it shall use at least 50 percent of what otherwise would have  
17           been the revenue requirement associated with a consolidated tax savings adjustment to  
18           support reliability or infrastructure related to the rate-base eligible capital investment and  
19           the other 50 percent shall be used for general corporate purposes. My understanding is  
20           predicated in part on the advice of counsel.

1 **Q. Has the Company calculated what would have been the ratemaking level of a**  
2 **consolidated tax savings adjustment for UGI Electric prior to the enactment of**  
3 **Section 1301.1 of the Public Utility Code?**

4 A. Yes, Company witness Mr. Espigh includes such a calculation with his testimony (UGI  
5 Electric Statement No. 8), wherein he determines that the amount of consolidated tax  
6 savings applicable to UGI Electric would have been \$70,000. Applying the gross revenue  
7 conversion factor to that amount of tax expense results in a revenue requirement of  
8 \$105,951.

9  
10 **Q. Does the Company's rate case claim in this case support the conclusion that it is using**  
11 **at least 50 percent of that revenue requirement amount (associated with a**  
12 **consolidated tax savings adjustment) to support reliability or infrastructure related**  
13 **capital investments?**

14 A. Yes, as included in Schedule C-2 and as discussed in the direct testimony of Ms. Schappell  
15 (UGI Electric Statement No. 5), UGI Electric's *pro forma* capital additions for reliability  
16 or infrastructure projects in the FTY is \$13.762 million and for the FPFTY is \$15.127  
17 million. This expenditure level is greater than 50% of the amount of what would have been  
18 the consolidated tax savings adjustment under prior ratemaking principles.

19  
20 **Q. Does the Company's rate case claim in this case support the conclusion that it is using**  
21 **at least 50 percent of that revenue requirement amount to support general corporate**  
22 **purposes?**

23 A. Yes. The Company's general corporate purpose expense will also exceed 50% of the tax  
24 benefit resulting from elimination of the consolidated tax adjustment. Indeed, the

1 Company anticipated an operating expense budget of more than \$121 million in operating  
2 expenditures to be used to render electric distribution service; 50 percent of the  
3 consolidated tax adjustment revenue requirement would equate to only \$35,000.  
4

5 **Q. How is UGI applying the \$35,000 to support general corporate purposes?**

6 A. As shown in UGI Gas Exhibit A – FPFTY, Schedule B-4, the Company’s total budgeted  
7 O&M expense is \$120,745,000. These expenses will be used to the benefit of ratepayers,  
8 including, but not limited to \$217,000 in meter reading expense, \$9,712,000 for  
9 maintenance of overhead lines, and \$1,275,000 for various customer service expenses.  
10 Therefore, UGI spends over 50% of the hypothetical CTA on general expenditures that are  
11 specifically for the purpose of providing utility service to ratepayers.  
12

13 **Q. Is the Company’s presentation in this filing consistent with the Commission’s and the  
14 Commonwealth Court’s treatment of PA Act 40 of 2016?**

15 A. Yes. The Company’s presentation in this filing is consistent with the Commission’s  
16 determination on PA Act 40 in the UGI Electric 2018 Base Rate Proceeding at Docket No.  
17 R-2017-2640058, and the Commonwealth Court’s order affirming the Commission’s order  
18 on appeal.  
19

20 **Q. Does this conclude your direct testimony?**

21 A. Yes, it does.



**UGI ELECTRIC**

**EXHIBIT TAH-1**

Tracy A. Hazenstab  
Principal Analyst - Rates

Work Experience:

2008 - Current	Rates Analyst – II/Sr/Principal (Progressive Positions) UGI Utilities, Inc., Denver, PA
2004 - 2008	Business Analyst PPL Gas, Lewistown, PA
2001 - 2004	Contact Center Analyst PPL Gas, Lock Haven, PA

Previous Testimony:

2014 1307(f) Proceeding:	Docket No. R-2014-2543523
2015 1307(f) Proceedings:	Docket Nos. R-2015-2480937, R-2015-2480934
2016 1307(f) Proceedings:	Docket Nos. R-2016-2543311, R-2016-2543314
2018 1307(f) Proceedings:	Docket Nos. R-2018-3001631, R-2018-3001632
2019 1307(f) Proceeding:	Docket No. R-2019-3009647
2020 1307(f) Proceeding:	Docket No. R-2020-3019680
UGI Electric EEC Petition:	Docket No. R-2019-3004144
2021 UGI Gas Base Rate Proceeding:	Docket No. R-2021-3030218

Education:

B.A. in International Politics, Pennsylvania State University, 1996

**UGI ELECTRIC**

**EXHIBIT TAH-2**

UGI UTILITIES, INC. - ELECTRIC DIVISION  
(\$000s)

AS OF SEPTEMBER 30, 2022

	TOTAL T&D OPERATIONS	LESS: FERC JURISDICTIONAL	PA PUC JURISDICTIONAL
<u>Operating Revenues:</u>			
Electric Revenues	\$ 124,822	\$ -	\$ 124,822
Other Electric Revenues	11,818	10,532	1,286
Total Operating Revenues	<u>136,640</u>	<u>10,532</u>	<u>126,108</u>
<u>Operating Expenses:</u>			
<u>Operation and Maintenance Expenses</u>			
Power Production Expenses	71,566	-	71,566
Transmission Expenses	2,418	2,418	-
Distribution Expenses	10,779	-	10,779
Customer Accounts Expenses	5,571	-	5,571
Customer Service & Informational Expenses	6,163	-	6,163
Sales Expenses	(5)	-	(5)
Administrative and General Expenses	8,866	1,769	7,097
Total Operation and Maintenance Expenses	<u>105,358</u>	<u>4,187</u>	<u>101,171</u>
Depreciation and Amortization Expenses	9,308	1,541	7,767
Taxes Other Than Income Taxes	8,469	198	8,271
Total Operating expenses Prior To Federal & State Income Taxes	<u>123,135</u>	<u>5,926</u>	<u>117,209</u>
Operating Income Prior To Federal & State Income Taxes	\$ 13,505	\$ 4,606	\$ 8,899

UGI UTILITIES, INC. - ELECTRIC DIVISION  
(\$000s)

AS OF SEPTEMBER 30, 2023

	TOTAL T&D OPERATIONS	LESS: FERC JURISDICTIONAL	PA PUC JURISDICTIONAL
<u>Operating Revenues:</u>			
Electric Revenues	\$ 140,116	\$ -	\$ 140,116
Other Electric Revenues	11,620	10,517	1,103
Total Operating Revenues	<u>151,736</u>	<u>10,517</u>	<u>141,219</u>
<u>Operating Expenses:</u>			
<u>Operation and Maintenance Expenses</u>			
Power Production Expenses	83,714		83,714
Transmission Expenses	2,164	2,164	-
Distribution Expenses	12,436	-	12,436
Customer Accounts Expenses	11,622	-	11,622
Customer Service & Informational Expenses	1,439	-	1,439
Sales Expenses	-	-	-
Administrative and General Expenses	9,962	1,987	7,975
Total Operation and Maintenance Expenses	<u>121,337</u>	<u>4,151</u>	<u>117,186</u>
Depreciation and Amortization Expenses	9,947	1,536	8,411
Taxes Other Than Income Taxes	9,255	143	9,112
Total Operating expenses Prior To Federal & State Income taxes	<u>140,539</u>	<u>5,830</u>	<u>134,709</u>
Operating Income Prior To Federal & State Income Taxes	\$ 11,197	\$ 4,687	\$ 6,510

UGI UTILITIES, INC. - ELECTRIC DIVISION  
(\$000s)

AS OF SEPTEMBER 30, 2024

	TOTAL T&D OPERATIONS	LESS: FERC JURISDICTIONAL	PA PUC JURISDICTIONAL
<u>Operating Revenues:</u>			
Electric Revenues	\$ 144,200	\$ -	\$ 144,200
Other Electric Revenues	11,426	10,323	1,103
Total Operating Revenues	<u>155,626</u>	<u>10,323</u>	<u>145,303</u>
<u>Operating Expenses:</u>			
<u>Operation and Maintenance Expenses</u>			
Power Production Expenses	85,951		85,951
Transmission Expenses	2,276	2,276	-
Distribution Expenses	13,259	-	13,259
Customer Accounts Expenses	12,040	-	12,040
Customer Service & Informational Expenses	1,275	-	1,275
Sales Expenses	-	-	-
Administrative and General Expenses	10,269	2,049	8,220
Total Operation and Maintenance Expenses	<u>125,070</u>	<u>4,325</u>	<u>120,745</u>
Depreciation and Amortization Expenses	10,751	1,676	9,075
Taxes Other Than Income Taxes	<u>9,523</u>	<u>148</u>	<u>9,375</u>
Total Operating expenses Prior To Federal & State Income taxes	<u>145,344</u>	<u>6,149</u>	<u>139,195</u>
Operating Income Prior To Federal & State Income Taxes	\$ 10,282	\$ 4,174	\$ 6,108

**UGI ELECTRIC STATEMENT NO. 3**

**VIVIAN K. RESSLER**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Docket No. R-2022-3037368**

**UGI Electric, Inc. – Electric Division**

**Statement No. 3**

**Direct Testimony of  
Vivian K. Ressler**

**Topics Addressed:            Accounting Process and Historic Costs  
   Rate Base  
   Operating Expense Adjustments**

Dated: January 27, 2023



1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Vivian K. Ressler. My business address is 1 UGI Drive, Denver, Pennsylvania  
4 17517.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as Senior Manager, Finance. UGI is a  
8 wholly-owned subsidiary of UGI Corporation (“UGI Corp.”). UGI has two operating  
9 divisions, the Electric Division (“UGI Electric” or the “Company”) and the Gas Division  
10 (“UGI Gas”), each of which is a public utility regulated by the Pennsylvania Public Utility  
11 Commission (“Commission” or “PUC”).

12  
13 **Q. What are your responsibilities as Senior Manager, Finance?**

14 A. I have responsibility for financial analysis, budgeting and forecasting for UGI. I lead a  
15 team of three financial analysts and work with the Senior Director, Finance and the Chief  
16 Financial Officer to create financial budgets and to analyze the Company’s financial  
17 performance. I transitioned to this role in January 2023, and continue to perform duties  
18 associated with my former role as Assistant Controller during a transition period. This  
19 testimony relates to matters under my responsibility as Assistant Controller.

20  
21 **Q. What were your responsibilities as Assistant Controller?**

22 A. I had responsibility for the accounting functions for UGI. I led a team of accountants  
23 responsible for maintaining complete and accurate records in the areas of plant accounting,  
24 revenue and supply accounting, and general accounting. I was also responsible for the

1 Sarbanes-Oxley (“SOX”) function and the coordination of these accounting and SOX  
2 functions with UGI Corp’s Chief Accounting Officer and his staff of financial accounting  
3 and reporting personnel. I was also responsible for directing the preparation and  
4 submission of financial, accounting, and related regulatory filings with the PUC and the  
5 Federal Energy Regulatory Commission (“FERC”).  
6

7 **Q. Please describe your educational background and work experience.**

8 A. My full educational background and work experience are set forth in my resume attached  
9 as UGI Electric Exhibit VKR-1.  
10

11 **Q. Have you testified previously before this Commission?**

12 A. Yes. I provided testimony for UGI Electric in the 2021 Electric Base Rate Case at Docket  
13 No. R-2021-3023618. I also provided testimony for UGI Gas in the 2020 Gas Base Rate  
14 Case proceeding at Docket No. R-2019-3015162 and in the 2022 Gas Base Rate Case  
15 proceeding at Docket No. R-2021-3030218.  
16

17 **Q. What is the purpose of your testimony?**

18 A. I am providing testimony on behalf of UGI Electric in support of the Company’s rate case  
19 accounting methodology and test year methodology. First, I will explain UGI Electric’s  
20 accounting processes, which were used to develop the actual book accounting results  
21 inputted into the Company’s historic test year ended September 30, 2022 (“HTY”) (Part

1 II).<sup>1</sup> Second, I will present the Company’s claim for rate base in this proceeding using a  
2 FPFTY methodology (Part III). Finally, I will discuss certain operating expense  
3 adjustments (Part IV).

4  
5 **Q. Ms. Ressler, are you sponsoring any exhibits in this proceeding?**

6 A. Yes. I am sponsoring UGI Electric Exhibit VKR-1. In addition, I am sponsoring those  
7 portions of UGI Electric Exhibit A (Fully Projected), Exhibit A (Future) and Exhibit A  
8 (Historic), which address rate base and certain adjustments to rate base and operating  
9 expenses discussed later in my testimony. I am also sponsoring those responses to the  
10 Commission’s standard filing requirements as stated on the master list accompanying this  
11 filing.

12  
13 **II. ACCOUNTING PROCESS AND HISTORIC COSTS**

14 **Q. How are the accounting records of UGI Electric maintained?**

15 A. The accounting records of UGI Electric are kept in accordance with generally accepted  
16 accounting principles (“GAAP”) and the FERC’s Uniform System of Accounts as required  
17 under the provisions of 52 Pa. Code § 57.42. The Company also maintains a continuing  
18 property records system in accordance with the requirements of 52 Pa. Code § 57.46.

---

<sup>1</sup> The budgets for the future test year ending September 30, 2023 (“FTY”) and the fully projected future test year ending September 30, 2024 (“FPFTY”) are discussed in the direct testimony of Tracy A. Hazenstab (UGI Gas St. No. 2).

1 **Q. Are the books and records of UGI Electric subject to audit?**

2 A. Yes. The books and records of UGI Electric are audited by its internal auditors. In  
3 addition, UGI Electric's books and records are included in Company-wide audits of UGI  
4 Utilities, Inc., performed by its external auditor, Ernst & Young, LLP. The Company's  
5 books and records are further subject to audit by the PUC and the FERC.

6

7 **Q. Do the continuing property records of UGI Electric reflect the original cost value of**  
8 **property?**

9 A. Yes, they do. UGI Electric's plant in service, plant additions, retirements, and book  
10 adjustments have been recorded on an original cost basis in accordance with GAAP and  
11 the Uniform System of Accounts requirements.

12

13 **Q. What process does UGI Electric follow to assure that property reflected in its plant**  
14 **accounts is in service?**

15 A. UGI Electric's capital project managers create records that document the costs of projects  
16 and/or asset purchases. When a capital project or asset is placed into service, the project  
17 manager records the in-service date and the retirement detail for any related assets that are  
18 taken out of service. Then, the record is provided to accounting personnel. This  
19 information is transferred through accounting entries into the appropriate UGI Electric  
20 plant property accounts, subject to review by authorized individuals who approve the  
21 entries and further review by internal and external auditors.

1 **Q. How was the Company’s accounting process used in preparing the Company’s filing?**

2 A. The above-described accounting process was used to prepare the principal accounting  
3 exhibits that support UGI Electric’s claim in this proceeding. As discussed in the direct  
4 testimony of Company witnesses Christopher R. Brown (UGI Electric Statement No. 1)  
5 and Tracy A. Hazenstab (UGI Electric Statement No. 2), the Company’s claim is based on  
6 the FPFTY. The accounting data for the FPFTY was derived from UGI Electric’s operating  
7 and capital budgets for the 12 months ending September 30, 2024, as shown in UGI Electric  
8 Exhibit A (Fully Projected). The accounting data for the FTY was derived from UGI  
9 Electric’s operating and capital budgets for the 12 months ending September 30, 2023, as  
10 shown in UGI Electric Exhibit A (Future). The accounting data for the HTY was derived  
11 from UGI Electric’s books and records for the 12 months ending September 30, 2022, as  
12 shown in UGI Electric Exhibit A (Historic).

13  
14 **III. FULLY PROJECTED FUTURE TEST YEAR RATE BASE**

15 **Q. With reference to UGI Electric Exhibit A (Fully Projected), please discuss how the**  
16 **Company’s specific rate base items are determined.**

17 A. UGI Electric’s rate base presentation is shown in UGI Electric Exhibit A (Fully Projected),  
18 Schedule C-1. It summarizes the UGI Electric rate base values for the FPFTY. Column 1  
19 provides the schedule upon which the calculation of each of the rate base elements is found.  
20 Columns 3 and 5 show the amounts at present and proposed rates, respectively. UGI  
21 Electric’s total FPFTY rate base claim—net of deductions for accumulated depreciation,  
22 accumulated deferred income taxes and customer deposits—is \$172.2 million. Except  
23 where otherwise noted, I will describe each of these rate base elements in greater detail  
24 below.

1                   **1.     Utility Plant in Service**

2   **Q.     Please explain how UGI Electric determined its FPFTY rate base value for plant in**  
3       **service.**

4   A.     UGI Electric’s claim for utility plant in service represents the sum of the closing plant  
5       balances as of September 30, 2022, and budgeted plant additions for the years ending  
6       September 30, 2023 and September 30, 2024, less expected FTY and FPFTY plant  
7       retirements. The direct testimony of Company witness Vicky A. Schappell (UGI Electric  
8       Statement No. 5) discusses the capital addition planning process and the basis for the plant  
9       additions placed in service in the FTY and FPFTY.

10  
11 **Q.     Please describe Schedule C-2 to UGI Electric Exhibit A (Fully Projected).**

12 A.     This schedule presents UGI Electric’s FPFTY claim of \$275.0 million for used and useful  
13       electric utility plant in service on page 1, column 2, line 48. Electric utility plant enables  
14       UGI Electric to provide safe and reliable electric service to its customers.

15  
16 **Q.     How was the electric utility plant in service amount of \$275.0 million shown on**  
17       **Schedule C-2, page 1, column 2, line 48 determined?**

18 A.     As noted above, this amount is based on the *pro forma* balance as of September 30, 2024.  
19       The amount includes: (1) utility plant in service as of September 30, 2022, and (2) budgeted  
20       capital expenditures expected to be placed in service for the 12-month periods ending  
21       September 30, 2023 and 2024, less expected plant retirements during the same periods.  
22       UGI Electric witness Vicky A. Schappell (UGI Electric Statement No. 5) also discusses  
23       the basis for the plant additions in the FTY and FPFTY.

1 **Q. Please describe the information included on Schedule C-2, page 2.**

2 A. This information provides a summary of UGI Electric's *pro forma* claim for utility plant  
3 in service by category. Column 2 shows the FPFTY ending balances based on the placed  
4 in-service budget; column 3 shows the net effect of the various plant adjustments, if any;  
5 and column 4 provides the adjusted FPFTY plant in service.

6

7 **Q. What information is included on Schedule C-2, page 3?**

8 A. Columns 2 and 3 on this page show the electric plant in service balances for 2023 and 2024  
9 at the FERC account level, based on the placed in service budget. Column 5 provides the  
10 ending FPFTY plant balance at the FERC account level.

11

12 **Q. Where are the HTY, FTY and FPFTY additions shown?**

13 A. Page 4 of Schedule C-2 provides actual (for the HTY) and projected (for the FTY and  
14 FPFTY) plant in service additions. The Company categorizes plant additions by FERC  
15 account.

16

17 **Q. Where are the HTY, FTY and FPFTY retirements shown?**

18 A. Page 5 of Schedule C-2 provides actual (for the HTY) and projected (for the FTY and  
19 FPFTY) plant retirements. Retirements for most plant accounts were projected by plant  
20 account. The Company applied an average retirement ratio rate, as a percent of additions,  
21 for the fiscal years 2018 through 2022, to the FTY and FPFTY plant additions for most  
22 plant accounts. The average retirement ratios for a few plant accounts during the past five  
23 years were either atypical or indeterminate (e.g., no plant activity recorded during the

1 period 2018 – 2022). In those instances, professional judgment was used to select an  
2 appropriate retirement ratio for a plant account based on industry experience. For certain  
3 plant accounts subject to amortization accounting, retirements are recorded when a vintage  
4 is fully amortized. For these accounts, all units are retired when the vintage is fully  
5 amortized.

## 6 7 **2. Accumulated Depreciation**

8 **Q. Please explain how UGI Electric determined its rate base deduction for accumulated**  
9 **depreciation.**

10 A. UGI Electric started with accumulated depreciation as of September 30, 2022, added the  
11 budgeted level of depreciation expense for the FTY and FPFTY, and calculated the impact  
12 of the FTY and FPFTY plant retirements and a provision for net salvage as shown on  
13 Schedule C-3. The depreciation rates and test year expense levels are discussed in the  
14 direct testimony of John F. Wiedmayer (UGI Electric Statement No. 7), with the underlying  
15 FPFTY depreciation analysis provided in UGI Electric Exhibit A (Fully Projected).

16  
17 **Q. Please describe UGI Electric’s accumulated depreciation claim.**

18 A. UGI Electric’s accumulated depreciation claim is shown on Schedule C-3 of UGI Electric  
19 Exhibit A (Fully Projected). This schedule presents the accumulated provision for  
20 depreciation as of September 30, 2024, distributed among the various FERC accounts. The  
21 total amount for accumulated depreciation, \$85.7 million, is summarized on page 1 of this  
22 schedule. That amount is reflected on line 2 of the measure of value summary on Schedule  
23 C-1.



1           Page 2 shows the *pro forma* FPFTY level of accumulated depreciation distributed  
2 to the various plant categories. Page 3 shows the details of the accumulated depreciation  
3 by FERC account for Fiscal Years 2023 (column 2) and 2024 (column 3) based on budget  
4 plus adjustments (column 4) to arrive at the FPFTY balance (column 5). Pages 4 and 5  
5 show the cost of removal and negative net salvage amortization by FERC account,  
6 respectively. Page 6 includes the salvage amounts by FERC account. All of these amounts  
7 are included in the FPFTY accumulated depreciation calculations. The amortization of  
8 negative net salvage was calculated using a 5-year amortization schedule in accordance  
9 with Commission precedent.

### 11           **3.     Cash Working Capital**

12 **Q.     Please explain how UGI Electric determined its rate base value for cash working**  
13 **capital (“CWC”).**

14 A.     CWC is the capital requirement arising from the difference between (1) the lag in the  
15 receipt of revenue for rendering service and (2) the lag in the payment of cash expenses  
16 incurred to provide that service, as shown in Schedule C-1. A detailed analysis of UGI  
17 Electric’s CWC requirements is provided in Schedule C-4.

19 **Q.     Where is the CWC rate base value summarized?**

20 A.     The CWC rate base value is summarized at Schedule C-4, page 1. The various components  
21 of the working capital claim are listed on this page, along with a reference to the page  
22 where the component is further detailed within Schedule C-4.

1 **Q. What data is shown on page 2 of Schedule C-4?**

2 A. Page 2 summarizes the derivation of UGI Electric's revenue collection lag and overall  
3 expense payment lag. The revenue lag days of 59.56 are shown on line 1. Expense lag  
4 days include three categories of annual operating expenses: (1) payroll; (2) purchased  
5 power costs; and (3) other expenses. The expense lag days are shown for each component  
6 on lines 3-5, which amount to 31.69 (on line 7). The net lag in the collection of revenue is  
7 27.87 days as shown on line 8. This number is then multiplied by the average daily  
8 operating expense balance on line 9 to arrive at a base CWC amount for Operations and  
9 Maintenance ("O&M") expense of \$9.4 million. The average daily expense balance of  
10 \$339,000 shown on line 9 is determined by dividing the total *pro forma* annual operating  
11 expenses, excluding uncollectible accounts expense, of \$123.9 million, as shown on line 6  
12 of column 2, by the number of days in the year, or 365. I will describe the other components  
13 of the CWC claim when I discuss the related schedules.

14

15 **Q. Please describe the revenue lag calculation shown on Schedule C-4, page 3.**

16 A. The Company's calculation for the total revenue lag days of 59.56 (line 23) consists of  
17 several steps. First, the annual revenue (line 18, column 3) was divided by the average  
18 month-end accounts receivable balances for the thirteen months ended September 30, 2022  
19 (line 17, column 2). This results in an accounts receivable turnover rate of 8.44 (line 19,  
20 column 4), which is equivalent to 43.25 lag days (line 20, column 5) (i.e., 365 divided by  
21 8.44 accounts receivable turnover rate). As shown on lines 20-23, the payment portion of  
22 the revenue lag is added to (1) the 1.10 day lag between the meter reading day and the day  
23 bills are sent out and recorded as revenue and accounts receivable by the Company

1 (appearing on line 21); and (2) the 15.21 day service lag (i.e., midpoint lag factor), which  
2 is the time from the mid-point of the service period until the meter reading date. This  
3 calculation results in a total revenue lag of 59.56 days.  
4

5 **Q. How was the mid-point of the service period calculated?**

6 A. The mid-point of the service period is equal to the number of days in an average service  
7 month (365 days divided by 12, or 30.4 days) divided by two (i.e., 15.21 days).  
8

9 **Q. How are the payroll expense lag days for the CWC claim calculated?**

10 A. This calculation is shown on page 4 of Schedule C-4, lines 1-6. The payroll amounts shown  
11 there reflect the payroll for the FPFTY, which is shown on Schedule D-7. The lag periods  
12 for union and non-union payroll are shown separately on page 4 of Schedule C-4, lines 1-  
13 2, with the same bi-weekly pay period. The lag days are calculated based on 14 days in the  
14 pay period divided by 2 (for an average) with a 5-day payroll processing time period added,  
15 resulting in a 12-day lag period.  
16

17 **Q. How were the lag days associated with the purchased power costs shown on Schedule**  
18 **C-4, page 4, line 8 calculated?**

19 A. This calculation is shown on page 6 of Schedule C-4, and is based on a review of electric  
20 purchases during the 12-month period of October 2021 through September 2022. The total  
21 dollar amount of electricity purchased during this period was \$62.613 million (on line 13,  
22 column 2). The average payment lag was calculated by dividing the total dollar days for  
23 purchased power costs (or \$2,084.738 million) by the total dollar amount of electric supply

1 purchased (or \$62.613 million), which equals 33.30 days (on line 14). The payment lag  
2 was determined using the midpoint of the service period for each of the payments and the  
3 payment date for each, averaged over the 12-month study period. The 33.30-day lag for  
4 electric supply purchased is then brought forward to Schedule C-4, page 4, line 8 and  
5 Schedule C-4, page 2, column 3, line 4.

6  
7 **Q. What are dollar days, and how were they used in the CWC calculation?**

8 A. Dollar days are the product of a payment amount multiplied by the number of days between  
9 the invoice date or service date and the date that the payment clears the Company's bank.  
10 The dollar days calculation is used to calculate a weighted average number of lag days for  
11 both electric supply purchases (Schedule C-4, page 6) and general disbursements (Schedule  
12 C-4, page 5).

13  
14 **Q. How were the Other O&M Expense lag days, shown on Schedule C-4, page 4, line 22,  
15 calculated?**

16 A. The calculation is shown on page 5 of Schedule C-4. The average payment lag for all  
17 remaining expenses was derived from data over the HTY, as shown in more detail on page  
18 5 of Schedule C-4. A summary list of all cash disbursements, including the invoice date,  
19 the amount of the disbursement, the date the payment was made, and the type of  
20 disbursement (for capital, commodity or expense), during each of these months was used.  
21 As shown on page 5, lines 1-24, columns 1 and 2, each month's listing contained numerous  
22 cash disbursements. Once the raw payment data was assembled, the dollar days for  
23 expense purchases were determined by multiplying the amount of the disbursement by  
24 either (i) the number of days from invoice date until bank clearance for wire and Automated

1 Clearing House (“ACH”) payments, or (ii) the number of days from the invoice date until  
2 check date, plus seven days (representing mail lag) for payments made by check. For  
3 vendors where the invoice date did not represent the service date, an appropriate adjustment  
4 to the invoice date was made. Disbursements were eliminated if they were included in  
5 another calculation (e.g., electric supply purchases) or were paid for capital items. After  
6 these adjustments, the average of the expense lag days for each month shown on Schedule  
7 C-4, page 5, column 4, line 25, resulted in a payment lag for general disbursements of 30.76  
8 days. The 30.76-day lag for Other Disbursements is then brought forward to Schedule C-  
9 4, page 4, line 22 and Schedule C-4, page 2, column 3, line 5.

10  
11 **Q. Please explain how the interest payment amount included on line 2 of Schedule C-4,**  
12 **page 1 was determined.**

13 A. The calculation of this amount is shown on Schedule C-4, page 7. This calculation  
14 measures the lag associated with the payment of interest on outstanding debt. The *pro*  
15 *forma* annual interest expense shown on line 4 is divided by 365 to obtain the daily interest  
16 expense of \$9,000 shown on page 7, line 5. That amount is then multiplied by the net  
17 payment lag, resulting in a reduction to the working capital allowance of \$295,000 as  
18 shown on page 7, line 9 of Schedule C-4. This amount is then included on page 1, line 2  
19 of Schedule C-4.

1 **Q. How was the tax payment lag for the working capital requirement, shown on line 3 of**  
2 **Schedule C-4, page 1, determined?**

3 A. This calculation is shown on page 8 of Schedule C-4. Separate tax payment lag calculations  
4 (for working capital) are made for federal income tax, state income tax, PA Property Tax  
5 and Public Utility Realty Tax Act (“PURTA”) taxes. Each of these calculations is based  
6 on anticipated FPFTY tax payments and an April 1 mid-point of annual service. The result  
7 for each of these components is shown and summed in column 10 to derive the net working  
8 capital allowance for tax payments of \$261,000.

9  
10 **Q. How was the working capital allowance for prepayments, shown on line 4 of Schedule**  
11 **C-4, page 1, derived?**

12 A. That amount is calculated on page 9 of Schedule C-4 and represents the 13-month average  
13 of actual prepaid amounts for each month ended from September 2021 through September  
14 2022. The 13-month average of total actual prepaid amounts during that period is \$2.032  
15 million.

16  
17 **Q. What is the total amount of the Company’s CWC claim?**

18 A. UGI Electric’s claim for CWC is \$11.447 million. This amount is shown on Schedule C-  
19 4, page 1, line 5; Schedule C-1, line 4; and on Schedule A-1, line 4.

20

21 **4. Materials and Supplies Inventory**

22 **Q. What is the rate base claim for materials and supplies inventory?**

23 A. UGI Electric maintains various materials and supplies in inventory for use in its operations.  
24 The Company’s claim for those items is \$2.152 million, as shown on Schedule C-1, line 7.

1 This amount is based on the average inventory for the 13-month period ending September  
2 30, 2022, as shown on Schedule C-8. This value is also shown on Schedule A-1, line 7.  
3 The Company will update this average during the course of this proceeding.  
4

#### 5 **5. Accumulated Deferred Income Taxes**

6 **Q. Does the Company include in its rate base calculation a reduction for the value of**  
7 **Accumulated Deferred Income Taxes (“ADIT”), including Excess Deferred Federal**  
8 **Income Taxes (“EDFIT”)?**

9 A. Yes. The Company’s determination of its rate base value for ADIT, including EDFIT, is  
10 shown on Schedule C-6 and is discussed in the direct testimony of Darin T. Espigh (UGI  
11 Electric Statement No. 8).  
12

#### 13 **6. Customer Deposits**

14 **Q. Please explain how the Company calculated the rate base value for customer deposits.**

15 A. Customer deposits offset the need for UGI Electric to provide capital. UGI Electric’s rate  
16 base reduction for customer deposits is based on the average customer deposit balance for  
17 the 13-month period ending September 30, 2022, as shown on Schedule C-7.  
18

19 **Q. What is the rate base offset for customer deposits?**

20 A. The customer deposit offset is \$0.949 million as shown on Schedule C-1, line 6 and on  
21 Schedule A-1, line 6.

1 **IV. OPERATING EXPENSE ADJUSTMENTS**

2 **Q. Please describe how the Company's claimed operating expenses were determined.**

3 A. As discussed in the direct testimony of Tracy A. Hazenstab (UGI Electric Statement No.  
4 2), the *pro forma* FPFTY expenses were based on the budgeted level of expenses as a  
5 starting point. This budgeted level of expenses was then adjusted to comply with  
6 Commission precedent and generally accepted ratemaking principles to reflect a normal,  
7 ongoing level of operations. The supporting schedules for those adjustments are found in  
8 UGI Electric Exhibit A (Fully Projected), Section D. Below, I will discuss the specific  
9 operating adjustments that I am sponsoring, as contained in UGI Electric Exhibit A (Fully  
10 Projected), Section D.

11

12 **1. Uncollectible Accounts Expense**

13 **Q. Please explain the three adjustments being shown on Schedule D-11 for Uncollectible**  
14 **Accounts Expense.**

15 A. The first adjustment, \$0.557 million, adjusts budgeted uncollectible accounts expense to  
16 reflect a three-year average rate of uncollectible accounts expense for Fiscal Years 2020,  
17 2021 and 2022. The baseline amounts for Fiscal Years 2020 and 2021 include \$1.013  
18 million and \$0.315 million, respectively, of amounts recorded as a regulatory asset (as  
19 further discussed under the second and third adjustments in Schedule D-11 below). This  
20 ratio is used to adjust the amount of uncollectible expense in the budget to conform to the  
21 three-year average uncollectible rate. The resulting 1.838 percent ratio shown on line 4,  
22 column 5, is applied on line 7 to the *pro forma* revenues at present rates to calculate the  
23 *pro forma* uncollectible accounts expense of \$2.796 million shown on line 7, column 4.  
24 This results in an increase in the level of uncollectible accounts expense for the FPFTY



1 from the budgeted amount of \$2.239 million shown on line 5. The 1.838 percent  
2 uncollectible ratio is then applied to determine the level of uncollectible accounts expense  
3 at *pro forma* proposed rates through the gross revenue conversion factor, as shown in  
4 column 3, line 2 of Schedule D-35.

5 The second adjustment on Schedule D-11 represents the amortization of the  
6 regulatory asset balance for Fiscal Year 2020 of \$1.013 million for COVID-19 Pandemic  
7 uncollectible costs over a three-year amortization period (in accordance with Ordering  
8 Paragraph 63 in the Commission’s Order for settlement of the 2021 UGI Electric rate case,  
9 entered October 28, 2021 at Docket No. R-2021-3023618). According to Ordering  
10 Paragraph 63, “The Company’s revenue increase provided in this Settlement is reflective  
11 of a three-year amortization of the Company’s COVID-19 regulatory asset related to  
12 incremental uncollectible accounts expense, or \$337,666 per year, which includes all  
13 incremental uncollectible expense through September 30, 2020.” The Company included  
14 \$0.338 million within its budget for Fiscal 2024 for amortization of this asset. Therefore,  
15 no adjustment is needed between budget and the Company’s claim related to the Fiscal  
16 Year 2020 excess COVID-19 uncollectible amortization.

17 The third adjustment on Schedule D-11 represents the amortization of the  
18 regulatory asset balance for Fiscal Year 2021 of \$0.315 million for COVID-19 Pandemic  
19 uncollectible costs over a three-year amortization period. These costs were deferred in  
20 accordance with Ordering Paragraph 29 in the Commission’s Order entered October 8,  
21 2020 at Docket No. R-2019-3015162. While the Fiscal Year 2020 COVID-19 Pandemic  
22 uncollectible costs were included in the UGI Electric 2020 rate case claim at Docket No.  
23 R-2021-3023618, the similar Fiscal Year 2021 COVID-19 Pandemic uncollectible costs

1 (which were incurred between October 1, 2020 and the November 9, 2021 effective date  
2 of the new rates established as a result of the UGI Electric 2020 rate case) were not included  
3 in that rate case claim because the Company had not yet incurred such costs at that time.  
4 As the Company's Fiscal 2024 budget does not include any amortization for the Fiscal  
5 Year 2021 COVID-19 Pandemic uncollectible costs, this adjustment of \$0.105 million  
6 represents annual amortization of these uncollectible costs.

## 8 2. Benefits Expense Adjustment

### 9 Q. Please describe the adjustment shown on Schedule D-14.

10 A. The adjustment shown on Schedule D-14 reflects an adjustment from budgeted pension  
11 expense to reflect cash to be contributed to the plan in the FPFTY. The Company's budget  
12 shown on line 1 reflects the service portion of the Company's budgeted pension expense,  
13 as the non-service portion of pension is excluded from the budget used to develop the  
14 revenue claim. This budget is based on an actuarial calculation utilizing various  
15 assumptions about future costs. However, consistent with prior ratemaking practices, the  
16 Company claims pension costs within its rates on a cash basis. The adjustment is calculated  
17 as the total cash contributions (per the Company's most recent actuarial report), reduced to  
18 reflect only the portion attributable to UGI Electric, and then further reduced to eliminate  
19 the portion of pension that is capitalizable. This cash pension expense of \$0.827 million  
20 (line 5) is compared to the budgeted pension expense of \$0.293 million (line 1), also  
21 calculated for UGI Electric only and net of the capitalizable portion, resulting in a total  
22 adjustment of \$0.534 million (line 6). This total adjustment is then allocated to UGI  
23 Electric's distribution operations using the distribution allocation factor of 80.05 percent,  
24 resulting in a *pro forma* adjustment to the Company's claim of \$0.427 million.

1 Q. Does this conclude your direct testimony?

2 A. Yes, it does.

**UGI ELECTRIC**

**EXHIBIT VKR-1**

**Vivian K. Ressler**

**Senior Manager, Finance**

**Work Experience**

UGI Utilities, Inc. – Denver, PA:

January 2023 – Current	Senior Manager, Finance
March 2022 – January 2023	Assistant Controller
December 2021 – March 2022	Sr. Manager – Plant & Regulatory Accounting
Feb. 2020 – December 2021	Sr. Manager – SOX, Plant Accounting & Accounts Payable
June 2018 – Feb. 2020	Manager – Technical Accounting & Controls

The Bon-Ton Stores, Inc. – York, PA

May 2014 – May 2018	Departmental Vice President – Corporate Accounting
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Trout, Ebersole & Groff, LLP – Lancaster, PA

May 2012 – May 2014	Supervisor – Attest Services
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BI-LO, LLC – Greenville, SC

Nov. 2007 – May 2012	Sr. Manager – Corporate Accounting & Tax
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Deloitte & Touche, LLP – Greenville, SC

Sept. 1998 – Oct. 2007	Staff Accountant through Sr. Manager – Audit Services
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**Previous Testimony before the Pennsylvania Public Utility Commission**

UGI Gas Base Rate Case	Docket No. R-2019-3015162
UGI Electric Base Rate Case	Docket No. R-2021-3023618
UGI Gas Base Rate Case	Docket No. R-2021-3030218

**Education & Professional Certification**

B. S. in Accounting – Bob Jones University, Greenville, SC

Certified Public Accountant – Commonwealth of Pennsylvania

**UGI ELECTRIC STATEMENT NO. 4**

**ERIC W. SORBER**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Docket No. R-2022-3037368**

**UGI Utilities, Inc. – Electric Division**

**Statement No. 4**

**Direct Testimony of  
Eric W. Sorber**

**Topics Addressed:**

- System Operations**
- System Reliability and Performance**
- Safety Initiatives**
- Inflation and Supply Chain Impacts**
- Proposed Tariff Modifications**
- Prior Case Compliance Items**

Dated: January 27, 2023

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Eric W. Sorber. My business address is 1 UGI Center, Wilkes Barre,  
4 Pennsylvania 18711.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by UGI Utilities, Inc. (“UGI”) as the Vice President and General Manager  
8 of UGI Electric. UGI is a wholly-owned subsidiary of UGI Corporation (“UGI Corp.”).  
9 UGI has two operating divisions, the Electric Division (“UGI Electric” or the “Company”)  
10 and the Gas Division (“UGI Gas”), each of which is a public utility regulated by the  
11 Pennsylvania Public Utility Commission (“Commission” or “PUC”).

12  
13 **Q. What are your responsibilities as Vice President and General Manager of UGI  
14 Electric?**

15 A. As Vice President and General Manager of UGI Electric, I am responsible for developing  
16 and implementing business unit strategies, including monitoring and deploying emerging  
17 technologies. I also provide leadership for engineering, operations, and technical services  
18 functions for UGI Electric to improve overall system reliability and modernize the electric  
19 system. I report directly to the President of UGI and assist him with budgeting and capital  
20 planning for UGI Electric. I am also responsible for developing the long-term strategic  
21 infrastructure investment plans for UGI Electric. Under my direction is the UGI Electric  
22 engineering and operations staff, which is accountable for five major areas: (1) distribution  
23 engineering and construction; (2) transmission engineering and construction; (3) System  
24 Operations; (4) planning, standards, and compliance; and (5) safety.



1 **Q. Please describe your educational background and work experience.**

2 A. They are set forth in my resume attached as UGI Electric Exhibit EWS-1 to my testimony.

3

4 **Q. Have you testified previously before this Commission?**

5 A. Yes. UGI Electric Exhibit EWS-1 identifies the proceedings in which I provided  
6 testimony.

7

8 **Q. What is the purpose of your testimony?**

9 A. I am providing testimony on behalf of UGI Electric. In my testimony, I will address the  
10 following topics related to UGI Electric: (1) system operations overview; (2) system  
11 reliability and performance; (3) safety initiatives; (4) inflation and supply chain impacts;  
12 (5) proposed tariff modifications; and (6) prior case compliance items.

13

14 **Q. Are you sponsoring any exhibits in this proceeding?**

15 A. Yes, I am sponsoring UGI Electric Exhibits EWS-1 and EWS-2 and certain portions of  
16 UGI Electric Exhibit F – Proposed Tariff. I am also sponsoring certain responses to the  
17 Commission’s standard filing requirements as indicated on the master list accompanying  
18 this filing.

19

20 **II. SYSTEM OPERATIONS**

21 **Q. Please provide an overview of UGI Electric’s system.**

22 A. UGI Electric provides electric service to approximately 62,000 customers in Luzerne and  
23 Wyoming Counties within a service territory encompassing approximately 410 square  
24 miles. The UGI Electric service territory is mainly rural, with urban areas located on the

1 outskirts of the city of Wilkes Barre. UGI Electric owns, operates and maintains over 1,250  
2 circuit miles of overhead and underground primary distribution lines; 13 distribution  
3 substations; and 54 distribution circuits. In addition to distribution facilities, UGI Electric  
4 owns and operates one Bulk Electric System substation, 16.5 miles of double circuit 230  
5 kV transmission lines, and 126 miles of 66 kV transmission lines. UGI Electric is a  
6 member of the PJM Interconnection LLC (“PJM”), which is a regional transmission  
7 organization, and sits on the PJM Transmission Owners Agreement-Administrative  
8 Committee.

9 The costs associated with owning and operating UGI Electric’s substation and  
10 transmission facilities at 66 kV and above are recovered through the Company’s  
11 transmission formula rates set under the regulatory jurisdiction of the Federal Energy  
12 Regulatory Commission (“FERC”). The costs associated with those facilities are excluded  
13 from UGI Electric’s claim in this proceeding.

14  
15 **Q. Please describe UGI Electric’s operations?**

16 A. UGI Electric’s main office is located in Wilkes Barre and houses the bulk of the Company’s  
17 electric employees, including operations management, engineering, clerical, and a number  
18 of field personnel. UGI Electric also maintains a combined warehouse and linemen service  
19 location in Forty Fort, as well as a substation service center in Hanover Township, Luzerne  
20 County. Further, UGI Electric operates two fully redundant (primary and backup) System  
21 Operations control centers located in Edwardsville, Pennsylvania.

1 **Q. How does UGI Electric staff its operations?**

2 A. UGI Electric uses a combination of dedicated electric division staff and staff that are shared  
3 with the Gas Division. The employees shared with the Gas Division provide various  
4 management and support services to both of the Company's Divisions (e.g., payroll,  
5 supply, rates, purchasing, fleet, marketing, administrative duties, customer service, and  
6 credit and collections). In addition, UGI Electric receives management and support  
7 services provided by its parent company UGI Corp. (e.g., insurance, human resources,  
8 legal, treasury operations, communications and corporate governance). The Company also  
9 relies on a contractor workforce for the majority of its line construction and maintenance  
10 activities.

11

12 **III. SYSTEM RELIABILITY AND PERFORMANCE**

13 **Q. Please describe UGI Electric's reliability performance in recent years.**

14 A. UGI Electric has historically demonstrated consistently strong system reliability based on  
15 its frequency of achieving or outperforming the Commission-established reliability indices,  
16 benchmarks and standards for UGI Electric (i.e., System Average Interruption Frequency  
17 Index ("SAIFI"), Customer Average Interruption Duration Index ("CAIDI"), and System  
18 Average Interruption Duration Index ("SAIDI")).

19

20 **Q. Has the Company prepared an analysis showing its performance history?**

21 A. Yes. UGI Electric Exhibit EWS-2 provides an historical view of UGI Electric's system  
22 reliability between Calendar Years 2004 and 2022. As shown in UGI Electric Exhibit  
23 EWS-2, over the last 19 years, UGI Electric has a general history of excellent reliability

1 performance, exceeding Commission Benchmark metrics over the vast majority of the  
2 period.<sup>1</sup>

3  
4 **Q. How is UGI Electric positioning itself to continue the support of reliable service into  
5 the future?**

6 A. UGI Electric continues its accelerated efforts in critical areas, including robust vegetation  
7 management practices on a shorter cycle, and reliability driven Long Term Infrastructure  
8 Improvement Plan (“LTIIIP”) initiatives such as relocation of off right-of-way lines and  
9 development of inter-substation tie-lines. Another significant threat to reliability is the  
10 presence of aging equipment and equipment that is not built to meet modern design  
11 standards. As discussed below, UGI Electric is entering its sixth year of targeted repair  
12 and replacement programs for key assets, such as wood poles and associated  
13 appurtenances, distribution substation equipment, and underground residential primary  
14 cable in order to address aging distribution assets and reduce the risk aging assets pose to  
15 reliability and safety.

16  
17 **Q. Please describe UGI Electric’s LTIIIP.**

18 A. In 2017, UGI Electric filed its Initial LTIIIP, which was approved by the Commission in  
19 December 2017.<sup>2</sup> The Company’s Initial LTIIIP provided a comprehensive and detailed  
20 plan for addressing the threat of aging and outdated infrastructure across the Company’s  
21 service territory in a proactive manner that would protect customers from experiencing a

---

<sup>1</sup> See, e.g., *Electric Service Reliability in Pennsylvania 2021* “2021 Electric Reliability Report”, page 4 (August 2022) (“Performance is considered excellent since [the metric] is below both benchmark and standard”).

<sup>2</sup> *Petition of UGI Utilities Inc. – Electric Division for Approval of its Long-Term Infrastructure Improvement Plan*, Docket No. P-2017-2619834 (Opinion and Order entered December 21, 2017) (“Initial LTIIIP”).

1 degradation in service. The Initial LTIP reflected UGI Electric's effort to improve safety  
2 and reliability through accelerated replacement of aging distribution infrastructure and a  
3 buildout of reliability-based system improvement projects. The Company implemented its  
4 Initial LTIP from 2018 to 2022.

5  
6 **Q. Please describe the progress that was made by the Company through its Initial LTIP.**

7 A. Significant progress was made by UGI Electric during the five years of its Initial LTIP.  
8 UGI Electric identified, repaired, improved, and replaced its distribution infrastructure on  
9 an accelerated basis, consistent with its obligations and commitments as described in the  
10 LTIP. Over the course of the initial plan, UGI Electric generally met or exceeded its  
11 planned replacement activities. These activities included: (1) the replacement of nearly  
12 1,000 wood poles under its inspection and maintenance program and over 2,000 additional  
13 wood poles through various other system improvement programs; (2) the replacement of  
14 over 72,000 trench feet of underground cable; (3) the replacement of five substation power  
15 transformers; and (4) the continued replacement and conversion of non-standard lower  
16 voltage circuit elements. The continued accelerated replacement of aging infrastructure,  
17 over time, will result in a more modern and resilient distribution system. In the short term,  
18 through its Initial LTIP efforts, the Company has already reduced the average age of power  
19 transformers on its system by 10 years (from 42 years to 32 years), and the average age of  
20 distribution circuit breakers on the system by eight years (from 26 years to 18 years).

1 **Q. How has the Initial LTIP impacted reliability?**

2 A. Every individual replacement or upgrade contributes to the long-term reliability of the  
3 system. Small incremental improvements are accomplished by replacing individual units  
4 that are at or near the end of their useful life. Other LTIP programs are components of an  
5 overall resiliency strategy that reduces the risk of outage. For example, the accelerated  
6 expansion of distribution automation (“DA”) devices, the installation of new sectionalizing  
7 devices, and the creation of inter-substation tie-lines have an immediate impact on the  
8 frequency and duration of outages. Over the course of the Initial LTIP, UGI Electric  
9 installed 56 remotely monitored and controlled reclosers under the DA program and  
10 completed several reliability/capacity based tie-lines between substations. These efforts  
11 are directly contributing to improved operational flexibility and reduced customer outage  
12 minutes by providing for remote switching and sectionalizing of faults that increase the  
13 ability to serve impacted customers by a secondary supply point. Before the deployment  
14 of these devices, such activities would normally be handled manually by crews responding  
15 to an emergency. This type of capability can save a significant amount of outage minutes  
16 when utilized.

17  
18 **Q. How much capital did the Company invest through its Initial LTIP?**

19 A. Total expenditures for the Initial LTIP were nearly \$49 million over the five-year term.

20  
21 **Q. Is the Company undertaking a Second LTIP?**

22 A. Yes. In April 2022, UGI Electric filed its Second LTIP. In the Second LTIP, UGI  
23 Electric is continuing many of the programs undertaken by the Company in its Initial

1 LTIIP. Additionally, the Company modified certain programs from the Initial LTIIP to  
2 improve reliability in a more efficient and effective manner.

3  
4 **Q. How does the Second LTIIP continue the Company's focus on improving reliability  
5 on UGI Electric's system?**

6 A. Overall, the Second LTIIP continues the Company's focus on accelerated infrastructure  
7 improvement, repair and replacement, including several infrastructure and technology-  
8 based reliability programs that will target significant long-term reliability factors. The  
9 Second LTIIP continues to remove aging portions of the system and replaces them with  
10 newer equipment and materials that are designed and installed using modern construction  
11 specifications and standards. The Second LTIIP renews many of the core infrastructure  
12 programs adopted in the Initial LTIIP including several infrastructure and technology-  
13 based reliability programs (e.g., accelerated underground cable and wood pole  
14 replacements, enhanced feeder sectionalizing and porcelain cutout replacements). The  
15 Second LTIIP also combines several programs with a similar focus under consolidated  
16 categories that will allow UGI Electric to better deploy resources to meet its operational  
17 objectives.

18  
19 **Q. Can you provide examples of the consolidated programs?**

20 A. One example is the new Circuit Improvement program, which is mainly associated with  
21 the replacement and improvement of typical distribution facilities that are at or near end of  
22 life. The program targets poles (outside of the poles identified via the inspection and  
23 maintenance program), wire, cross-arms, and transformers. This program also revises

1 equipment clearances and implements necessary equipment upgrades (e.g., transformers).  
2 Another program consolidation, Reliability and Capacity Enhancements, includes projects  
3 related to inter-substation tie-lines and relocations of off right-of-way primary lines. In  
4 both cases, the consolidation provides for better prioritization of projects and associated  
5 dollars to address both planned and emergent reliability issues.

6  
7 **Q. How much does UGI Electric anticipate investing in its Second LTIP?**

8 A. During the five-year term of the second LTIP, UGI Electric anticipates investing more  
9 than \$50 million in proposed improvements that will modernize and continue to increase  
10 the overall resiliency of the system to guard against significant weather-related events as  
11 well as “blue-sky” day emergencies. These capital investments, and all other capital  
12 investments that UGI Electric anticipates placing in service during the Fully Projected  
13 Future Test Year, are discussed in detail in the testimony of Ms. Schappell (UGI Electric  
14 St. No. 5).

15  
16 **IV. SAFETY INITIATIVES**

17 **Q. Please describe UGI Electric’s safety culture.**

18 A. UGI Electric understands the importance of, and continually strives to foster, a positive  
19 safety culture within its day-to-day operations. The Company’s safety culture is embodied  
20 by several key elements, each of which is essential to creating and sustaining a safe work  
21 environment for employees and the safe and reliable delivery of energy to our customers.  
22 These elements include Management Commitment, Employee Involvement, Open  
23 Communication, and Training. The result of a positive safety culture is that employees



1 understand their role and responsibilities with respect to safety and consistently fulfill  
2 them. The UGI Electric safety culture is founded on the idea that the Company must  
3 continuously pursue the safety of its employees, its customers, and the public in general.  
4 Moreover, UGI Electric is committed to continuous forward progress in its efforts to  
5 protect the public and the Company's employees and its customers.

6  
7 **Q. What programs and initiatives does UGI Electric have to promote employee,  
8 customer, and system safety?**

9 A. As discussed above, employee safety is a function of safety culture. To that end, the  
10 Company is working to enhance the elements that drive a positive safety culture. UGI  
11 Electric has a very active local safety committee with involvement from all work groups.  
12 It provides an open forum to identify, discuss, investigate and address employee safety  
13 concerns. It also acts as a mechanism to communicate and discuss utility wide safety  
14 metrics, incidents, and initiatives.

15 Additionally, UGI Electric has a new learning management system ("LMS") that  
16 provides Occupational Safety and Health Administration ("OSHA") based training  
17 curriculum. It also has the ability to add and track Company-developed safety content and  
18 training. Specific to content, a UGI Electric team of subject matter experts worked together  
19 to research and completely overhaul the Company's Clearance Holder procedure in July  
20 2021. This procedure governs the process for de-energizing lines and issuing clearance for  
21 qualified employees to work on de-energized facilities. Training on this newly enhanced  
22 procedure is ongoing. Finally, the Company began using the IntelliShift Fleet Management  
23 System in late 2021. Central to this system is the ability to provide drivers with real-time

1 in-cab coaching on a variety of parameters including distractions, distance, and speed. The  
2 system includes both inward and forward-facing cameras as well as Global Positioning  
3 System (“GPS”) location tracking to assist with dispatch operations. Initial IntelliShift  
4 data since implementation indicates positive driver improvement across several metrics.  
5

6 **Q. What are some actions that UGI Electric takes to focus on public safety?**

7 A. At the core of UGI Electric’s focus, the LTIIP plans contain numerous repair, replacement,  
8 and improvement activities, which directly impact the delivery of safe and reliable electric  
9 service. Preventing would-be facility failures directly supports the creation and  
10 maintenance of safe conditions across the UGI Electric service territory where the public  
11 resides, works, and dwells. Well-defined and executed vegetation management programs  
12 work to likewise facilitate public safety (e.g., avoiding prolonged outages, surges, etc.) in  
13 addition to hardening reliability and resiliency.

14 In addition, UGI Electric personnel meet with local first responders (e.g., volunteer  
15 fire departments) to provide an electrical safety awareness training program. Non-utility  
16 first responders do not always have access to information on electric specific hazards or a  
17 general understanding of the electric system. This program provides an opportunity to  
18 share information and interact with these important volunteers that are often on-scene  
19 before utility personnel arrive.

20 UGI also distributes safety-related news releases that provide seasonal safety tips  
21 via traditional media outlets, through social media, and on UGI’s website. UGI’s website  
22 further includes tips on electrical safety. Finally, UGI provides both safety and  
23 conservation information to fourth grade students through a program of in-school

1 presentations offered by certified teachers. Schools that participated in the UGI Electric  
2 program in the Fall 2022 included Lake Lehman, Pittston, Dallas, Wyoming Area,  
3 Wyoming Valley West, and Hanover School Districts.

4  
5 **V. INFLATION AND SUPPLY CHAIN IMPACTS**

6 **Q. How has inflation impacted UGI Electric?**

7 A. UGI Electric has experienced significant cost increases particularly in key material and  
8 equipment categories. Pole and pad transformers have seen the largest surge in costs with  
9 current unit prices for most common size transformers increasing by over 300% since 2020.  
10 Other common items experiencing large cost increases since 2020 include wood poles (up  
11 97%), cross arms (up 117%), and primary wire (up 164%). Moreover, substation power  
12 transformer prices have increased by 64% since 2020. The following Table 1 provides  
13 additional detail on material/equipment cost increases for select items.

1

**Table 1: Price Changes from FY2020 to FY2023**

<b>Material/Equipment Item</b>	<b>FY2020 Unit Price</b>	<b>FY2023 Unit Price</b>	<b>Unit Price \$ Increase</b>	<b>Unit Price % Increase</b>
Poles: 45 Ft Wood Pole	\$346.00	\$682.00	\$336.00	97%
Cross Arms: 8 FT Wood	\$45.00	\$97.56	\$52.56	117%
Primary Wire: 397.5 ACSR	\$1.68	\$4.43	\$2.75	164%
750 MCM AL Insulated wire	\$6.73	\$14.93	\$8.20	122%
URD MV Cable - 2 AWG	\$1.58	\$4.23	\$2.65	168%
25 KVA Pole Transformer	\$776.00	\$3,149.00	\$2,373.00	306%
25 KVA Padmount Transformer	\$1,408.00	\$5,454.00	\$4,046.00	287%
50 KVA Pole Transformer	\$1,126.00	\$4,804.00	\$3,678.00	327%
50 KVA Padmount Transformer	\$1,653.00	\$8,091.00	\$6,438.00	389%
100 KVA Pole Transformer	\$1,953.00	\$8,521.00	\$6,568.00	336%
100 KVA Padmount Transformer	\$2,205.00	\$12,297.00	\$10,092.00	458%
3-Phase Circuit Recloser	\$25,238.00	\$33,216.00	\$7,978.00	32%
Insulators: Pin 13 KV Polymer	\$4.90	\$5.35	\$0.45	9%
Substation Transformer	\$325,033.00	\$532,619.00	\$207,586.00	64%
Circuit Breakers	\$32,740.00	\$37,197.00	\$4,457.00	14%

2

3 **Q. Has UGI Electric experienced any impacts from supply chain issues?**

4 A. Yes. In addition to the price increase associated with substation power transformers, lead  
5 times for that equipment has nearly doubled. UGI Electric has also experienced supply  
6 chain issues with most other core utility products, resulting in delays or even non-  
7 availability of items from some vendors. Manufacturing and delivery lead times for  
8 equipment and general material items have all increased substantially. Substation power  
9 transformer lead times have increased to nearly a year. In addition, other transformer lead  
10 times are now as long as 72 weeks (typically 13); circuit reclosers are now 50 weeks  
11 (typically 8); primary wire is now 26 weeks (typically 12); and wood poles are 8 weeks  
12 (typically 1). Table 2 below provides additional detail on material/equipment supply chain  
13 issues reflective of increased lead times being experienced by the Company.

1

**Table 2: Lead Time Changes from FY2020 to FY2023**

<b>Material/Equipment Item</b>	<b>FY2020 Lead Time</b>	<b>FY2023 Lead Time</b>	<b>Lead Time Increase</b>	<b>Lead Time % Increase</b>
Poles: 45 Ft Wood Pole	1 Weeks	8 Weeks	7 Weeks	700%
Cross Arms: 8 FT Wood	10 Days	28 Days	18 Days	180%
Primary Wire: 397.5 ACSR	12 Weeks	26 Weeks	14 Weeks	117%
750 MCM AL Insulated wire	8 Weeks	40 Weeks	32 Weeks	400%
URD MV Cable - 2 AWG	8 Weeks	28 Weeks	20 Weeks	250%
25 KVA Pole Transformer	9 Weeks	60 Weeks	51 Weeks	567%
25 KVA Padmount Transformer	13 Weeks	72 Weeks	59 Weeks	454%
50 KVA Pole Transformer	9 Weeks	60 Weeks	51 Weeks	567%
50 KVA Padmount Transformer	13 Weeks	72 Weeks	59 Weeks	454%
100 KVA Pole Transformer	9 Weeks	60 Weeks	51 Weeks	567%
100 KVA Padmount Transformer	13 Weeks	72 Weeks	59 Weeks	454%
3-Phase Circuit Recloser	8 Weeks	50 Weeks	42 Weeks	525%
Insulators: Pin 13 KV Polymer	1 Weeks	3 Weeks	2 Weeks	200%
Substation Transformer	30 Weeks	47 Weeks	17 Weeks	57%
Circuit Breakers	24 Weeks	34 Weeks	10 Weeks	42%

2

3 **Q. Have the supply chain challenges impacted UGI Electric’s operations?**

4 A. UGI Electric modified its operations, and specifically its work to implement its LTIIP, to  
5 address changing timelines for delivery of critical equipment. The Company worked  
6 proactively with its suppliers to understand upcoming or ongoing impacts, obtain necessary  
7 equipment for planned projects in a timely fashion, re-sequence projects as needed, and  
8 adjust its purchasing practices to avoid material impacts.

9

10 **Q. What steps has UGI Electric taken to reduce the impact of inflation and supply chain  
11 issues on its operations?**

12 A. UGI Electric continues to leverage the use of requests for proposals (“RFPs”) in order to  
13 competitively bid key procurement activities and control contract pricing. Additionally,  
14 the Company actively pursues new vendors and supply sources in an effort to combat cost

1 increases as well as potential supply chain issues. One way that UGI Electric introduced  
2 lower supply costs was by increasing the number of reconditioned transformers. During  
3 2022, UGI Electric’s procurement team worked with a vendor to increase the supply of  
4 reconditioned transformers to hedge against supply chain issues and cost increases.  
5 Reconditioned transformers were increased from a typical annual amount of approximately  
6 200 per year to over 300. Reconditioned units are approximately 50% less costly than new  
7 units.

8  
9 **VI. PROPOSED TARIFF MODIFICATIONS**

10 **Q. Has UGI Electric proposed any tariff modifications as part of this proceeding?**

11 A. Yes. UGI Electric proposed certain tariff updates as part of this proceeding in UGI Electric  
12 Exhibit F – Proposed Tariff. While many of these updates are minor, the Company’s  
13 proposed modifications to Rule 1-c, certain outdoor lighting provisions, and Rate LP are  
14 further explained below.

15  
16 **Q. Please explain the change to Rule 1-c?**

17 A. The change to Rule 1-c clarifies that combining usage for billing purposes from two or  
18 more services is only intended for customers that: (1) transition from secondary to primary  
19 service; or (2) have multiple existing primary services that could be combined for billing,  
20 utilizing primary metering equipment, where the customer has requested and the Company  
21 has approved combined billing. As the modification more clearly establishes, tariff rates  
22 are intended for application at a single point of delivery with its own metering and  
23 associated billing. In the case of customers that have multiple services with individual

1 billing, and who request combined use billing, approvals by UGI Electric will follow a  
2 typical service design in which UGI Electric provides primary service to one customer at  
3 one delivery point into customer-owned equipment, including the transformer(s). This  
4 more effectively aligns with UGI Electric’s tariff, particularly Rate LP, and fosters the  
5 determination of usage (energy and demand) for combined billing.  
6

7 **Q. Please explain the changes to the outdoor lighting services?**

8 A. The Company is updating its outdoor lighting services to address changing technology  
9 (e.g., phasing out of older bulb types) and customer behavior (e.g., movement toward more  
10 energy efficient bulb types). Specifically, UGI Electric is proposing revisions to Rates  
11 Sodium Outdoor Lighting (“SOL”), Metal Halide Outdoor Lighting (“MHOL”), Street  
12 Lighting (“SL”), and Sodium Street Lighting (“SSL”). The existing tariff provisions do  
13 not adequately address bulbs and fixtures that are no longer available or that are being  
14 phased out. The proposed revisions provide that these bulb types will be replaced as long  
15 as the bulbs are readily available at a reasonable cost. However, if the Company cannot  
16 replace these bulbs when they fail, customers with such equipment must be transitioned to  
17 new options. In addition, the Company is adding a decorative lighting rate for residential  
18 and commercial customers, which has separate higher cost considerations, to address an  
19 emerging area of customer interest in optional aesthetic fixture and pole choices.  
20

21 **Q. Please describe the changes to Rate Large Power (“LP”) Service.**

22 A. The proposed tariff includes changes to Rate LP to clarify eligibility for Rate LP and the  
23 service to be provided. Specifically, the Company proposes to require a single monthly

1 peak demand of 100KW or greater during the 12-month period in order to qualify for Rate  
2 LP. In addition, the language in the Character of Service has been modified to reflect the  
3 phase out by the end of the FPFTY of older primary three-phase service configurations  
4 below 13,800 volts. Finally, the Company clarifies that Rate LP is only available for  
5 primary service at 13,800 volts, or via one transformation to a lower available standard  
6 Company voltage.

7  
8 **VII. PRIOR RATE CASE COMPLIANCE ITEMS**

9 **A. BATTERY PROJECT STATUS**

10 **Q. Has UGI Electric provided the required report on its battery storage project pursuant**  
11 **to the 2021 Electric Rate Case at Docket No. R-2021-3023618 settlement?**

12 A. Yes, the Company filed the required status report on December 30, 2022 with the  
13 Commission. In brief, the status report identified the challenges that the Company faced  
14 in implementing the battery storage project and why the project has not moved forward at  
15 this time.

16  
17 **Q. Please explain the background for UGI Electric’s battery storage project?**

18 A. In the 2021 Electric Rate Case at Docket No. R-2021-3023618, the Commission approved  
19 a settlement provision allowing UGI Electric to install a 1.25 MWh battery storage project  
20 as a targeted means to enhance resiliency and improve reliability to customers served off  
21 the Ruckle Hill Road circuit (“Ruckle Hill”). Ruckle Hill is a fairly long, rural single-  
22 phase circuit located in Wapwallopen, Pennsylvania. Reliability issues (specifically the  
23 number of customer outages experienced) on this circuit were exacerbated by an elevated  
24 number of outages impacting the circuit for Ruckle Hill, which is constructed in a tight



1 corridor that features mountainous terrain with heavy vegetation, railroad tracks, and a  
2 river. These features limit the availability of more traditional options to address reliability  
3 threats, such as line relocation, undergrounding or development of a tie-line, and reduce  
4 the effectiveness of increased vegetation management. The battery project was intended  
5 to support service reliability for approximately 67 customers.

6  
7 **Q. What is the status of the battery storage project?**

8 A. UGI Electric hired an engineering consultant to assess the battery project and propose  
9 specific, fully engineered project options. The intent of the overall project design was to  
10 utilize core battery system components that were commercially available to achieve the  
11 desired technical solution in a cost-effective manner. After a comprehensive review of the  
12 battery storage project options available, none of the options currently on the market were  
13 able to provide a cost-effective solution that met the intended design parameters necessary  
14 to move forward with project construction at this time. Specifically, there were no readily  
15 available single-phase power inverter options in a size that could cost-effectively support  
16 the customer load identified by UGI Electric for the Ruckle Hill single-phase circuit. The  
17 single-phase inverter solutions readily available would only support a smaller customer  
18 load and would be insufficient in size to support the Ruckle Hill project needs. To support  
19 the identified customer load, UGI Electric would need a custom-built project to be  
20 compatible with a single-phase inverter. A custom-built solution would be very costly and  
21 challenging to maintain over the life of the asset. UGI Electric also explored a three-phase  
22 battery storage solution, but the cost of installing the additional overhead circuits would  
23 have materially changed the economics of the project. The lower anticipated project cost

1 of the battery storage project was a significant factor in the Company's justification for  
2 selecting it as the preferred reliability solution to enhance reliability to Ruckle Hill.  
3 Accordingly, UGI Electric is not continuing to pursue the battery storage project at this  
4 time as contemplated in settlement of the 2021 Electric Rate Case.

5  
6 **Q. Did UGI Electric redirect funds for the battery storage project to other reliability**  
7 **projects?**

8 A. Yes, the Company redirected approximately \$1.5 million of battery storage funding to  
9 other reliability projects. This redirect is embedded in the comparison of the overall totals  
10 of the Replacement and Betterment plant placed in service when compared to the planned  
11 levels of spend for plant in service, as discussed by Ms. Schappell in her testimony (UGI  
12 Electric St. No. 5).

13  
14 **B. FLOOD CONTROL POWER ("FCP") RATE**

15 **Q. What customers are served by UGI Electric on Rate FCP?**

16 A. Rate FCP is related to service for emergency flood control pumping stations protecting  
17 communities along the Susquehanna River. The Company provides service under Rate  
18 FCP to two municipal authorities through seven billed accounts. Of these, one authority  
19 has responsibility for six of the seven accounts related to Rate FCP. The remaining account  
20 is associated with emergency pumping facilities for a municipal sanitary authority. In the  
21 2021 Electric Rate Case, the Commission approved a settlement provision that required  
22 UGI Electric to include a proposal to eliminate, consolidate, or otherwise support Rate FCP  
23 as a separately identified rate class in the Company's next rate case.

1 **Q. Has UGI Electric complied with the settlement provision described above?**

2 A. Yes. UGI Electric undertook a cost of service assessment of the Rate FCP and has  
3 proposed modifications to that rate. The analysis and modifications are discussed by UGI  
4 Electric witness John D. Taylor in his testimony (UGI Electric St. No. 6).

5

6 **VIII. CONCLUSION**

7 **Q. Does this conclude your direct testimony?**

8 A. Yes, it does.

**UGI ELECTRIC**

**EXHIBIT EWS-1**

## **Eric W. Sorber**

UGI Utilities, Inc. – Electric Division  
Vice President & General Manager

### **WORK EXPERIENCE**

#### **UGI Utilities, Inc. (Wilkes-Barre, PA)**

Vice President & General Manager	October 2019 to Present
Director Engineering and Operations	November 2014 to October 2019
Manager – Planning and Operations	March 2008 to November 2014
Project Engineer – Maps and Records Dept.	March 2006 to March 2008
Staff Engineer – Maps and Records Dept.	December 2005 to March 2006
Staff Engineer – Distribution Engineering Dept.	November 2002 to December 2005
Staff Engineer – Rates & Regulatory Dept.	February 1999 to November 2002
Engineer I & II – Resource Planning Dept.	February 1992 to February 1999

### **EDUCATION**

B.S. in Electrical Engineering	Pennsylvania State University, 1988
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### **PRIOR TESTIMONY**

UGI Electric Base Rate Case	Docket No. R-2017-2640058
UGI Electric Base Rate Case	Docket No. R-2021-3023618

**UGI ELECTRIC**

**EXHIBIT EWS-2**

Rolling 12 Month - Calendar Year																							
	Metrics	Benchmark	Standard	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
UGI	SAIDI	140	256	93	76	88	114	90	80	48	121	54	85	63	41	78	64	213	182	66	127	135	
	SAIFI	0.83	1.12	0.65	0.64	0.79	0.68	0.67	0.76	0.48	0.95	0.44	0.77	0.44	0.40	0.63	0.49	1.19	0.96	0.40	0.95	0.87	
	CAIDI	169	228	143	119	112	167	135	105	99	128	122	110	144	103	125	131	178	188	163	134	156	
Reportable Storms				0	0	0	1	0	0	0	1	1	0	0	0	0	0	0	0	2	0	1	0

**UGI ELECTRIC STATEMENT NO. 5**

**VICKY A. SCHAPPELL**



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Docket No. R-2022-3037368**

**UGI Utilities, Inc. – Electric Division**

**Statement No. 5**

**Direct Testimony of  
Vicky A. Schappell**

**Topics Addressed:      Capital Planning**

Dated: January 27, 2023

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Vicky A. Schappell. My business address is 1 UGI Drive, Denver,  
4 Pennsylvania 17517.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed as Principal Analyst, Capital Planning by UGI Utilities, Inc. (“UGI”). UGI  
8 is a wholly-owned subsidiary of UGI Corporation (“UGI Corp.”). UGI has two operating  
9 divisions, the Electric Division (“UGI Electric” or the “Company”) and the Gas Division  
10 (“UGI Gas”), each of which is a public utility regulated by the Pennsylvania Public Utility  
11 Commission (“Commission” or “PUC”).

12  
13 **Q. Please describe your educational background and work experience.**

14 A. They are set forth in my resume attached as UGI Electric Exhibit VAS-1 to my testimony.

15  
16 **Q. What are your responsibilities as Principal Analyst?**

17 A. As Principal Analyst, I supervise a team of analysts responsible for the preparation of the  
18 annual capital budgets for UGI Gas and UGI Electric. I am responsible for obtaining  
19 budget inputs from various departments including Engineering, Operations, Information  
20 Technology (“IT”), and the Building and Grounds Departments. I collaborate with the  
21 Vice President and General Manager of UGI Electric, Senior Engineering Managers and  
22 the Senior Director Financial Planning and Analysis to monitor annual capital budget  
23 performance and develop strategies to limit variances in capital installations and spending.  
24 I also work closely with the President of UGI Utilities in developing the overall capital

1 spend and in-service strategy. I have prepared schedules and discovery requests for past  
2 rate cases. Also, I am responsible for preparing UGI Electric’s Annual Asset Optimization  
3 Plan. Additionally, I had an integral role in developing an expanded capital spending  
4 monitoring process made necessary by the Company’s accelerated capital investment  
5 programs. This was done through the adoption of PowerPlan, which is an upgraded capital  
6 planning, forecasting and budgeting tool that was implemented in UNITE Phase III-  
7 Enterprise Performance Management and went live in October 2020.

8  
9 **Q. Have you previously presented testimony in proceedings before a regulatory agency?**

10 A. Yes. I previously presented testimony in the 2020 UGI Gas base rate case at Docket No.  
11 R-2019-3015162. I also testified in the 2022 UGI Gas base rate case at Docket No. R-  
12 2021-3030218.

13  
14 **Q. What is the purpose of your testimony?**

15 A. My testimony will address the capital planning process used by UGI Electric, and support  
16 the future test year ending September 30, 2023 (“FTY”) and fully projected future test year  
17 ending September 30, 2024 (“FPFTY” or “FY2024”) plant in service expenditures  
18 included in the proposed rates in this proceeding.

19  
20 **Q. Are you sponsoring any exhibits in this proceeding?**

21 A. Yes, in addition to UGI Electric Exhibit VAS-1, I am sponsoring UGI Electric Exhibit  
22 VAS-2.

1 **II. CAPITAL PLANNING**

2 **Q. What is the total plant in service budget for UGI Electric for the FPFTY that is**  
3 **reflected in the proposed rates?**

4 A. The total budgeted plant additions for UGI Electric for the FPFTY is \$24,665,000.

5  
6 **Q. As an initial matter, are Transmission plant additions excluded from Pennsylvania**  
7 **distribution service rate base for UGI Electric?**

8 A. Yes, they are. The Company identifies projects that only serve a Transmission plant  
9 function as part of its overall capital budgeting process. Projects that are identified as  
10 having solely a Transmission purpose are excluded from the distribution rate base  
11 presented in this proceeding. Some categories of projects support both the distribution and  
12 transmission functions. For these projects, UGI Electric uses an allocation factor to ensure  
13 an appropriate portion of the dollars associated with these General and Common plant  
14 additions are recovered through distribution rates, while the transmission portion is  
15 excluded.

16  
17 **Q. What are the specific project categories included in the capital budget for UGI**  
18 **Electric?**

19 A. UGI Electric has four main categories that make up its capital budgets: (1) replacement  
20 and betterment of infrastructure, which includes transmission, substation and distribution  
21 assets; (2) new business, including expansion of the transmission and distribution system  
22 to support growth; (3) IT; and (4) Other capital spending. I will describe each of these

1 categories and the projects associated with them, as well as the total dollars attributable to  
2 each category, below.

3  
4 **Q. What process does UGI Electric use to develop its capital budget?**

5 A. UGI Electric's capital budget starts by identifying the four critical areas where the  
6 Company must make capital investments in order to maintain safe and reliable service to  
7 customers. For each of these budget areas, the Company then identifies all of the projects  
8 or categories of project that are planned to occur in each year of the two-year forecast.  
9 Once those projects are determined, the Company identifies the FERC accounting  
10 treatment for each project. In this case, the Company presents them as part of the budgeted  
11 plant additions in Exhibit A, Schedule C-2. The process used to develop Exhibit A is  
12 further described in the direct testimony of Tracy A. Hazenstab (UGI Electric Statement  
13 No. 2).

14  
15 **Q. How does Schedule C-2 show plant additions?**

16 A. Schedule C-2 is an accounting presentation based on FERC accounts that does not  
17 separately identify the four budget categories that make up and drive UGI Electric's  
18 Budget. For purposes of developing Schedule C-2, budgeted dollars in each budget  
19 category are broken out by the FERC account numbers that drive the accounting for  
20 depreciation. Schedule C-2 is split between Distribution Plant and General and Common

1 Plant. The General and Common Plant includes only the distribution portion of the plant  
2 additions.

3  
4 **Q. Have you prepared an exhibit that shows how UGI Electric's plant additions are**  
5 **comprised of the budget project categories?**

6 A. Yes, I have. UGI Electric Exhibit VAS-2 reflects the Company's plant additions broken  
7 out by the different project categories for the seven-year period from fiscal year 2018  
8 through fiscal year 2024. The exhibit splits the four budget project categories between  
9 Distribution Plant and General and Common plant, consistent with the categories on  
10 Schedule C-2. In addition, UGI Electric Exhibit VAS-2 shows a historical comparison of  
11 the total budgeted plant placed in service versus actual plant placed in service additions for  
12 the five-year period from fiscal year 2018 through fiscal year 2022. I will describe the  
13 Company's performance history in greater detail later in my testimony.

14  
15 **Q. Please comment on the presentations shown in UGI Electric Exhibit VAS-2 and**  
16 **Schedule C-2.**

17 A. While the total plant in service figures match, there is a difference in the presentation of  
18 how UGI Electric Exhibit VAS-2 and Schedule C-2 present plant additions, and it is  
19 important to understand how these budget presentations align. Specifically, UGI Electric  
20 Exhibit VAS-2 shows how the Company's four individual budget categories constitute the  
21 Company's total Plant Additions and how they map into the Distribution and General and  
22 Common Plant on Schedule C-2. Exhibit VAS-2 shows that three of the four budget  
23 categories that are critical to the Company's business function fall into both of the plant

1 categories when describing the budget by FERC accounts. IT projects are the only budget  
2 category where projects fall exclusively into one FERC plant account – General and  
3 Common plant – when recorded for accounting purposes.

4  
5 **Q. Why is it important to understand the relationship between the Company’s budgeting**  
6 **process and the reflection of the budget in Schedule C-2?**

7 A. When the Company plans for future operations, the Company does not budget using the  
8 FERC accounts and does not have work streams divided in the manner shown in Schedule  
9 C-2. When the Company budgets and then executes on its budget, it first looks at the total  
10 for the budget category, and then examines its overall budgeted projects on a total additions  
11 basis, because its operations and work streams are divided in the same manner to achieve  
12 core utility objectives. Ultimately, the Company’s operations manage to the total overall  
13 budget. As a result of this process, it is more reasonable to review the Distribution and  
14 General and Common plant success together when considering how the Company  
15 performed to its budget, rather than the accounting distinction set forth in Schedule C-2,  
16 which does not directly flow into the Company’s operational objectives. To properly  
17 compare historical budgeted plant additions to actuals for ratemaking purposes, the  
18 Distribution and General and Common plant additions should be reviewed in total.

19  
20 **Q. Turning to the capital budget categories, what are replacement and betterment**  
21 **projects?**

22 A. Replacement and betterment (“R&B”) projects improve or replace existing infrastructure  
23 and make up the majority of projects captured in UGI Electric’s Long Term Infrastructure

1 Improvement Plan (“LTIP”). The Company’s LTIP performance is described in the  
2 direct testimony of Eric W. Sorber (UGI Electric Statement No. 4).

3  
4 **Q. Please describe how the prioritization process is used to evaluate R&B Projects.**

5 A. Projects are prioritized for inclusion in the budget according to the condition of, and risks  
6 associated with, existing assets, including those factors affecting safety and reliability. In  
7 determining the condition of an existing asset, the Company considers various criteria  
8 including, but not limited to age, material, performance, inspection and test results,  
9 obsolescence, and maintenance costs.

10  
11 **Q. How does UGI Electric determine which R&B projects are included in the capital  
12 budget for a given year?**

13 A. UGI Electric’s LTIP guides the formulation of the overall R&B capital budget. Within  
14 the various program categories of the LTIP, R&B projects are selected and prioritized in  
15 the budget under two key designations: condition-based replacements and reliability  
16 enhancements. Condition-based replacements address “aging infrastructure,” such as  
17 poles, transformers, underground primary cable, open wire secondary, and deteriorated or  
18 failed pole mounted equipment (e.g., switches, reclosers and capacitors). Reliability  
19 enhancement projects are targeted towards addressing known reliability issues or  
20 implementing system resiliency strategies. These projects are prioritized based on metrics  
21 such as worst performing feeder circuits and include creation of inter-substation tie-lines  
22 and deployment of distribution automation devices. Additionally, through its  
23 comprehensive inspection and maintenance program, UGI Electric assesses asset



1 conditions, which are used to identify and prioritize maintenance issues or trends. The  
2 information collected is used to schedule projects in a manner that mitigates short-term and  
3 long-term system impacts. The total anticipated budgeted plant additions associated with  
4 R&B projects in the FPFTY is \$15,127,000 and is included in Distribution plant additions.  
5

6 **Q. What are new business projects?**

7 A. New business projects provide new or upgraded electric service to customers and may  
8 involve primary overhead and underground line extensions, new or upgraded transformer  
9 installations, and associated service enhancements.  
10

11 **Q. Please describe how the new business infrastructure projects are selected for  
12 inclusion in the capital budget.**

13 A. The new business portion of the capital budget is developed using historical trends as well  
14 as projections that are informed by known large customers, forecasts of new business  
15 projects, counts of residential developments and associated customers, and general  
16 construction and development trends in the UGI Electric service territory. The final budget  
17 layers in the above components considering construction timing and the level of confidence  
18 in the customer's ability to meet project timelines. The total anticipated budgeted plant  
19 additions associated with new business projects in the FPFTY is \$4,635,000 and is included  
20 in Distribution plant additions.

1 **Q. What are IT projects?**

2 A. IT projects enhance the Company's IT systems in a number of ways. These projects  
3 improve the Company's methods for managing capital projects in a safe and reliable  
4 manner, including computerized systems and hardware/software applications. Further,  
5 these projects facilitate the Company's ability to enter, store, retrieve, and send data and  
6 information related to such projects. In addition, IT projects can address a wide range of  
7 operational concerns or needs, such as cybersecurity, customer communications, and  
8 billing. IT projects reflected in the FPFTY include the purchase of new IT equipment and  
9 servers to be added to the Company's new Data Center as further described below. The  
10 total anticipated budgeted plant additions associated with IT projects in the FPFTY is  
11 \$1,338,000 and these projects are included in General and Common plant additions.

12  
13 **Q. Please describe the prioritization process used to evaluate IT projects.**

14 A. IT projects are prioritized for inclusion in the budget based on identified business needs.  
15 UGI relies on an IT Prioritization Committee to develop a prioritized budget based on  
16 overall business impact, availability of system support, and resource availability.  
17 Examples of IT projects include the Electric Outage Management System that was placed  
18 in service in September 2022. It improved outage response capabilities, provided rate  
19 enhancements to the customer billing system, and upgraded the capital budgeting and  
20 forecasting system. In addition, UGI Electric placed its UNITE Phase III Enterprise Asset  
21 Data Collection project in-service in September 2022. This project focused on the  
22 identification and standardization and capture of asset data information.

1 **Q. What are Other capital projects?**

2 A. Other capital projects include building-related projects, capital tool purchases, and fleet  
3 purchases. Building-related projects consist of building and land purchases, building  
4 improvements/renovations, and the purchase of furniture, including the construction of the  
5 new Data Center as described below. Capital tool projects encompass new tool purchases  
6 for field use during capital projects. These tools include pole saws, wire strippers and test  
7 equipment, safety tools, and lighting equipment. Fleet purchases are needed to maintain a  
8 reliable mode of transportation and related apparatus for field employees to perform their  
9 daily functions. These acquisitions include SUVs, pickup trucks, cargo vans, service body  
10 trucks, bucket trucks, and equipment trailers for poles. The total anticipated budgeted plant  
11 additions associated with other projects in the FPFTY is \$3,565,000 of which \$341,000 is  
12 included in Distribution plant additions and \$3,224,000 is included in General and  
13 Common plant additions.

14  
15 **Q. Please describe the prioritization process used to evaluate Other capital projects.**

16 A. The prioritization process for Other capital projects is specific to the need being addressed.  
17 Building-related projects, such as the new Data Center described below, are prioritized for  
18 inclusion in the budget based on safety, security, regulatory, or financial and strategic  
19 needs. Regulatory driven projects often originate from audit observations. Physical  
20 security audits may prompt the installation of fencing, gates and access controls. Capital  
21 tool projects are prioritized for inclusion in the budget according to the useful life of the  
22 existing assets. Fleet purchases are prioritized for inclusion in the budget based on age,  
23 condition, maintenance costs, and mileage of the existing asset.

1 **Q. Please describe the Company’s plans to construct a new Data Center.**

2 A. The FPFTY includes costs related to a new Data Center that UGI is constructing at the  
3 existing UGI Learning Center property in Reading, Pennsylvania. The new Data Center  
4 will provide adequate IT infrastructure to support the Company’s business functions in a  
5 modern, secure and NERC/CIP<sup>1</sup> -compliant facility. The new Data Center will replace the  
6 existing Data Center located in Reading, Pennsylvania. Due to the age of the existing  
7 facility and the expense associated with renovating the entire building, construction of a  
8 new Data Center on an existing UGI property will best support the above-described IT  
9 goals. The new facility will house the IT infrastructure and will allow the Company to  
10 modernize its IT equipment. In addition, the new facility will provide physical and security  
11 infrastructure enhancements needed to meet UGI Electric’s regulatory requirements and  
12 best practices. The new Data Center was approved by the UGI Corporation Board in  
13 September 2022, a ground-breaking occurred in December 2022, and it has a planned in-  
14 service date of November 2023.

15  
16 **Q. What costs are included in the FPFTY for the new Data Center?**

17 A. The Data Center’s total construction costs to UGI Utilities, Inc. is approximately \$20.3  
18 million. UGI Electric’s portion of these costs is approximately \$1.4 million. The  
19 construction costs are included in the Other capital budget category as a building-related  
20 project. The construction costs are also categorized as General and Common Plant  
21 additions. The Data Center also involves a separate IT project to migrate the critical servers  
22 and applications from the existing location to the new facility. UGI Electric’s portion of

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<sup>1</sup> NERC stands for the “North American Electric Reliability Corporation” and CIP stands for “Critical Infrastructure Protection”.

1 the migration costs is \$631,573 (\$119,032 in FY2023 and \$512,541 million in FY2024).  
2 The migration costs are included in the IT projects budget category. They are also  
3 categorized as General and Common Plant additions.  
4

5 **Q. How do UGI Electric's actual plant additions compare to its budgeted plant additions**  
6 **historically?**

7 A. As shown in UGI Electric Exhibit VAS-2, over the past five years, the Company's total  
8 budgeted plant additions were \$81,962,000, while the total actual plant additions were  
9 \$86,111,000. UGI Electric's plant in service performance surpassed its total budgeted  
10 plant additions by \$4,149,000 over a five-year period.  
11

12 **Q. What data points does UGI Electric use to compare its budgeted plant additions to**  
13 **actuals?**

14 A. Annually, during the Company's capital budget process, which occurs during the  
15 summer/fall, a two-year budget is prepared. The first year of the capital budget is the basis  
16 for the FTY. The second year is a preliminary budget and is the basis for the FPFTY.  
17 During the budget process, project managers estimate the total project costs and budgeted  
18 in-service dates at the project level based on the current data available. These estimated  
19 in-service dates are the basis for the budgeted plant additions as further discussed in the  
20 testimony of UGI Electric witness Vivian K. Ressler (UGI Electric Statement No. 3). As  
21 the Company transitions from one budget year to the next, and the preliminary budget year  
22 becomes the active budget year, the Company makes certain adjustments to its budget for  
23 known and measurable changes in the assumptions about operating conditions that

1 supported the preliminary budget. For example, the Company adjusts its project lists on  
2 an annual basis based on operational demands, such as the need to reprioritize projects  
3 based on emerging service needs or unanticipated equipment condition changes. The  
4 Company may also need to adjust the anticipated in-service dates of projects based on  
5 factors outside its control, such as the impact of supply chain shortages or delayed  
6 manufacture of certain critical parts.

7  
8 **Q. Please explain why it is necessary to compare budgeted plant additions to actual plant**  
9 **additions when determining if the Company's revenue requirement is reasonable.**

10 A. It is important to understand that budgets are not static, as noted above. The Company  
11 conducts ongoing reviews to ensure its budgets are effective to provide customers with safe  
12 and reliable service throughout the year. The Company manages its budgets in total and if  
13 any budget changes are made, the dollars get reallocated between the four main budget  
14 categories, described above, such that the total plant additions align as close as possible to  
15 the total plant addition actuals.

16  
17 **Q. Did you calculate the percentage of plant additions accomplished by the Company**  
18 **during the five-year period reflected in UGI Electric Exhibit VAS-2?**

19 A. Yes, I did. Exhibit VAS-2 compares plant additions placed in service (i.e., actuals) to the  
20 budgeted plant additions between 2018 and 2022. The exhibit provides these figures by  
21 the four above-described budget categories. It also separates them by distribution plant  
22 and general and common plant. Taken together, the distribution and general and common  
23 plant categories calculate total Plant Additions. Finally, the exhibit calculates plant in

1 service as a percent of budget for each year and over the five-year period by dividing  
2 actuals by budgets.

3 Specifically, during this five-year period, the Company's plant additions were  
4 105.1% of its budget. The percentage of plant additions is calculated by dividing the actual  
5 plant additions by the budgeted plant additions (Actual / Forecast). Thus, the Company  
6 has demonstrated that over a five-year period that accounts for both normal operating  
7 conditions and the years impacted by the COVID-19 pandemic, it has a documented history  
8 of meeting its budgeted plant additions. This close correlation between budgeted and  
9 actual plant placed in service over the past five years shows that UGI Electric's budget  
10 process is very effective at identifying its required plant additions, and supports the  
11 Company's claimed level of plant in service in this case.

12  
13 **III. CONCLUSION**

14 **Q. Does this conclude your direct testimony?**

15 **A.** Yes, it does.

**UGI ELECTRIC**

**EXHIBIT VAS-1**



# Vicky A. Schappell

Principal Analyst – Capital Planning

## WORK EXPERIENCE

### UGI Utilities, Inc. (Reading, PA)

Principal Analyst - Capital Planning	January 2020-Present
Senior Analyst - Capital Planning	April 2018-January 2020
Senior Supervisor Plant Accounting	December 2014-April 2018
Senior Analyst - General Ledger	September 2011-December 2014
Analyst II – General Ledger	September 2008-September 2011

### Teleflex Medical (Reading, PA)

Accounting Supervisor	December 2007-September 2008
Senior Accountant – Financial Reporting	March 2003-December 2007
Staff Accountant – Financial Reporting	October 1999-March 2003

### Heffler, Radetich & Saitta, LLP (Philadelphia, PA)

Auditor	May 1997-October 1999
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## Education

B.S. in Accounting, Shippensburg University,  
1997

## Previous Testimony

UGI Gas Base Rate Case	Docket No. R-2019-3015162
UGI Gas Base Rate Case	Docket No. R-2021-3030218

**UGI ELECTRIC**

**EXHIBIT VAS-2**

UGI UTILITIES, INC. - ELECTRIC DISTRIBUTION DIVISION  
Plant Additions Placed in Service Compared to Budget  
\$ amounts in '000s

Historical Performance												
Description	Budget 2022	Actual 2022	Budget 2021	Actual 2021	Budget 2020	Actual 2020	Budget 2019	Actual 2019	Budget 2018	Actual 2018	5 Year Total	
											Budget	Actual
<b>Distribution</b>												
Replacement and Betterment	12,815	13,134	9,026	10,702	10,570	9,538	14,556	16,496	10,950	7,060	57,917	56,929
Growth	2,943	3,576	3,356	2,926	1,534	2,489	2,045	1,793	1,399	1,456	11,277	12,240
Other	411	(172)	-	369	-	7	-	15	-	7	411	225
<b>Subtotal Distribution</b>	<b>16,169</b>	<b>16,537</b>	<b>12,382</b>	<b>13,997</b>	<b>12,104</b>	<b>12,035</b>	<b>16,601</b>	<b>18,304</b>	<b>12,349</b>	<b>8,522</b>	<b>69,605</b>	<b>69,394</b>
<b>General and Common Plant</b>												
Replacement and Betterment	-	286	-	186	-	30	-	2	-	178	-	682
Growth	-	-	-	0	-	86	-	12	-	247	-	345
Other	1,731	2,314	2,730	990	1,040	891	1,050	2,265	954	28	7,505	6,488
IT	929	3,480	997	1,473	1,466	-	1,460	4,249	-	-	4,852	9,202
<b>Subtotal General and Common Plant</b>	<b>2,660</b>	<b>6,080</b>	<b>3,726</b>	<b>2,649</b>	<b>2,507</b>	<b>1,007</b>	<b>2,510</b>	<b>6,528</b>	<b>954</b>	<b>453</b>	<b>12,357</b>	<b>16,717</b>
<b>Total Plant Additions</b>	<b>18,829</b>	<b>22,617</b>	<b>16,108</b>	<b>16,646</b>	<b>14,611</b>	<b>13,042</b>	<b>19,111</b>	<b>24,832</b>	<b>13,303</b>	<b>8,975</b>	<b>81,963</b>	<b>86,111</b>
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
<b>Plant in Service as % of Budget</b>	<b>(2) / (1)</b>	<b>120.1%</b>	<b>(2) / (1)</b>	<b>103.3%</b>	<b>(2) / (1)</b>	<b>89.3%</b>	<b>(2) / (1)</b>	<b>129.9%</b>	<b>(2) / (1)</b>	<b>67.5%</b>	<b>(2) / (1)</b>	<b>105.1%</b>
<b>Forecasted Performance</b>												
Description	FPFTY Budget 2024	FTY Budget 2023										
<b>Distribution</b>												
Replacement and Betterment	15,127	13,762										
Growth	4,635	6,190										
Other	341	71										
<b>Subtotal Distribution</b>	<b>20,103</b>	<b>20,023</b>										
<b>General and Common Plant</b>												
Replacement and Betterment	-	-										
Growth	-	-										
Other	3,224	2,088										
IT	1,338	1,110										
<b>Subtotal General and Common Plant</b>	<b>4,562</b>	<b>3,198</b>										
<b>Total Forecasted Plant Additions</b>	<b>24,665</b>	<b>23,221</b>										